Prudential

Independent Governance Committee

Annual Report 2024

Chair's Introduction

I am happy to present the 2024 report of the Independent Governance Committee of Prudential Assurance, and my second report as Chair of the Committee. I would like to thank all the members of the IGC for their work during the year and the Prudential staff who have supported the work of the Committee.

The main role of the Committee is to assess and challenge Prudential in relation to providing value for money (VfM) for you, the customer, from your pension policies. We oversee the Company's performance on an on-going basis and each year we set out our findings in an Annual Report.

During 2024, the Financial Conduct Authority (FCA) published a consultation document covering many aspects of the work of IGCs and this document set out a roadmap for some proposed changes to how IGCs should assess VfM. While the precise shape of the new approach has not yet been established, the FCA document has guided our thinking in relation to how we assess VfM for Prudential customers. This has led to an evolution of the framework that we apply and you will see that reflected in this report.

The criteria we now use for assessing VfM are as follows:-

- The Costs and Charges under your policies
- Investment performance
- Customer Service and Administration
- Customer Communications and Engagement

The following section summarises our assessment of VfM across these dimensions and the main body of the report sets out the detailed analysis supporting these conclusions.

You can find out more about **how we assess Value for Money** and our framework in the Appendix of this document.

In summary, the IGC considers that you have received value for money from your products but the amber rating we have applied indicates that there is considerable improvement required in certain areas to ensure sustainable VfM into the future.

The IGC is comfortable that the building blocks are in place to support this sustainable improvement.

Pat Healy
Chair of the Independent Governance Committee

The Members of the IGC

Pat Healy

Pat is an actuary and a former President of the Society of Actuaries in Ireland. He has many years' experience of life assurance, pensions and investments through leadership roles with the AXA Group and other leading financial services firms.

Pat is an independent director of Mercer Ireland Ltd and AXA Global Health (EU) Ltd. He was formerly Chair of New Ireland Assurance Company and Chair of the Trustee Board of the AXA Ireland Pension Scheme. He also served on the Personal Injuries Assessment Board that contributed to the transformation of personal injuries settlement in Ireland.

Pat has been a member of the IGC since April 2020 and was appointed Chairman in September 2023

Paul Bucksey

Paul is passionate about helping individuals build wealth via the workplace and spent more than 20 years working for some of the UK's leading workplace pension providers. Up until December 2024 he was Chief Investment Officer of the Smart Pension Master Trust, where he also chaired the Scheme Strategist. He joined the Smart Pension Master Trust Board in June 2025.

Before joining Smart Pension in 2019, Paul was a Managing Director at BlackRock (and subsequently Aegon), leading their UK defined contribution workplace pension business. He has also held senior positions at Fidelity International, AXA and PwC.

Mary Kerrigan

Mary is an experienced investment professional, having previously been a senior consultant and partner with Willis Towers Watson. She is a qualified actuary with over 25 years' experience in the global investment and pensions industry.

Mary is a Non-Executive Director of Just Retirement Ltd, Partnership Assurance Ltd, New Ireland Assurance Company and Aegon Asset Management (UK) Ltd. She is also a Trustee of the London Irish Centre Charity. Mary is an expert on helping design, implement and monitor suitable investment strategies for your pension pot.

Gareth Douglas

Gareth has over 20 years of experience in running large organisations that provide services to a diverse set of customers. Gareth has been with M&G for 6 years and is the Head of Data, MI & AI in M&G. He is passionate about delivering service to be proud of. Gareth has used his experience in management of operations, data & analytics, planning and combined this with the voice of customer to identify where and how we drive improvements.

Prior to joining M&G Gareth worked at British Telecom where he was responsible for the operational planning, data and reporting for a workforce of around 20,000 engineers visiting both residential and commercial premises

Gareth McQuillan

Gareth joined Prudential International Assurance (a subsidiary of M&G Group based in Dublin) in 2021, and is currently its Finance Director/CFO. He has over 30 years' experience in the design, implementation and management of pension, investment and long-term savings products, and of customer service and communications.

Prior to joining M&G plc Gareth worked in senior management roles in a number of European insurers including Aegon, Aviva and AXA. He is a qualified actuary, and currently serves as Council member of the Society of Actuaries in Ireland.

Value for money (Vfm) assessment

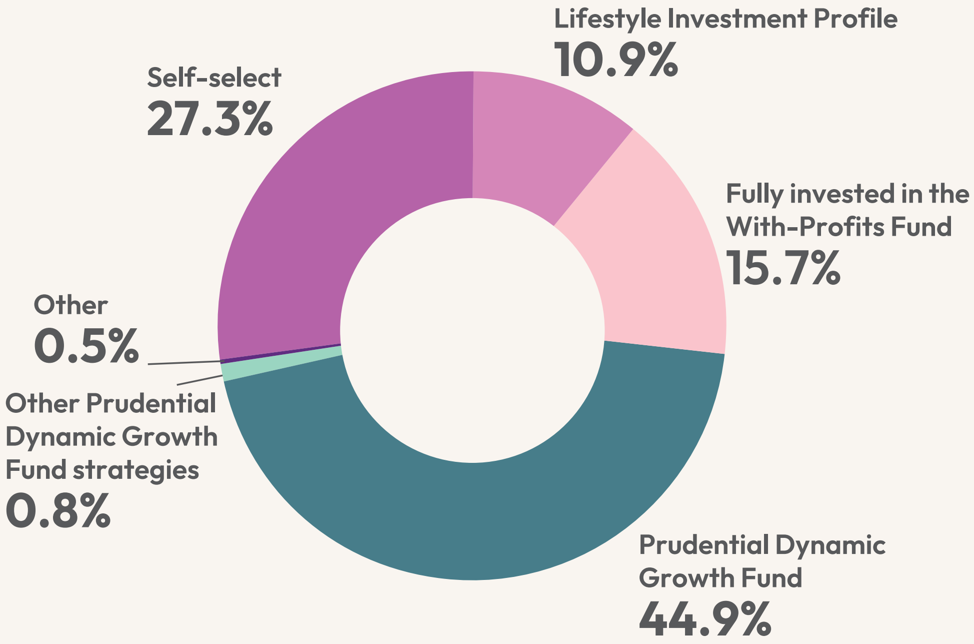
Value for Money Assessment-Workplace Pensions	2024 Rating	Commentary:
Overall Value for Money Assessment	**Amber**	As set out below and in more detail in the report, Prudential is broadly in line with peers in relation to costs and charges and it has improved its performance in communications and engagement. We rate these dimensions as green. Clearly investment performance and service quality are very important components of the overall VfM proposition and with both of these rated as amber, the IGC's overall VfM assessment is amber.
Costs and Charges	**Green**	The IGC is comfortable that the costs and charges applied by Prudential are broadly fair, are in line with market practice and with peer companies and are consistent with providing value for money. In some instances, Prudential's charges are higher than competitors but this is usually due to enhanced product features. The IGC believes that customers would benefit from a higher cost allocation to investment and lower charges for administration and we continue to press Prudential on this. Overall, we rate costs and charges as green.
Investment Performance and the Investment Offering	**Amber**	Based on external benchmarking, Prudential's investment offering is one of the most diverse available in the market with an exposure to real assets and a high degree of diversification in its main default funds. The IGC believes that these features will enhance long-term performance. In 2024, investment performance relative to benchmark has been generally satisfactory, however, performance relative to peer workplace pension defaults has been poor and returns relative to inflation have also been poor over the last five years. These matters are discussed in detail in the Investment section of this report and have led to an amber VfM assessment for investments.
Customer Service	**Amber**	Prudential's customer service proposition has been improving over the last three years since the IGC applied a red rating in 2022. However, service performance and consequentially customer satisfaction levels slipped in the middle quarters of 2024 to an unsatisfactory level. There was a marked improvement in the last quarter which has so far been sustained into 2025. Prudential's failure to maintain a satisfactory level of service throughout the entirety of 2024 has resulted in an amber rating.
Customer Communications and Engagement	**Green**	Prudential has made good progress on customer communications and customer engagement has seen improvements. The IGC is comfortable with a green rating for this dimension.

Customers the IGC are responsible for:

- Funds under Management: **£4.99bn**
- **11%** of customers are actively contributing, with £1bn of their funds under management
- Number of Customers: **169K**
- Number of policies: **204K**
- **£939m** of customers investment is in the Prudential With-Profits Fund
- **44.9%** of customers are using the default investment strategy

(Data as of end Dec 2024)

Where customers are invested



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Value for money criteria

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1. Costs and Charges

Introduction:

The IGC's primary role is to assess and challenge the Value for Money that customers get from their pension products provided by Prudential. The costs and charges associated with your pension policies are an important element in assessing value for money. In this section, we will consider whether the charges meet regulatory requirements, how they compare with charges levied by other providers and whether we believe they contribute to delivering value for customers.

The IGC monitors all the costs and charges applied to your products including annual management charges and transaction costs. In addition, the IGC is required by the FCA to benchmark Prudential's charges against other providers in order to assess whether comparable schemes benefit from lower charges. The IGC's findings on these matters are set out in the following paragraphs.

Rules on publishing and disclosing costs and charges:

The FCA has had rules in place since 2020 in relation to the disclosing and publishing of costs and charges for workplace pension scheme customers. We are happy to report that Prudential continues to fully meet these requirements and the relevant information is available to you **here**.

Benchmarking of costs and charges:

Previously we reported in some detail on the further steps the FCA has taken in relation to benchmarking of pension charges against other providers' schemes. The IGC, together with Prudential, participates in an annual study carried out by Redington, an independent consulting firm, to perform this detailed benchmarking against a range of other pension providers' offerings. This study compares the charges on schemes of similar size across the market.

The conclusions from the most recent study for 2024 are similar to previous years and are as follows:-

- More than half of Prudential policyholders are in charge bands 0.30% to 0.50% which is a broadly similar pattern to most other providers. This means that these customers are charged between £3 and £5 per £1,000 of fund value per annum.
- Prudential does not have any customers in the lowest charge band (0% to 0.30%) whereas many of the other participants in the study do. Larger schemes within the Prudential book appear to be charged slightly higher vs the larger schemes of others within the study.
- Prudential has a larger percentage of schemes in the higher charge bands but these only account for a small number of policyholders.

Annual management charges:

Based on the data provided and on the results of the benchmarking study, the IGC is satisfied that the annual management charges remain appropriate and, with the exception of a number of notifiable events referenced below, the charges for default funds are within the charge cap.

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Notifiable Events:

As part of the annual charge-cap attestation process, Prudential has identified and brought to the IGC's attention, a small number of breaches of the charge-cap. The bulk of these occurred as a result of the asset switch into the Prudential Dynamic Growth Fund V. The Company failed to update the charges correctly in respect of 7 schemes. Work is underway to identify and rectify the position for any customers impacted by this error. In addition, one customer was found not to be receiving an appropriate discount to remain below the charge-cap. The IGC will monitor the process of rectifying the position for these customers.

Transaction charges:

Transaction charges (also known as Transaction Costs) occur when investments in customer funds are purchased or sold. They vary from fund to fund depending on the nature of the underlying assets and on the level of activity that is required. The IGC receives and reviews comprehensive annual reports on the transaction charges applied to all funds in scope. In the vast majority of cases transaction charges are low and the IGC is satisfied that they are completely appropriate. Any deviations are challenged by the IGC and we are satisfied with the appropriateness following discussions with Prudential.

It is worth noting that many customers in the growth phase of pension accumulation (more than 15 years from retirement) experienced a small one-off increase in transaction costs in 2024 as Prudential implemented a positive change in the fund structure resulting in an increase in exposure to growth assets. This change in the investment profile is described in the following section on Investments and has been strongly welcomed by the IGC.

Breakdown of charges for investment and administration:

In addition to the overall level of charges, the IGC has focused during the year under review on the amount of the charge allocated to investment costs as compared to administrative costs. The IGC believes that certain changes to the investment strategy could benefit customers in the long run but such a reallocation would result in higher investment charges. The IGC continues to press Prudential to reduce administrative costs in order to provide for a higher allocation of charges to investments that would enhance overall returns and value for money for customers. The IGC continues to work with Prudential towards this objective.

FCA Consultation on Value for Money:

We referred earlier in this report to the FCA's consultation process on value for money (FCA 24/16). The FCA is proposing to mandate additional disclosure on the breakdown of costs and charges between administration and investment expenses. In our response to the consultation, the IGC welcomed this initiative as we believe it would bring more pressure on providers to reduce administration costs and potentially allow for the higher charges associated with improved investment solutions.

Conclusion:

The IGC is comfortable that the costs and charges applied by Prudential to workplace pension customers are broadly fair, are in line with market practice and are consistent with providing value for money. However, we would like to see lower charges for administration which would potentially facilitate higher charges for an enhanced investment offering.

2. Investments

A key objective of the Independent Governance Committee (IGC) is to assess whether Prudential provides value for money for its customers. From an investment perspective, as in previous years the IGC continues to assess the investment performance of the funds in which customers are invested relative to individual fund benchmarks, accounting for the level of investment risk taken and the amount of fees charged. We also look at performance relative to the Consumer Price Index (CPI), relevant benchmarks and, consistent with the recent consultation from the FCA, relevant industry comparators. The performance metrics analysed over a 1, 3 and 5-year period are:

- How much each fund has grown compared to its target (Fund net return vs fund benchmark).
- How it compares to cash savings and inflation (Fund net return vs cash returns and Fund net return vs UK CPI).
- How it ranks against similar funds from other companies (Quartile ranking within ABI sector).
- How the funds are performing in real terms, ie against inflation.

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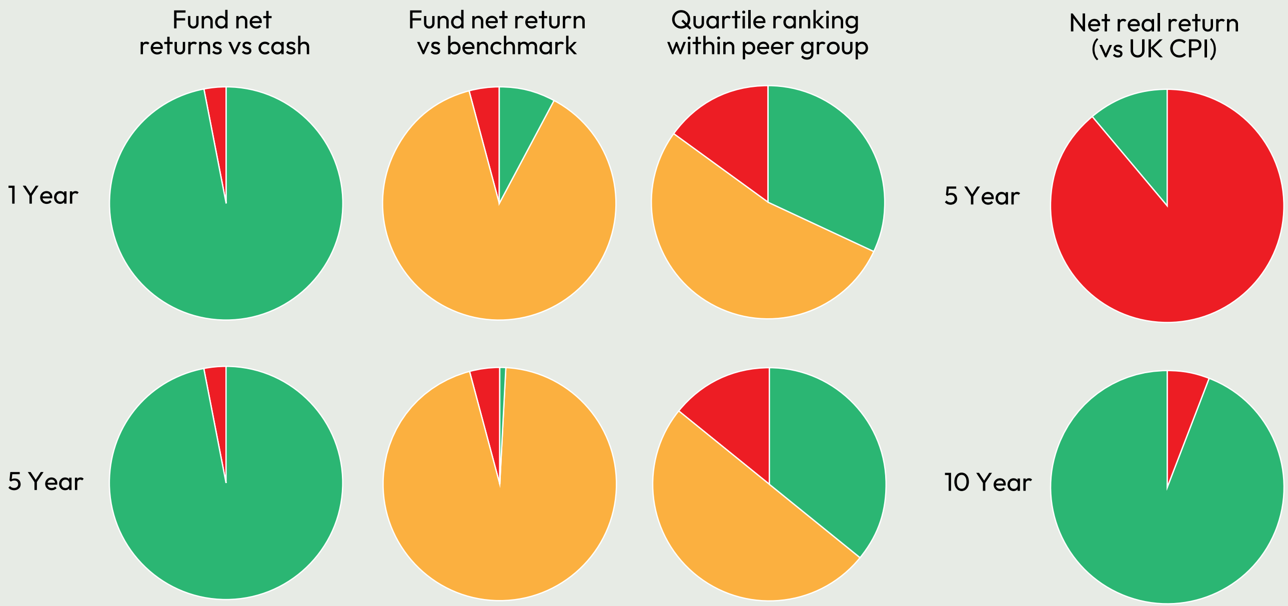
Key investment performance

Each fund gets a rating of Red, Amber, or Green to show how well it's doing:

- **Green** = doing well
- **Amber** = acceptable, but could be better
- **Red** = needs improvement

A summary of the key investment performance criteria for the 1-year and 5-year periods to 31 December 2024 is set out in the pie charts below.

Note: These investment performance charts are an aggregated assessment of all funds available to IGC customers, weighted by % of Assets Under Management. The rating can differ depending on which asset class the fund belongs to.



Following positive low single digit returns for most customers' investments in 2023, the Prudential funds saw continued growth in 2024, particularly in the growth-oriented funds. The main growth fund, PDG V, grew before charges, by 9.5% over the year and by 5.2% p.a. over 5 years.

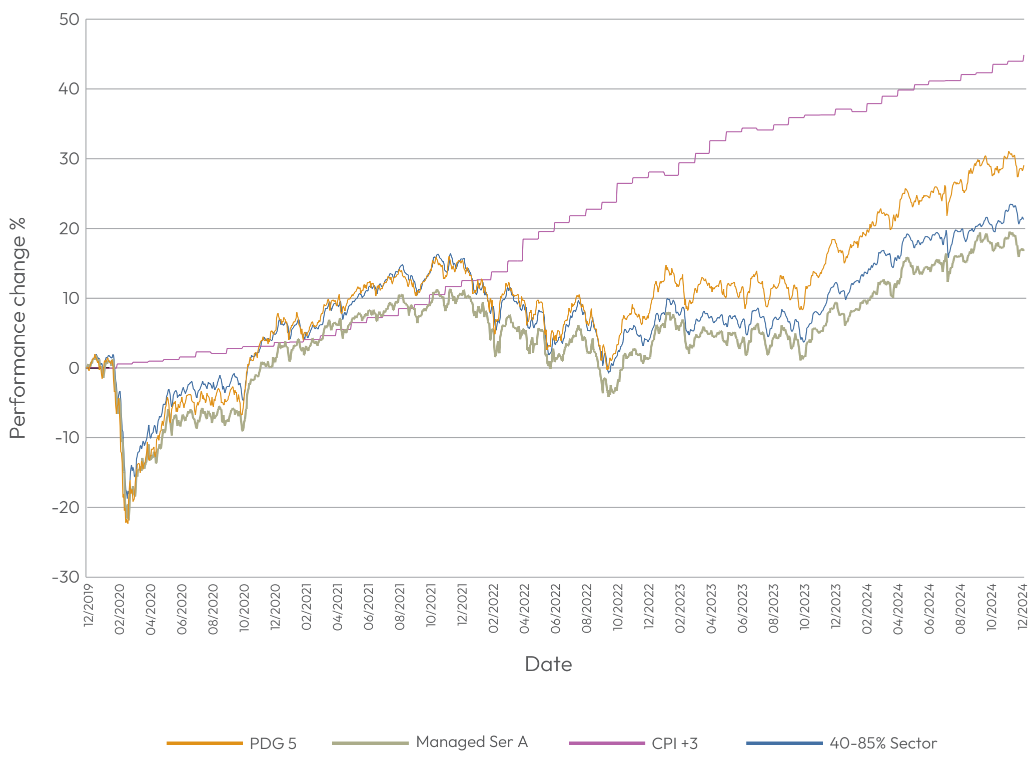
Although most funds are delivering returns, after charges (net), broadly in line with their benchmarks (demonstrated by the amber colour) the IGC would like to see performance improve to increase the number of funds performing in excess of their benchmarks. Similarly, we would like to see the performance of funds relative to their respective peer groups improve as a large proportion of funds are currently ranked in the third ABI quartile relative to their peer groups (again demonstrated by the amber colour above). An ABI Quartile Ranking, shows how the fund is performing compared to the others. 1st is best, and 4th is the lowest.

Prudential's recent relative performance has been impacted by the strong growth in equity (share) markets in 2024 where they have a lower amount invested compared to peers. Equity markets experienced volatility over the year as much of the growth was generated by a small number of technology companies in the US. Prudential aim to spread the risk in their funds across many assets/regions. During 2024 Government bonds had a more difficult time demonstrating prolonged volatility and negative returns over the year.

The IGC is also focused on returns relative to cash and inflation. Although we have seen sustained higher cash returns in 2024 it is pleasing to see the majority of funds have outperformed cash. The UK and other global economies continue to experience a sustained period of higher inflation affecting the shorter-term five-year period.

The chart to the right shows how much the funds grew over five years and how much their value went up and down. It compares Prudential's growth funds (PDG V and Managed), with the relevant sector average (ABI Mixed Investment for other multi-asset funds and compares these to the target growth level to exceed UK inflation, which is the UK Consumer Price Index (CPI) + 3%. This also shows that a majority of funds (shown in the ABI Mixed Investment line) have not kept pace with inflation over the 5 years. However, over the ten-year period the majority of funds have achieved returns in excess of CPI.

Fund Performance Over Time vs. Target Growth Level



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How Prudential's PDG V Growth Fund compares

We looked at how Prudential's main growth fund (PDG V) performed over 1, 3, and 5 years, comparing it to similar funds available to workplace pension customers from these companies: Aviva; AEGON; Royal London; Scottish Widows; and Standard Life to calculate a peer average*. The table below shows the following measures:

- Annualised gross performance (how much the fund grew before charges on a yearly basis)
- Annualised volatility (how much the value moved up and down on a yearly basis)

	Annualised Gross Performance (% pa)			Annualised Volatility (% pa)		
	1yr	3yr	5yr	1yr	3yr	5yr
Peer average default fund*	14.0	5.3	6.6	5.0	8.6	10.5
Prudential Dynamic Growth V	9.5	3.8	5.2	4.6	8.1	11.4

SOURCE: Financial Express
*Note – The performance above does not include any fees or charges

What we found:

- Prudential's PDG V fund grew materially less than the peer average of the other funds.
- It had slightly fewer ups and downs over 1 and 3 years, but more over 5 years.

There are two main reasons for this underperformance. The peer default funds tend to have more investment in equities than Prudential and within that equity exposure the peer funds have considerably more exposure to the US equity market. This strategy disadvantaged Prudential in 2024. It is a deliberate policy of Prudential to maintain a broader geographical spread and Prudential believes that this is a better long term risk/reward strategy. It does appear that in the first half of 2025 Prudential will have benefitted from its strategy.

The IGC continues to monitor the strategy closely and is in regular contact with the Company on its strategic approach. As stated elsewhere in the report, the introduction of PDGV within the default strategy has resulted in increased equity weightings during the growth phase.

Further details on investment performance at different points along the lifestyle journey are provided in the Appendix.

Prudential With-Profits

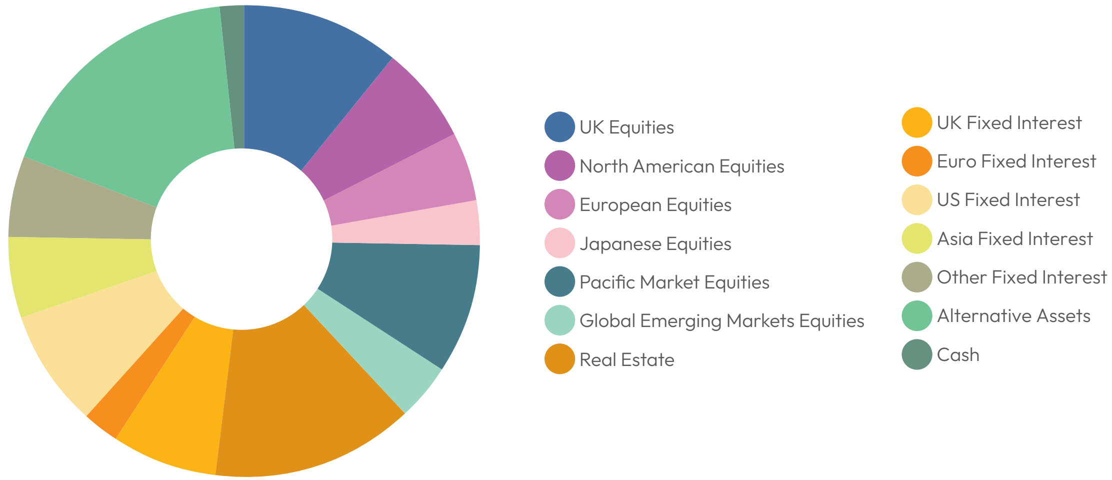
Around £1 billion of customer funds in the IGC's remit are invested in the Prudential With-Profits Fund.

It is a diversified investment as shown in the pie chart below, showing the various investments and the coverage across the globe.

For investments in the With-Profits Fund, the value of the policy depends on how much profit the fund makes and how Prudential decide to distribute that profit. Policyholders receive a distribution of profits by means of bonuses, or other methods as specified in the relevant policy documentation. There are two types of bonus, regular (or reversionary) and final (or terminal) bonus (which is not guaranteed).

It is designed to be more resilient in turbulent markets and returned, before charges, 7.8% during 2024. The longer-term results are also strong, averaging an annual growth of 5.4% over 5 years. The returns include both regular and final bonuses added to a benefit paid at normal retirement date, but make no allowance for any applicable initial charges, allocation rates or early cash in charges (explicit charges).

Fund breakdown



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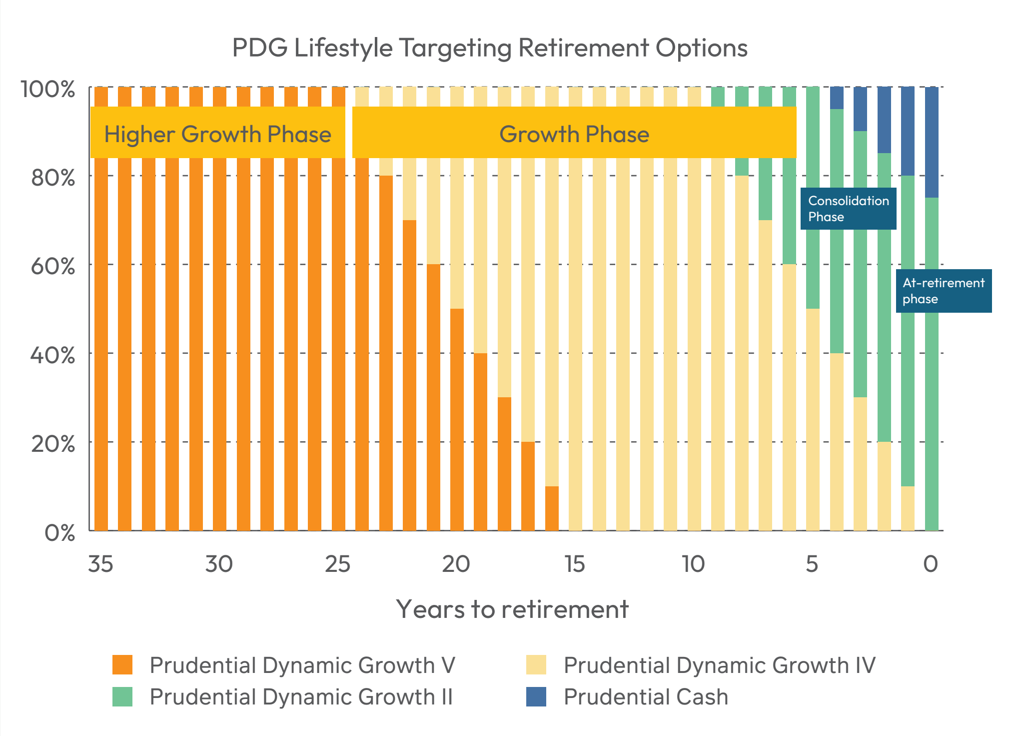
Investment strategy

The IGC's remit also extends to assessing whether default strategies are designed and executed in the interest of the customers. In this year's report we have provided an overview of the 'Lifestyling' approach utilised by Prudential in the design of its default funds.

Lifestyling gradually moves customers' assets from the 'Growth Phase' when they are invested in higher-risk funds (e.g., funds with a higher allocation to equities) through to the 'Defensive Phase' when they are invested in lower-risk funds (e.g., funds with a higher allocation to bonds and cash) as retirement approaches. In the early years customers can take more risks to benefit from potentially higher returns whilst being early enough in their journey to recoup any losses due to market downturns. Derisking as a customer progresses through the journey aims to reduce the short-term impact of falls in values that could happen due to market shocks.

The chart to the right illustrates how the main Prudential Dynamic Growth (PDG) Lifestyle Targeting Retirement Options works. Customers' funds are invested in higher risk multi-asset funds (PDG V) in the early years and gradually move into lower risk multi-asset funds (PDG IV, PDG II) as their journey progresses before finally being invested in cash and the lowest risk fund (PDG II) at retirement.

The Prudential lifestyle strategies are designed to help grow pension savings in a way that manages risk.



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Managing risk with performance

The table here shows how the PDG multi-asset funds used in the PDG lifestyle strategies aim to strike the right balance between risk and potential returns, dependent upon which phase the customer is at in the retirement journey.

This table compares three different investment funds used in the Prudential Dynamic Growth (PDG) Lifestyle strategies. It looks at how much they grew and the risk taken to achieve that growth over five years (from 31 December 2019 to 31 December 2024).

	Annualised Volatility (%)	Annualised Performance (%)
Prudential Dynamic Growth II Pension	8.5	2.75
Prudential Dynamic Growth IV Pension	10.19	4.2
Prudential Dynamic Growth V Pension	11.36	5.24

SOURCE: Financial Express
Please note: The returns shown in the chart are before any charges are taken and are an annual return.

Ongoing review focusing on customers' outcomes

As noted above, the IGC is keen to see improvement in the relative performance of the default funds and continually engages with Prudential on the design and investment strategy of the funds. The IGC has encouraged Prudential to seek more growth for longer in its lifestyle strategies and we welcome the changes that are set out below. Prudential periodically reviews the investment strategy of the default funds, with the methodology used to conduct these reviews focusing on four key customer outcomes:

- Right solution
- Clear, timely and relevant information
- Good value
- Trusted provider

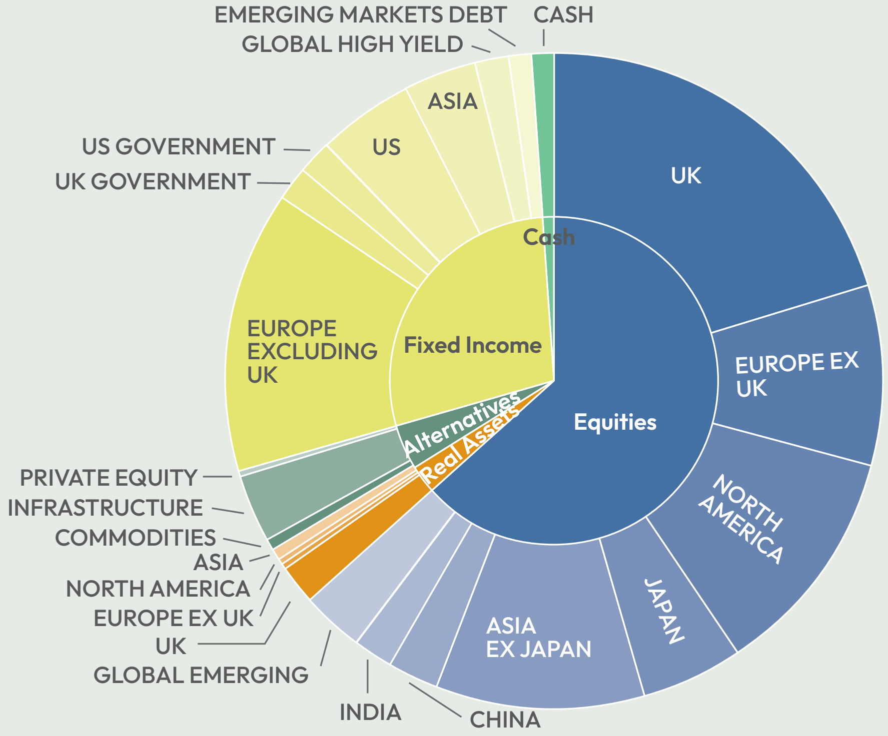
The most recent reviews concluded that the lifestyle strategies remained broadly appropriate whilst identifying actions to further improve the proposition and customer outcomes. The next review is due later this year.

In recent years, following discussion with the IGC, changes have been made to improve the investment strategy for the key default funds:

2023: Added more types of investments into the underlying funds (called real assets) to help spread risk and improve results, especially during times when markets are uncertain or inflation is high.

2024: Added a higher-risk fund (PDG V) at the start of the lifestyle journey. This could help a customer's pension grow more in the early years, when there's time to recover from any ups and downs.

Prudential are also changing their approach to investment in company shares by moving to funds that give more consideration to Environmental, Social and Governance issues (ESG). These new funds are managed by BlackRock, and the changes are being made over time to keep the cost of the transition low. The section 5 – Environmental, Social & Governance goes into some more detail on Prudential's and the Committee's position on ESG.



The chart above demonstrates the diversification of the main default growth fund, PDG V as at 31 December 2024.

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In addition to the internal reviews above, Prudential and the IGC participate in an industry benchmarking study which provides an external assessment of the investment strategy of the key default funds relative to a number of comparators in the industry. Their findings for 2024 highlighted that as the IGC have noted above, Prudential funds have experienced lower returns in the ‘growth’ and ‘at-retirement’ phases relative to other participants. However, the Prudential funds have had correspondingly lower volatility levels. The benchmarking study also highlighted that Prudential was the only provider to have allocations to both infrastructure and private equity within the workplace default arrangement and has one of the most diversified portfolios in the group. The IGC acknowledge the lower risk approach adopted by Prudential in its management of the default funds.

Conclusion

In summary, the IGC is comfortable with the direction that Prudential has adopted in its investment strategy in recent years. In particular, we welcome the higher equity weighting in the growth phase of the main Lifestyle strategy and we strongly welcome the innovative move into real assets in the default strategy. We would like to see a higher exposure to real assets but we understand the cost implications of this approach. We would also continue to challenge Prudential on the optimal global equity strategy.

Investment performance has been broadly in line with agreed benchmarks but it has been poor relative to peer default funds. We continue to challenge Prudential on this performance gap as it is clearly a hugely important component of value for money.

We therefore conclude with an amber rating on Investments.

3. Customer service and administration

From a customer service perspective, the IGC's principal concern is that your pension savings are administered effectively and that core financial transactions are processed quickly and correctly. But we also look at other important aspects of administration, for example service quality, how satisfied you are with the service you have received and how your data is protected.

Summary:

Our overall rating for the year is Amber. Building on the upward trend seen over the past several years, core transaction service performance and customer satisfaction levels for the year as a whole improved in 2024 versus 2023. Particular improvements were made in reducing the time taken to resolve customer complaints. Unfortunately, average call wait times increased when compared to 2023. In last year's annual report we noted that service performance had continued to improve into the first part of 2024. Regrettably, this improvement fell away subsequently, meaning that the service delivered over the spring and summer was not at an acceptable level. As a result, we engaged with the company's board, challenging Prudential hard to drive a recovery and ensure greater consistency going forward. We were pleased to see a positive response from the company and an improvement in service through the second half of the year, with further improvements during the first several months of 2025.

Customer satisfaction (CSat) levels also improved versus 2023, although they remain below the target level set by the Company.

Service performance:

The Company outsources administration to an external specialist provider. It has put in place strong oversight and governance along with contractual service requirements that cover performance levels and customer satisfaction. Service delivery performance is reviewed on a weekly basis.

Service level agreements (SLAs) have been set for core transaction processes, such as investing your contributions, processing an investment switch or a transfer in. Unlike many pension providers who 'stop the clock' every time they require further information from you or a third party, the Company sets its SLAs on an end-to-end basis, which we agree is a more meaningful way to measure performance and customer experience.

Overall, if call answering is excluded, service SLAs were met during 2024.

Redington again noted that the most difficult area to benchmark pension providers is customer service, chiefly because of the differences in the way providers measure service. It is acknowledged that data is often supplied on a "best fit" basis, which can make direct comparison difficult. Redington reported the following:

- the Company's SLA's were the longest in the study, partly due to differing methodology
- average call wait times worsened across most of the benchmarked providers, but the Company's wait times were longer than the majority
- call abandonment rates also increased but were broadly in line with the median rate across all benchmarked providers

Redington said that most of the Company's end-to-end core processing times were comparably fast relative to other benchmarked providers, being at or below median in the study. As in previous years, the IGC will continue to push the Company to improve service performance and to reduce SLAs where appropriate.

We are pleased the Company is investing in new technology to improve service. As an example, Agent Assist, a new AI tool that supports call centre agents, is due to be rolled out during 2025, This is designed to provide real-time assistance to the call agents, supporting them in dealing with your enquiries faster and more consistently. This should lead to SLA improvements.

Service quality:

Speed of service is not the only thing that is important, and so we also look at service quality too.

During 2024, a series of Quality Audits was completed. Taken as a whole, across the call centre, complaints team and the back-office administration teams, 2.7% of these audits resulted in the correct customer outcome not being achieved. This is not an unreasonable failure rate, but of course we would like to see a lower figure.

The main reason for failures were incorrect forms or information being issued. All failures were fed back to all staff and processes and controls strengthened where possible. Any remedial work necessary was undertaken so that all affected customers were put in the position they would have been in should the error not have occurred.

Customer satisfaction:

The IGC also takes a keen interest in understanding how satisfied you are when you interact with the Company.

Many pension providers use Net Promoter Score (NPS) to measure customer satisfaction. But NPS largely measures customer perception or intention as opposed to actual experience. The IGC was supportive of the Company's decision in 2022 to focus on Customer Satisfaction (CSat) and Effort scores.

For CSat, customers are asked how satisfied they were with the overall experience of interacting with the Company. For Effort, customers are asked how easy it was for them to do business with the Company.

We were pleased to see an improvement in both CSat and Effort scores over the course of 2024, although these were still below the target level set by the company. Improvements were seen for CSat and Effort for servicing requests and Effort when making a claim. The Company scores well in giving you the information you need to make informed decisions, explaining the implications and what options are available. The Company also achieved a high score for agent knowledge. Improvements are required in relation to reducing call waiting times, keeping you informed and keeping the Company's promises.

Further progress has been made in the first quarter of 2025 and the Company is committed to driving further improvements, including the upskilling of call agents and improvements in technology to keep customers updated.

Complaints:

We understand every business is likely to receive a level of complaints from its customers and so our main concern is that when these do occur, they are dealt with speedily and that the trends do not indicate a systemic issue.

During 2024, although there was a slight increase in the number of complaints received, we were satisfied this was not caused by one particular factor. We were also encouraged that despite the increase in number, on average, complaints were resolved 5 calendar days quicker in 2024 compared to 2023.

The Redington study showed the Company closed complaints more quickly on average versus most of the other benchmarked providers. The percentage of complaints that were escalated to an ombudsman was also amongst the lowest in the study at just over 1%.

Protecting you from fraud:

The Company has an array of measures in place to prevent and detect financial crime. These range from regular staff awareness training through to robust verification controls and transaction monitoring. Pension transfers to more obscure providers are subject to a very high level of scrutiny, as an example.

Protecting your data:

A Cyber Security Incident Response Team is in place, which provides a 24/7 response to cyber security threats such as phishing, malware, exploit attempts and distributed denial of service (DDOS).

Regular staff training is carried out and user access levels are reviewed and recertified regularly. Ongoing regular internal and external vulnerability scans are undertaken.

Conclusion:

Prudential's customer service proposition has been improving over the last three years since the IGC applied a red rating in 2022. However, service performance and customer satisfaction levels slipped in the middle quarters of 2024 to an unsatisfactory level. There has been a marked improvement in the last quarter which has been sustained into 2025. Prudential's failure to maintain a consistently satisfactory level of service through the year has resulted in an amber rating.

4. Communications and engagement

Introduction:

In retirement planning, the best outcomes happen when the customer takes an active interest in how their plan is progressing, and feels confident in making informed decisions along the way that reflect their changing circumstances.

That's why the IGC believes that it's important to review the communication and opportunities for engagement which Prudential provides to customers as part of its overall evaluation.

We also recognise that Prudential's workplace pensions business contains a lower proportion of active customers, and a higher proportion of "small pots" than many other providers. This can make it difficult to benchmark customer engagement against other market participants in a "like for like" manner. As a result, the IGC focuses its evaluation on how Prudential is actively seeking to build and improve its communication and engagement activities, and their progress from year to year.

Progress during 2024:

During 2024 we observed significant effort from the company to communicate more effectively to customers, and in encouraging them to become more informed and engaged in how their plan is progressing. A primary method of communication is Prudential's online service, which you can register for here. Some examples of changes are described in more detail on the following page.

Digital Adaption

- In 2024, over 21,000 customers registered for the online service, which allows secure messaging, checking the value of plans, accessing key documents and more from one location.
- Several improvements have been made over the last year, including adding text message notifications for new documents on **Prudential's online service**, enhancing the bereavements journey, and the ability to request an options pack via the online service.

Useful tools and calculators to help you

We have a number of tools and calculators to help you understand how the different options could impact your retirement income, how long your money could last and how tax might affect your income.

Visit the Pension, Income Tax & Retirement Calculators page for more information

Think ahead for your future

Although it may not be front of mind, it's important to nominate your beneficiaries and keep them up to date, especially if your personal circumstances change.
By doing this, you're choosing who you'd like to receive the money in your pension pot if you die.

If your scheme allows, you may be able to set up or change your chosen beneficiaries through your online account. Speak to your employer to find out how you can do this.

Protect yourself from pension scams

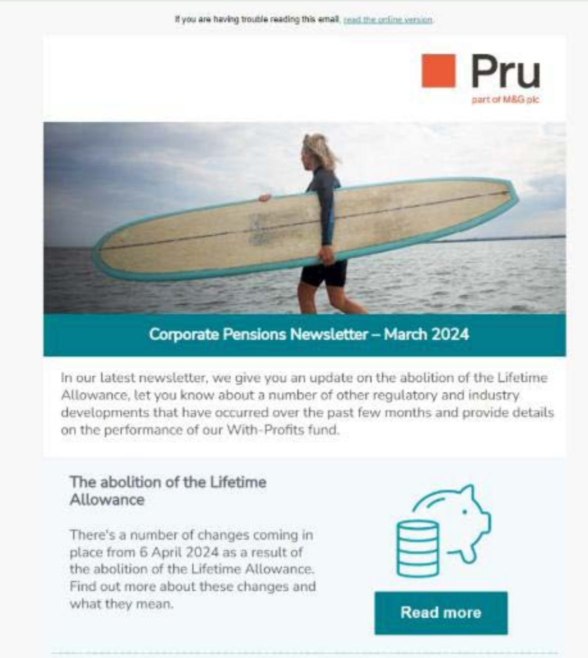
There's a number of online and phone pension scams that claim to come from reputable sources, such as HMRC, banks or the government, making them even more dangerous.

We have a number of articles, guides and videos on the security and scams hub to help keep you safe and secure from scams.

We are happy to present above some of the Digital Adoption messaging that Prudential has shared with customers in 2024.

Newsletters

Throughout 2024, Prudential issued 3 newsletters to employers, to provide relevant and topical articles about financial news, market updates and regulatory changes. These covered topics from the abolition of the Lifetime Allowance, providing further information on retirement options, and the impact of the Autumn Budget.



- Prudential sent these emails to around 500 employers, with c.88% of these being opened, and 8% of recipients clicking through to read the newsletter. This compares to an average 1.9% of emails receiving unique clicks in the rest of the industry.
- You can read previous newsletters here.

Face-to-face engagement

Prudential has confirmed to the IGC that it meets with employers regularly, either in person or online. Information is shared around service and fund performance. Prudential also provides updates on any improvements made, and shares plans for upcoming activity. In 2024, quarterly updates were held with employers online.

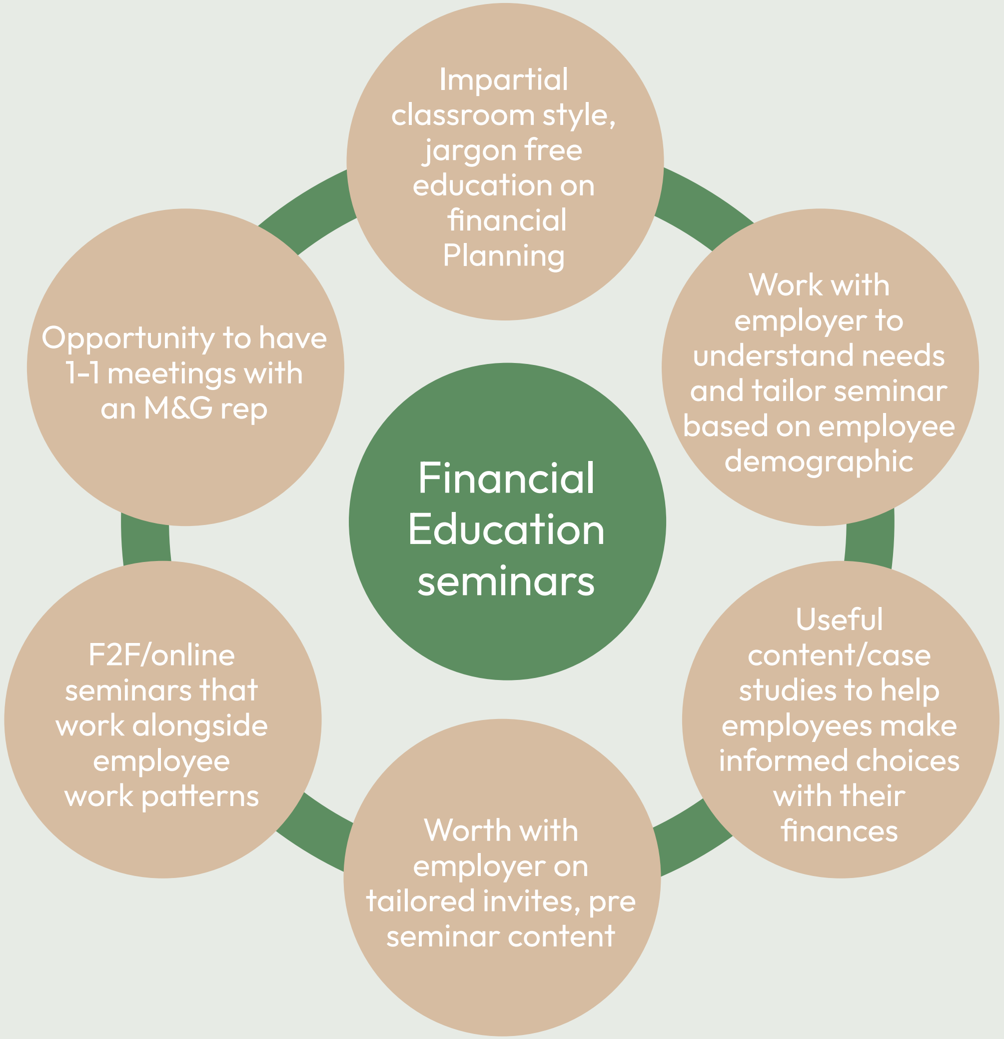
This is supplemented with educational seminars, provided by M&G financial advisors.

How can you become more engaged?

The IGC would like to encourage you to make the most of the communication and engagement opportunities offered by Prudential, which are targeted at ensuring that your retirement planning journey is as effective and rewarding as possible. You can do this by registering for Prudential's online service and looking out for customer engagement workshops near you, which your employer will be made aware of if they are available.

Conclusion:

The IGC believes that the initiatives listed above demonstrate a positive commitment by Prudential to build effective communication and engagement with its customers, and support them in their retirement journeys. We encourage them to continue to build on this progress in future years.



Additional factors assessed

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5. Environmental, Social and Governance

Research on customer attitudes:

As in previous years, the IGC has been asked by the Financial Conduct Authority (FCA) to comment on Environmental, Social and Governance (ESG) policies, practices, and stewardship at Prudential, and how the IGC takes account of the concerns of customers in relation to these factors.

In addressing this requirement, the IGC is informed by research on customers' attitudes to their investments, and how they want providers to communicate with them on these issues.

This research indicated limited consideration of ESG-related issues by customers in the context of their pension, and that the relative importance of sustainability to customers varies significantly depending on their life stage. In particular, whereas most customers believed that pension and investment providers should prioritise achieving the best return, a much smaller proportion were happy to pay higher fees in order to invest in an environmentally and socially responsible way.

However, most customers would expect their asset managers to consider ESG aspects alongside traditional investment analysis in making decisions and constructing portfolios, and that principles would be in place to guide pension companies to avoid "unscrupulous" investments. This research has led the IGC to focus on the default investment solutions, and ensuring that passive customers benefit from an approach to managing ESG issues that reflects these views.

How ESG matters are managed in Prudential:

In 2024, Prudential, together with the other parts of M&G Group, undertook a review of its sustainability strategy to ensure that its focus centred on the areas where it can have the most impact. This resulted in the development of a new sustainability framework. The two themes, Resilient Planet and Resilient Societies are centred around 4 main pillars, as shown in the below graphic:

Group Sustainability Framework

Resilient planet		Resilient societies	
Financing the climate transition	**Developing our approach to nature**	**Promoting financial confidence**	**Building communities**
Supporting real-economy decarbonisation by investing in solutions and managing risks through the transition	Understanding how our business interfaces with nature, to manage risks and meet emerging customer and client expectations	Enabling informed decision making, building trust and narrowing the advice gap	Contributing to a more resilient society through social and community investments

Underpinned by responsible business practices

Sustainable operations	Corporate responsibility	Diversity & inclusion	Human Rights
Strengthening operational goals	Supporting the resilience and regeneration of communities	Continuing focus on gender and ethnicity representation	Ongoing commitment to support human rights

This updated sustainability framework builds and expands on Prudential's original sustainability priorities of Climate Change and Diversity & Inclusion. For further details on the M&G Group Sustainability Framework, please see the 2024 Annual Report & Accounts from p.30.

Developments for Prudential during 2024

Alongside its sustainability strategy refresh, Prudential has updated its existing climate strategy by incorporating the latest thinking about climate targets and adding forward looking metrics, including a new engagement target, based around whether investee companies are aligning to net zero requirements. In addition to targeting a reduction in financed emissions by 2030 and 2050, Prudential has developed a new 'asset alignment' target to track the proportion of assets that are supporting the climate transition and is articulating this through robust transition plans. For further details on Prudential's ESG targets, **please see the 2024 Annual Report & Accounts**.

In 2024, M&G plc joined the Institutional Investor Group on Climate Change (IIGCC). The IIGCC is an organisation that works closely with the investment community to provide guidance, frameworks, tools, and support to progress toward a net zero and climate resilient future. Their work includes supporting corporate engagement, guidance on integration of climate risk and opportunities into investment decisions, and engaging with policy-makers on sustainable finance and climate policy regulation.

Finally, **Prudential's 2024 Stewardship Report** was published in May 2024 and is produced as part of its commitments under the Financial Reporting Council's Stewardship Code. Prudential continued to provide information relating to how it has incorporated sustainability considerations into its business practices. This Report forms an important source of information to the IGC in its assessment of ESG within Prudential.

Conclusion:

An assessment of Prudential's approach to ESG does not form part of the formal framework used by the IGC to evaluate "value for money" delivered to its workplace pensions customers. However we recognise that this is an important topic that is of interest to many customers, and believe that the new strategy and framework which the company has adopted evidences a positive and committed approach to the management by Prudential of its ESG impact.

6. Investment Pathways

Introduction:

Following its Retirement Outcomes Review in 2020, the FCA required providers of workplace pensions to introduce Investment Pathways to help customers approaching retirement to find simple, clear and good value investment options to meet their particular requirements.

Prudential introduced its Investment Pathways offering in 2021 and the IGC is required to assess how the solutions offered provide value for money for customers. As we stated earlier in this report, the IGC previously considered Investment Pathways as part of the overall value for money proposition, but given the maturity of the Pathways, we have now decided to assess the value for money offered by Pathways as a separate product.

Pathways structure:

The FCA has defined four generic approaches to future drawdown through the following customer objectives:-

Pathway 1: I have no plans to touch my money in the next five years

Pathway 2: I plan to use my money to set up a guaranteed income (annuity) within the next five years

Pathway 3: I plan to start taking my money as a long-term income within the next five years

Pathway 4: I plan to take out all my money in the next five years

It is important that there is alignment between the long-term plans of a customer with regard to the drawdown of their pension and the investment structure that the provider applies to those funds. The benefit of Investment Pathways is that the customer is encouraged to consider those long-term drawdown objectives before they need to make a final decision and there is time for the provider to implement the most appropriate investment strategy to align with that objective.

The role of the IGC:

The role of the IGC in Investment Pathways is similar to its role in relation to workplace pensions in general. The IGC is required to ensure :-

1. That each Pathway option is clearly communicated to customers to enable them to select the appropriate option
2. That the investment solution underlying each Pathway is appropriate to the timeline and risk profile inherent in that Pathway
3. That the total charges associated with each Pathway are reasonable in the context of the benefits the customer receives from it.

Take-up of Investment Pathways by customers:

Investment Pathways are available to non-advised customers in Prudential's Retirement Account and in the Pension Choices Plan. The number of customers availing of Pathways is still small although the number increased in 2023 and 2024. A significant number of customers availed themselves of the online and voice journeys provided by Prudential but most chose to remain in the existing product.

The IGC has challenged Prudential on the low take-up rates of Pathways but Prudential has pointed out that most Retirement Account customers are already invested in a PruFund Risk Managed fund and hence there is no need for them to switch to a Pathway option-which would effectively be invested in the same fund. It is helpful that customers go through the decision-making process at this time even if they end up retaining the same asset structure.

Where customers selected specific Pathway options in 2024, the most popular options were Pathway 3 – I plan to start taking my money as a long-term income within the next five years and Pathway 1 – I have no plans to touch my money in the next five years.

The IGC continues to believe that Prudential's Pathways are a good route to decumulation for customers and while we would like to see a higher take-up rate, we believe that the most important aspect is that customers go through the decision-making journey.

Value for Money Assessment

We set out our consideration of value for money in the following sections.

Costs and charges:

The IGC regularly monitors the costs and charges applied to Pathway products and also has access to independent cost comparisons with other providers. The IGC is satisfied that there is a reasonable relationship between the charges on Prudential Investment Pathways and the overall benefit a customer receives from the product.

As we pointed out in previous reports, the investment products supporting Prudential's Pathways have valuable features such as smoothing and multi-asset investment structures that are relatively expensive to provide. Because of this, Prudential's charges are generally at the higher end of the range of available products but the IGC believes that the charges are appropriate for the product features involved.

Products with lower charges are available from other providers but these do not generally provide the same range of benefits as the Prudential products.

Investment solutions and performance:

When Pathways were first introduced by Prudential in 2021, the IGC devoted considerable time to assessing the appropriateness of the investment solutions underlying the four Pathway options. We were comfortable with them then and with on-going review, we continue to believe that they are appropriate and valuable.

The investment performance of the Pathway options has been very satisfactory over the four years since they were established. Indeed, the investment funds utilized pre-date the introduction of Pathways so it is possible to assess the historic performance of these funds over a longer period.

The vast majority of Pathway investments are concentrated in two funds, the PruFund risk managed fund 2, series E, and the PruFund risk managed fund 3, series E. PruFund 3 has a higher equity/real asset exposure than PruFund 2 as it is designed for a longer future investment profile and it will tend to generate higher returns in positive years for markets, but with higher volatility.

The table below sets out the comparative performance of the funds, benchmarks and CPI over one year, three years and five years:-

Annualised net return (after charges)

	1 year to end 2024	3 years to end 2024	5 years to end 2024
PruFund risk managed 3, series E	7.4%	3.9%	5.1%
ABI Mixed Investment 20-60% Shares	4.9%	-0.1%	1.7%
CPI	2.6%	5.6%	4.6%
PruFund risk managed 2 series E	6.0%	5.5%	5.0%
ABI Mixed Investment 0-35% Shares	3.7%	-1.4%	0.5%
CPI	2.6%	5.6%	4.6%

Service and engagement:

The IGC has reviewed the communications material presented to customers considering Pathways and is satisfied that the material is clear and easily understandable.

Customer service related to Pathways, together with oversight of the quality of voice and online journeys are reviewed on a periodic basis by Prudential's Risk and Compliance functions and the findings are shared with the IGC. The IGC is satisfied that with a small number of exceptions, the servicing performance has been effective and satisfactory. The servicing difficulties referred to elsewhere in this report relating to other products have not generally been experienced in relation to Pathways.

Conclusion:

As set out in the preceding sections, the IGC is comfortable that service and engagement, investment solutions and performance and costs and charges are appropriate for Pathway customers. The IGC is comfortable that Pathway customers are receiving value for money. We believe that this is a good product for customers and while we would like to see higher volumes of customers availing of Pathways, we appreciate that using the Pathways "journey" adds value in any event for those customers.

7. IGC challenges to Prudential 2025

Prudential has made good progress in improving value for money for workplace pension customers in recent years and particularly in the latter half of 2024. However, the AMBER rating that the IGC has concluded on for 2024 clearly leaves considerable room for improvement. Furthermore, the VfM bar continues to rise as customers' and regulators' expectations rightly continue to increase.

The IGC is in continuous dialogue with Prudential and it is important that we and the Company have a shared view of what represents sustainable value for money. The following are the IGCs key expectations and challenges for 2025 and beyond:-

1. We have commented on improvements in customer service on a number of occasions in recent years but these improvements have often been followed by periods of service slippage and inadequacy, leading to the red and amber ratings the IGC has felt appropriate to apply. In the later months of 2024 and the early months of 2025 we have observed a material improvement in service performance but it is important that this level is maintained for the year as a whole as a platform for delivering the consistently good standards that Prudential's customers are paying for and are entitled to receive.
2. The inclusion of investment performance comparisons with peer workplace pension providers this year shows that Prudential has lagged by a meaningful margin. As we set out in the report, the under-performance is due to a different risk/reward strategy and geographical approach operated by Prudential in relation to equity investment. We would like to see a clearer articulation of this strategy.
3. Prudential has made progress in increasing the proportion of growth assets and introducing an element of real assets in the main default funds in 2024. The IGC would like to see a further increase in allocation to these asset classes in 2025 and beyond and we expect to see a clear implementation plan.
4. Related to the above point, the IGC believes that because Prudential's service costs are relatively high, the proportion of charges available for investment costs is somewhat constrained. This limits the degree of investment in the more expensive growth assets. The IGC would like to see a multi-year plan to improve the balance of charges between service and investment in order to establish better long-term value for money.
5. The IGC would like to see Prudential build on its efforts to improve engagement with customers in order to improve pension outcomes.

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Appendix 1 : How do we measure Value for Money (VfM)?

The IGC's current approach to VfM takes account of a range of factors, including investment performance, costs and charges, and service and communications. These have been weighted to reflect our view that what ultimately matters is the outcome for customers.

On the basis that good financial outcomes lead to higher retirement income, we prioritise investment returns and charges as being the most important elements of VfM. We then look at a number of secondary service quality features, placing particular emphasis on the swift and accurate processing of contributions, the level of performance in dealing with complaints, and the quality of communications. With regard to the primary financial components of VfM, it is important to note that:

a) for investment returns the IGC believes it is appropriate to not only look at investment returns compared with CPI (Consumer Price Inflation), but also performance relative to industry benchmarks, the level of risk taken and fees charged. The performance metrics analysed over 1, 3 and 5 year periods are:

- Fund net return vs benchmark
- Tracking error vs benchmark
- Net information ratio
- Client share of outperformance
- Fund net return vs UK CPI
- Quartile ranking within ABI sector.

b) For charges, we have continued to use the following reference points to identify where VfM concerns might arise:

- 0.75% per year for default strategy charges in schemes used for auto enrolment (or the equivalent limits set by DWP for schemes with combination charges)
- 1.00% per year for unit-linked schemes not used for auto-enrolment
- 1.25% per year for With Profits investments where the benefits of smoothing and guarantees bring extra value to customers. We review both the cost of the investment and the cost of these guarantees separately, scrutinising the value offered by both. Our reference point represents the combined cost of both elements.

The IGC's VfM framework:

Investments: RAG scoring

Acceptable	No material issues. Performance is in line with expectations. However, there may still be some areas for further improvement.
Requires Closer Monitoring	Some concerns. There may be a group of customers for whom improvements are required or specific areas that require attention.
Take Action	Major concerns. Performance is at a level below which the IGC feels is appropriate, or below alternatives available in the market. Urgent action will be considered.

Investment Performance – Retrospective

Return Metric	Green	Amber	Red
Net return vs benchmark	Varies by fund type / asset class (ref below)		
Client share of outperformance	>60%	30-60%	<30%
Tracking error	Varies by fund type / asset class (ref below)		
Net information ratio	>0.2	-0.67 to 0.2	<-0.67
Net return vs UK CPI	>=3%	0 to 3%	<0%
ABI Sector Quartile Ranking	1, 2	3	4

+ Click to reveal further information

Investment Pathways

Does each Investment Strategy have a clear statement of aims and objectives?

Yes　　No

Are Default Fund Glide Paths consistent with Pensions Freedoms?

Yes　　Materially　　No

Are the Risks/Implied Volatility of the strategy made clear?

Yes　　Materially　　No

Are the Risk/returns of the strategy close to the Efficient Frontier?

Yes　　Reasonably Close　　No

Has the Default Fund Strategy been stochastically modelled?

Yes　　No

Investment Strategy Design

Are Default Fund Glide Paths consistent with Pensions Freedoms?

Yes | Materially | No

Are the Risks/Implied Volatility of the strategy made clear?

Yes | Materially | No

Are the Risk/returns of the strategy close to the Efficient Frontier?

Yes | Reasonably Close | No

Has the Default Fund Strategy been stochastically modeled?

Yes | No

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Environment and Social Governance

The IGC will review three key areas of focus, these being Environment/Climate, Social Impact and Stewardship. IGC will select a rating for each key area based on the following:

Are ESG financial considerations fully embedded within the management of the in scope propositions?

Yes | Materially | No

Is there active engagement with companies by asset managers to help drive corporate change and encourage better ESG practices?

Yes | Materially | No

Are Prudential's ESG and Stewardship policies appropriate to the needs of the customer?

Yes | Materially | No

Annual Management Charges

- Most frequent charge applied less than 0.5%
- All customer borne charges less than or equal to reference points
- Between 0% and 5% FUM above reference point
- More than 5% of funds under management are above reference point

Transaction Costs

- Default fund less than 0.2%

  80% of Funds under management incur costs of less than 0.2%
- 80% of Funds under management incur costs between 0.2 – 0.5
- More than 20% of Funds under Management incur costs of more than 0.5%

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Communication and Engagement

Are relevant communications (off line and on-line) provided at an appropriate point (e.g. key life stage/ key event)?

Yes Materially No

Are these communications useful, clear and easy to understand?

Yes Materially No

Do Prudential provide quality self-service and additional support material to suit customer's needs and objectives?

Yes Materially No

Service Levels

All service levels met

Between 50% – 100% of Service levels met

More than half Service levels not met

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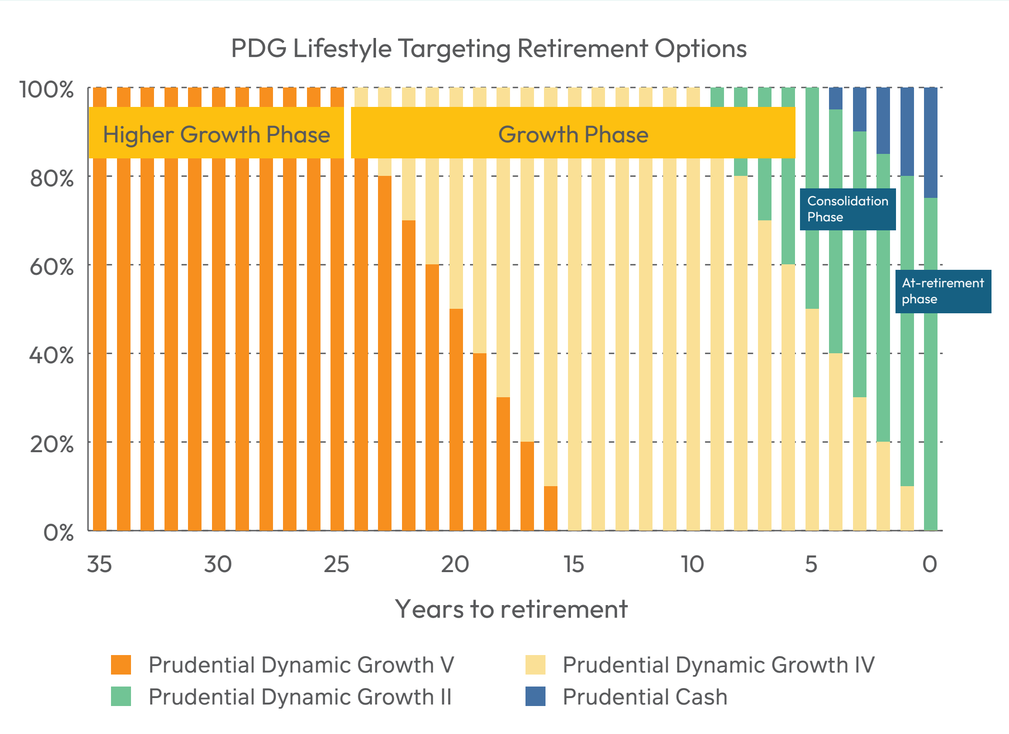
Appendix 2 : Further detail on investments

Lifestyle investment performance



The information below details the returns the funds have delivered in the growth stages of the lifestyles:

Fund Performance – Peers and benchmark comparison

The table below shows the performance of the funds that make up the lifestyles relative to their respective benchmarks and peer groups for periods to 31 December 2024. The funds used in the PDG lifestyles have performed in line with their benchmarks. Due to the way the PDG funds are risk-managed, we would not expect significant deviation away from their respective benchmarks

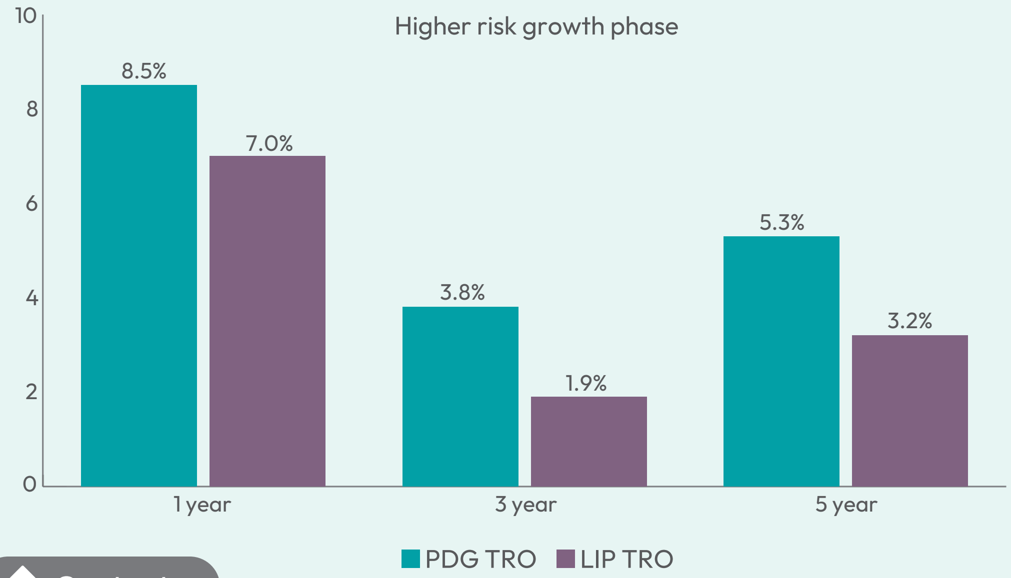
	5 years (ann.)		1 year	
	Performance vs Benchmark	**ABI quartile ranking**	**Performance vs Benchmark**	**ABI quartile ranking**
PDG Lifestyles				
Pru Dynamic Growth V S3	-0.9%	2nd	0.4%	2nd
Pru Dynamic Growth IV S3	-0.9%	3rd	-0.4%	3rd
Pru Dynamic Growth II S3	-0.5%	2nd	0.0%	2nd
Pru Cash S3	0.1%	2nd	-0.1%	3rd
Pru Long Term Bond S3 (used in Targeting Annuity strategy)	-0.4%	2nd	-0.4%	2nd
LIP Lifestyles				
Pru Managed Ser A	-0.7%	4th	-1.1%	4th
Pru M&G Gilt and Fixed Interest Income Ser A	-0.5%	2nd	-0.4%	2nd
Pru Cash Ser A	0.4%	3rd	0.3%	3rd

Note – fund returns when assessed against benchmark are net of a maximum annual management charge with the exception of cash funds where gross performance is used.

Higher risk growth phase – 25+ years to retirement

The PDG lifestyles have a higher risk growth fund early in the glidepath to aim to allow customers to benefit from the higher returns expected from PDGV. This was proven to be the case in 2024 where equity markets were strong and contributed much of the performance shown in the graph below. The lifestyle delivered 8.5% over 2024 and although we saw lower returns over the 3-year period, over a 5-year period it returned 5.3% per annum.

The Managed fund used in the LIP lifestyles has a lower allocation to equities than PDG V and delivered 7% over 2024. However, for the level of risk this fund takes the growth was appropriate. Customers in the LIP lifestyles can select a growth fund more suited to their needs, changing the level of risk to which they are exposed. We are engaged with Prudential to understand how the LIP lifestyles can be developed to bring them more in line with the approach the PDG lifestyles take.



TRO: Targeting Retirement Options

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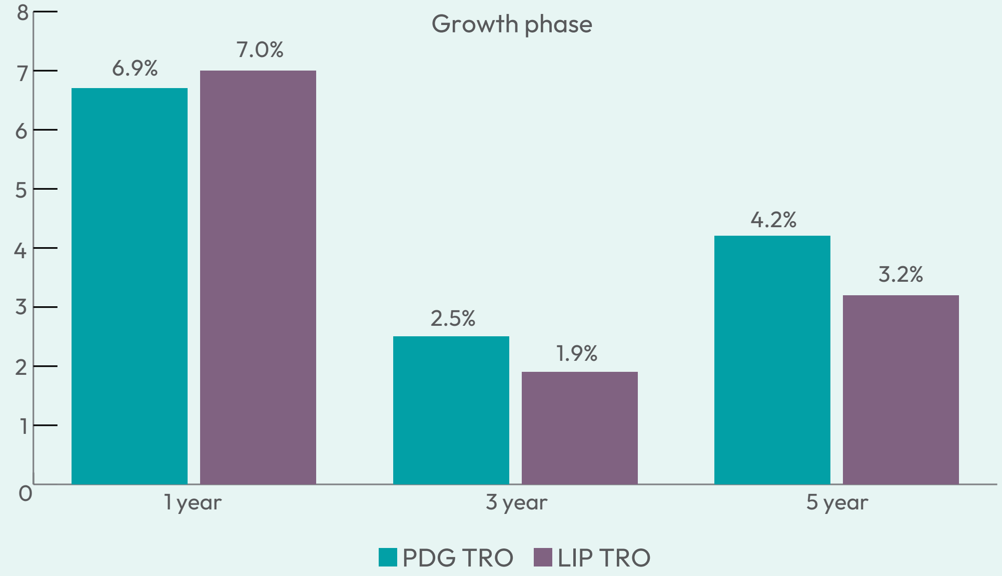
Growth phase – 15 years to retirement

At the fifteen years to retirement point in the PDG Lifestyles 100% is invested in PDG IV. This is still a growth focused fund with most of the assets in equities (c.50%) and due to this performed well in 2024, delivering 6.7% in the year. Whilst the Managed fund (with c. 60% equities) for the LIP lifestyles delivered 7% over 2024.



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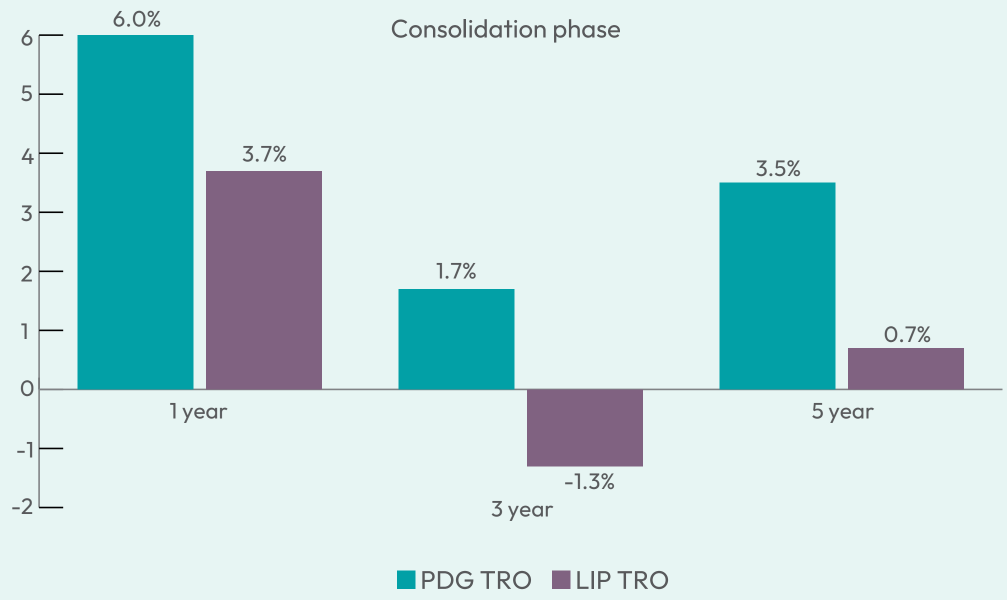
Consolidation phase – 5 years to retirement

The PDG lifestyles are invested in PDG II Fund at this stage of the journey, with c.30% invested in equities with the remainder invested in fixed income and a small holding in other assets. The fixed income exposure within the Fund had a mixed period with corporate bonds helping performance and government bonds delivering poorer returns. The growth in equity markets in 2024 helped this fund as it delivered good positive returns of 6% for the year.

At this stage, the LIP lifestyle is now a blend of the Managed Fund (c.33%), the Gilt and Fixed Interest Income Fund (c.44%) and the Cash Fund (c.23%). The fixed income exposure struggled as it is primarily invested in government bonds which had a tough 2024, as was the case across many government bond funds. This impacted on the returns of the LIP lifestyle, however the allocation to the Managed and Cash funds helped deliver a positive 1-year return. The 3-year period remains impacted by the distress in fixed income markets in 2022 caused by the UK Governments budget issues.



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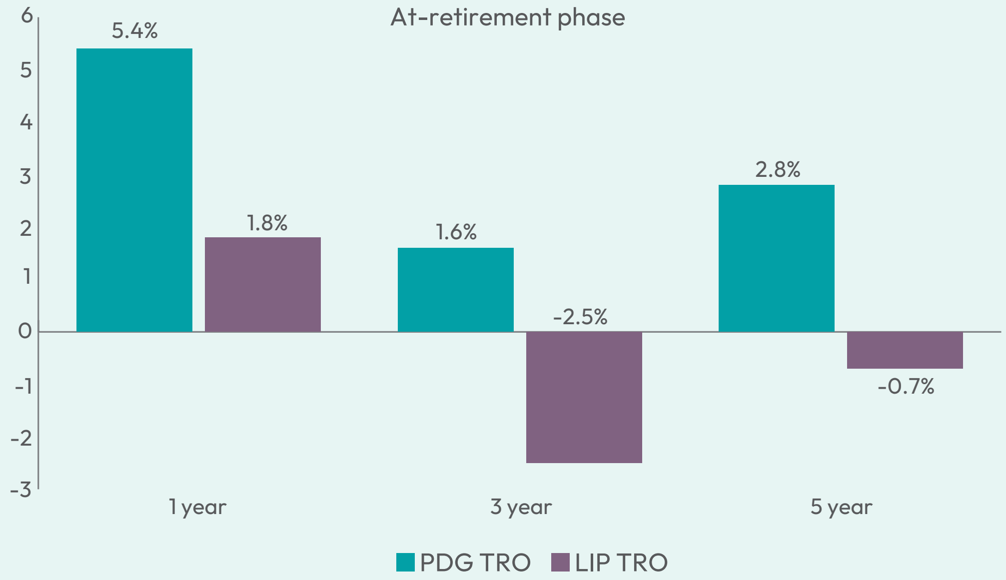
At retirement phase – 1 year to retirement

At this stage, for PDG lifestyles, c.75% of the pot is invested in PDG II, which as mentioned in the Consolidation Phase section performed well in 2024.

For LIP lifestyles the exposure to the M&G Gilt and Fixed Interest Income fund increases to c.45% which further impacted returns at this stage of the journey. As mentioned previously the 3-year period remains impacted by the 2022 government bond difficulties.



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Appendix 3: Jargon explained

ABI Sector – The 'Association of British Insurers '(ABI) Fund Sectors is a system for the classification of unit-linked life and pension funds with similar investment strategies. It is designed to group together funds that are similar, so that they can be compared on a like-for-like basis.

AMC – Annual Management Charge: the charge made over the year by fund managers and product providers to cover the expenses associated with running the investment fund and administering the pension plan. Although shown as an annual percentage figure, the charge is usually taken from the fund daily.

Asset Diversification – A strategy that mixes a wide variety of investments within a portfolio in order to better manage investment risk.

AUM – Assets under Management. Total Market Value of the assets managed by the investment firm for their investors.

Client share of outperformance – A financial metric that measures the portion of investment returns exceeding a benchmark's performance, which is attributable to the client's investment performance. It reflects the value added by the client's strategy or manager selection.

CPI – The Consumer Prices Index: CPI is the official measure of inflation of consumer prices of the United Kingdom.

CSat and Effort Scores – A CSat score is the percentage of customers who have given Prudential a rating of 4 – 'Satisfied' or 5 – 'Very satisfied'. 'Effort' refers to how much effort a customer feels they have had to put in to resolve an issue.

ESG – Environmental, Social and Governance (ESG) refers to the three key factors when measuring the sustainability and ethical impact of an investment in a business or company.

FCA – The Financial Conduct Authority.

Glide Path – A formula that defines the asset allocation mix of an investment fund. The mix is based on the number of years left until a customer's target retirement date.

Guarantees – An investment guarantee is a special provision designed to protect investors from incurring overall losses.

Growth Funds – Funds that invest in equities, multi assets or property

IIGCC – The Institutional Investors Group on Climate Change: a collaboration of investors and asset managers who are committed to addressing the risks and opportunities associated with climate change.

IGC – Independent Governance Committee.

Investment Pathway – An initiative from the FCA aimed at providing customers with an investment solution to match a particular objective in drawdown.

Prudential – "Prudential" is a trading name of The Prudential Assurance Company Limited, the provider of the workplace pensions.

Quartile Rankings – Quartile rankings group funds into four categories based on their relative performance within a peer group. These categories make it easier to compare how well a fund has performed relative to others.

Net Information Ratio – The information ratio (IR) is a measurement of portfolio returns beyond the returns of a benchmark.

Net Zero – Refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount taken away.

Real Assets – Real Assets are physical assets that have an intrinsic value due to their substance and or properties. For example real estate, land equipment, precious metals and natural resources.

Reference Point – A level of charge for a fund above which IGC believes Value for Money concerns might arise.

SLA – A Service Level Agreement is an agreement between Prudential and its Service provider that states the minimum quality and timescale in which a piece of work needs to be completed.

Smoothing – The use of accounting techniques to level out fluctuations in investment returns from one period to the next (aiming to 'smooth' the peaks and troughs of market movements).

Tracking Error – The tracking error identifies the level of consistency in which a portfolio "tracks" the performance of an index. A low tracking error means the portfolio is beating the index consistently over time. A high tracking error means that the portfolio returns are more volatile over time and not as consistent in exceeding the benchmark.

Transaction Costs / Transaction Charges – Expenses incurred when buying or selling a good or service. Costs include broker charges and spreads, which are the differences between the price the dealer paid and the price the buyer pays.

VfM – Value for Money, see appendix 1 for more information.