

With-Profits Operating Principles (WPOP)

Report to Defined Charge Participating Sub-Fund Policyholders
of Prudential International Assurance for 2024

Summary

In the opinion of the Prudential International Assurance ('PIA') Board the management of the Defined Charge Participating Sub-Fund ('DCPSF') was consistent with the principles detailed in the With-Profits Operating Principles ('WPOP') over the period 1 January 2024 to 31 December 2024 (inclusive). The PIA Head of Actuarial Function provided a report to the PIA Board which supports this opinion with no exceptions.

The following pages set out the PIA Board's reasons for its opinion stated above.

1. Introduction

Insurance companies supervised by the Central Bank of Ireland are required to prepare a With-Profits Operating Principles ("WPOP") document setting out the principles and enduring standards adopted in all aspects of the management of its With-Profits portfolios. The Prudential International Assurance plc Board of Directors ("PIA Board") is responsible for the content of the WPOP. The WPOP is available on the PIA website:

mandg.com/pru/prudential-international-hub/financial-report

The Defined Charge

The Defined Charge Participating Sub-Fund ("DCPSF") is owned and managed by The Prudential Assurance Company Limited ("PAC") and the way the DCPSF is managed is described in the PAC Principles and Practices of Financial Management ("PPFM") document. The PPFM is a technical document that describes in detail how the DCPSF is managed and can be found on the PAC website: mandg.com/pru/customer/en-gb/funds/ppfm.

PIA policyholders may ultimately be invested in the DCPSF via the following:

Unitised With-Profits ("UWP")

- Investment into the PAC With-Profits funds; investment is granted using either the Prudential International Investment Bond ("PIIB") or the International Prudence Bond ("IPB") products.

PruFund

- Investment into the PruFund Range of Funds; the International Portfolio Bond, PIIB and IPB products may be invested in the PruFund Range of Funds.

The Central Bank of Ireland regulations require the PIA Board to produce a written report on the consistency of the management of the DCPSF with the principles in the WPOP. This report is produced annually and is available on the **PIA website**, within six months of the end of the financial year. Alternatively, a copy can be provided upon request by email or by post.

In the opinion of the PIA Board the management of the DCPSF was consistent with the principles detailed in the WPOP over the period 1 January 2024 to 31 December 2024 (inclusive). The PIA Head of Actuarial Function provided a report to the PIA Board which supports this opinion with no exceptions.

Under UK Regulation, the PAC Board must also report annually in writing to its with-profits policyholders on compliance with PAC's obligations relating to its PPFM. In the opinion of the PAC Board, PAC has complied with its obligations in relation to the PPFM over the period 1 January 2024 to 31 December 2024 (inclusive). The report is available on the **PAC website**.

2. Determining Pay-out Values, bonuses, profit sharing and smoothing

Bonus rates for UWP

The bonus rates were set following the approach set out in the WPOP. Bonus declarations covering regular and final bonuses were made on 27 February 2024 and 27 February 2025.

The 2024 and 2025 bonus declarations were reviewed by both the PAC With-Profits Actuary ("WPA") and the PAC With-Profits Committee ("WPC") prior to being approved by the PAC Board. For each bonus declaration, the PAC Board was supplied with sufficient information for it to be comfortable that the declaration was consistent with the requirements of the PPFM.

Smoothing

The smoothing process was in line with the approach set out in the WPOP for the UWP business.

The DCPSF business is managed with the aim of ensuring that maturity and surrender pay-outs for at least 90% of with-profits policies fall within the target range set of 80%-120% of asset share. This allows a reasonable degree of flexibility to smooth returns in periods of market volatility, and provide more stability in pay-outs. It also provides greater certainty to policyholders and minimises the risk of customers not receiving their fair share of the fund return, or of receiving payments which are more than the fund can afford and to the detriment of the remaining policyholders.

PruFund investments are subject to separate smoothing constraints where the automatic smoothing mechanism ensures that almost all claims will fall within 10% of the underlying value of assets.

PruFund range of Funds

The setting of PruFund Expected Growth Rate's ("EGR") and the smoothing process were in line with the approach set out in the WPOP.

Policies invested in the PruFund range of Funds participate in profits via an increase in the unit price of the selected Fund at the relevant EGR subject to adjustments when the unit price moves outside specified limits. EGRs were reviewed quarterly during February, May, August and November 2024 by the PAC Board following consultation with the WPA. The WPC is also informed of the EGRs declared. No UPAs were triggered during 2024 across UK funds. UPAs were triggered during 2024 across some overseas funds; further information on the funds and size of adjustments is available at: mandg.com/pru/customer/en-gb/funds/investment-fund-range/prufund/prufund-range

As set out in the WPOP, a unit price reset and/or temporary suspension of smoothing are discretionary actions available to the PAC Board, if required, to manage smoothing profits or losses; or to protect PAC's With-Profits Fund and the interests of all with-profits policyholders. During 2024 there were no unit price resets required, and smoothing was not suspended.

3. Leaving the DCPSF

Surrender values were determined in line with the approach detailed in the WPOP.

Surrender values and Market Value Reductions (MVRs) were monitored during 2024 to ensure that they remained appropriate. No change was made to the MVR policy during 2024 however market conditions are regularly monitored and surrender and/or MVR practice can change at any time without prior notice.

4. The Investment Strategy of the DCPSF

The investment strategy of the DCPSF and the management of investment risk was in line with the approach detailed in the WPOP. The investment strategy is regularly monitored by PAC and PIA were provided with details of the strategy and rationale behind it. Any proposals for changes in investment strategy are put before the PAC Board for approval.

The PAC Board and WPC continue to keep investment strategy under review to ensure that the with-profits funds continue to achieve an appropriate balance between risk and return while maintaining adequate diversification and ensuring the protection of policyholders' interest.

Information on the current investment strategies can be found at pru.co.uk/ppfm, section 2 and section I ('I Responsible Investment and Sustainability in the With – Profits Fund') within the PPFM.

5. The Risks which may affect DCPSF Policyholders

The business risks were managed following the approach detailed in the WPOP.

The PAC Board continually monitors the business risks and approves any management actions required to protect the security of the with-profits funds and limit any adverse impact on with-profits policies. This continued to be the case during 2024.

The PIA approach to managing its business risks is detailed in section B.3 of the PIA SFCR which is available on our website:

mandg.com/pru/prudential-international-hub/en-gb/financial-report

6. Charges and Expenses

The charges and expenses for DCPSF business were in line with the approach in the WPOP.

The charges on DCPSF business were not amended during 2024.

7. The Inherited Estate

The inherited estate of a with-profits fund is the amount of money in a with-profits fund in excess of the amounts that a company expects to pay out to meet its obligations to existing policyholders. The DCPSF does not have an inherited estate, rather it benefits from the use of the inherited estate that has built up in PAC's With-Profit Sub-Fund ("WPSF"). This is a different with-profits subfund which is owned by PAC.

The management of the Inherited Estate was in line with the approach in the WPOP.

In its financial management of the WPSF, the PAC Board considers the financial position of the inherited estate.

A number of separate asset pools are maintained within the WPSF. There are separate asset pools for the assets backing asset shares and those backing the inherited estate. This enables the inherited estate to follow a different investment strategy to that for the assets supporting asset shares in order to help meet guarantees and maintain regulatory solvency in adverse market conditions.

Currently the assets backing the inherited estate are mainly invested in a range of fixed interest securities and cash. There was no change in this investment strategy over 2024.

8. Equity Between Policyholders invested in the DCPSF and Shareholders

The approach to balancing any conflicts of interest between different generations and types of policyholder invested in the DCPSF, and between those policyholders and shareholders was in line with the approach in the WPOP. Section 6 of this report covers charges and expenses.

Bonus rates, smoothing and MVRs are covered in sections 2 and 3 of this report.

9. Volumes of New Business and Closing to New Business

The management of new business into the DCPSF was in line with the approach in the WPOP.

PAC sets limits on the capital available to support new business, and the terms on which new business is written, to ensure new sales do not adversely affect existing withprofits policyholders. The new business written during 2024 stayed within the allocated capital budget.

The terms on which new business was written in 2024 met PAC's guidelines to ensure that new business did not adversely affect existing with-profits policyholders.

These guidelines are regularly reviewed and are an area in which PAC exercises discretion and the WPC are actively involved. In addition, shareholders currently pay a subsidy to cover any shortfall in the costs of providing certain guarantees in excess of charges taken.

PAC currently has no intention to close the WPSF or the DCPSF to new business, and had no such intention during the period.

10. Changes to the WPOP

There were no changes to the DCPSF WPOP during 2024.

11. Further Information

Further information can be found in your contract conditions and also in the WPOP and PPFM. The WPOP is available on the **PIA website**. The PPFM can be found on the **PAC website**.

www.pru.co.uk/international

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