

Prudential
Independent Governance Committee
Annual Report
2025



Chair's Introduction



I am happy to present the 2025 report of the Independent Governance Committee (IGC) of Prudential Assurance. I would like to thank the members of the IGC for their work during the year and the Prudential staff who have supported the work of the Committee.

The role of the Committee is to assess whether you, the customer, get value for money from your pension with Prudential. We work on an ongoing basis with the Company and each year we are obliged to set out our findings in this Annual Report which we hope you will find interesting and informative.

In last year's report we wrote about a consultation process being undertaken by the Financial Conduct Authority (FCA), Department for Work and Pensions (DWP) and The Pensions Regulator (TPR) which is proposing material changes to the way in which IGC's should assess value for money in pension products. That process has not concluded yet, although we now have a better picture of the new structure that will be implemented in 2028.

For 2025, the Committee has retained the framework we used in 2024 for assessing value for money (VfM) and we are continuing to use the following criteria to assess VfM:-

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

Like last year, we have taken into consideration the direction of travel of the FCA proposals. In future years, investment performance will be a more dominant element in assessing VfM and we have again expanded our analysis of this important area. In order to ensure that we have a comprehensive view of external market conditions and of competitor offerings we have engaged with an expert firm of Investment Consultants to support our analysis and to bring a broader view of this important area.

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's assessment is that you have received value for money from your pension savings but, like last year, the amber rating we have determined indicates that material improvements are required in investment performance and in customer service to ensure sustainable VfM into the future.

This is the fourth year in succession where the rating has been amber and the IGC is concerned that the Company has not improved on that position despite implementing a number of positive initiatives which are referred to in this report.

In arriving at this conclusion the IGC recognises that the FCA's proposed new approach to assessing VfM is raising the bar and demanding a higher and more consistent performance across key investment and service metrics. Prudential's performance has not deteriorated but the comparative benchmark is moving to a higher threshold.

Pat Healy
Chair of the Independent Governance Committee

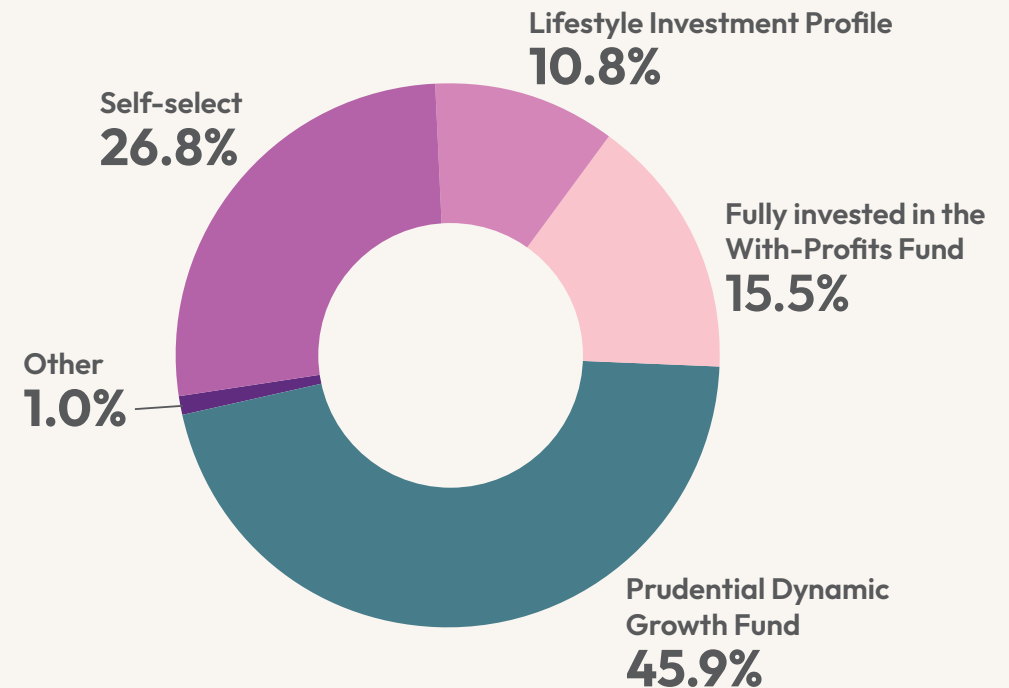
Who are our Customers?

- Funds under Management: **£5.09bn**
- **£866m** of customers' investments are in the Prudential With-Profits Fund.
- Number of policies: **191K**
- Number of Customers: **160K**
- 10% of customers are actively contributing with **£965m** of their funds under management.
- **57%** of customers are using the default investment strategies.

(Data as of end Dec 2025)



Where customers are invested



Value for Money (VfM) Assessment

Value for Money Assessment- Workplace Pensions	2025 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 maintained its satisfactory 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 in the context of the FCA proposals they are becoming more important. We have rated both of these dimensions as amber for reasons that are set out in the report and hence, the IGC overall VfM assessment is amber for 2025.
Costs and Charges	Green	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 a reduction in charges to customers or an enhanced investment offering.
Investment Performance and the Investment Offering	Amber	In 2025, investment performance has been generally satisfactory and in keeping with peer workplace pension defaults. However, performance has been lower than peers over the longer term despite risk-adjusted returns being reasonable for customers at younger ages. Prudential's higher bond and cash holdings compared to peers has detracted over a period of very strong equity returns. The IGC's focus on delivering strong returns to improve customer outcomes leads to a conclusion of an amber VfM assessment for investments.
Customer Service	Amber	The IGC is pleased to report on some service improvements since 2024. Call answering times are only marginally unsatisfactory and processing times are generally in line with peers. However, there are still some unsatisfactory process delays, particularly in relation to transfers. Customer Satisfaction scores are still somewhat below the Company's target and overall we have not seen the sustained service improvement necessary to bring the rating to green. We continue to rate customer service as amber for 2025.
Customer Communications and Engagement	Green	Prudential has continued to make good progress on communications with customers and schemes and customer engagement has seen further improvements. The IGC is comfortable with a green rating for this dimension.

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 Aegon Asset Management (UK) Ltd, New Ireland Assurance Company, IPB Insurance and Companjon. 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 8 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.

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A man with a beard, wearing a yellow beanie and a green ribbed sweater, is looking down at a smartphone in his right hand. He is also holding a blue shopping bag in his left hand. The background is a blurred city street with a white truck and a motorcycle. A large, semi-transparent circular graphic is overlaid on the left side of the image.

Value for Money criteria

1. Costs and Charges

Introduction

The costs and charges associated with your pension policies are an important element in assessing whether you get value for money. In this section, we 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 below.

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

The IGC, together with Prudential, participates in an annual study carried out by an independent consulting firm to perform detailed benchmarking of costs and charges 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 2025 are broadly similar to previous years and are as follows:-

1. More than half of Prudential policyholders are in charge bands 0.30% to 0.50% (which means that they pay between £3 and £5 per £1,000 of fund value per annum). Some providers in the market have a similar charging profile to this, but a number of providers have a lower charging structure whereby up to 75% of their customers would have charges less than 0.50%.
2. Prudential does not have any customers in the lowest charge band (0% to 0.30%) whereas some of the other participants in the study do. Larger schemes within the Prudential book appear to be charged slightly higher than others within the study.
3. Prudential has a larger percentage of schemes in the higher charge bands but these only account for a small number of policyholders.

The IGC has considered these findings in detail and is satisfied that where there are lower cost offerings from other providers, there is usually a less comprehensive investment or service offering and that the higher charge from Prudential in these cases is justified by the specific benefits of the Prudential offering.

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 the charges for default funds are within the charge cap.

Transaction charges

Transaction charges 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. 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.

Breakdown of charges for investment and administration

We referred in last year's report to the relatively high element of Prudential's charges accounted for by administration costs. 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.

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 costs for administration which would potentially facilitate a reduction in charges to customers or an enhanced investment offering.

2. Investments

Introduction

How your money is managed and the investment return which is earned on it is the single most important factor in determining your potential future level of retirement income.

A key objective of the Independent Governance Committee (IGC) is to assess whether Prudential provides value for money for its customers. This year we have engaged a specialist external consultancy to assist us in assessing investment outcomes, on both a backward and forward looking basis, allowing a more independent assessment of value for money. We have also made modifications to the metrics used to measure investment performance to better align with evolving regulatory expectations.

Market background

Geopolitics were a key driver of market volatility over the year, with President Trump's regularly changing trade and sanctions policy positions driving bouts of optimism and pessimism for the world economy, and also for major asset classes.

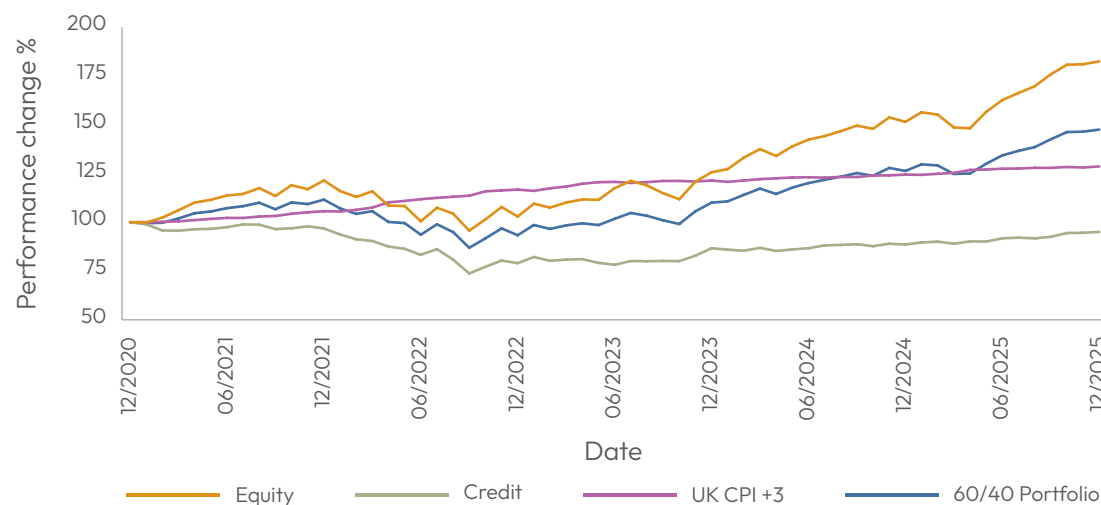
Despite this volatility, growth assets such as equities delivered strong returns overall, although there were significant differences across countries and sectors. Defensive assets such as bonds delivered a small positive return overall over 2025, but similarly to equities outcomes were mixed, with some areas negative and some positive over the period.

Equities sold off significantly following Trump's announcement of tariffs on the majority of the US' trading partners, but quickly recovered as the market realised the actual tariffs incepted were much lower than initially flagged. Overall, 2025 was another strong year for equities. The US did, however, experience weaker relative returns over the year, as investors rotated to other regions given fears regarding concentrations to the increasingly expensively valued technology sector. In particular, UK and European equities benefitted from this increased global demand as investors shifted towards more defensive sectors. Emerging market equities also delivered strong returns, partly due to a weakening US dollar making it easier to service dollar denominated debt.

Government bond returns were robust as inflation eased and the Bank of England cut interest rates multiple times.

Overall, market conditions in 2025 facilitated strong returns, in excess of inflation, for return seeking portfolios with meaningful allocations to assets such as equities. Lower risk portfolios with lower equity allocations and increased exposure to credit generated lower levels of return.

Long term market performance – 31/12/2020 to 31/12/2025



Indices:

- Equity: FTSE All World Index
- Credit: iBoxx £ Corporates Index
- 60/40 Portfolio: 60% FTSE All World Index/40% £ Corporates Index

Lifestyle Strategies

In reviewing the performance of “Lifestyle Strategies”, in addition to assessing the underlying building blocks used to build the strategies, we also look at absolute and risk-adjusted returns for different ‘year to retirement’ cohorts, specifically returns obtained by a customer at different stages prior to retirement. We have adopted a peer-relative focus for the lifecycle strategies by comparing performance against other commercial DC providers. The performance metrics analysed over a 1 and 5-year period are:

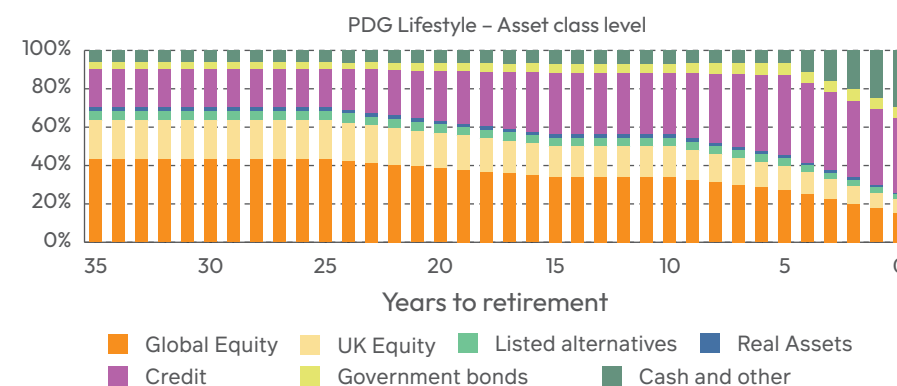
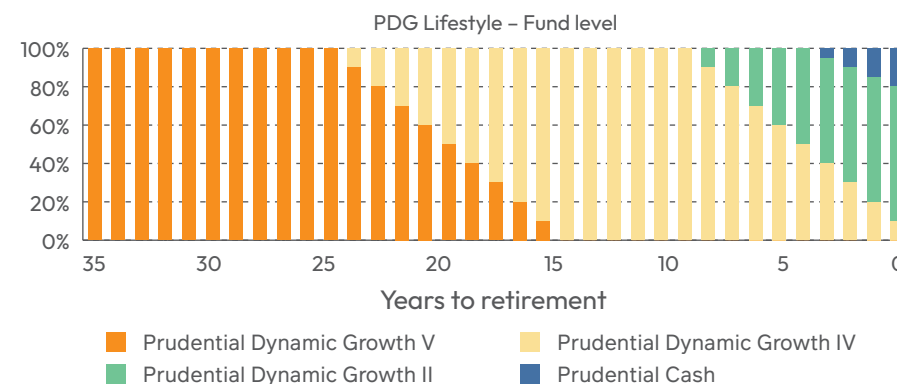
- Performance delivered to customers at the 30, 5 and 0 year to retirement points in the lifestyle strategies versus that delivered by the average commercial provider.
- Performance delivered to customers at the 30, 5 and 0 year to retirement points in the lifestyle strategies versus other commercial providers, but additionally controlling for differences in risk. To do this, performance of the lifestyle strategies is compared against a trendline produced from the risk and returns of a range of commercial providers, to represent a commercial provider with a similar level of risk.

The IGC’s remit extends to assessing whether default strategies are designed and executed in the interest of customers. Below is an overview of the ‘Lifestyling’ approach utilised by Prudential in the design of its default funds.

Lifestyling gradually moves customers' assets from a growth phase where they are invested in higher-risk funds (e.g., funds with a higher allocation to equities) through to a defensive phase where 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. Then as a customer progresses through the journey towards retirement, de-risking and diversifying the portfolio aims to reduce the short-term impact of falls in values that could happen due to market shocks.

The charts to the right illustrate how the main lifestyling strategy, the Prudential Dynamic Growth (PDG) Lifestyle Targeting Retirement Options, which 45.9% of customers are invested in, 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. This is broken down at the overall fund level (top) and underlying asset class level (bottom). Prudential also offers a second lifestyling strategy, the Lifetime Investment Profile (LIP), which follows a similar approach by de-risking as customers approach retirement.

The Prudential lifestyle strategies are designed to help grow pension savings in a way that manages risk. Commentary on the investment performance and risk of the two lifestyling strategies is provided on the next pages. In summary, the IGC believes and has continued to draw to the attention of Prudential that the de-risking period (25 years) is too long and that, throughout the period, there could be a higher weighting to growth assets (such as equities and real assets). The IGC acknowledges Prudential's strategy reduces risk, but believes this is at the expense of overall returns and value for money for customers.



How Prudential's growth strategies compare

We looked at how Prudential's two lifestyling strategies, PDG and LIP, performed over 1 and 5 years, for customers in the growth stage, which is set at 30 years from retirement.

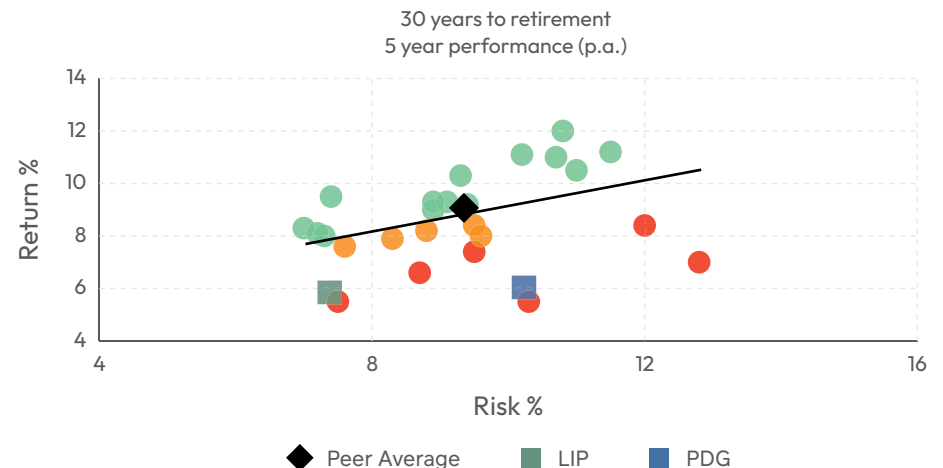
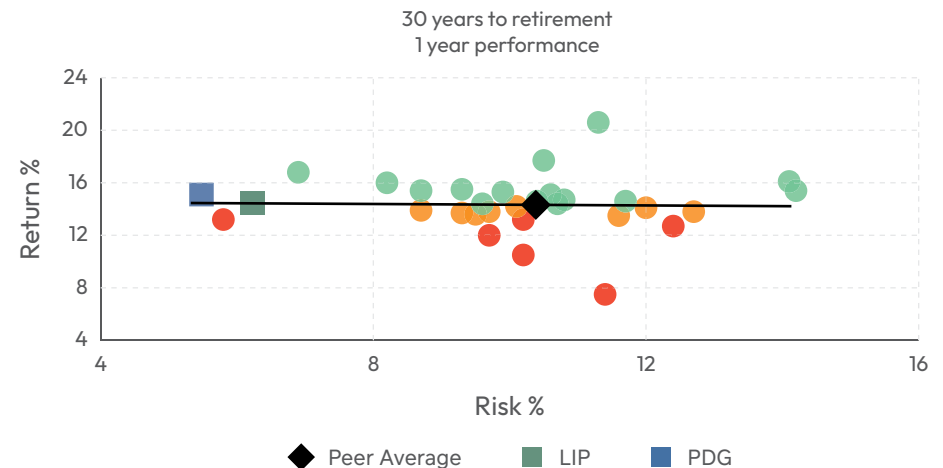
The charts to the right plot the 1 and 5-year risk (as measured by standard deviation) and returns of both PDG and LIP alongside a range of DC providers' default solutions as at 31 December 2025.¹

To help assess how the Prudential strategies perform on a risk adjusted basis relative to peers, a trendline has been plotted of the peer universe. Those strategies above this trendline (green points) provide relatively strong levels of return for a given level of risk, while those falling below the line are underperforming relative to peers (amber or red points).²

This measure of performance can help to take into account Prudential's lower risk investment strategies when comparing against peers, albeit the IGC note that in the growth phase absolute investment returns are a key focus, to build customers' pots while they can withstand greater volatility.

¹ Data sourced from Corporate Advisor as at 31 December 2025. The peer group consists of 29 default strategies offered by a wide range of commercial providers.

² The Red, Amber, Green framework is detailed in the appendix.



What we found:

Over the year, both the PDG and LIP strategies performed better than the average DC provider (as represented by the black diamond) for customers in the growth stage. This was achieved with a relatively lower level of risk. This performance will partially be attributable to a more diversified allocation to equities relative to peers during a time when US equities underperformed other regions.

Over the longer 5-year period shown, both PDG and LIP fall behind the average DC provider on both an absolute (below the black diamond) and risk adjusted (below the trendline) basis. This underperformance can be attributed to both strategies allocating a lower-than-average weighting to equities, in a time when equity markets have performed very strongly. In addition, within this equity allocation there is a lower-than-average allocation to US equities relative to peers, which will have disadvantaged PDG as US equities have been a key driver of returns over this longer time horizon.

We note 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. Positive steps have been taken over recent years to increase the equity allocation in the growth stage with the introduction of PDG V. However, the IGC continue to engage with Prudential to take additional steps to further increase the allocation to higher returning assets for customers who are a long way from retirement.

Managing risk close to retirement

Whilst it is helpful to consider risk alongside return for all ages, it becomes increasingly important as customers approach retirement to manage risk, to reduce the likelihood a customer's pot will fall in value as they get to retirement.

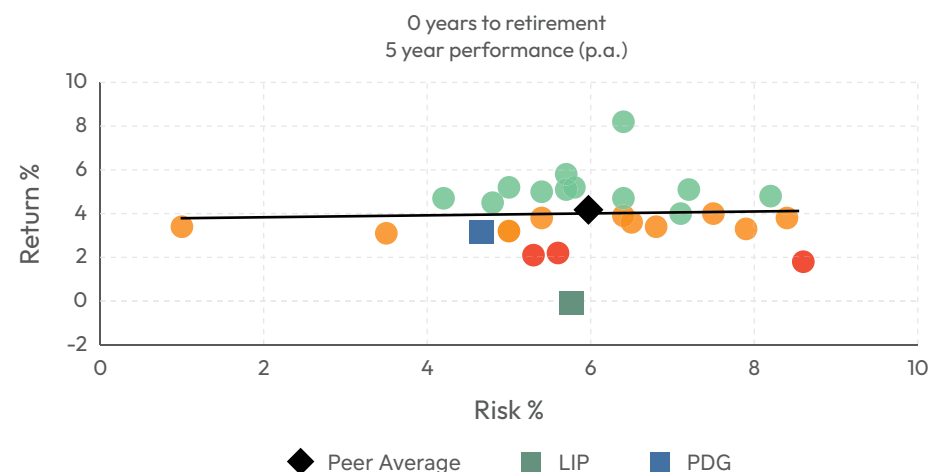
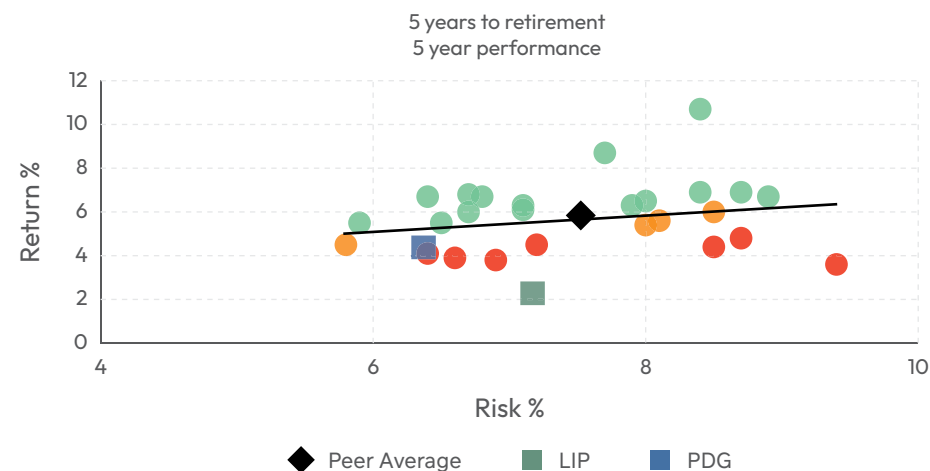
The charts to the right similarly show the risk and returns of a range of DC providers' default solutions, alongside PDG and LIP, but for customers 5 and 0 years to retirement. Risk and returns have been shown over the 5-year period to 31 December 2025.

What we found:

For both PDG and LIP, customers 5 years to retirement and at-retirement have received lower returns than peers. For example, when considering at retirement returns on an absolute basis over 5 years, the PDG lifecycle returned c.0.9% p.a. less than the commercial average, while the LIP lifecycle returned c.4.2% p.a. less.

When assessing the criteria on a risk-adjusted basis, the underperformance is less pronounced for PDG, falling slightly below the trendline. On this basis, PDG has received an Amber rating, underperforming peers but generally within a reasonable range.

The LIP strategy has significantly underperformed on a risk adjusted basis and on this factor has received a Red rating. This underperformance has been driven by a relatively high allocation to government bonds relative to peers, which have detracted over the 5 year period which has seen a significant fall in UK government bond prices as gilt yields have risen.



Self-select strategies

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) and relevant industry comparators. The performance metrics analysed over a 1, 5 and 10-year period where relevant are:

- How it compares to inflation (Fund net return vs UK CPI).
- How much each fund has grown compared to its target (Fund net return vs fund benchmark).
- How it ranks against similar funds from other companies (Quartile ranking within ABI sector).
- How efficiently each fund added value versus benchmark (Information ratio)

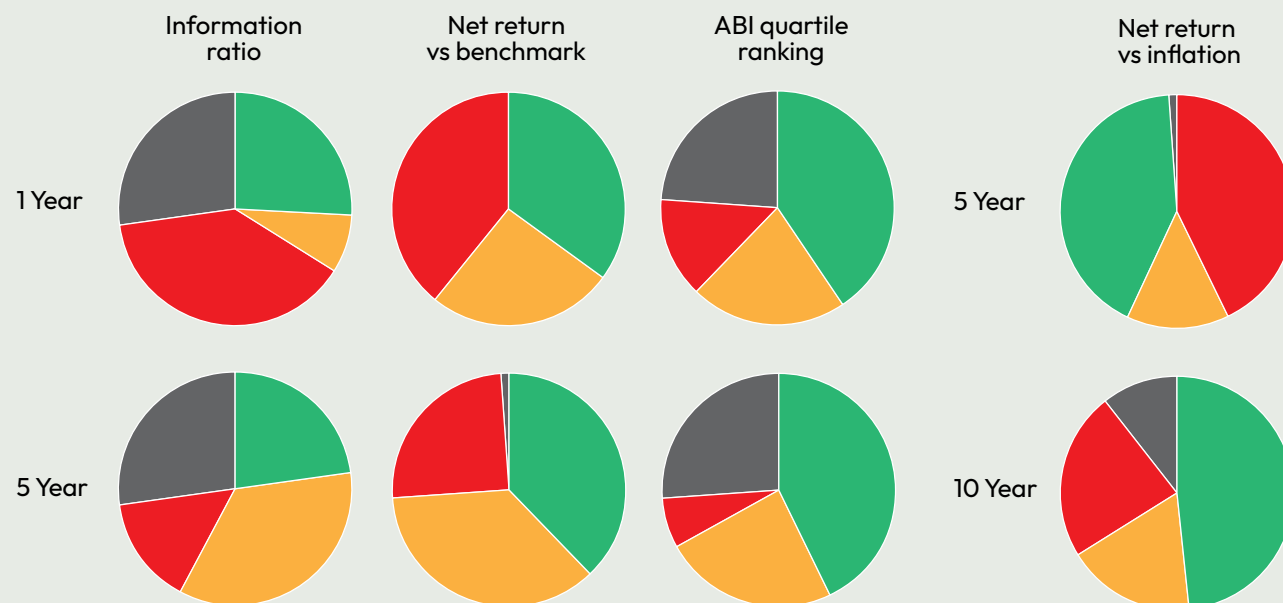
Fund Performance Assessment

Key investment performance

We turn now to consideration of the performance of the various funds that make up the Lifestyle Strategies and are available for self-selection. Each fund gets a rating of Red, Amber, or Green to show how well it's doing based on a range of metrics:

- **Green** = doing well
- **Amber** = acceptable, but could be better
- **Red** = needs improvement
- **Grey** = not available

A summary of the key investment performance criteria for varying periods to 31 December 2025 is set out in the adjacent pie charts.



Performance has been assessed on:

- Net return vs inflation (UK CPI) – to determine how a fund has performed on a real basis, reflecting if each fund has grown above simply maintaining purchasing power.
- Net return vs benchmark – to determine how a fund has performed compared to its target, reflecting if each fund has outperformed against the fund manager's goal.
- ABI quartile ranking – to determine how a fund ranks against a range of similar funds from other companies, reflecting if each fund has outperformed relative to peers.
- Information ratio – to determine how a fund has added value versus benchmark calculated as the additional return provided for each additional unit of risk, reflecting if the decisions made by the fund manager in each active fund have provided benefit.

What we found:

Following on from recent years, the Prudential funds saw another year of growth in 2025. The main growth fund, PDG V, returned 14.5% net of fees over the year and now averages a 5-year net return of 6.2% per annum. A large portion of the funds available to customers track their benchmark to an acceptable degree, as demonstrated by the green and amber ratings. However, the IGC would like to see a continued improvement in this metric.

While investment performance can go up or down in a given year, pension saving is over a long time horizon. Ideally savings should grow by more than inflation over time, helping to maintain spending power and grow the real value of the pot to fund retirement. The scores for net return vs inflation show the majority of funds have met this goal. We note that this assessment is for all available assets, and clearly in some periods where inflation has been high, this is a challenging target for lower returning asset classes such as bonds and cash.

The ABI Quartile Ranking shows how the fund is performing compared to other similar funds. Over both time periods shown, around 40% of funds are performing well relative to peers and only a small portion are materially underperforming.

The information ratio assesses how consistently the decisions made in an active fund are 'adding value'. Although the 1-year figures are relatively disappointing, we tend to judge this over a longer time horizon and over the 5-year period the majority of funds are acceptable, albeit there are still some areas for improvement.

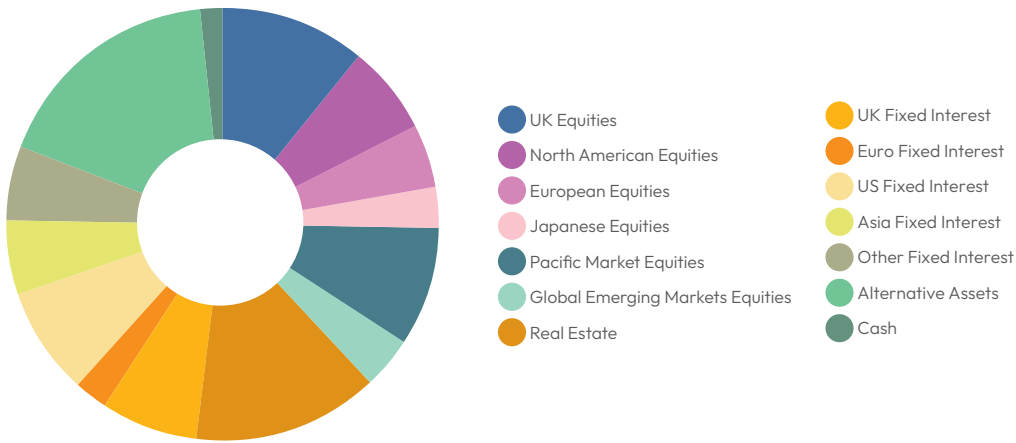
Prudential With-Profits

Around £866 million 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, 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 decides to distribute that profit via the smoothing process. 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).

The returns of the underlying portfolio before smoothing are shown in the table to the right. Performance compares favourably to other multi-asset portfolios with similar exposures to the equity market.

Fund breakdown



Performance

	1 Year Return %	5 Year Return (p.a.) %
Prudential With-Profits (net)	9.6%	5.6%
ABI UK – Mixed Investment 20%-60%	10.3%	3.3%
Shares Sector Average – Pension Funds		

Prudential With-Profits performance is net of tax and before charges and the effects of smoothing. The Association of British Insurers performance groups together funds with similar asset allocations to give an average performance figure.

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 meets and engages with Prudential on the design and investment strategy of the funds.

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.**

In recent years, following these reviews and discussion with the IGC, changes have been made to improve the investment strategy for the main PDG default strategy. The IGC welcomes the changes made to date:

- **2023:** Addition of real assets to help spread risk and enhance results, providing diversification to help when markets are volatile.
- **2024:** Added the higher-risk PDG V to the start of the lifestyle, to target higher growth in the early years, when there's time to recover from any market shocks.
- **Ongoing:** Transitioning the equity allocation within PDG to funds that apply Environmental, Social and Governance (ESG) tilts, to enhance how ESG issues are considered within the PDG strategy.

Alongside internal reviews, the industry benchmarking study Prudential and the IGC participate in 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 2025 highlighted that, as the IGC has 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.

To enhance the rigour of the oversight process, the IGC commissioned a high-level review of the investment strategy from an independent investment consultant. This similarly concluded that performance was below average relative to the wider multi-employer DC provider market, and although this lower performance had generally been paired with lower volatility, when assessing returns on a risk adjusted basis they continued to be lower than peers. In addition, the independent review noted that although the lower volatility is in line with Prudential's approach, that this may be an area for future consideration, to ensure that the strategy continues to achieve appropriate outcomes for customers relative to peers.

Conclusion

Overall, the IGC is comfortable with the direction that Prudential has adopted in its investment strategy in recent years but believes further enhancements can be made. A number of IGC challenges to Prudential are set out later in the report which provide more detail on the areas for consideration identified within this review.

While the majority of Prudential's funds within the IGC's scope are performing satisfactorily and broadly in line with peer funds, Prudential's default Lifestyle strategies, which are availed of by the majority of in-scope customers, have not performed well, particularly over longer periods. The performance of these default strategies is critical to delivering value for money for customers.

The IGC continues to challenge Prudential on the investment performance gap relative to peers given it is an important component of value for money, which will become of increasing focus under the new framework.

We therefore conclude with an overall **Amber** rating for 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

Overall, we were pleased to see some service performance improvements in 2025 against the previous year.

Call abandonment rates were back within the Company's Service Level Agreement (SLA) target and were in line with the average in this year's benchmarking study. Call waiting times were behind SLA, and higher than the average although it should be noted that SLA performance during July, August and September was significantly affected by industrial action. Without this, it is very likely that average call waiting times for 2025 would have been within SLA.

With the exception of transfers in, a higher proportion of 'stop-the-clock' core transactions were completed with SLA versus the previous year, although the Company's SLAs were again reported as being the longest in this year's study. The time taken to complete transfers in and transfers out were the slowest in the study.

Measured on an end-to-end basis, the Company's average core processing times (the number of days taken) were very consistent with the previous year. Except for transfers, the Company's performance was rated as relatively fast against other providers in this year's benchmarking study. Transfers out times were similar to 2024 but were the longest in the 2025 benchmarking study.

Customer Satisfaction (CSat) levels showed improvement compared to the previous year but were still just below the target set by the Company.

The number of complaints received during 2025 was broadly consistent with 2024 at around 4 complaints per 1,000 accounts. This is high relative to other providers. The average in this year's benchmarking study was just over 2 complaints per 1,000 accounts.

While there is some improvement relative to 2024, we are disappointed that there has not been a more sustained improvement in service performance. Furthermore, the failure to consistently meet the company's own Customer Satisfaction target is also disappointing. For these reasons, our overall rating for service quality for 2025 is Amber.

Service performance

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

Key voice SLA performance for 2023, 2024 and 2025 is shown in the table below:

Agent Assist was successfully deployed during 2025. This uses Artificial Intelligence (AI) to transcribe conversations with customers and has two benefits. Firstly, call handlers can solely focus on understanding what the customer needs and secondly it saves a lot of time, freeing up each call handler to answer more calls.

	SLA	2023	2024	2025
Abandonment rate	5%	4.5%	8.5%	4.9%
Average call waiting time	120 secs	148 secs	230 secs	157 secs

Key processing times – ‘stop-the-clock’ basis

	SLA	2023	2024	2025
Contributions	20 days	3.8 days	4 days	3.5 days
Fund switches	20 days	1.7 days	1.9 days	1.5 days
Transfers in	25 days	10.5 days	7 days	9.3 days
Transfers out	22 days	10 days	9.4 days	7.2 days
Payments	22 days	6.9 days	5.6 days	5.6 days
Death claims	78 days	12.7 days	21.2 days	18.1 days

Key processing times – ‘end-to-end’ basis

In the 2025 benchmarking survey, the Company’s end-to-end core processing times were noted as relatively fast, except for transfers. Transfer out times were a particularly negative outlier, the slowest in the survey, although transfer in times were in line with the average. Processing of death claims was the fastest in the study.

	2023	2024	2025
Contributions	4.2 days	4.6 days	3.8 days
Fund switches	1.8 days	2 days	1.6 days
Transfers in	24 days	21.7 days	23.4 days
Transfers out	16.4 days	15.5 days	15.5 days
Payments	9.2 days	7 days	7.6 days
Death claims	44.2 days	56 days	56.1 days

The IGC will continue to engage the Company to ensure the consistency of its service performance. We would particularly like to see improvements made to shorten the time taken to process transfers out.

Service quality

We continue to place a lot of importance on accuracy as well as how quickly a service task is completed.

During 2025, the Company again completed a series of Quality Audits, across the call centre, complaints and administration teams. During the year, a lower proportion of errors were found compared to 2024. The error rate during 2025 was 2.1% of the cases audited, compared to an error rate of 2.7% for 2024.

Two service issues were notified to the Financial Conduct Authority during the year.

The first one concerned errors on annual benefit statements. The Company fixed the errors and notified affected customers. There were no financial impacts.

The second issue concerned an incorrect Market Value Reduction (MVR) being applied to transfer quotes for a subset of customers invested in unitised with-profits funds. The issue remained ongoing as at the end of 2025, with any financial impact to customers yet to be determined.

Where errors are identified, processes and controls are reviewed and strengthened where possible. Any remedial work necessary is undertaken so that all affected customers are put in the position they would have been in should the error not have occurred.

Customer satisfaction

We continue to be supportive of the Company’s decision to focus on Customer Satisfaction (CSat) and Effort scores to measure how satisfied you are when you interact with the Company.

As a reminder, 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.

In terms of the overall journey, the 59% CSat score for 2025 represented a significant improvement over 2024 and was very close to the Company’s target of 60%. The effort score showed good improvement too but was further away from the Company’s 60% target.

Overall journey	SLA	2024	2025
CSat	60%	48%	59%
Effort	60%	42%	54%

Complaints

The number of complaints received during 2025 was broadly consistent with 2024 at around 4 complaints per 1,000 accounts. The average time to resolve a complaint during 2025 increased very slightly but was in line with other benchmarked providers. Only 1% of complaints were referred by customers to the Ombudsman, which was among the lowest in the Benchmarking study.

It would be unrealistic to expect zero complaints. We believe the number of complaints received during 2025 was not at an unreasonable level and did not show any systemic issues. When they did occur, they were dealt with speedily.

Protecting you from fraud

The Company has implemented an enhanced target operating model to bolster its efforts to combat financial crime. A dedicated Financial Crime Enhancement Programme is in place which is designed to further strengthen, mature and optimise its financial crime framework, processes and controls.

M&G plc founded the Scam Forum 5 years ago. This draws together 60+ peer firms and other organisations (including law enforcement and trade bodies) to share information and increase awareness to combat the threat from scammers and fraudsters. In addition, M&G also separately engages with the likes of the ABI and the Investment Association on this important topic.

Protecting your data

A Cyber Security Incident Response Team continues to be in place, providing 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

Putting transfers to one side, there were improvements in the Company's service performance. On an end-to-end basis this compared well against other benchmarked providers, with the payment of death claims and retirement claims being particularly strong.

We were encouraged that customer satisfaction levels improved, although they still fell short of the target set by the Company.

However, call waiting times were again outside target and amongst the longest in the study, and transfers out took significantly longer than average. We therefore maintain an Amber rating for customer service and administration.

4. Communications and Engagement

Introduction:

The IGC believes that the best outcomes are achieved when customers are engaged in how their retirement plan is progressing, and feel confident in making informed decisions that reflect their circumstances.

Communication with customers and providing them opportunities to engage with Prudential therefore makes up an important part of the IGC's assessment of the Value for Money customers receive.

Prudential's workplace pensions business contains a lower proportion of active customers, and a higher portion of "small pots" than many other providers. Therefore, it can be difficult to directly compare 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 2025:

Across 2025, Prudential continued to strengthen its efforts to communicate more effectively to customers, and in encouraging them to become more informed and engaged in how their plan is progressing, through face-to-face and digital engagement. These are described in more detail below.

Digital Adaption

- In 2025, over 24,000 customers registered for MyPru, 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 the launch of Retirement Hub. This provides an area within MyPru where customers can obtain support in their retirement journey as well as tools and calculators, such as Prudential's Pension Pot calculator and Income Tax calculator.



Learn the pension basics

Pensions can be a good way to save for your retirement and provide a way to support you financially in the future.



Combine your pensions

Combining your pensions, sometimes referred to as pension consolidation, means combining some or all of your pension pots into one. Not all pension products support consolidation.

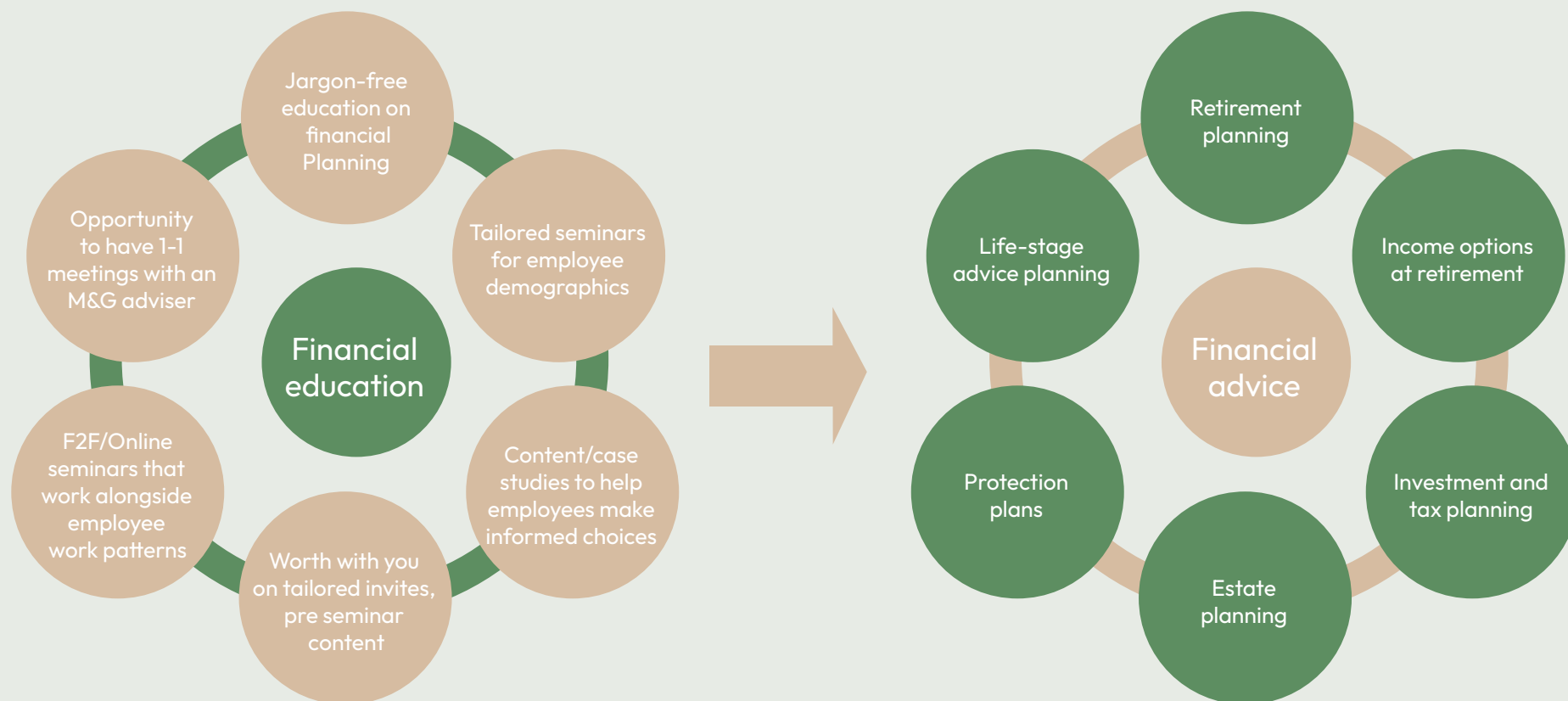
Newsletters

- Throughout 2025, Prudential issued 5 newsletters to customers, providing updates on regulatory changes, changes to the digital service, as well as tips on making the most of online functionality.
- Topics covered in 2025 included Prudential's Care & Support Hub, the change to the Normal Minimum Pension Age, and a summary of changes from the Autumn Budget.
- These emails were sent to around 150,000 customers across Prudential's workplace pensions book, with c.9% of these being clicked through to read more detail, compared with c.2% in the wider industry.
- Prudential also sent 3 employer newsletters through the year covering similar topics, to allow firms to update employees on these themes, as well as let them know any obligations they may have.
- You can read previous newsletters here: **Corporate Pensions Newsletter**



Face-to-face engagement

Prudential meets with schemes regularly, either in person or online. Information is shared around service and fund performance, as well as plans for upcoming activity. This is supplemented with workplace educational seminars, provided by M&G financial advisors. These have proven popular through 2025, with several workshops being fully booked. One-to-one sessions are also provided through these workshops, where customers are looking for more tailored financial advice.



Prudential have also assisted schemes provide important communications to their customers, by engaging with employers and working with them on important messages, such as changes to salary sacrifice rules expected to come into force in 2029.

Next Steps

The IGC has been updated regularly on Prudential's plans to maintain momentum in enhancing its digital service. Throughout 2026, Prudential plans to offer video summaries of annual benefit statements as well as make various updates to their Workplace Pensions website in order to make this easier to use and ease access to useful information. The committee will monitor how these changes are made and monitor any changes in outcomes they bring.

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 your retirement planning journey is as effective and rewarding as possible. You can do this by registering for Prudential's online service **here** and looking out for Prudential running a customer engagement workshop in your workplace, which your employer should inform you of.

Conclusion:

The IGC believes that Prudential is maintaining the positive momentum from last year in communicating and engaging with customers effectively, evidenced by the initiatives mentioned. In order to support more customers in their retirement and savings journey, we encourage Prudential to aim for greater interaction with and modernisation in digital services.

Additional factors assessed



Contents

5. Environmental, Social and Governance

Introduction

As part of the Committee's responsibilities, we comment on Environmental, Social and Governance (ESG) policies, practices and stewardship at Prudential. Previous research into customer engagement with ESG policies and activity has taught us that most customers expect their asset manager to consider these matters alongside traditional considerations when making investment decisions.

The IGC receives regular updates on ESG from Prudential, including any emerging risks, and how the company maintains their relationships with asset managers. This is particularly important given the focus climate-related issues have had over recent years, as well as other global issues which can impact Prudential's social responsibility.

Sustainability at M&G plc

As a business including both an asset manager and an asset owner looking after the savings and investments of a wide range of customers and clients, M&G, Prudential's parent company, has a responsibility to ensure it navigates existing and emerging risks, many of which relate to sustainability. The IGC believe this is key to long-term financial resilience and growth, as well as its purpose – to give everyone real confidence to put their money to work.

Alongside managing risks, Prudential aim to harness opportunities that support profitable growth and long-term value creation, investing in companies, assets and solutions that are likely to have enduring relevance and growth potential in the future economy.

This is guided by M&G's Group Sustainability Framework themes 'Resilient Planet' and 'Resilient Societies', which inform its areas of focus. These rest on a set of responsible business practices, aligned with its values of care and integrity.

Find more information in M&G's 2025 Annual Report and Accounts from p 52: [M&G plc Annual Report and Accounts 2025](#)

Group Sustainability Framework



Resilient Planet

In 2025, M&G plc published an updated Climate Transition Plan, which describes how it is managing related risks and opportunities on behalf of customers and clients and provides stakeholders with a clearer understanding of how it is supporting a shift to a low-carbon economy.

M&G also published a paper on nature, setting out how it is developing its approach on this topic.

Find more information here:

- [M&G plc Climate Transition Plan 2025](#)
- [M&G plc Developing our approach to nature](#)
- 2025 Annual Report and Accounts from p. 58: [M&G plc Annual Report and Accounts 2025](#)

Resilient Societies

Prudential have a number of investment strategies where the aim is to contribute to positive societal outcomes – delivering financial returns alongside social benefits and helping to build resilient communities. For example, the Life-backed UK Affordable Living Fund is an owner and registered provider of over 1,500 affordable homes across England, supporting an increase in affordable housing supply and broadening access to quality housing for everyone. Find more information in M&G's 2025 Annual Report and Accounts from p. 75: [M&G plc Annual Report and Accounts 2025](#)

In 2025, Prudential launched its 'Reframing Retirement' campaign. Research shows that many people delay planning for retirement, increasing the risk of saving too little, too late. The campaign seeks to change the conversation, moving away from outdated portrayals of retirement and encouraging proactive financial planning. Find out more here: [Reframing retirement – M&G plc](#)

Developments for Prudential

Prudential has refreshed 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.

This year, the IGC received independent advice on ESG outcomes. The advice recognised Prudential's continued focus on climate action and its commitment to working with investment managers to support Prudential's and M&G's ESG objectives. It also acknowledged the progress made over the past year through the transition of funds into investments with stronger ESG credentials.

The advice highlighted opportunities to strengthen stewardship activity further, particularly through increased engagement between investment managers and the companies in which underlying funds invest, and by taking a more proactive approach to social and environmental issues. The IGC will continue to monitor developments in this area over the coming year and seek regular updates on Prudential's engagement with investment managers to ensure its approach remains aligned with customer expectations.

As with the investment section, we believe there are areas where Prudential can make decisions which both prioritise customer returns and maintaining a focus on its ESG obligations.

In addition to targeting a reduction in financed emissions by 2030 and 2050, Prudential's 'asset alignment' target tracks the proportion of assets that are supporting the climate transition and is articulating this through robust transition plans.

M&G plc is a member of 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.

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 strategy and framework which the company has adopted evidences a positive and committed approach to the management by Prudential of its ESG impact. The IGC will also be reflecting on the advice received from the investment consultant we engaged with on areas where additional focus or improvement in this approach may be desirable.

6. Investment Pathways

Introduction:

Investment Pathways are a requirement of providers to assist customers approaching retirement to find simple, clear and good value investment options to meet their particular needs.

The IGC is required to assess whether the solutions offered provide value for money for customers.

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. In September 2025, Prudential began offering a further non-advised drawdown product with the Prudential Retirement Plan as an additional entry way into Investment Pathways. This currently can only be purchased by existing Prudential customers in some legacy products that do not offer drawdown features, although the firm is looking to expand availability during 2026.

A significant number of customers continue to make use of the online and voice journeys provided by Prudential but most choose to remain in the funds they were invested in during the accumulation stage. The vast majority of these customers (c.90%) are invested in PruFund.

In previous years, the IGC has challenged Prudential on the low take-up rates of Pathways; the rollout of the Prudential Retirement Plan as an entry way into Investment Pathways shows some movement in this area, and the IGC will continue to monitor take-up of this product.

Where customers selected specific Pathway options in 2025, 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. 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 is regularly updated on the costs and charges applied to Pathway products and has access to 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.

Prudential's Pathways have valuable features including multi-asset investment structures and smoothing due to the investment products which underpin them, with these features relatively expensive to provide. As such, the IGC has noted that while Prudential's charges are generally at the higher end of the range of available products, these charges are proportionate for the product features they enable.

Other Pathways products are available from other providers with lower charges, however these generally do not provide the same benefits as the Prudential products.

Investment Solutions and Performance:

Since Pathways were first introduced by Prudential in 2021, the IGC has assessed the appropriateness of the investment solutions underlying the four Pathway options. We continue to believe that they are appropriate and provide value for money. While Prudential is taking steps to expand the product offering which utilises Investment Pathways, these are still underpinned by the same four Pathway options, which are what the IGC assesses the suitability of.

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.

As set out in the following table, PruFund 3 has outperformed the Consumer Price Index (CPI) over 1, 3 and 5 years. PruFund 2 has outperformed the CPI over 1 and 3 years and marginally lagged over 5 years.

When comparing the performance of the PruFunds with other funds in the market, we use the ABI Mixed Investment 20%-60% for PruFund 3 and the ABI Mixed Investment 0%-35% for PruFund 2. PruFund 3 has outperformed this benchmark over 5 years but underperformed somewhat over 1 and 3 years. PruFund 2 has outperformed its benchmark over 1, 3 and 5 years.

PruFund 3's under-performance in recent years is largely attributable to its lower equity exposure and greater allocation to diversifying assets relative to the ABI Mixed Investment 20%-60% sector, combined with the impact of smoothing. The adjustment has largely occurred over the last 3 years. Whilst this has been a headwind during a period of strong equity market returns, the performance of the underlying assets remains healthy.

Annualised net return (after charges)

	1 year to end 2025	3 years to end 2025	5 years to end 2025
PruFund risk managed 3, series E	6.0%	5.6%	6.0%
ABI Mixed Investment 20-60% Shares	10.3%	7.3%	3.3%
CPI	3.3%	3.3%	5.1%

	1 year to end 2025	3 years to end 2025	5 years to end 2025
PruFund risk managed 2 series E	7.9%	5.3%	4.8%
ABI Mixed Investment 0-35% Shares	7.4%	5.2%	1.0%
CPI	3.3%	3.3%	5.1%

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. Within the past year, the website for Investment Pathways has been updated, making this content more accessible for customers.

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.

In 2025, Prudential noted an increase in the numbers of customers selecting a pathway by phone. This is predominantly due to the new Prudential Retirement Plan product only available to apply for over the phone currently. Prudential have assured the IGC that digital enhancements to this journey will be a priority as the product is rolled out.

Conclusion:

As set out in the preceding sections, the IGC is comfortable with the value offered to Pathway customers across investment performance, service & engagement and the costs and charges applied. While the IGC would like to see higher volumes of customers availing of Pathways, we note Prudential's efforts to expand the product offering to more customers, and will continue to scrutinise this as it is rolled out further in 2026 and beyond.

7. IGC Challenges to Prudential 2026

IGC Challenges to Prudential

Prudential has made good progress in improving value for money for workplace pension customers in recent years. However, the IGC's Amber rating for 2025 clearly leaves considerable room for improvement. The IGC also notes that the upcoming VfM framework will place an even greater importance on a culture of continuous improvement in DC providers. The IGC has taken steps within this report to begin incorporating the new VfM framework and will continue to evolve this process in future reports.

Below we have outlined the IGC's key expectations and challenges for 2026 and beyond, recognising that positive responses to some of our challenges are already in progress. In line with the new framework, the IGC encourages Prudential to assess forward looking analysis to consider the impact of any potential strategy changes, such as those detailed below, on the range of customers' expected pot sizes at retirement.

1. Length of glidepath – both the IGC and Prudential recognise that the current 25-year glidepath (i.e. the period over which asset derisking takes place) for Lifestyle strategies should be shortened, thereby increasing expected pot sizes with a limited increase in risk. Prudential has agreed to review the glidepath with the view to significantly shorten it and is currently reviewing the best process to implement this change. We encourage this to be undertaken as soon as practical, while managing transition costs and risks. Without such a reduction in the glidepath it is unlikely that Prudential's investment proposition would meet the required VfM standard.

2. Private markets – Prudential has made positive steps to date to introduce private markets in the PDG funds, through introducing an allocation to listed alternatives and real assets. The IGC is supportive of this change and encourages Prudential to continue exploring this area to consider an allocation to a broader range of private market assets, particularly given recent market developments and the fact that implementation can take some time. The last few years have seen the launch of multiple DC friendly vehicles for accessing private markets, which can bring significant potential benefits to return and risk.

3. Customer Service – Prudential's service proposition has improved over the last four years with reductions in transaction processing times, improved call answering and improved customer satisfaction scores. However, the improvements have not been sustained continuously and customer, IGC and regulatory expectations are increasing. The IGC has asked Prudential to set out agreed key metrics that would represent a satisfactory, appropriate and sustained (green) standard.

4. Digital enhancements – It is encouraging to see Prudential make better use of digital tools to engage with customers, with the launch of their Retirement Hub and better signposting of resources contributing to this. The IGC has encouraged Prudential to maintain this positive momentum and consider how it can further engage with customers in ways which are more convenient to them, while ensuring access to help which allows customers to make informed decisions.

Areas for consideration

- 1. Growth exposure for younger customers** – whilst the shortening of the glidepath will support improved outcomes for customers, we also encourage Prudential to consider mechanisms to increase the growth assets for younger customers. This could be undertaken in conjunction with the introduction of private markets outlined above, for example, via the introduction of a new PDG Dynamic Growth fund.
- 2. Allocation to cash at retirement** – The IGC note de-risking to 25% cash at retirement is likely too conservative given the investment horizon of the majority of customers when they retire. We note upcoming government requirements for DC providers like Prudential to offer a default decumulation solution. We think it's important Prudential ensures a smooth transition between the end of the glidepath and the beginning of the decumulation default.
- 3. Level of engagement on ESG** – While the IGC notes significant consideration that Prudential gives their environmental, social and governance obligations, we do note the areas for improvement which our external consultant provided, particularly on the levels of engagement its fund managers have with firms in which assets are invested in. We think it's important Prudential considers this advice, and assesses how it approaches managing engagement alongside its fund managers.

An aerial view of a city at sunset, with the sun low on the horizon casting a golden glow over the skyline. The sky is filled with scattered clouds. On the left side of the image, there are three overlapping teal-colored circles of varying sizes, creating a decorative graphic element.

Appendix

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 believe 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			
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



Contents



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%

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

Appendix 2 : Further detail on investments

Lifestyle investment performance

Fund Performance – Peers and benchmark comparison

The table to the right shows the performance of the funds that make up the lifestyles relative to their respective benchmarks and peer groups to 31 December 2025.

The funds used in the PDG lifestyles have underperformed their benchmarks. When considering performance against similar funds, the PDG funds have performed to an acceptable level, in particular PDG 5, the fund held in the growth stage, has shown strong relative returns.

The growth fund used in the LIP lifestyle outperformed its benchmark over the periods shown and performed in line with similar funds.

	1 year				5 years (p.a)			
	Performance vs Benchmark		ABI quartile ranking		Performance vs Benchmark		ABI quartile ranking	
PDG Lifestyles								
Pru Dynamic Growth V S3	-2.2%		1		-0.9%		2	
Pru Dynamic Growth IV S3	-2.0%		3		-1.0%		3	
Pru Dynamic Growth II S3	-1.9%		3		-0.8%		3	
Pru Cash S3	-0.9%		2		-0.9%		2	
LIP Lifestyles								
Pru Managed Ser A	2.0%		2		0.4%		3	
Pru M&G Gilt and Fixed Interest Income Ser A	-1.3%		4		-0.5%		2	
Pru Cash Ser A	-0.6%		3		-0.7%		3	

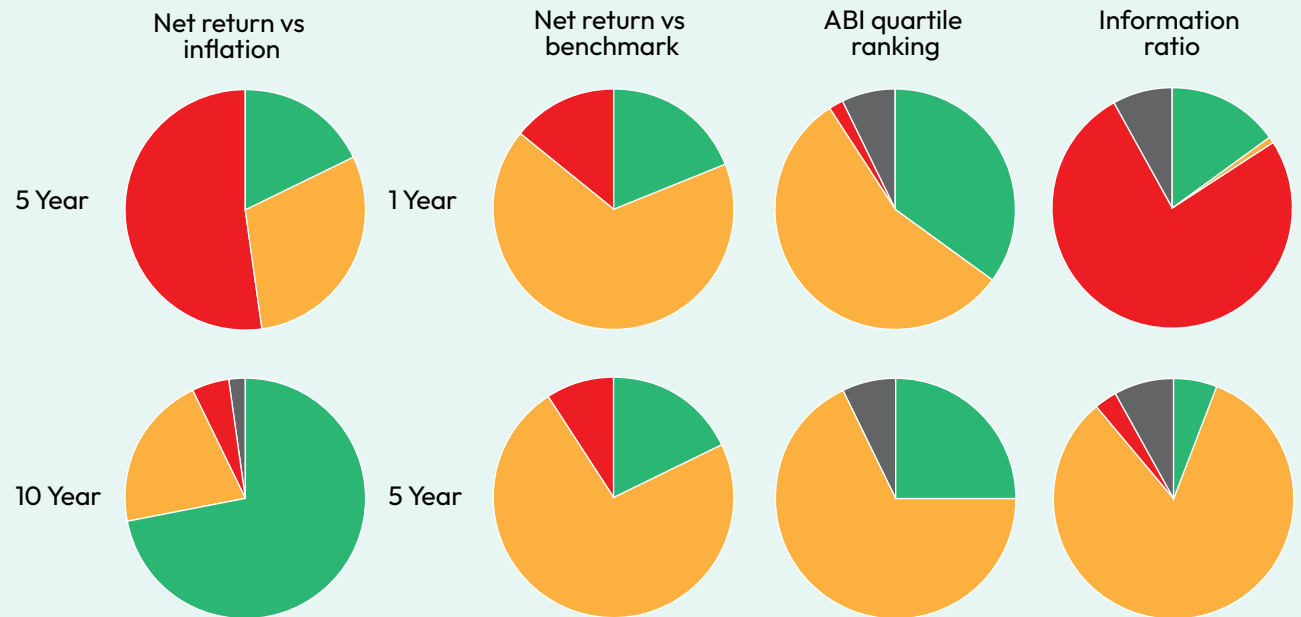
Key investment performance

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
- **Grey** = not available

A summary of the key investment performance criteria for varying periods to 31 December 2025 is set out in the adjacent pie charts.

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



This slide carries out similar analysis to the fund performance assessment in Section 2 – Investments, but instead of displaying the ratings as proportion of the total number of funds, they are weighted by funds under management. This means that the charts above are heavily weighted towards the funds that most customers invest in, namely the PDG funds.

The ratings under this framework are generally poorer for most metrics and periods examined. This shows that the funds which most customers invest in are underperforming on a variety of metrics, albeit the most important factor is long-term returns above inflation – the metric that the most popular funds have particularly excelled in over the long-term.

Inflation is UK CPI

A breakdown of the Red, Amber, Green assessment criteria is provided in the Appendix.

The net return vs inflation and net return vs benchmark metrics shown assess all funds available to customers to select

The ABI quartile ranking and information ratio assess all active funds available, as these metrics are most relevant where the fund manager is making active decisions with the aim to add value.

Review of investment strategy changes – forward looking analysis

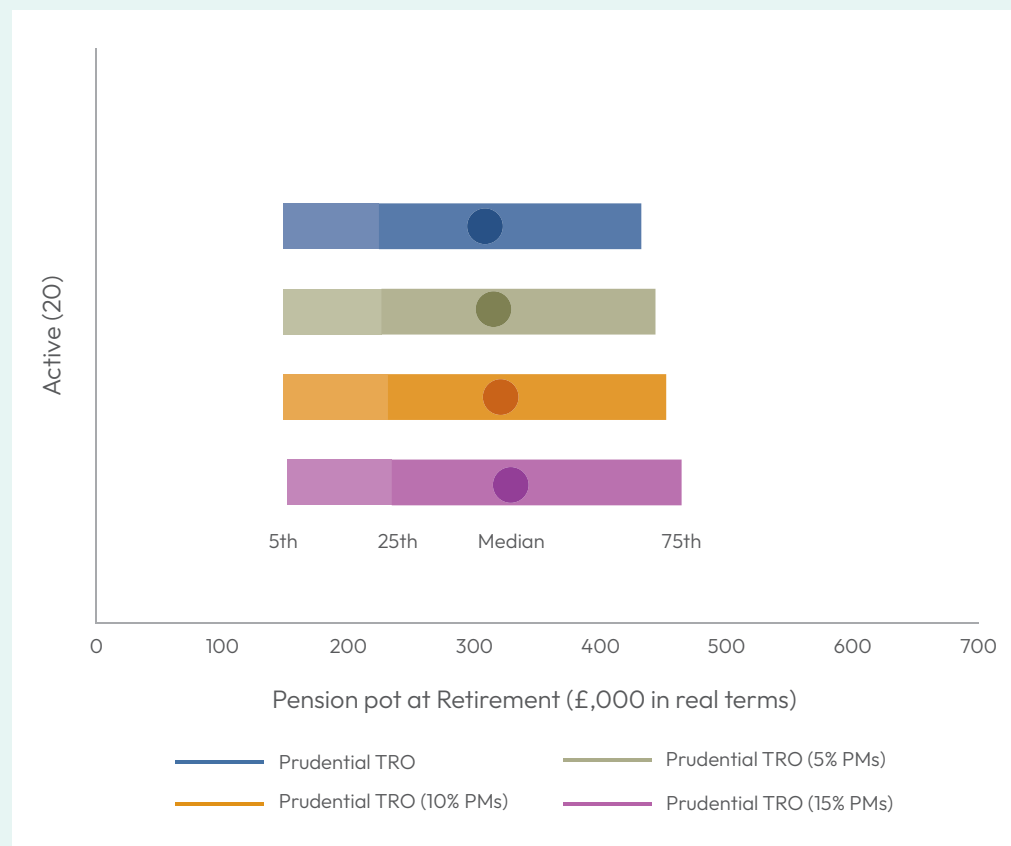
The IGC encourages Prudential to carry out customer outcomes modelling to assess the impact of potential strategic changes on the distribution of customers' pot sizes at retirement.

As an example, the chart to the right shows the distribution of potential pot sizes at retirement for a contributing customer aged 20 in the PDG strategy if a 5%, 10% or 15% allocation to private markets were to be introduced into PDG V.

Our key observations are:

- The expected benefits from diversification and additional expected return results in higher allocations to private markets moving the whole distribution of expected outcomes upwards, as represented by the higher median point and higher potential outcomes in good situations (75th percentile).
- Introducing private markets is not expected to worsen potential outcomes in the very poor scenarios (5th percentile).

The IGC is cognisant that Prudential is considering private markets within the lifestyling strategies and are supportive of the steps taken to date to introduce listed alternatives and real assets into the PDG funds. The IGC encourages Prudential to continue this progress with the support of forward looking assessments to review the impact a wider range of private market assets could have to customer outcomes.



Note: The modelling is based on XPS Capital Market Assumptions as at 31 December 2025.

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.