

PRUDENTIAL

Staff Pension Scheme

Defined Benefit Section



Report and Financial Statements

for the year ended 5 April 2024

PRUDENTIAL STAFF PENSION SCHEME

Report and Financial Statements for the year ended 5 April 2024

Scheme Registration No: 10011362X



XPS Administration is a trading name of XPS Administration Limited
Registered No. 9428346. Registered Office: Phoenix House, 1 Station Hill, Reading RG1 1NB
Part of XPS Group

PRUDENTIAL STAFF PENSION SCHEME

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PRUDENTIAL STAFF PENSION SCHEME

TRUSTEE AND ADVISERS

Trustee:	Prudential Staff Pensions Limited 10 Fenchurch Avenue London EC3M 5AG	
Trustee Directors:	Keith Bedell-Pearce CBE – Chairman Wolfgang Bauer *** Stephen Cunningham ** David Green Simon Iversen (Resigned 1 September 2023) Edward Morris **** (From 12 April 2024) John Paino * Anthony Robson (Appointed 1 June 2024) William Rutherford (Until 11 April 2024) Andrew Swan Darren Tish Jo Waldron	(Company Appointed) (Member-Nominated) (Member-Nominated) (Company Appointed) (Company Appointed) (Member-Nominated) (Member-Nominated) (Company Appointed) (Company Appointed) (Member-Nominated) (Company Appointed) (Company Appointed) (Company Appointed)
	* To serve until 16 July 2025	
	** To serve until 17 April 2026	
	*** To serve until 30 April 2027	
	**** To serve until 11 April 2028	
Actuary:	Robert Neil Wharmby FIA Willis Towers Watson Limited	
Administrators:	<u>Defined Benefit Section (DB Section):</u> XPS Administration Ltd <u>Defined Contribution Section (DC Section):</u> The Prudential Assurance Company Limited - MPP Service Centre	
Auditor:	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH	
Bankers:	Barclays Bank plc	
Communications Advisers:	Concert Consulting UK Limited	
Legal Adviser:	Mayer Brown International LLP	
Covenant Adviser:	Penfida Limited	
DB Section External AVC Provider:	The Prudential Assurance Company Limited	
DB Section Investment Consultant:	Willis Towers Watson Limited	
Longevity Contract Insurer:	Pacific Life Re (Safell Insurance IC Limited)	

PRUDENTIAL STAFF PENSION SCHEME

TRUSTEE AND ADVISERS (continued)

<i>Longevity Contract Valuer:</i>	BWCI Limited (Appointed by Scaffell)
<i>Investment Managers:</i>	BlackRock Advisors (UK) Limited GreenOak Europe Secured Lending SLP M&G Investment Management Limited Orchard Global Capital Group Schroders Greencoat LLP (From October 2023)
<i>DB Section Custodians for Cash and Securities:</i>	JPMorgan Chase Bank N.A.
<i>DC Section Adviser and Investment Consultant:</i>	Hymans Robertson LLP
<i>DC Section Platform Provider: ("Platform Provider")</i>	The Prudential Assurance Company Limited
<i>Secretary to the Trustee:</i>	M&G Management Services Limited
<i>Pensions Manager:</i>	Stephanie Nuttall (From 11 July 2024) Marion Steel (Until 30 April 2024)
<i>Contact Addresses:</i>	<u>Defined Benefit Section:</u> Prudential Staff Pension Scheme XPS Administration Limited PO Box 562 Middlesbrough TS1 9JA <u>Defined Contribution Section:</u> Prudential Staff Pension Scheme Prudential (PSPS DC) Lancing BN15 8GB

PRUDENTIAL STAFF PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024

The Defined Benefit (DB) Section assets decreased over the year by £417.4m after taking into account Employer contributions, benefit payments, expenses, investment income and the change in market value of investments.

Overall, after allowing for income, capital gains and movements in market values, the DB Section showed a negative return of 1.8% over the 12 months to 31 March 2024. This was 0.6% above the Benchmark return of negative 2.4%. Further details can be found on page 17 and the performance details for all fund managers can be found on page 18. The DB Section's investment strategy is heavily biased towards high quality and low risk assets, which moved in line with the liabilities resulting in the Scheme funding being relatively stable during the period.

With regard to the Defined Contribution (DC) Section funds under management they have increased to £744.6m after taking into account Employer & Employee contributions, benefit payments, funds' performance and change in market value of investments. Details of the performance of the funds are shown on page 21 of this report.

The performance of investments was impacted by the ongoing Russia-Ukraine conflict and current inflationary pressures.

During the year 58 former M&G Group Pension Scheme active members were transferred into the DB Section of the Scheme.

As at 5 April 2024 the Scheme's overall membership had decreased by 283 to 40,875 as a result of a combination of 508 exits from the DB Section and a 225 increase in the DC Section membership.

There were changes to Trustee Directors during the Scheme year. Wolfgang Bauer, Active Member Nominated Trustee Director, was reselected for another 4 years in April 2023, Simon Iversen, Company Appointed Trustee Director resigned on 1 September 2023. Since the year end, William Rutherford, Active Member Nominated Trustee Director's term of office ended on 11 April 2024 and Edward Morris was appointed with effect from 12 April 2024 in his place. The Company appointed Anthony Robson on 01 June 2024.

Marion Steel, who had been the Scheme's Pensions Manager since 01 March 2012, retired on 30 April 2024. I would like to take this opportunity to thank Marion for her service to the Trustee and the Scheme's membership.

The Trustee Board has appointed Stephanie Nuttall as the Scheme's Pensions Manager from 11 July 2024.

It was another busy year for those involved in administering and managing the Scheme. This year we had a mixture of virtual and in person meetings, however most meetings continue to be held virtually, as this has proven to be more efficient.

I would like to thank the Pensions Team, the Scheme administrators, the Scheme advisers and fellow current Trustee Directors for their continued hard work and support throughout the year. I also offer my thanks to Simon Iversen and William Rutherford for their input to the Scheme during their terms of office.

Keith Bedell-Pearce CBE

Trustee Board – Chairman

Date: 26 September 2024

PRUDENTIAL STAFF PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Introduction

The Trustee of the Prudential Staff Pension Scheme (the 'Scheme') is pleased to present the annual report together with the audited financial statements for the year ended 5 April 2024. The Scheme is comprised of two sections:

- the Defined Benefit Section (DB Section) which provides benefits based on a member's salary and length of service; and
- the Defined Contribution Section (DC Section) which provides benefits based upon the value of a member's accumulated fund.

The Defined Benefit Section is administered by XPS Administration Limited and the Defined Contribution Section by The Prudential Assurance Company Limited in accordance with the establishing documents and rules, solely for the benefit of its members and other beneficiaries.

The Scheme provides retirement and death in service benefits for eligible employees of Prudential UK Services Limited, Prudential Distribution Limited, M&G FA Limited, M&G Real Estate Limited, M&G Wealth Advice Limited, Prudential Capital Plc, Prudential Portfolio Management Group, PGDS (UK ONE) Limited, M&G Plc, M&G Corporate Services Limited and Investment Funds Direct Limited. The Scheme is legally and financially separate from the employing companies.

There has been no change to the Principal Employer, The Prudential Assurance Company Limited ("PACL").

Constitution of the Scheme

The Prudential Staff Pension Scheme was established under Trust on 24 December 1918 to provide defined benefits and the Trust Deed and Rules have been amended from time to time. A Defined Contribution Section was introduced by an amendment to the Trust Deed and Rules dated 1 August 2003. The Trustee holds Scheme funds on trust to apply them for the purpose of paying pensions and other benefits in accordance with the Trust Deed and Rules.

Benefits / Alterations to the Scheme

On 14 September 2023 the Trustee did sign a Deed of Transfer in respect of the transfer of assets and liabilities in respect of former active members of the M&G Group Pension Scheme.

There were 58 active members who were 'Group transferred in' from The M&G Group Pension Scheme to the Prudential Staff Pension Scheme effective 1 October 2023. These members are shown in the membership table on page 8.

There were no other changes to the Trust Deed and Rules or any changes to benefits during the Scheme year ended 5 April 2024.

Going Concern

The Trustee has continued to monitor the impact of the current economic environment on the assessment of the Employer's ability to support the Scheme as a going concern. The Trustee considered the potential impact of the current economic environment on the Scheme's investment strategy, the Employer's business taking into account the Scheme's strong funding level, well diversified investment strategy and financial resources available to the Employer.

Having assessed the circumstances with independent advice and information from the employer, the Trustee has determined that there is not a material uncertainty as to the ability of the Scheme to continue as a going concern for the foreseeable future and therefore believes it remains appropriate to prepare the financial statements on a going concern basis.

PRUDENTIAL STAFF PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. On 20 November 2020, the High Court also ruled that pension schemes will need to revisit individual transfer payments made since May 1990. The Trustee of the Scheme is aware that the issue will affect the Scheme and has discussed the issue several times with its advisers. As soon as all the outstanding matters have been finalised any benefit adjustments needed will be made with interest.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Management and governance of the Scheme

As Trustee, Prudential Staff Pensions Limited, a trust corporation, is responsible for ensuring that the Scheme is administered in accordance with the Trust Deed and Rules.

The present Trustee Directors are listed on page 2. In accordance with the Occupational Pension Schemes (Member Nominated Trustees and Directors) Regulations 2006 and under the Articles of Association the Directors of the Trustee comprise Member Nominated Directors and Company Appointed Directors.

Changes to Trustee Directors during the year are shown below.

There was one resignation from the Trustee Board during the Scheme year when Simon Iversen, a Company Appointed Trustee Director, resigned on the 1 September 2023. Post the Scheme year, William Rutherford's term of office as a Member Nominated Trustee Director ended on 11 April 2024.

The Appointments to the Board during the Scheme year and to the date of signing of the Trustee's Report were as follows:

- Wolfgang Bauer was re-selected as a Member Nominated Trustee Director with effect from 01 May 2023.
- Edward Morris was selected as a Member Nominated Trustee Director with effect from 12 April 2024.
- Anthony Robson was appointed as a Company Nominated Trustee Director with effect from 01 June 2024.

The powers of appointment or removal of Trustee Directors are set out in accordance with the establishing documents of the Trustee other than the Member Nominated Directors who are appointed by the members.

There are ten Trustee Directors, six of whom are appointed by the Company (including the Chairman and a pensioner Trustee Director), three are chosen to serve for a four-year term of office by active Scheme members and one for a four-year term from the pensioner members.

Trustee Directors meet regularly and in this year eleven Trustee Board meetings took place. Any questions arising at a meeting are decided by a majority of Trustee Directors' votes and in the event of an equality of votes the Chairman has a second or a casting vote.

PRUDENTIAL STAFF PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

A formal Trustee Board evaluation of the effectiveness of the Board is carried out annually. Every third year, the review is undertaken by an independent third party. The latest review was carried out in March 2022 by Pi Consulting (UK) Limited. No formal review took place in 2023 and the Chairman has scheduled a review in the second half of 2024.

The DB Section Committee reviews the investment and funding, communications relating to investments and funding and administration of the DB Section; the DC Section Committee reviews the investments, communication and administration of the DC Section; the Audit and Governance Committee reviews and assesses risks to the Scheme and the Scheme financial statements; and the Disputes Committee decides on disputes sent to the Trustee. These four Committees have delegated authority to take appropriate decisions on behalf of the Trustee Board in accordance with their Terms of Reference but report directly to the Trustee Board.

The DC Section Investment Committee considers the investment strategy and fund range for the DC Section and reports to the DC Section Committee. An established Factor and Funding Working Party reviews and considers the DB Section funding and valuation issues and reviews the DB Section Scheme factors reported to the DB Section Committee. The tri-annual valuation of the DB Section was due as at 5 April 2023, a Valuation Working Party was established in April 2023 for a year and reported to the DB Section Committee.

The Trustee Board has also established an Emergency Powers Committee that can be convened to make urgent decisions where it is not possible for the Trustee Board or an appropriate Committee to make an urgent decision. All Trustee Directors can be members of this Committee and the Trustee Board Chairman is also the Chairman of the Committee. The quorum for the Committee is a least two Trustee Directors and one of whom must be either a member nominated or Scheme pensioner. No formal meetings of the Emergency Powers Committee took place in the Scheme year ended 5 April 2024.

Many of the aspects of administering the Scheme call for specialist help under the supervision of the Pensions Manager. The names of the Scheme advisers are given on pages 2 and 3.

Longevity insurance transaction

On 5 November 2020, the Trustee entered into a longevity insurance transaction with Pacific Life Re to protect the DB Section of the Scheme ("Scheme") against the risk of its members living longer than expected and longer than has been assumed in actuarial valuations (the "Transaction").

If members live longer than is currently expected, the cost to the Scheme of paying pensions increases. The longevity insurance arrangement will form part of the Scheme's investment portfolio and will provide income to the Scheme in the event that members live longer than expected, offsetting the increased pensions outgoings.

The arrangement will provide long term protection to the Scheme against the costs associated with increases in life expectancy of its members. The arrangement covers some £3.5bn of liabilities, meaning that the Trustee has insured a significant portion of the Scheme's exposure to improvements in longevity.

The Scheme is transferring longevity risk to Pacific Life Re, a reinsurer. In order to facilitate the risk transfer to Pacific Life Re the Trustee has established a captive insurance company to give access to the reinsurance market. The Trustee pays the captive insurance company's costs and will closely monitor it.

During the life of the Transaction, collateral assets are posted by the Trustee and Pacific Life Re to provide security to each party in the event the other defaults. The amount of collateral that has to be posted by the parties depends on a number of factors including the value at risk at any given date. There are two types of collateral: fee collateral and experience collateral. As the Trustee does not pay an upfront premium for the longevity insurance transaction, fee collateral is posted by the Trustee equal to the present value of the future (unpaid) fees. The fee collateral remains an asset of the Scheme.

For the calculation period ended 31 March 2024, per the valuation date of 30 April 2024, the fee collateral is £83.5m and the experience collateral is £14.7m.

PRUDENTIAL STAFF PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Membership

Please see below the changes to the Scheme during the year ended 5 April 2024.

	Defined Benefit Section	Defined Contribution Section
ACTIVE MEMBERS		
Active members at the start of the year	179	3,834
New entrants in the year	-	585
Transfers in during the year	58	-
New opt outs entitled to deferred pension	(11)	-
New leavers entitled to deferred pension	(21)	(553)
Members who retired	(3)	-
Members who transferred out	-	(1)
Leavers – no money paid, record closed	-	(1)
Active members at the end of the year	202	3,864
MEMBERS WITH DEFERRED BENEFITS		
Deferred members at the start of the year	9,996	6,019
Active members who became deferred	32	553
Members who retired	(631)	(39)
Members retiring with serious ill health commutation	(2)	-
Members who took trivial commutations	(10)	-
Members who transferred out	(19)	(289)
Members who died	(59)	(13)
Deferred members who elected to transfer benefits to active membership	-	(16)
Leavers – no money paid, record closed	-	(1)
Members with deferred benefits at the end of the year	9,307	6,214
PENSIONERS		
Pensioners at the start of the year	21,130	-
New retirements	634	-
New spouses & children's pensions	276	-
Members who took trivial commutations	(2)	-
Members who died	(732)	-
Cessation of children's pension	(14)	-
Members moving to untraced status	(4)	-
Pensioners at the end of the year	21,288	-

There are no pensioners in the DC Section of the Scheme, however, there are death in service lump sum benefit only members in the DC Section not included in the above Membership statistics. Deferred members who have opted out but are still covered for a death in service lump sum benefit are included in the table above.

The DB Section pensioners figure at the year-end contains 3,840 (2023: 3,843) widows and 65 (2023: 67) dependants/child's pensions.

Excluded from the DB Section pensioners at the year-end are 'Suspended – Untraced' status members. This applies to pensioners who have been suspended for at least five years, where various mortality and address tracing exercises have not yielded any results and no liabilities are expected to remain in the Scheme for these members. At the year-end there were 27 (2023: 23) members in this category.

PRUDENTIAL STAFF PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Membership (continued)

There are 52 (2023: Nil) former M&G GPS members included in the Active DB membership and 6 (2023: Nil) former M&G GPS members included in the Deferred DB membership.

There is 1 (2023: 36) deferred member who opted out of the DB Section, but is still covered for a death in service lump sum benefit, and is included in the table as a deferred member.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewals.

Untraced members with outstanding benefits

Included in the total membership statistics for Pensioners and Deferred Pensioners of the DB Section are 729 (2023: 804) members who are entitled to receive payment of their benefits, but the Scheme's administrator has been unable to trace them to pay these benefits.

The administrator has attempted to trace these members via the Department for Work and Pensions tracing service (or similar) and has included them in the audit of pensioners against the Registry of Deaths. If the members remain untraceable their benefits remain in the Scheme and are included within the Scheme's current liabilities. The outstanding benefits including arrears were £10.3m (2023: £10.7m) as at 5 April 2024.

Additional benefits provided under the Defined Benefit Section Scheme Rules 7.1.1 (2) and 7.3

a) Discretionary increases to pensions in payment awarded by the Company

Increases to pensions accrued pre 6 April 1997 are discretionary and pensions accrued after 5 April 1997 are increased in line with statutory minimum requirements.

Pensions as at 1 April 2024 were increased as follows:

Element of pension	Increase (under GMP age)	Increase (over GMP age)
Pre 88 GMP	5%	Nil
Post 88 GMP	5%	3%
Pre 06/04/1997 Excess	5%	5%
Pension 06/04/1997 to 05/04/2005	5%	5%
Post 05/04/2005 pension	2.5%	2.5%

Any pensions that commenced payment on or after 1 April 2023 (other than as a result of the death of a pensioner whose pension started to be paid before 1 April 2023) received a pro rata increase of one twelfth of the above increase for each month that the pension came into payment before 1 April 2024.

In addition, pensions attributable to AVCs that started to be paid before 6 April 2012 received a discretionary 5% increase. The total cost of the increases awarded on a discretionary basis was £82m on the assumptions adopted with regard to the long term funding of the Scheme.

Deferred pensions were increased in line with statutory requirements and the Scheme Rules. No discretionary increases were awarded to deferred pensions during the year.

b) Discretionary augmentation of benefits

During the year from 6 April 2023 to 5 April 2024 discretionary augmentations of benefits were requested by companies participating in the Defined Benefit Section of the Scheme resulting in total augmentation contributions of £1k (2023: £8k) being received in the year.

PRUDENTIAL STAFF PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

c) Financing of additional benefits

In accordance with the Defined Benefit Section Scheme Rule 7.1.1, and bearing in mind that an allowance for the pre-funding of the increases to pensions in payment referred to in a) above is made in the contribution rate being paid, the Actuary has certified that the full amount of the total expected cost under a) above could be met from the funding already agreed following the 2017 valuation for the Defined Benefit Section of the Scheme. The Company has agreed to pay additional contributions to cover the cost of future augmentations as noted above.

The Actuary will monitor the cost of future additional benefits provided under the Defined Benefit Section Scheme Rule 7.3 in order to certify the additional employers' contributions required.

Transfers out

DB Section - All individual transfer values paid during the year represented the full cash equivalent of members' leaving rights and were calculated in accordance with the requirements of Section 97 of the Pension Schemes Act 1993.

All transfer values paid included GMP equalisation.

DC Section - All transfer values paid during the year represented the value of the member's funds.

Expression of wish forms

The Trustee reminds members that they can indicate to the Trustee the persons to whom they wish any lump sum benefits and pension benefits to be paid in the event of their death. The Trustee will then be able to take members' wishes into account, although they are not obliged to do so. Members are also urged to review their Expression of Wish form should their circumstances change.

Expression of Wish forms are available on request by writing to the address in the further information section on page 11.

Financial Development of the Scheme

Changes in the Scheme's net assets during the year were as follows:

	£m
Net assets at 5 April 2023	5,411.6
Net withdrawals from dealings with members	(154.5)
Net returns on investments	<u>(153.4)</u>
Net assets at 5 April 2024	<u><u>5,103.7</u></u>

The financial statements for the year have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

Tax and contracting out status

The Scheme is a registered pension scheme under Section 150 of the Finance Act 2004 and continues to benefit from the favourable tax treatment afforded to previously exempt approved UK pension schemes.

Contracting out for all defined benefit occupational pension schemes, including the DB Section of the Scheme, ceased with effect from 6 April 2016.

The DB Section of the Scheme was contracted out for the period 6 April 1978 to 5 April 2016 (inclusive). The Defined Contribution Section is contracted in.

PRUDENTIAL STAFF PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Further information

Further information about the Scheme is available, on request, to members and prospective members, their spouses and other beneficiaries together with all recognised trade unions. In particular, the documents constituting the Scheme, the Rules and a copy of the latest actuarial report and the Trustee's Statement of Funding Principles can be inspected at the addresses shown below.

Individual benefit statements are provided to active members annually. In addition to the information shown in these statements members can request details of the amount of their current transfer value. Such requests are available free of charge once a year.

If members have any queries concerning the Scheme or their own pension position, or wish to obtain further information, they should contact the appropriate address.

For Defined Benefit Section members:

Prudential Staff Pension Scheme
XPS Administration Limited
PO Box 562
Middlesbrough TS1 9JA
Email pspsdb@xpsgroup.com

For Defined Contribution Section members:

Prudential Staff Pension Scheme
Prudential (PSPS DC)
Lancing BN15 8GB
Email : PSPSDC.SC@Prudential.co.uk
Website: www.prudentialstaffps.co.uk

In order to administer the Scheme, it is necessary for information about members and their dependants to be held and processed by the Trustee or other parties who act on behalf of the Trustee. The Trustee is the data controller in respect of the personal information that is collected about you for the purposes of data protection legislation (by which we mean the current UK Data Protection Act 2018 and the EU General Data Protection Regulation (EU Regulation 2016/679) as it forms part of the laws of England and Wales (UK GDPR).

All member information is kept secure and only disclosed in limited circumstances; for example, information may be disclosed to companies within the M&G Group, Trustee advisers and other organisations in connection with the operation of the Scheme. Information may also be disclosed to any future potential employers and their advisers and, only if the Trustee is legally obliged to do so, to Government or regulatory organisations.

Full details of the Trustee's updated data privacy statement are available on the Scheme website www.prudentialstaffps.co.uk.

MoneyHelper

MoneyHelper provides pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service. MoneyHelper can be contacted at:

MoneyHelper
Bedford Borough Hall
138 Cauldwell Street
Bedford MK42 9AP

Tel: 0800 011 3797

Email: pensions.enquiries@moneyhelper.org.uk

Website: www.moneyhelper.org.uk

PRUDENTIAL STAFF PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Pensions Ombudsman

If you have a complaint concerning your Scheme pension arrangements, you should first make a formal complaint to Scheme Trustee. Complaints should be addressed to the Scheme Trustee at the address above under Enquiries.

If you are unhappy with the response, you can refer your complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) you are complaining about happened – or, if later, within three years of when you first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London E14 4PU

Tel: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

You can also submit a complaint online: www.pensions-ombudsman.org.uk/making-complaint

The Pensions Regulator (TPR)

The Pensions Regulator can intervene if they consider that a scheme's trustees, advisers, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Telecom House
125-135 Preston Road
Brighton BN1 6AF

Tel: 0345 600 0707

Email: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

The Pension Scheme Registry

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 10011362X. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

Pension Tracing Service
The Pension Service
Post Handling Site A
Wolverhampton WV98 1AF

Tel: 0800 731 0193

Website: www.gov.uk/find-lost-pension

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT

The Trustee determines its investment strategy after taking advice from the investment consultants. It has delegated the management of the investments to the Investment Managers listed on page 3.

Taskforce on Climate-related Financial Disclosures (TCFD) report

The TCFD report has been prepared for the current year and it can be found here:

<https://dc.prudentialstaffps.co.uk/tcfd>.

Employer Related Investments

The Scheme does not directly hold any shares or debt issued by M&G plc or any of its subsidiaries, or hold property let to M&G plc or any of its subsidiaries. The Trustee Directors believe the assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulations 2005.

Statement of Investment Principles

A Statement of Investment Principles has been produced for each section as required under Section 35 of the Pensions Act 1995 and copies are available on the Scheme's website www.prudentialstaffps.co.uk. All investments made during the year were in accordance with this Statement.

Custodial Arrangements

Other than pooled investments the Scheme's investments were held with the custodians shown on page 3.

The custodians are responsible for the safekeeping of documentation relating to the ownership of investments, settlement of trades and income collection.

The Trustee is responsible for ensuring that the Scheme's assets continue to be held securely. It reviews the custodian arrangements from time to time and the Scheme's auditor is authorised to make whatever investigations it deems necessary as part of the annual audit procedures.

Defined Benefit Section

Investment policy and investment management arrangements

The investment policy for the DB Section of the Scheme is determined by the Trustee in consultation with the Principal Employer and the Investment Consultant, WTW. The Trustee has agreed to target a return from the Scheme's assets of gilts +0.7% pa. This level of return is intended to support the sponsor's current discretionary increase policy and lead to a modest improvement in the funding level over the next 10 years. The investment return target will be reviewed again in 2024 following the results of the 2023 actuarial valuation.

Corporate governance and socially responsible investments

Corporate governance issues and the exercise of rights attaching to investments, including voting, are delegated to the investment managers as an integral part of the investment management function; where applicable voting rights will be exercised whenever practicable with the objective of preserving and enhancing shareholder value.

The Trustee expects the Scheme's investment managers to take into account social, environmental and ethical considerations when managing the assets of the Scheme and monitors the policies adopted and actions taken by each manager on a regular basis.

The investment managers at the year-end for the DB Section are listed on page 3.

All investment managers are regulated by the Financial Conduct Authority (FCA) and have authority for the implementation of investment policy consistent with their respective mandates. The Scheme's investments are invested in accordance with section 40 of the Pensions Act 1995.

The investment managers are remunerated on the basis of a fee determined by the value of the funds under management. These fees are payable quarterly. A performance related fee is paid to the M&G Debt Opportunities Funds (based on performance above a certain hurdle rate), Orchard illiquid credit funds (based on performance above a certain hurdle rate) and the Greenoak real estate debt fund (based on performance above a hard cap).

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Corporate governance and socially responsible investments (continued)

The Trustee views consideration of Sustainable Investment factors, including those relating to climate change, as important for the development and implementation of the Scheme's investment strategy. Recognising this, the Trustee has incorporated the following policies into its Statement of Investment Principles:

- Although the Trustee has delegated responsibility for selection, retention and realisation of investments to the Investment Managers, within certain guidelines and restrictions the Trustee recognises its responsibilities as a shareholder and believes that good corporate governance enhances shareholder value. In exercising its fiduciary duty the Trustee's focus is explicitly on financially material considerations including where Environmental, Social and Governance ("ESG") and climate change factors have a financially material impact.
- The Trustee considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Trustee takes into account in the assessment.
- Where relevant, the Trustee may take into account non-financial considerations in designing and implementing the investment strategy, including (but not limited to) the views of members and beneficiaries of the Scheme.
- The Trustee has reviewed in detail and will continue to periodically review the policies operated by each of the investment managers in respect of corporate governance issues and in respect of ESG issues to the extent such policies are relevant in respect of each investment manager's mandate. Where an investment manager's processes are deemed insufficient by the Trustee and the investment manager does not take steps to improve their approach, the investment manager's position in the portfolio may be reviewed and/or a decision may be taken not to proceed with an investment.
- Having been satisfied as to the policies of each of the Investment Managers on these issues, the policy of the Trustee is that:
 - Corporate governance issues and the exercise of rights attaching to investments, including voting, be delegated to the investment managers as an integral part of the investment management function; voting rights will be exercised whenever practicable with the objective of preserving and enhancing shareholder value
 - Whilst noting that there may be limitations for each investment manager and asset strategy, the Trustee expects the investment managers to have ESG processes that align with Trustee expectations for the investment characteristics of the strategy.
- The Trustee expects the investment managers to report regularly on votes cast and other relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings, noting in particular those cases where resolutions have not been supported, on other shareholder actions and on any ESG issues arising from the operation of the portfolio.
- When considering its policy in relation to stewardship including engagement and voting, the Trustee expects the Investment Managers to address broad ESG considerations taking into account the nature of the assets held under the relevant investment mandate but has identified climate change and diversity & inclusion as key areas of focus for the Trustee. The Trustee assesses that ESG risks, and in particular climate change, pose a financial risk to the Scheme and that focussing on these issues is ultimately consistent with the Trustee's fiduciary duties and the financial security of its members.
- Whilst the Trustee's policy is to delegate a number of stewardship activities to the Investment Managers, the Trustee recognises that the responsibility for these activities remains with the Trustee. The Trustee incorporates an assessment of how well the Investment Managers exercise these responsibilities as part of its overall assessment of their performance.

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Corporate governance and socially responsible investments (continued)

- Alignment between a manager's management of the Scheme's assets and the Trustee's policies and objectives are a fundamental part of the appointment process of a new manager. Before investing, the Trustee will seek to understand the manager's approach to sustainable investment (including engagement). When investing in a pooled investment vehicle, the Trustee will ensure the investment objectives and guidelines of the vehicle are consistent with its own objectives. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with its own policies.
- To maintain alignment, managers will be provided with the most recent version of the Scheme's Statement of Investment Principles, on an annual basis and will be required to explicitly confirm that the Scheme's assets are managed in line with the Trustee's policies as outlined in that statement.
- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristic of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.
- For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates will be determined in the context of the Scheme's overall objectives.
- The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.
- Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.
- Where available the Trustee will review the costs incurred in managing the Scheme's assets annually, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, where relevant the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Monitoring

The Trustee reviews the Scheme's investment managers from time to time, considering the results of its monitoring of performance and process and the investment manager's compliance with the requirements of the Pensions Act concerning diversification and suitability.

The independent Performance Measurer provides quarterly updates of performance to assist in the reviews of the Scheme's and investment managers' performance against the benchmarks.

The Trustee and its agents hold meetings with each investment manager to satisfy themselves that the Manager continues to carry out its work competently and has the appropriate knowledge and experience to manage the investments of the Scheme.

In light of the advice from the Scheme Actuary about the relative values of the Scheme's assets and liabilities, the Trustee is applying a return target for the assets of the Scheme. As at the date of this report, the benchmark asset allocation of the Scheme was as set out below:

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Monitoring (continued)

Asset Class	Benchmark %
Growth assets	4.0
Distressed Credit	1.7
Illiquid Credit	1.0
Multi-Strategy Credit	0.8
Real Estate Debt	0.5
Liability Matching assets*	<u>96.0</u>
Total	<u>100.0</u>

* Liability matching assets consist of secure income assets, fixed interest gilts, index linked gilts, corporate bonds, asset backed securities, cash and swaps

Over the year the Trustee made no significant changes to the Scheme's portfolio. In 2022, the Trustee agreed to make a commitment of £70m to a renewable energy fund managed by Greencoat Capital. As at the year end this has been fully invested with the first drawdown to Greencoat occurring in July 2023.

Investment Managers

Defined Benefit Section

The DB Section Investment Managers employed, together with the total market value of the portfolios under management as at 5 April 2024, are set out below:

Manager	Mandate	Market value of portfolio (£m)	Total % of Fund
Greenoak	Real Estate Debt (PIV)	13.5	0.3%
M&G	Debt Opportunities III (PIV)	22.4	0.5%
M&G	Debt Opportunities IV (PIV)	41.0	0.9%
M&G	Multi-Strategy Credit (PIV)	94.8	2.2%
M&G	European Asset Backed Securities (PIV)	51.8	1.2%
M&G	Senior Asset Backed Securities (PIV)	172.4	3.9%
Orchard	Elegantree Illiquid Credit (PIV)	0.5	0.0%
Orchard	Taiga Illiquid Credit (PIV)	48.9	1.1%
BlackRock ¹	Cash (PIV)	96.3	2.2%
BlackRock	Strategic Alternative Income (PIV)	178.2	4.1%
Greencoat	Renewable Income (PIV)	69.7	1.6%
M&G	Secure Property Income Assets (PIV)	105.7	2.4%
M&G	Secure Lease Income Assets (PIV)	79.2	1.8%
M&G	Long Dated Asset Portfolio	92.9	2.1%
M&G	Active Matched UK Corporate Bonds	369.7	8.4%
M&G	Buy & Maintain UK Corporate Bonds	529.1	12.1%
M&G	Active Index-Linked Gilts	874.8	19.9%
M&G	Active Gilts	240.5	5.5%
M&G	Longevity Swap Collateral	71.5	1.6%
M&G ²	Liability Matching	1,225.2	27.9%
M&G	Cash	0.0	0.0%
N/A	Other Cash	11.1	0.3%
Total Investment Assets		4,389.2	100.0%

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Defined Benefit Section (continued)

Note: The above table excludes Commercial AVCs and cash in transit. It includes the Trustee Bank balance.

1. BlackRock Cash Fund includes the cash held in the transition account.
2. M&G Liability matching assets reflects the passive matched portfolio.

PIV – Pooled Investment Vehicle

Investment performance and monitoring

Investment performance is measured by the Scheme's cash and securities custodian, JP Morgan Chase Bank. All performance numbers quoted in this report have been provided by JP Morgan Chase Bank, unless otherwise stated.

Custody

JP Morgan is the Scheme's global custodian for the majority of the segregated assets. All custodians are independent of the Investment Managers and the Principal Employer. The Scheme's investments held by the custodians are identified in their books and records as belonging to the Scheme.

Investment performance

Allowing for income, capital gains, and movements in market values, the return on the Scheme's assets for the 12 months to 31 March 2024 was -1.8%. This was 0.6% behind the benchmark return of -2.4%.

The Bank of England (BoE) made a number of incremental base rate rises throughout the 12 months to March 2024. The UK inflation rate, as measured by the CPI, stood at 3.2% by the end of March 2024, down from 3.9% in December and the lowest since September 2021. Over the year, sterling appreciated against the US dollar and the euro by 2.2% and 2.8% respectively.

UK government bond yields (which move inversely to bond price) broadly increased over the 12 months to 31 March 2024. Long maturity UK gilts have returned -4.6% over the period (as measured by FTSE-A Gilts Over 15 Years Index) and UK gilts all stocks returned 0.0%. Inflation-linked gilt yields also increased over the 12-month period. Long maturity UK index-linked gilts returned -11.9% (as measured by FTSE-A Index-Linked Gilts Over 15 Years Index) and UK index-linked gilts all stocks returned -5.0%.

The Scheme's investment strategy, which is heavily biased towards high quality and low risk assets, moved in line with the liabilities resulting in the Scheme funding remaining broadly stable over the period. The absolute returns achieved over longer periods, together with the Scheme's benchmark returns, are shown below. The difference in performance date and accounting period will result in timing differences when compared to the net returns on the investments figure shown on page 40.

Period	Return (% p.a.)	
	Scheme	Benchmark
12 months to 31 March 2024	-1.8	-2.4
3 years to 31 March 2024	-10.7	-10.4
5 years to 31 March 2024*	-5.2	-5.1

*Annual performance sourced from JPM, 5-year performance calculated by WTW

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Defined Benefit Section (continued)

Returns for 12 months to 31 March 2024

Manager	Mandate	Manager Performance %	Benchmark %
Greenoak ⁴	Real Estate Debt (PIV)	4.4	3.8
M&G ^{1,2}	Debt Opportunity III (PIV)	-17.2	4.9
M&G ^{1,2}	Debt Opportunity IV (PIV)	-8.2	4.9
M&G ¹	Multi-Strategy Credit (PIV)	12.2	4.9
M&G ¹	Secure Property Income Assets (PIV)	0.8	7.3
M&G	Secure Lease Income Assets (PIV)	-4.2	5.3
Orchard ⁶	Illiquid Credit Elegantree (PIV)	N/A	N/A
Orchard ^{1,2,3}	Illiquid Credit Taiga (PIV)	12.7	7.0
BlackRock	Cash (PIV)	4.7	5.1
BlackRock ⁸	Secure Income Assets (PIV)	3.8	3.4
Greencoat ⁷	Renewable Income Assets (PIV)	N/A	N/A
M&G ¹	Long Dated Asset Portfolio	0.9	0.3
M&G	European Asset Backed Securities	10.7	5.1
M&G	Senior Asset Backed Securities Fund	10.7	5.1
M&G	Active Matched UK Corporate Bond	7.5	6.1
M&G	Buy & Maintain	4.4	-1.1
M&G	Active Index-Linked Gilts	-3.8	-3.6
M&G	Active Gilts	-1.2	-1.7
M&G ⁵	Liability Matching	-8.4	-8.4
Total Scheme		-1.8	-2.4

1. Performance sourced from Manager
2. Quarterly returns sourced from Manager, 12-month performance calculated by WTW
3. Performance in local currency (USD)
4. Performance in local currency (EUR)
5. M&G Liability matching portfolio reflects the passive matched portfolio
6. Orchard no longer provides performance figures for this fund given the fund is currently winding down
7. 12-month performance not available as Scheme invested in the fund over the year
8. BlackRock SAIF performance is lagged as at 31 December 2023

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Defined Contribution Section

Investment policy and investment management arrangements

In respect of the DC Section, the Trustee has secured administration and investment services through an insurance policy with The Prudential Assurance Company Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Under this arrangement contributions are invested in a range of pooled pension funds managed by a number of underlying managers including M&G Investments.

The investment charges associated with this policy depend on the fund selected by the member. All charges are calculated on a daily basis as a percentage of the underlying assets and are collected periodically through the sale of the relevant number of units. The only exception to this is that there is currently no additional charge on any investments in the Prudential With-Profits Fund.

The Trustee has a duty to act responsibly with regards to the assets it owns on behalf of the Scheme's members. However, since the Scheme's assets are invested in a range of pooled funds, the Trustee has a limited ability to influence the Investment Managers' policies in the areas of corporate governance, voting and socially responsible investment.

The Trustee's strategy is to provide members with sufficient options to enable them to secure assets of appropriate liquidity and risk that will generate income and capital growth, which together with new contributions from members and the Employer, will provide a fund at retirement with which members can secure an income and, if required, draw a cash lump sum.

Members can choose their own customised asset mix from funds that invest in the following asset classes:

UK equities	Overseas equities
Emerging market equities	Diversified assets
Bonds	With-Profits
Cash	

All the funds (except the Prudential With-Profits fund) are 'white labelled', where the underlying managers and the allocations to their funds are decided by the Trustee. A range of specialist global equity, UK equity, emerging markets and diversified assets managers are currently utilised including M&G Investments (both passive and active funds).

The PSPS Multi-asset Lifestyle Option is the default lifestyle option for members and invests in a diverse range of investments that are expected to provide significant real returns over long periods (such as equities and diversified growth funds) for much of the member's working life, then switches gradually into assets that are more consistent with members taking their retirement benefits more flexibly such as a combination of cash, income drawdown and annuity purchase during retirement, as illustrated below.

This strategy initially invests 100% in equities (30% PSPS Global Equity– active, 7.5% UK Equity– active, 57.5% PSPS Sustainable Equity – passive and 5% PSPS Impact Equity – active funds) and between 15 years and 10 years from retirement gradually builds up exposure to the PSPS Diversified Growth –active and PSPS Diversified Liquid Alternatives – active funds, until at a point 10 years before retirement it is invested 63% in equities and 32% in the PSPS Diversified Growth –active fund and 5% in the PSPS Diversified Liquid Alternatives – active fund. Then 10 years from retirement the strategy also de-risks into PSPS Total Return Bond – active fund and, in the last 3 years before retirement, the PSPS Cash Fund – active fund. The final allocation at retirement is 13% in equities, 32% in the PSPS Diversified Growth –active fund, 5% in the PSPS Diversified Liquid Alternatives - active fund, 30% in the PSPS Total Return Bond Fund and 20% the PSPS Cash Fund – active fund.

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Defined Contribution Section (continued)

In addition, two alternative lifestyle options are offered, similar to the Multi-Asset Lifestyle option up to 5 years prior to retirement but targeting a different mix of assets at the point of retirement designed specifically for members intending to take their retirement benefits either in the form of cash withdrawal or purchase of an annuity. These alternative lifestyle options are called the PSPS Cash at Retirement Lifestyle and PSPS Annuity at Retirement Lifestyle. The final allocation at retirement of the PSPS Cash at Retirement Lifestyle is 50% in the PSPS Total Return Bond - active fund and 50% in the PSPS Cash - active fund. The final allocation at retirement of the PSPS Annuity at Retirement Lifestyle is 43% in corporate bonds (PSPS Corporate Bonds - active fund), 22% in gilts (PSPS Fixed Interest Bonds - active fund), 15% total return bonds (PSPS Total Return Bond - active fund) and 20% cash (PSPS Cash – active fund).

Furthermore, two alternative lifestyle options are offered: an actively managed lifestyle, PSPS Active Lifestyle - Annuity at Retirement and a passively managed option, PSPS Passive Lifestyle – Annuity at Retirement (both of these have been designed for members intending to take their retirement benefits in the form of annuity purchase). These have been closed to new entrants (only members in these strategies at 10 May 2023 can use them).

The PSPS Active Lifestyle – Annuity at Retirement begins in the accumulation phase, investing 100% in equities (70% in the PSPS Global Equity – active fund and 30% in the PSPS UK Equity – active fund). The PSPS Active Lifestyle – Annuity at Retirement switches into the consolidation phase 10 years from a member's Selected Retirement Age. The consolidation phase consists of an allocation to bonds (50% in the PSPS Corporate Bonds – active fund and 50% in the PSPS Index-Linked Gilts – active fund) which switches to cash (PSPS Cash – active fund) 4 years from Selected Retirement Age. The final allocation at a members' Selected Retirement Age will be 75% bonds and 25% cash.

The PSPS Passive Lifestyle – Annuity at Retirement initially invests 100% in equities (70% in the PSPS Overseas Equity – passive fund and 30% in the PSPS UK Equity – passive fund). The PSPS Passive Lifestyle – Annuity at Retirement starts switching into the consolidation phase 10 years from a members' Selected Retirement Age. The consolidation phase consists of an allocation to bonds (50% in the PSPS Corporate Bonds – active fund and 50% in the PSPS Index-Linked Gilts -active fund) which also switches to cash (PSPS Cash – active fund) 4 years from Selected Retirement Age. The final allocation at a members' Selected Retirement Age will be 75% bonds and 25% cash.

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Defined Contribution Section (continued)

Investment performance

The table below details the performance of the DC Section of the Scheme's fund options to 31 March 2024:

Fund	Return for 12 months to 31 March 2024 %		Return for 3 years to 31 March 2024 % p.a.	
	Fund	Benchmark	Fund	Benchmark
PSPS Cash – active	5.0	4.9	2.4	2.4
PSPS Index Linked Gilts - passive	-7.0	-6.9	-11.7	-12.0
PSPS Index Linked Gilts - active	-7.1	-6.9	-11.1	-12.0
PSPS Fixed Interest Bonds - active	0.2	-0.6	-6.7	-7.8
PSPS Long Dated Gilts - passive	-4.7	-5.0	-14.5	-14.7
PSPS Corporate Bonds - active	7.0	6.1	-2.2	-3.3
PSPS UK Equity - passive	8.3	8.4	7.8	8.0
PSPS UK Equity - active	4.4	8.4	4.5	8.0
PSPS Overseas Equity - passive	20.6	21.0	9.2	8.9
PSPS Global Equity - active	16.9	20.5	6.5	10.5
PSPS Emerging Markets Equity - active	3.0	6.3	-1.9	-1.8
PSPS Total Return Bond Fund - active	12.6	4.8	5.2	2.2
PSPS Diversified Growth - active	7.2	7.8	3.4	7.2
PSPS Sustainable Equity - passive	22.2	22.6	13.0	13.2
PSPS Impact Equity - active**	N/A	N/A	N/A	N/A
PSPS Islamic Global Equity Fund - passive**	N/A	N/A	N/A	N/A
PSPS Diversified Liquid Alternatives - active**	N/A	N/A	N/A	N/A
Prudential With-Profits*	7.8	n/a	3.7	n/a

Note: The performance numbers are for the "white labelled" parent funds in which the members' underlying fund options are invested. Performance figures are shown gross of fees and may differ slightly from the actual returns achieved by members due to a one day delay in unit pricing and the deduction of management fees.

** Unitised returns for the Prudential With-Profits fund are for the period from 6 April 2023 to 5 April 2024, assuming that the contribution was invested without any allowance made for any explicit charges one or three years ago and realised to secure benefits at normal retirement age.*

*** These funds were invested in during the year. As such there are no returns available on these funds as the investments have been held for less than a year.*

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Defined Contribution Section (continued)

Fund	Date Launched	Underlying Fund(s)
PSPS Cash - active	2008	M&G Cash fund
PSPS Index Linked Gilts - active	2008	M&G Index Linked Bond Fund
PSPS Index Linked Gilts - passive	2008	M&G Index Linked Passive Fund
PSPS Fixed Interest Bonds - active	2008	M&G Fixed Interest Fund
PSPS Corporate Bonds - active	2008	M&G All Stocks Corporate Bond Fund
PSPS UK Equity - passive	2008	M&G UK Equity Passive Fund
PSPS Overseas Equity - passive	2008	BlackRock Aquila World ex UK Equity Index Fund (88%) BlackRock Aquila Emerging Markets Equity (12%)
PSPS UK Equity - active	2008	Lindsell Train UK Equity Fund (30%) Baillie Gifford UK Equity Fund (30%) Schroders Life UK Equity Fund (40%)
PSPS Global Equity - active	2008	MFS Global Equity Fund (37.5%) Baillie Gifford Long Term Global Growth Fund (25%) L&G RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund (37.5%)
PSPS Emerging Markets Equity - active	2011	RBC Emerging Markets Fund
PSPS Diversified Growth - active	2011	Schroders Dynamic Multi Asset Fund (33.3%) Nordea Diversified Return Fund (33.3%) M&G Episode Allocation Fund (33.3%)
PSPS Long dated Gilts - passive	2013	M&G Over 15 year Gilt Index fund
PSPS Total Return Bond - active	2016	M&G Total Return Credit Investment Fund
PSPS Sustainable Equity -passive	2020	L&G Future World Global Equity Index Fund
PSPS Impact Equity - active	2023	Wellington Global Impact fund
PSPS Islamic Global Equity Fund - passive	2023	HSBC Islamic Global Equity Index fund
PSPS Diversified Liquid Alternatives - active	2023	Fulcrum Diversified Liquid Alternatives fund

Market commentary - year to 31 March 2024

Global growth has been stronger than expected over the past 12 months, particularly in the US, and, given ongoing improvements in activity survey data, global growth forecasts for 2024 have also been revised up, and now suggest only a marginal slowdown in 2024 versus 2023. Year-on-year headline CPI fell to 3.2%, 3.5% and 2.4%, in the UK, US and eurozone, respectively, in March 2024, from 10.1%, 5.0% and 6.9% a year earlier. Core inflation, which excludes volatile energy and food prices, fell less but still declined materially, to 4.2%, 3.8% and 2.9% in the UK, US and eurozone. The US Federal Reserve raised rates 0.5% pa, to 5.5% pa, in the 12 months to end-March 2024, while the Bank of England and European Central Bank both raised rates by 1.0% pa, to 5.25% pa and 4% pa, respectively.

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Market commentary - year to 31 March 2024 (continued)

However, amid progress on inflation, the major western central banks have left rates unchanged since the summer of 2023 and markets were expecting them to deliver between 2 and 3 interest rate cuts in 2024 at the end of Q1. In March, the Bank of Japan raised rates for the first time in 17 years, exiting negative interest rates.

Although bond yields rose sharply in March 2024 amid expectations that interest rates might be cut less than anticipated, over the 12-months to 31 March 2024 UK Government bonds (gilts) produced a flat total return. Index-linked gilts fell back over the 12 months, returning -5.0%. Overseas government bonds had a modestly positive return of 0.4%. In contrast corporate bonds performed better, UK corporate bonds returning 7.5% over the 12 months. Global corporate bonds also outperformed global sovereign bonds.

Global equities rose 25.0% in local-currency terms amid improving economic activity, declining inflation, and AI enthusiasm. Japan strongly outperformed as yen weakness lent support to the export-heavy index and optimism around corporate governance reforms gained momentum. North American equities outperformed, given their large exposure to the outperforming technology sector. Emerging Markets and Asia Pacific ex-Japan notably underperformed given concerns about China's growth prospects and disappointment with policy stimulus unveiled so far. The UK underperformed, given little exposure to technology and above-average exposure to energy and basic materials.

The MSCI UK Monthly Property Index (commercial property) rose 0.3% over the latest 12-month period as income offset a further 5.3% decline in capital values. Over the past 12 months, office capital values fell 16.3%, while retail sector values fell 5.6% and industrial values edged 0.8% higher.

The DC Section unit linked funds are priced and traded daily by the investment managers. The Trustee regards the DC Section investments as readily marketable.

The With-Profits fund has a broad asset allocation of around 65-70% in "growth assets" (equities, private equity and property), with the remaining assets invested in various forms of conventional credit (e.g. investment grade corporate bonds) and specialised credit (e.g. high yield, loans, asset backed securities, etc.). Only a small amount is held in sovereign bonds (e.g. gilts or other government bonds) although the amount held in gilts has increased in recent years as the valuation of gilts has become more attractive.

The investment return on the assets within the With-Profits fund benefited from positive returns from equities although there was a drag on performance private market assets which underperformed their public counterparts. The 12-month (gross) return to 31 December 2023 on the underlying assets was c. 4.3%, 5 years c. 5.5% p.a. and 10 years c. 6.0% p.a. The returns produced by the fund sit below the long-term returns achieved on equities but above the long-term returns achieved on UK government bonds (the FTSE All World returned 11.4% p.a. and FTSE All Stock Gilts returned 1.1% p.a. over 10 years to 31 December 2023).

The Prudential Assurance Company Limited ("PACL") declared an annual bonus rate of 3.0% in February 2024 for the DC Section's With-Profits fund. Terminal bonus rates for those retiring this year (which are not guaranteed and vary by year of investment) are also positive. Market Value Reduction may apply to members who wish to access their fund before or after Normal Retirement Date. In this context of With Profits benefits Normal Retirement Date is generally the date of 65th birthday for most members and is not changeable unless by application of the Trustee.

PACL has put in place a concession where Market Value Reduction will not be applied to the first £25,000 withdrawn from the With-Profits fund in any rolling 12-month period, provided the monies have been invested for five years. If more than £25,000 is withdrawn, the Market Value Reduction will only apply to the amount in excess of £25,000. Please contact the Pensions Manager for further information.

Investments in With-Profits funds are pooled just like other unitised funds. However, the value of each unit is not directly linked to the value of the underlying assets as a With-Profits fund aims to smooth out some of the ups and downs in performance over time. Over the long term, the intention is that the majority of investment returns are paid by regular, annual bonuses and the remainder as a final bonus. The smoothing means that any investment return kept back over the years will build up in the fund to provide the final bonus.

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Market commentary - year to 31 March 2024 (continued)

These regular bonuses are guaranteed if the fund is held to normal retirement date but reductions may be applied on transfer, early (and late) retirement or switching. A charge is levied on all investments in the With-Profits fund to pay for guarantees. The charge is taken by making adjustments to regular and final bonuses. Early or late withdrawal values may be reduced by a Market Value Adjustment to reflect the value of the underlying assets.

Additional Voluntary Contributions (AVCs)

The Scheme provides for members to pay AVCs to increase their benefit entitlement at retirement. Such contributions may attract tax relief and provide increased pension benefits.

DB Section members' AVCs are invested separately into the In House arrangement where they are managed as part of the normal investment operations of the Scheme's DB Section. Such AVCs will be used to purchase an initial pension on retirement. DB Section members can also decide to contribute to an additional AVC arrangement on a money purchase basis in which a fund range is offered similar to that under the DC Section.

AVCs for the DC Section are invested in the same manner as Employer contributions.

Trustee Policies

The Trustee's policies and practices in connection with the bullet point items below are set out in the Statement of Investment Principles which can be found on the Scheme's website www.prudentialstaffps.co.uk

- Financially material considerations;
- Non-financial matters;
- Exercise of rights (including voting rights);
- Stewardship;
- How they monitor the investee company on capital structure;
- How targeted portfolio turnover or turnover range is to be defined and monitored;
- How they manage actual and potential conflicts of interest in relation to their engagement;
- Details of their arrangements with their investment managers, the duration of the arrangement, how the scheme incentivises the investment manager to align investment strategies and decisions, and how they monitor portfolio turnover costs incurred by the asset manager.

A summary of the relevant sections of the Statement of Investment principles is set out below:

Financially material considerations

The Trustee recognises that the consideration of financially material considerations over the appropriate time horizon of the investments, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Scheme's investment options. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others. The Trustee will consider such factors in the development and implementation of their investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, they will engage with their investment managers to ensure they take such considerations into account within their decision making.

Non-financial factors

The Trustee recognises that some members will have strong personal views that are not related to financial considerations but that influence where they believe their savings should, or should not, be invested.

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Non-financial factors (continued)

To address non-financial factors, the Trustee may include self-select funds in the Scheme that are of a specialist nature with characteristics that take into account non-financial factors. The Scheme currently offers two funds managed on ESG principles for members who are likely to hold stronger personal views in ESG areas relative to the majority of members. The Scheme also includes a 62.5% allocation to these funds in the growth phase of the default lifestyle arrangement.

The Scheme also offers a fund managed on Shariah principles for members to choose as a self-select option.

The Trustee notes that non-financial factors can affect various investment risks which are borne by members and recognises that the performance of these funds will be different relative to funds that only consider financial factors.

Fund managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Scheme's investment objectives.

Voting and engagement

The Scheme invests via an investment Platform Provider, who in turn invest in funds which are pooled with other investors to keep costs down and ensure adequate diversification. As a result, the Trustee has adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value (i.e. the value of shareholdings held on behalf of members of the Scheme). The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustee has reviewed the voting and engagement policies of the fund managers as well as the approach to governance of the Platform Provider and determined that these policies are appropriate. On an annual basis, the Trustee will request that the Platform Provider and fund managers provide details of any change in their house policy.

Where appropriate, the Trustee will engage with and may seek further information from the Platform Provider and fund managers on how portfolios may be affected by a particular issue.

The Trustee does not engage directly but believes it is appropriate for the fund managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee aims to review engagement activity undertaken by the fund managers as part of its broader monitoring activity.

Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment platform and fund managers and the monitoring of compliance with agreed policies.

How they monitor the investee company on Capital structure

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are investing in new issuance, the Trustee expects the investment manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

Portfolio Turnover

The Trustee does not expect investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long term basis.

For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager except where a fund's total assets under management are relatively small where the investment manager does not fully replicate the index or where a fund invests in less liquid stocks.

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Portfolio Turnover (continued)

When selecting actively managed funds, the Trustee will consider, with the help of their investment advisers, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee will ask the Platform Provider or investment managers on the Platform to report on at least an annual basis on the underlying assets held within fund with details of any transactions and turnover costs incurred over the Scheme's reporting year. The Trustee will seek to compare portfolio turnover and the resultant costs against peer groups or portfolio turnover and costs for an appropriate index.

Where a fund has significantly under or outperformed its benchmark, the Trustee will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustee will challenge the Platform Provider and/or investment managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

Conflicts of Interest

The Trustee maintains a register of interests of each of the Trustee Directors and their advisers. This register is reviewed if Trustee Directors declare a change. At each Trustee meeting Trustee Directors are asked to declare any new potential conflicts. Any identified potential conflicts between stakeholders are identified in a timely manner and dealt with appropriately.

In the event of a conflict of interest, the Trustee will need to ensure that contributions for the Multi-asset Lifestyle Option are invested in the sole interests of members and beneficiaries.

When appointing Platform Providers and choosing investment managers' funds on the Provider's Platform, the Trustee will seek to establish that the Platform Provider and each investment manager has an appropriate conflicts of interest policy in place. This includes any provisions to disclose any potential or actual conflict of interest to the Trustee.

When given notice, the Trustee will consider the impact of any conflicts of interest arising in the management of the funds used by the Scheme.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are investing in new issuance, the Trustee expects the investment manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee will consider any conflicts of interest arising in the management of the funds used by the Scheme and will ensure that the Platform Provider and each investment manager has an appropriate conflicts of interest policy in place. The Platform Providers and investment managers are required to disclose any potential or actual conflict of interest to the Trustee.

Manager Incentives

The basis of remuneration of the investment managers by the Platform Provider may be subject to commercial confidentiality, however, the Trustee will seek transparency of all costs and charges borne by members. Nevertheless, the Trustee expects that it will be in the interests of both the Platform Provider and the investment managers on the Provider's Platform to produce growth in asset values in line with the funds' investment objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.

When selecting funds, the Trustee will ask their investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Scheme's members.

PRUDENTIAL STAFF PENSION SCHEME

INVESTMENT REPORT (continued)

Manager Incentives (continued)

In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will take action should the providers be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the Trustee will periodically review the Scheme's choice of providers to ensure their charges and services remain competitive. The Trustee believes that these steps are the most effective way of incentivising the providers to deliver Value for Members, of which investment management charges and investment performance are key considerations.

The Trustee also undertakes a review at least every three years in which the appropriateness of the investment options and the suitability of the Scheme's investment management arrangements are considered.

The Trustee monitors the investment managers against a series of metrics on a quarterly basis over a long-term time horizon including:

- Performance of their funds' respective benchmarks or performance targets;
- Relative tracking error where appropriate;
- The exercise of stewardship responsibilities (including engagement with issuers) through their Platform Provider; and
- The management of risks.

The Platform Provider or investment managers are expected to provide explanations for any significant divergence from a fund's objectives. A material deviation from performance and risk targets or approach to portfolio management is likely to result in the fund being formally reviewed.

PRUDENTIAL STAFF PENSION SCHEME

REPORT ON ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to receive based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employers and set out in the Statement of Funding Principles, which is available to Scheme members on request.

For the Prudential Staff Pension Scheme, the Scheme Solvency Target forms the basis of the calculation of the DB Section's technical provisions. The Scheme Solvency Target considers the amount expected to be needed to provide the DB Section's accrued benefits assuming that the Trustee were to switch the investment strategy either to a closely matched portfolio of gilts of appropriate nature and duration, or a portfolio of cash and swaps where a more favourable return would be expected on such a portfolio. No allowance is made for future discretionary pension increases to be awarded.

In addition to the statutory funding objective, the Trustee has agreed with the Employers to adopt a further funding target as part of the overall funding plan. This is referred to as the Ongoing Target. Under the Ongoing Target, the Trustee and the Employers aim for the DB Section to have sufficient assets to cover accrued benefits assuming that the Employers continue indefinitely, that the Employers are able to continue to award discretionary pension increases in line with their policy adopted from time to time and that the Trustee invests in such a way as to expect to be able to fund the accrued benefits (and the future discretionary pension increases) through a combination of the assets held, future contributions, and returns on those assets and contributions which are expected to exceed the returns on matching assets such as gilts.

The most recent full actuarial valuation of the DB Section of the Scheme was carried out as at 5 April 2023. This showed that on that date:

	Scheme Solvency Target (technical provisions)	Ongoing Target
	£m	£m
Assets	4,775	4,775
Amount needed to provide benefits	4,419	4,434
Surplus	356	341

The method and significant actuarial assumptions used to determine the funding targets are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

	Scheme Solvency Target (technical provisions)	Ongoing Target
Actuarial method used in the calculation	Defined accrued benefit method	Defined accrued benefit method
Discount rate	Term-dependent rates set by reference to the fixed interest gilt curve at the valuation date less a margin of 0.1% p.a. Equivalent to a single weighted average rate of around 3.6% p.a. at 5 April 2023.	Term-dependent rates set by reference to the fixed interest gilt curve at the valuation date plus a margin of 0.7% p.a. over the period to 5 April 2032 and 0.4% p.a. thereafter. Equivalent to a single weighted average rate of around 4.3% p.a. at 5 April 2023.

PRUDENTIAL STAFF PENSION SCHEME

REPORT ON ACTUARIAL LIABILITIES (continued)

Method and significant actuarial assumptions at 5 April 2023:

The method and significant actuarial assumptions used to determine the funding targets are continued as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

	Scheme Solvency Target (technical provisions)	Ongoing Target
Future Retail Price Index inflation (RPI)	Term-dependent rates derived from the difference between fixed interest and index-linked gilt yields at the valuation date	Term-dependent rates derived from the difference between fixed interest and index-linked gilt yields at the valuation date
Future Consumer Price Index inflation (CPI)	0.8% p.a. below RPI over the period to 2030 and equal to RPI thereafter.	0.8% p.a. below RPI over the period to 2030 and equal to RPI thereafter.
Pension increases in payment	In line with the CPI assumption, subject to the relevant caps and floors that apply to pension increases under the Scheme Rules. No allowance for discretionary increases.	Guaranteed increases: in line with the Scheme Solvency Target assumptions. Discretionary increases: based on the projected RPI (with a floor of 0% p.a. and a cap of 2.5% p.a.) with an allowance for inflation volatility of 1.5% p.a. The projected discretionary increases are compared to the projected guaranteed increases, with the higher assumed to apply.
Pension increases in deferment	Statutory revaluation in line with inflation but capped at 5% p.a. is assumed to be in line with CPI. The fixed 5% p.a. underpin is applied where appropriate.	Statutory revaluation in line with inflation but capped at 5% p.a. is assumed to be in line with CPI. The fixed 5% p.a. underpin is applied where appropriate.
Post retirement mortality – base rates	For males (female members) 96% (110%) of the mortality rates of the SAPS S3 Pensioner Amounts (Middle) tables published by the Continuous Mortality Investigation Bureau. For female dependants, 100% of the mortality rates of the SAPS S3 Dependants Amounts (Light) tables. Mortality improvements to 2023 are based on the CMI 2022 Core Projections model with a 1.75% p.a. (1.5% p.a.) long-term trend for males (females), a smoothing parameter of 7.5, an initial addition of 0.25% pa and a COVID weighting of 25% applied to 2022.	
Post retirement mortality – future	Future improvements in mortality for males (females) are assumed to be in line with the CMI 2022 Core Projections model with a 1.75% p.a. (1.5% p.a.) long-term trend, a smoothing parameter of 7.5, an initial addition of 0.25% pa and a COVID weighting of 25% applied to 2022.	

PRUDENTIAL STAFF PENSION SCHEME

ACTUARY'S CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

ACTUARIAL CERTIFICATION FOR THE PURPOSES OF REGULATION 10(6) OF THE OCCUPATIONAL PENSION SCHEMES (SCHEME FUNDING) REGULATIONS 2005

Name of Scheme: Prudential Staff Pension Scheme – Defined Benefit Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 5 April 2023 to be met for the period for which the Schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the statement of funding principles dated 23 May 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

**R N Wharmby
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a WTW company**

**Watson House
London Road
Reigate
Surrey RH2 9PQ**

23 May 2024

PRUDENTIAL STAFF PENSION SCHEME

DEFINED BENEFIT SECTION – SCHEDULE OF CONTRIBUTIONS

SECTION 1: INTRODUCTION

- 1.1 This Schedule of Contributions has been prepared by Prudential Staff Pensions Limited ("the Trustee"), the Trustee of the Prudential Staff Pension Scheme ("the Scheme").
- 1.2 This Schedule specifies, for the period of five years from the date of certification of the Schedule, the rates and due dates of Employers (as defined in the Scheme Rules) and employee contributions to the Defined Benefit Section of the Scheme. It is subject to review from time to time as required by legislation and by the Scheme's Rules and the following actuarial investigations.
- 1.3 This Schedule replaces the schedule certified on 14 September 2023.

SECTION 2: EMPLOYERS' CONTRIBUTIONS

Contributions to the Defined Benefit Section

Contributions by the Employers to provide for benefit accrual, risk benefits

- 2.1 During the period covered by this Schedule, normal Employer contributions shall be paid to the Defined Benefit Section of the Scheme in line with the minimum contributions as set out in DB Rule 2.4.1 of the Trust Deed and Rules. These contributions are as follows:

DB Members who are accruing benefits (excluding those subject to the M&G scale of benefits):

For these *DB Members*, who are under the age of 62 or are entitled to accrue further pension in the Scheme:

- 12.5% of the *Salaries* and pensionable *Consolidation Payments* from time to time of the *DB Members*.

For these *DB Members in Pensionable Service* who have attained the age of 62 and are not entitled to accrue any further pension but whose pension is increased prior to payment under the terms of DB Rule 3.1(5):

- 3% of *Salaries* prior to 1 June 2024 and 2% of *Salaries* thereafter.

DB Members who are accruing benefits and who are subject to the M&G scale of benefits:

With effect from 1 October 2023, 12.5% of the *Salaries* and pensionable *Consolidation Payments* from time to time of the *DB Members*.

Opt-out Participants: 1% of *Salaries* prior to 1 June 2024 and 3% of *Salaries* thereafter.

The terms in italics in this paragraph have the meanings as defined in the Trust Deed and Rules as they apply following the M&G Transfer.

- 2.2 The Employers shall also pay contributions where a member elects to pay his or her normal or additional voluntary contributions via salary sacrifice - see Section 3.

Contributions to provide for expenses

- 2.3 In addition to the contributions set out in paragraph 2.1 above, the Employers paid contributions at the rate of £6.25m per year commencing from 1 April 2023 to 31 December 2023 inclusive and will pay contributions at the rate of £7.6m per year commencing from 1 January 2024 to make provision for the expected management, administration and other expenses of running the Defined Benefit Section of the Scheme (including the payment of levies due to the Pension Protection Fund).
- 2.4 A contribution of £465,600 was paid in 2023 to meet the costs incurred by the Scheme in the period prior to 1 August 2023 in respect of the M&G Transfer.
- 2.5 A further contribution of £266,400 will be paid on or before 6 July 2024 to meet the costs incurred by the Scheme in the period from 1 August 2023 in respect of the M&G Transfer.

Contributions payable under any recovery plan

- 2.6 No Recovery Plan was required following the actuarial investigation as at 5 April 2023.

PRUDENTIAL STAFF PENSION SCHEME

DEFINED BENEFIT SECTION – SCHEDULE OF CONTRIBUTIONS (continued)

Payment of the Employers' contributions

- 2.7 The Prudential Assurance Company Limited ("the Company") will pay the above amounts on behalf of the Employers and Members as a whole. The Employers agree that they are jointly and severally liable for the contributions set out in this Schedule.
- 2.8 The contributions for each Scheme year under paragraph 2.3 will be paid in equal monthly instalments and in accordance with paragraphs 4.1 to 4.3, unless the Company decides to pay the monthly instalments in advance. In years where the rate changes during the calendar year, the equal monthly instalments shall be calculated in respect of each part calendar year for which a constant rate applies.

SECTION 3: EMPLOYEE CONTRIBUTIONS

Contributions to the Defined Benefit Section

Normal contributions

- 3.1 During the period covered by this schedule, members who are accruing benefits on the M&G scale of benefits shall pay contributions at the rate of 4% of Salary (as defined in the Scheme's Rules as they apply to those members following the M&G Transfer). For the purposes of calculating these Member contributions, Salary for each member will be the members' current Salary, before application of any earnings cap but after being restricted to the level of salary that is, by agreement with the relevant employer, pensionable (i.e. for most members, the Salary for the purposes of calculating these contributions is restricted to, as applies to most members, the Salary as at 30 September 2019).
- 3.2 Where a member elects to pay his or her normal contributions via salary sacrifice, the Employers shall pay contributions in accordance with the Scheme's Rules as they apply to those members following the M&G Transfer.
- 3.3 No contributions (other than additional voluntary contributions) are payable by other active members of the Defined Benefit Section of the Scheme.

Additional Voluntary Contributions

- 3.4 Members of the Defined Benefit Section of the Scheme may choose to pay additional voluntary contributions.
- 3.5 Where a member elects to pay his or her additional voluntary contributions via salary sacrifice, the Employers pay contributions in accordance with Rule 2.5.3 and, in the case of members who are accruing benefits on the M&G scale of benefits, any other provisions in the Scheme's Rules as they apply to those members following the M&G Transfer.

SECTION 4: MISCELLANEOUS

Timing of contributions

- 4.1 The Contributions referred to in paragraph 2.5 shall be paid on or before 6 July 2024.
- 4.1 Otherwise, contributions are to be remitted to the Trustee no later than the 19th day of the calendar month immediately following the calendar month to which the contributions relate (or in which they have been deducted from members' salary).

Augmentation costs

- 4.3 Contributions may need to be paid in addition to those set out in this Schedule if benefit improvements or augmentations are made. The amounts and timing of payment of such contributions will be determined in accordance with the Rules of the Scheme.
- 4.4 In particular, any contributions payable in relation to benefit improvements (including discretionary pension increases) or augmentations awarded to DB Members will be determined by the Scheme Actuary (after taking account of any surplus disclosed at the last actuarial valuation).

PRUDENTIAL STAFF PENSION SCHEME

DEFINED BENEFIT SECTION – SCHEDULE OF CONTRIBUTIONS (continued)

Section 75 debts

4.5 An Employer shall pay any sum due under Section 75 of the Pensions Act 1995 as a result of its cessation of participation in the Scheme except to the extent that other arrangements are made in accordance with applicable legislation.

Additional contributions from the Employers

4.6 Nothing in this Schedule shall preclude the payment of higher contributions than set out above. Such contributions can be treated as being covered by this Schedule.

SECTION 5: AGREEMENT OF EMPLOYERS AND TRUSTEE

5.1 The Trustee confirms it has received advice from the Scheme Actuary concerning the contents of this Schedule.

5.2 The Principal Employer (on behalf of all the Employers) and Trustee confirm their agreement to the contents of this Schedule.

Spencer Horgan (Signed)

For and on behalf of
The Prudential Assurance Company Limited

Wolfgang-Andreas Bauer (Signed)

For and on behalf of
Prudential Staff Pensions Limited

Signed 23 May 2024

PRUDENTIAL STAFF PENSION SCHEME

DEFINED CONTRIBUTION SECTION

PAYMENT SCHEDULE FOR THE PRUDENTIAL STAFF PENSION SCHEME

Section 1 – INTRODUCTION

- 1.1 This payment Schedule has been prepared by Prudential Staff Pensions Limited ("the Trustee"), the Trustee of the Prudential Staff Pension Scheme ("the Scheme").
- 1.2 This Schedule specifies the rates and due dates of Employers' (as defined in the Scheme Rules) and employee contributions to the Defined Contribution Section of the Scheme. It is subject to review from time to time as required by legislation and by the Scheme's Rules.
- 1.3 The Schedule is effective from the earlier of 1 July 2019 and the date of agreement between the Employers and Trustee shown in Section 6 of this document.

Section 2 – EMPLOYERS' CONTRIBUTIONS

Contributions to the Defined Contribution Section

Employer contributions

- 2.1 The Employers shall pay an amount each month to the Defined Contribution Section calculated by reference to the appropriate part of each DC Active Member's Pensionable Pay and, if appropriate, to each DC Active Member's contribution deducted from Pensionable Pay for that month, as set out in the following table:

DC Active Member's contribution as a whole percentage of the Pensionable Pay which is attributable to the appropriate month	Employer contribution as a whole percentage of the Pensionable Pay which is attributable to the appropriate month
%	%
0	8
1	9
2	10
3	11
4	12
5 or more	13

- 2.2 For the period up to 30 June 2019 inclusive, Employers will also pay contributions to the DC Reserve Fund of the Defined Contribution Section equal to 1.25% of DC Active Members' Pensionable Pay. From 1 July 2019 to 31 December 2020 inclusive, Employers will pay contributions to the DC Reserve Fund equal to 0.75% of DC Active Members' Pensionable Pay. From 1 January 2021, the Employers contributions to the DC Reserve Fund will revert to 1.25% of DC Active Members' Pensionable Pay.
- 2.3 In addition, Employers will pay contributions to cover the cost of providing risk benefits, expenses and augmentations under Defined Contribution Section Rule 2.3, 2.4 and 2.5 where these are not met from the DC Reserve Fund (see Section 5).
- 2.4 Employers' contributions are also payable under Defined Contribution Section Rule 8.2.2 and under Defined Contribution Section Rule 8.3.2.
- 2.5 The Employers will also pay contributions as required under the Defined Contribution Section Rules 2.8 and 8.7 in respect of DC Active Members who participate in the Salary Sacrifice Arrangement.

PRUDENTIAL STAFF PENSION SCHEME

Section 3 - EMPLOYEE CONTRIBUTIONS

Contributions to the Defined Contribution Section

Normal contributions

- 3.1 DC Active Members may choose to contribute to the Defined Contribution Section in accordance with the Scheme's Rules.

Section 4 - MISCELLANEOUS

- 4.1 Contributions are to be remitted to the Trustee no later than the 19th day of the calendar month immediately following the calendar month to which the contributions relate (or in which they have been deducted from members' Pensionable Pay).
- 4.2 Nothing in this Schedule shall preclude the payment of higher contributions than set out above. Such contributions can be treated as being covered by this Schedule.

Section 5 - FUNDING OF THE DC RESERVE FUND

- 5.1 The Principal Employer (The Prudential Assurance Company Limited) directs the Trustee (until further reasonable notice in writing) to apply assets in the DC Reserve Fund, (subject to there being sufficient monies in the DC Reserve Fund for a particular purpose as determined by the Trustee) in accordance with DC Rule 13.2 as follows:

- 5.1.1 To apply as additional Employer credits under DC Rule 2.4 (but, for the avoidance of doubt, not DC Rules 2.2, 8.2.2, 8.3.2 and 8.7) amounts in respect of DC Members as notified to the Trustee by the Employers from time to time.

These credits include any amount required to be allocated to the Personal Account of a DC Member detailed below in (i) and (ii) in order to provide him or her with the same pension as would have applied had the annuity rates offered by Prudential Annuities Limited been guaranteed for a period of 2 months from the date of quotation.

- (i) a DC Active Member leaving DC Service and taking an immediate pension under DC Rule 6.3, or
- (ii) a DC Active Member who dies in service, for securing a pension under DC Rule 7.1(3) for a dependant.

- 5.1.2 To apply as the costs of securing Risk Benefits under DC Rule 2.3.

- 5.1.3 To pay any expenses under DC Rule 2.5.

- 5.2 The Actuary will, at least annually or more frequently if he or she so determines, certify the contributions to be paid by the Employers to the DC Reserve Fund which he or she estimates to be sufficient to fund the costs for which the DC Reserve Fund may be applied as set out in the paragraph above.

Section 6 - AGREEMENT OF EMPLOYERS AND TRUSTEE

- 6.1 The Principal Employer (on behalf of all the Employers) and Trustee confirm their agreement to the contents of this Schedule.
- 6.2 The Schedule is effective from the earlier of 1 July 2019 and the date of signing below.

C Bousfield (Signed)

For and on behalf of
The Prudential Assurance Company Limited

W Rutherford (Signed)

For and on behalf of
Prudential Staff Pensions Limited

Signed 20 June 2019

PRUDENTIAL STAFF PENSION SCHEME

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- (i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- (ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and the financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustee's Report, which includes the Investment Report, the Report in Actuarial liabilities, the Statement of Trustee's Responsibilities, and the Implementation Statement (at the back of this report) was approved by the Trustee.

For and on behalf of the Trustee

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Darren Tish (Chairman)

Audit & Governance Committee

26 September 2024

.....

Date

PRUDENTIAL STAFF PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE PRUDENTIAL STAFF PENSION SCHEME

Opinion

We have audited the financial statements of the Prudential Staff Pension Scheme ("the Scheme") for the year ended 5 April 2024 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 5 April 2024 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Scheme, and as they have concluded that the Scheme's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether it has knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board, Audit and Governance Committee, DB and DC Section Committees minutes and the Scheme's breach register.

PRUDENTIAL STAFF PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE PRUDENTIAL STAFF PENSION SCHEME (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Trustee's (or its delegates including the Scheme's administrators) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of the Level 3 investments. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Plan-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.
- Assessing whether the judgment made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and its delegates (as required by auditing standards), and from inspection of the Scheme's regulatory and legal correspondence and discussed with the Trustee and its delegates the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation), and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Scheme is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Scheme's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and its delegates and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the Schedule of Contributions and Payment Schedule in our statement about contributions on page 63 of the annual report.

PRUDENTIAL STAFF PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE PRUDENTIAL STAFF PENSION SCHEME (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report, the Summary of contributions, Chairman's Annual Governance Statement and the Actuarial Certification of the Schedule of Contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in its statement set out on page 36, the Scheme's Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Iryndeeep Kaur-Delay
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill, Snow Hill Queensway
Birmingham B4 6GH

Date: 27 September 2024

PRUDENTIAL STAFF PENSION SCHEME

FUND ACCOUNT

For the year ended 5 April 2024

	Note	2024 Defined Benefit Section £m	2024 Defined Contribution Section £m	2024 Total £m	2023 Defined Benefit Section £m	2023 Defined Contribution Section £m	2023 Total £m
CONTRIBUTIONS AND BENEFITS							
Employer contributions	4	9.3	61.1	70.4	9.0	50.5	59.5
Employee contributions	4	0.3	1.7	2.0	0.2	0.8	1.0
Total contributions	4	9.6	62.8	72.4	9.2	51.3	60.5
Transfers in	5	50.5	1.6	52.1	-	1.2	1.2
Other income	6	-	3.6	3.6	-	0.3	0.3
		<u>60.1</u>	<u>68.0</u>	<u>128.1</u>	<u>9.2</u>	<u>52.8</u>	<u>62.0</u>
Benefits paid or payable	7	(240.7)	(6.1)	(246.8)	(238.6)	(1.5)	(240.1)
Payments to and on account of leavers	8	(3.3)	(22.9)	(26.2)	(29.6)	(24.3)	(53.9)
Other payments	9	-	(1.6)	(1.6)	-	(1.6)	(1.6)
Administrative expenses	10	(6.1)	(1.9)	(8.0)	(4.9)	(2.7)	(7.6)
		<u>(250.1)</u>	<u>(32.5)</u>	<u>(282.6)</u>	<u>(273.1)</u>	<u>(30.1)</u>	<u>(303.2)</u>
NET (WITHDRAWALS)/ADDITIONS FROM DEALINGS WITH MEMBERS		<u>(190.0)</u>	<u>35.5</u>	<u>(154.5)</u>	<u>(263.9)</u>	<u>22.7</u>	<u>(241.2)</u>
RETURNS ON INVESTMENTS							
Investment income	11	154.6	-	154.6	131.5	-	131.5
Change in market value of investments	14	(376.4)	74.0	(302.4)	(1,739.9)	(7.8)	(1,747.7)
Investment management expenses	12	(5.6)	-	(5.6)	(2.2)	-	(2.2)
NET RETURNS ON INVESTMENTS		<u>(227.4)</u>	<u>74.0</u>	<u>(153.4)</u>	<u>(1,610.6)</u>	<u>(7.8)</u>	<u>(1,618.4)</u>
NET (DECREASE)/INCREASE IN THE FUND FOR THE YEAR		<u>(417.4)</u>	<u>109.5</u>	<u>(307.9)</u>	<u>(1,874.5)</u>	<u>14.9</u>	<u>(1,859.6)</u>
TRANSFERS BETWEEN SECTIONS	13	1.2	(1.2)	-	0.1	(0.1)	-
OPENING NET ASSETS		<u>4,775.3</u>	<u>636.3</u>	<u>5,411.6</u>	<u>6,649.7</u>	<u>621.5</u>	<u>7,271.2</u>
CLOSING NET ASSETS		<u>4,359.1</u>	<u>744.6</u>	<u>5,103.7</u>	<u>4,775.3</u>	<u>636.3</u>	<u>5,411.6</u>

The notes on pages 42 to 62 form part of these financial statements.

PRUDENTIAL STAFF PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 5 April 2024

	Note	2024 Defined Benefit Section £m	2024 Contribution Section £m	2024 Total £m	2023 Defined Benefit Section £m	2023 Contribution Section £m	2023 Total £m
INVESTMENT ASSETS	14						
Bonds		3,901.8	-	3,901.8	4,255.6	-	4,255.6
Pooled investment vehicles	15	973.3	743.6	1,716.9	923.9	637.8	1,561.7
Derivatives	16	524.3	-	524.3	687.2	-	687.2
Cash instruments		38.1	-	38.1	72.7	-	72.7
AVC investments	17	3.3	-	3.3	1.9	-	1.9
Cash deposits		12.0	0.9	12.9	15.0	-	15.0
Other investment balances	18	30.0	-	30.0	29.2	-	29.2
		<u>5,482.8</u>	<u>744.5</u>	<u>6,227.3</u>	<u>5,985.5</u>	<u>637.8</u>	<u>6,623.3</u>
INVESTMENT LIABILITIES							
Derivatives	16	(1,100.3)	-	(1,100.3)	(1,192.1)	-	(1,192.1)
Longevity insurance contract	16	(17.3)	-	(17.3)	(15.1)	-	(15.1)
Cash deposits		-	-	-	-	(0.8)	(0.8)
Other investment balances	18	(1.0)	-	(1.0)	(3.0)	-	(3.0)
		<u>(1,118.6)</u>	<u>-</u>	<u>(1,118.6)</u>	<u>(1,210.2)</u>	<u>(0.8)</u>	<u>(1,211.0)</u>
TOTAL NET INVESTMENTS		4,364.2	744.5	5,108.7	4,775.3	637.0	5,412.3
CURRENT ASSETS	22	11.9	1.1	13.0	13.4	1.1	14.5
CURRENT LIABILITIES	23	(17.0)	(1.0)	(18.0)	(13.4)	(1.8)	(15.2)
CLOSING NET ASSETS		<u>4,359.1</u>	<u>744.6</u>	<u>5,103.7</u>	<u>4,775.3</u>	<u>636.3</u>	<u>5,411.6</u>

The notes on pages 42 to 62 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the Defined Benefit Section, is dealt with in the Report on Actuarial Liabilities on pages 28 and 29 of the Annual Report and these financial statements should be read in conjunction with this report.

26 September 2024

These financial statements were approved by the Trustee on (date)

Signed on behalf of the Trustee

.....
Keith Bedell-Pearce

.....
Darren Tish

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 5 April 2024

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pensions Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months. The Trustee considered the Principal Employer's financial position as well as the Solvency II capital position of the M&G plc group, M&G plc being the ultimate parent of the Principal Employer. The Scheme as at 31 March 2024 continues to be in surplus on a technical provisions basis at 108%. The Trust Deed and Rules allows the Scheme to continue should the Principal Employer go into liquidation. The Shareholder Solvency II coverage ratio of the M&G plc group as at 31 December 2023 was 203% (2022 199%). The Trustee believes that the Principal Employer will continue to support the Scheme and make contributions as they fall due. The Trustee is confident that the Scheme will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore, have prepared the financial statements on a going concern basis.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The addresses for enquiries to the Scheme are as follows:

DB Section	DC Section
Prudential Staff Pension Scheme	Prudential Staff Pension Scheme
XPS Administration Limited	Prudential (PSPS DC)
PO Box 562	Lancing BN15 8GB
Middlesbrough TS1 9JA	

3. ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements are prepared on an accruals basis.

(b) Contributions

Employee Additional Voluntary Contributions (AVCs) are accounted for when they are deducted from pay by the employer.

Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions or payment schedule in force during the year. The Employer normal contributions also included the employee salary sacrifice contributions for the DC Section.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a receipts basis.

Employer additional contributions are recognised on the due dates in accordance with the Schedule of Contributions or in the absence of a formal agreement on a receipts basis.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

3. ACCOUNTING POLICIES (continued)

(c) **Payments to Members**

Pensions in payment are accounted for in the period to which they relate.

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

Group and Individual transfers in or out are accounted for when the member liability is accepted or discharged which is normally when the transfer is paid or received.

Where the Trustee is required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits this is shown separately within benefits. Opt-outs are accounted for when the Scheme is notified of the opt-out.

(d) **Expenses**

Expenses are accounted for on an accruals basis. The Scheme bears all the costs of administration.

(e) **Investment Income**

Dividends from equities are accounted for on the ex-dividend date.

Income from bonds and other interest receivable is taken into account on an accruals basis and includes interest bought and sold on investment purchases and sales.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Income arising on the underlying investments of accumulation funds is reflected within the change in market value.

(f) **Investments**

Investments are included at fair value as follows:

Quoted securities in active markets are usually valued at the current bid prices at the reporting date.

Accrued interest is excluded from the market value of bonds and is included in investment income receivable.

Unitised pooled investment vehicles and cash instruments have been valued at the latest available bid price or single price provided by the investment manager.

Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the investment manager.

The longevity insurance contract has been valued by BWCI Limited on behalf of the Trustee. The value stated is based on the collateral value of the contract being the value taken from the collateral mechanism closest to the balance sheet date as defined in the longevity swap contract plus any outstanding expense payments. Expense payments paid in relation to the longevity insurance contract are accounted for within purchases and sales. The longevity insurance contract covers pensions in payment in the Defined Benefit Section as at 5 April 2019.

Exchange traded futures valued as the sum of the daily mark-to-market values, which is a calculated difference between the settlement prices at the reporting date and the inception date.

Swaps are valued based on the current value of future cash flows arising from the swap, determined using discounted cash flow models and market data at the reporting date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

3. ACCOUNTING POLICIES (continued)

(g) Foreign Currency Translation

Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated into sterling, the Scheme's functional and presentational currency, using the closing exchange rates at the year-end.

(h) Currency

The Scheme's functional and presentational currency is Pounds Sterling (GBP).

(i) Critical accounting estimates and judgements

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the financial statements.

4. CONTRIBUTIONS

	Defined Benefit Section £m	2024 Defined Contribution Section £m	Total £m
Employer contributions			
Normal	2.2	61.1	63.3
Additional	6.6	-	6.6
Special	0.5	-	0.5
	<u>9.3</u>	<u>61.1</u>	<u>70.4</u>
Employee contributions			
Normal	0.1	-	0.1
Additional voluntary	0.2	1.7	1.9
	<u>0.3</u>	<u>1.7</u>	<u>2.0</u>
	<u>9.6</u>	<u>62.8</u>	<u>72.4</u>
		2023	
Employer contributions			
Normal	2.0	50.5	52.5
Additional	7.0	-	7.0
	<u>9.0</u>	<u>50.5</u>	<u>59.5</u>
Employee contributions			
Additional voluntary	0.2	0.8	1.0
	<u>9.2</u>	<u>51.3</u>	<u>60.5</u>

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

4. CONTRIBUTIONS (continued)

With effect from 1 October 2023, 58 members from the M&G Group Pension Scheme became members of the Prudential Staff Pension Scheme and their contributions are included above. In relation to this transfer £465,600 was received in relation to the expenditure of the transfer in, shown in Employer special contributions.

With effect from 1 September 2014 members' AVC contributions are deducted via Pensions Plus, the Company's salary sacrifice arrangement, unless the member chooses to opt out.

Employer Additional Contributions are contributions associated with the operational expenses of the scheme. These contributions cover the anticipated costs related to managing, administering, and overseeing the Defined Benefit Section of the Scheme.

5. TRANSFERS IN

	2024		Total
	Defined Benefit Section £m	Defined Contribution Section £m	£m
Group transfers in from other schemes	50.5	0.3	50.8
Individual transfers in from other schemes	-	1.3	1.3
	<u>50.5</u>	<u>1.6</u>	<u>52.1</u>
	2023		
Individual transfers in from other schemes	-	1.2	1.2

Note: The Group transfer in was for 58 Active members who transferred in from The M&G Group Pension Scheme to the Prudential Staff Pension Scheme effective 1 October 2023. This includes their past benefits and AVCs. This was a cash transaction.

6. OTHER INCOME

	2024		Total
	Defined Benefit Section £m	Defined Contribution Section £m	£m
Claims on term insurance policies	-	3.6	3.6
	<u>-</u>	<u>3.6</u>	<u>3.6</u>
	2023		
Claims on term insurance policies	-	0.3	0.3
	<u>-</u>	<u>0.3</u>	<u>0.3</u>

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

7. BENEFITS PAID OR PAYABLE

	2024		Total
	Defined Benefit Section £m	Defined Contribution Section £m	£m
Pensions	215.6	-	215.6
Commutation of pensions and lump sum retirement benefits	24.3	1.8	26.1
Purchase of annuities	-	0.3	0.3
Lump sum death benefits	0.4	3.7	4.1
Taxation where lifetime or annual allowance exceeded	0.4	0.3	0.7
	<u>240.7</u>	<u>6.1</u>	<u>246.8</u>
		2023	
Pensions	212.7	-	212.7
Commutation of pensions and lump sum retirement benefits	24.0	0.3	24.3
Lump sum death benefits	1.1	1.1	2.2
Taxation where lifetime or annual allowance exceeded	0.8	0.1	0.9
	<u>238.6</u>	<u>1.5</u>	<u>240.1</u>

8. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024		Total
	Defined Benefit Section £m	Defined Contribution Section £m	£m
Individual transfers out to other schemes	<u>3.3</u>	<u>22.9</u>	<u>26.2</u>
		2023	
Individual transfers out to other schemes	<u>29.6</u>	<u>24.3</u>	<u>53.9</u>

9. OTHER PAYMENTS

	2024		Total
	Defined Benefit Section £m	Defined Contribution Section £m	£m
Premiums on term insurance policies	<u>-</u>	<u>1.6</u>	<u>1.6</u>
		2023	
Premiums on term insurance policies	<u>-</u>	<u>1.6</u>	<u>1.6</u>

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

10. ADMINISTRATIVE EXPENSES

	2024		Total £m
	Defined Benefit Section £m	Defined Contribution Section £m	
Administration	2.3	1.0	3.3
Actuarial fees	2.7	0.5	3.2
Legal fees	0.4	0.1	0.5
Trustees fees & expenses	0.1	-	0.1
Other professional fees	0.3	-	0.3
Audit fees	0.1	-	0.1
Levies	0.2	-	0.2
Other fees	-	0.3	0.3
	<u>6.1</u>	<u>1.9</u>	<u>8.0</u>
	2023		
Administration	2.0	1.9	3.9
Actuarial fees	1.8	0.5	2.3
Legal fees	0.2	0.1	0.3
Other professional fees	0.5	-	0.5
Audit fees	0.1	-	0.1
Levies	0.3	0.1	0.4
Other fees	-	0.1	0.1
	<u>4.9</u>	<u>2.7</u>	<u>7.6</u>

11. INVESTMENT INCOME

	2024		Total £m
	Defined Benefit Section £m	Defined Contribution Section £m	
Income from bonds	102.9	-	102.9
Income from pooled investment vehicles	51.7	-	51.7
Interest on cash deposits	0.1	-	0.1
Interest paid on derivatives / swaps	(0.1)	-	(0.1)
	<u>154.6</u>	<u>-</u>	<u>154.6</u>
	2023		
Income from bonds	103.4	-	103.4
Income from pooled investment vehicles	28.0	-	28.0
Interest on cash deposits	0.1	-	0.1
	<u>131.5</u>	<u>-</u>	<u>131.5</u>

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

12. INVESTMENT MANAGEMENT EXPENSES

	Defined Benefit Section £m	2024 Defined Contribution Section £m	Total £m
Fund size-related fees	6.1	-	6.1
Fee rebates	(0.7)	-	(0.7)
Investment custodian fees	0.2	-	0.2
	<u>5.6</u>	<u>-</u>	<u>5.6</u>
		2023	
Fund size-related fees	3.2	-	3.2
Fee rebates	(1.2)	-	(1.2)
Investment custodian fees	0.2	-	0.2
	<u>2.2</u>	<u>-</u>	<u>2.2</u>

Note: Investment fees for the defined contribution section are incurred through the bid-offer spread on investment within pooled investment vehicles and as such are shown under change in market value.

13. TRANSFERS BETWEEN SECTIONS

	Defined Benefit Section £m	2024 Defined Contribution Section £m	Total £m
Transfers between sections	<u>1.2</u>	<u>(1.2)</u>	<u>-</u>
		2023	
Transfers between sections	<u>0.1</u>	<u>(0.1)</u>	<u>-</u>

Note: The figures above represent the investment of AVC funds into the Commercial AVC arrangement, the investments for which are held under the DB Section.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

14. RECONCILIATION OF INVESTMENTS

	Value at 05.04.2023	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 05.04.2024
	£m	£m	£m	£m	£m
Defined Benefit Section					
Bonds	4,255.6	2,139.1	(2,250.2)	(242.7)	3,901.8
Pooled investment vehicles	923.9	395.6	(331.3)	(14.9)	973.3
Derivatives	(504.9)	1,006.6	(971.2)	(106.5)	(576.0)
Longevity insurance contract	(15.1)	10.4	-	(12.6)	(17.3)
Cash instruments	72.7	12,530.2	(12,564.8)	-	38.1
AVC investments	1.9	1.2	(0.1)	0.3	3.3
	<u>4,734.10</u>	<u>16,083.1</u>	<u>(16,117.6)</u>	<u>(376.4)</u>	<u>4,323.2</u>
Cash deposits	15.0			-	12.0
Other investment balances	<u>26.2</u>			-	<u>29.0</u>
	<u>4,775.3</u>			<u>(376.4)</u>	<u>4,364.2</u>
Defined Contribution Section					
Pooled investment vehicles	637.8	<u>63.7</u>	<u>(31.9)</u>	<u>74.0</u>	743.6
Cash deposits	(1.0)				0.9
Cash in transit	<u>0.2</u>				-
	<u>637.0</u>				<u>744.5</u>

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty. The information in respect of direct transaction costs during the accounting period and prior year is unavailable. However, the transaction costs analysed by investment portfolio for the year to 31 March 2024 were as follows:

	£m
M&G Active Index-Linked	1.2
M&G Active Fixed Gilt	0.4
M&G Active Matched Portfolio	0.3
M&G Passive Matched	0.1
M&G Alpha Opportunities Fund	0.0
M&G Senior Asset Backed Credit Fund	0.4
M&G Credit Opportunity Fund IV	0.1
M&G Long Dated Buy & Maintain Credit	0.1
M&G Long Dated Asset Portfolio	<u>0.4</u>
	<u>3.0</u>

In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

For the Defined Contribution Section investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Scheme administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

14. RECONCILIATION OF INVESTMENTS (continued)

Defined Contribution pooled investment vehicles are allocated to members and the Trustee as follows:

	2024 £m	2023 £m
Members	737.3	631.4
Trustee	6.3	6.4
	<u>743.6</u>	<u>637.8</u>

15. POOLED INVESTMENT VEHICLES

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	2024 £m	2023 £m
Defined Benefit Section		
Bonds	146.5	133.8
Property	185.0	196.4
Sterling cash liquidity	96.3	88.2
Alternative income funds	177.2	182.3
Private market funds	298.6	323.2
UK renewable infrastructure	69.7	-
	<u>973.3</u>	<u>923.9</u>
Defined Contribution Section		
Equity	650.6	537.1
Bonds	54.6	48.8
Sterling cash liquidity	18.4	25.8
Diversified Growth	20.0	26.1
	<u>743.6</u>	<u>637.8</u>

16. DERIVATIVES

Objectives and policies

The Trustee has authorised the use of derivatives by its Investment Managers as part of its investment strategy for the Scheme as follows.

Futures – the Trustee did not want cash held to be “out of the market” and therefore bought exchange traded index based futures contracts which had an underlying economic value broadly equivalent to cash held.

Swaps – the Trustee's aim is to match as far as possible the fixed income portfolio and the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds the Trustee has entered into OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

Forward foreign exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

16. DERIVATIVES (continued)

At the year-end the Scheme held the following derivatives:

	2024 Asset £m	2024 Liability £m	2023 Asset £m	2023 Liability £m
Futures	0.1	-	-	(0.6)
Swaps	524.2	(1,099.4)	686.3	(1,191.3)
Forward foreign exchange contracts	-	(0.9)	0.9	(0.2)
	<u>524.3</u>	<u>(1,100.3)</u>	<u>687.2</u>	<u>(1,192.1)</u>
		<u>(576.0)</u>		<u>(504.9)</u>

Futures

Nature	Expiration	Asset £m	Liability £m
Long Gilt	June 2024	<u>0.1</u>	<u>-</u>
Total 2024		<u>0.1</u>	<u>-</u>
Total 2023		<u>-</u>	<u>(0.6)</u>

Swaps

Nature	Expiration (years)	Notional principal £m	Asset £m	Liability £m
Inflation swaps (OTC)	<5	870.0	52.9	(135.9)
	6-10	931.9	74.9	(96.2)
	11-15	538.9	59.9	(128.5)
	16-20	369.0	46.5	(43.7)
	21-25	468.3	46.1	(95.7)
	Over 25	164.1	32.9	(14.3)
Interest rate swaps (OTC)	< 5	337.0	82.4	(60.3)
	6-10	322.9	20.6	(37.5)
	11-15	533.2	19.0	(18.4)
	16-20	650.8	30.9	(19.2)
	21-25	404.7	14.2	(3.0)
	Over 25	616.6	38.5	(7.4)
Overnight index swaps (OTC)	<5	360.0	3.5	(21.2)
	6-10	123.0	1.9	(11.0)
	11-15	197.5	-	(56.3)
	16-20	179.3	-	(59.2)
	21-25	215.2	-	(90.0)
	Over 25	349.8	-	(201.6)
Total 2024			<u>524.2</u>	<u>(1,099.4)</u>
Total 2023			<u>686.3</u>	<u>(1,191.3)</u>

Included in net assets is collateral of £667.4m (2023: £642.4m) which has been pledged to the counterparties.

At the year-end the Scheme held £896.2m (2023: £852.0m) of collateral belonging to the counterparties. This collateral is not reported within the Scheme's net assets.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

16. DERIVATIVES (continued)

Forward Foreign Exchange

Contract	Settlement Date	Currency bought	Currency sold	Asset £m	Liability £m
Forward OTC	April 2024	USD	GBP	-	(0.9)
Total 2024				-	(0.9)
Total 2023				0.9	(0.2)

Longevity contract

The Trustee has entered into a longevity hedging insurance contract designed to protect the Scheme and Employer against the risk of certain members living significantly longer than expected. The longevity hedging insurance contract is with Pacific Life Re and was signed in November 2020. Under this agreement, the Scheme agrees to make a series of cash flows (the premiums) to be paid over an agreed term (c.70 years from 2020) in exchange for Pacific Life Re paying the actual pension benefits paid to the members (the claims). The valuation of the longevity hedging insurance contract is the experience collateral value being the value taken from the collateral mechanism as defined in the longevity swap contract plus any outstanding expense payments.

Under the agreement, fees were first posted in December 2020 and experience collateral was first posted from February 2022. Calculations have been undertaken quarterly thereafter. Under the terms of the agreement, collateral of nominal and index linked gilts and cash has been pledged during the year and the collateral as at the year-end was £81.5m (2023: £77.2m). This collateral would have been pledged at April 2024. The Fair Value of the swap at 5 April 2024 uses this experience collateral component of this figure which is based on market conditions at 30 April 2024.

The collateral actually pledged as at the year-end date amounted to £80.8m (2023: £85.5m). This was made up of £11.3m of experience collateral and £69.5m of fee collateral as calculated in January 2024 which is due to the time lag in calculating and actioning the collateral. As at 5 April 2024, only fee collateral was posted.

17. AVC INVESTMENTS

All members who participate in AVC arrangements or have transfers-in on a money purchase basis will receive an annual statement made up to 5 April confirming the amounts held in their account and the movements in the year.

DB Section

With effect from 6 April 2006 members' AVCs can be invested through an insurance policy with The Prudential Assurance Company Limited or via the In House arrangement.

Policy with The Prudential Assurance Company Limited

From April 2006 the Trustee holds certain AVC assets, invested separately from the main fund, in the form of units in managed funds securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions.

At 5 April 2024 there were 32 (2023: 15) active members paying additional voluntary contributions under this arrangement and 21 (2023: 20) deferred members.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

17. AVC INVESTMENTS (continued)

The aggregate amounts of AVC investments are as follows:

	2024	2023
	£m	£m
Prudential	<u>3.3</u>	<u>1.9</u>

In House arrangement including transfers in

Included within the Defined Benefit section assets are AVCs with a value of £12.9m (2023: £14.0m). This value is split between DB AVC £12m (2023: £13.1m) and DB Money Purchase Transfer In ("MPTV") £0.9m (2023: £0.9m).

Details of the membership at the year-end are as follows:

	Active	Deferred	Total
DB AVC	36	392	428
DB MPTV	1	46	47

DC Section

In accordance with the Scheme rules all member contributions are treated as additional voluntary contributions. At 5 April 2024 there were 3,743 (2023: 3,718) members paying additional voluntary contributions and the value of the AVC investments included in the DC Section investments was £241.1m (2023: £203.8m).

18. OTHER INVESTMENT BALANCES

	2024	2023
	£m	£m
Amounts due from broker	0.4	0.3
Dividends and interest receivable	<u>29.6</u>	<u>28.9</u>
	<u>30.0</u>	<u>29.2</u>
Amounts due to broker	<u>(1.0)</u>	<u>(3.0)</u>
	<u>29.0</u>	<u>26.2</u>

19. FAIR VALUE DETERMINATION

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

20. INVESTMENT RISK DISCLOSURES

(a) Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed to at 5 April 2024. These risks are set out by FRS 102 as follows:

1. Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
2. Market risk: this comprises currency risk, interest rate risk and other price risk.
 - Currency risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
 - Interest rate risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market interest rates.
 - Other price risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from its Investment Consultant. The Scheme has exposure to the above risks due to the investments it makes. The Trustee manages investment risks, including credit risk and market risk, by taking them into account when setting the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee via regular reviews of the investment portfolio. The investment objectives and risk limits of the Scheme are further detailed in the Statement of Investment Principles.

The following sections summarise the various financial risks to which the Scheme's investments are exposed.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

20. INVESTMENT RISK DISCLOSURES (continued)

(b) Defined Benefit Section

Credit risk

The Scheme is subject to direct credit risk because the Scheme invests in investment grade and sub investment grade bonds, over the counter ('OTC') derivatives and cash. The Scheme is exposed to credit risk relating to the longevity insurance contract. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to those pooled investment vehicles with the pooled managers. The Scheme is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles ("PIVs").

Analysis of direct credit risk

2024	Investment grade £m	Non-investment grade £m	Unrated £m	Total £m
Bonds	3,893.0	8.8	-	3,901.8
OTC Derivatives	-576.0	-	-	-576.0
Longevity insurance contract ¹	-	-	-17.3	-17.3
Cash instruments	38.1	-	-	38.1
Pooled investment vehicles	-	-	973.3	973.3
Accrued investment income	29.6	-	-	29.6
Other ²	-	-	11.4	11.4
Total	3,384.7	8.8	967.4	4,360.9

¹ Experience collateral value as at 31 March 2024 used as a proxy for the value of the contract

² Other includes £12.0m in Trustee cash and -£0.6m in Unsettled items

2023	Investment grade £m	Non-investment grade £m	Unrated £m	Total £m
Bonds	4,240.2	15.4	-	4,255.6
OTC Derivatives	-504.9	-	-	-504.9
Longevity insurance contract ¹	-	-	-15.1	-15.1
Cash instruments	72.7	-	-	72.7
Pooled investment vehicles	-	-	923.9	923.9
Accrued investment income	26.2	-	-	26.2
Other ²	-	-	15.0	15.0
Total	3,834.2	15.4	923.8	4,773.4

The above tables exclude AVC investments, cash in transit and amounts due to and from brokers

¹ Experience collateral value used as a proxy for the value of the contract

² Other includes £15m in Trustee cash and -£2.7m in Unsettled items

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

20. INVESTMENT RISK DISCLOSURES (continued)

Credit risk is managed by the Scheme's investment managers through several methods. The Trustee reduces credit risk through investment in a range of bond managers, who perform detailed credit analysis and diversify their portfolios across a number of securities; daily collateralisation of derivatives; investment in cash funds with a high credit quality or requiring all counterparties to be rated at least investment grade.

OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC derivatives is reduced by collateral arrangements to back the liability matching portfolio. Credit risk also arises on forward foreign currency contracts (within both the pooled funds and segregated portfolios). The forward foreign currency contracts in place with M&G have collateral arrangements in place. Within the pooled funds it is expected that all counterparties will have been evaluated and meet required standards. Cash is held within financial institutions which are at least investment grade credit rated.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring fenced from the pooled manager, the regulatory environments in which the pooled managers operate, and diversification of investments amongst a number of pooled arrangements.

The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

Credit risk arising from the longevity hedging contract is mitigated by the regulatory environment in which the reinsurer operates, the captive insurer (Guernsey Incorporated Cell) and the collateral arrangements required to back the longevity hedge contracts. The Trustee carries out annual monitoring of the financial strength of the reinsurer and any changes to the regulatory environment it operates within.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2024	2023
	£m	£m
Authorised unit trusts	184.9	-
Open ended investment vehicle	268.6	360.4
Shares of limited liability partnerships	309.9	398.4
Irish Section 110 Company	63.4	81.0
Dublin registered QIAIF ¹	146.5	84.1
Total	973.3	923.9

¹ QIAIF refers to *Qualifying Investor Alternative Investment Fund*.

Indirect credit risk arises in relation to underlying investments held in the bond and liquidity pooled investment vehicles. This risk is mitigated by investing in pooled funds which are actively managed by skilled investment managers and ensuring that the range of investments is well diversified.

	2024	2023
	£m	£m
Bond Pooled investment vehicles ¹	94.8	84.1
Alternative Income Pooled investment vehicles ²	246.9	182.3
Liquidity Pooled investment vehicles ³	96.3	88.4
Total	438.0	354.8

¹ Bond PIV relates to the M&G multi-strategy credit

² Alternative Income PIV relates to the BlackRock UK Strategic Alternative Income fund and Greencoat Renewable Income LP.

³ Liquidity PIV relates to the BlackRock Cash fund.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

20. INVESTMENT RISK DISCLOSURES (continued)

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets which are denominated in a non-sterling currency. The Trustee has considered the impact of currency risk by investing in sterling hedged share classes where possible and appropriate.

The table below provides gross overseas currency exposure for both segregated and pooled investment vehicles.

	2024	2023
	£m	£m
Currency		
US Dollar	130.6	144.4
Japanese Yen	0.0	0.0
Euro	280.9	209.6
Other	7.9	2.5
Total	419.4	356.5

Interest rate risk

The Scheme is subject to interest rate risk because a significant proportion of the Scheme's investments are held in the liability matching portfolio (gilts, index linked gilts, corporate bonds, asset backed securities, swaps and cash), secure income assets, active gilt mandates, multi strategy bond funds and the longevity hedging contract.

In relation to the growth assets, the Scheme has interest rate risk from exposures across the multi strategy credit mandates (M&G Alpha Opportunities Fund), the illiquid credit mandates (M&G Debt Opportunities Funds, Greenoak Real Estate Debt Fund and the Orchard illiquid credit funds).

The majority of interest rate sensitive assets are held in the liability matching portfolios with M&G (around 95% of the Scheme's assets). Under this strategy, if interest rates fall, the value of liability matching assets will rise to help hedge the increase in the value placed on the Scheme's liabilities from a fall in the discount rate. Similarly, if interest rates rise the investments will fall in value as will liabilities because of an increase in the discount rate.

	2024	2023
	£m	£m
Direct		
Bonds	3,901.8	4,255.6
Swaps	(575.2)	(504.3)
Longevity insurance contract	(17.3)	(15.1)
Indirect		
Bond Pooled investment vehicles ¹	94.8	84.1
Alternative Income Pooled investment vehicles ²	246.9	182.3
Liquidity Pooled investment vehicles ³	96.3	88.4
Total	3,747.3	4,091.0

¹ Bond PIV relates to the M&G multi-strategy credit.

² Alternative Income PIV relates to the BlackRock UK Strategic Alternative Income fund and Greencoat Renewable Income LP.

³ Liquidity PIV relates to the BlackRock Cash fund.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

20. INVESTMENT RISK DISCLOSURES (continued)

Other price risk

Other price risk arises principally in relation to the Scheme's growth portfolio which includes equities and property, both held in pooled vehicles, and the private equity mandate. The Trustee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the Scheme's exposure to investments subject to other price risk was:

	2024	2023
	£m	£m
Indirect		
Property Pooled investment vehicles ¹	184.9	196.0
Private Market Pooled investment vehicles ²	126.2	154.5
Alternative Market Pooled investment vehicles ³	246.9	182.3
Total	558.0	532.8

¹ Property PIV relates to the M&G Secure Property Income and M&G Secure Lease Income funds

² Exposure classified as 'Private Market PIV' is invested in Orchard, Greenoak, M&G Debt Opportunities Fund (DOF) III and M&G DOF IV.

³ Alternative Income PIV relates to the BlackRock UK Strategic Alternative Income fund and Greencoat Renewable Income LP.

(c) Defined Contribution Section

Investment risks

The following is a summary of the key risks associated with the funds in which members of the Defined Contribution Section ("DC Section") of the Scheme ("Scheme") invest.

Interest rate risk

The DC Section is subject to indirect interest rate risk through investment in cash, bonds and gilts. However, since all investments are currently held through pooled investment vehicles, members and the DC Section's assets are only indirectly exposed to interest rate risk through the underlying investments in cash, bonds and gilts.

Other price risk

Other price risk arises from growth asset funds (e.g. equities) that are available to members of the DC Section. The Trustee manages other price risk by offering access to a range of funds that invest in a diverse portfolio of investments across various markets. The members and the DC Section's assets are indirectly exposed to these 'other price risks' since all investments are currently held through pooled investment vehicles.

Credit risk

The DC Section invests in pooled investment vehicles. Therefore, the DC Section and members are both directly and indirectly subject to credit risk. Direct credit risk arises with Prudential who provide the pooled investment vehicles for the DC Section and indirect credit risk arises from any holdings of bonds, gilts, and cash balances within these funds. In addition, any cash holdings held in the Trustee bank accounts (on members' behalf) will also be subject to credit risk.

The pooled investment vehicles are all unit linked or unitised insurance contracts and are unrated.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled fund manager, the regulatory environments in which the pooled fund managers operate, and the diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager. Prudential is regulated by the Financial Conduct Authority. The Trustee manages the indirect credit risk by offering access to a range of funds that invest in a diverse portfolio of investments across various markets.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

20. INVESTMENT RISK DISCLOSURES (continued)

Currency risk

Similar to the other risks, the DC Section's assets are only indirectly exposed to currency risk through the Scheme's investment in pooled investment vehicles. Some of the fund options available to members are subject to currency risk through investment in equities and other overseas financial instruments. The Trustee does not hedge this risk, but instead manages it by offering access to funds that invest in a diverse portfolio of investments across various global markets.

The extent to which funds on offer to members of the DC Section are subject to the above indirect risks are shown in the following table:

Fund	Credit risk	Interest rate risk	Currency risk	Other risk
PSPS Cash	Yes	Yes	No	No
PSPS Index-Linked Gilts – passive	Yes	Yes	No	Yes
PSPS Index-Linked Gilts - active	Yes	Yes	No	Yes
PSPS Fixed Interest Bonds - active	Yes	Yes	No	No
PSPS Long-dated Gilts - passive	Yes	Yes	No	No
PSPS Corporate Bonds - active	Yes	Yes	No	No
PSPS UK Equity - passive	No	No	No	Yes
PSPS UK Equity - active	No	No	No	Yes
PSPS Overseas Equity - passive	No	No	Yes	Yes
PSPS Global Equity - active	No	No	Yes	Yes
PSPS Emerging Markets Equity - active	No	No	Yes	Yes
PSPS Diversified Growth - active	Yes	Yes	Yes	Yes
PSPS Total Return Bond - active	Yes	Yes	Yes	No
PSPS Sustainable Equity - passive	No	No	Yes	Yes
PSPS Impact Equity - active	No	No	Yes	Yes
PSPS Islamic Global Equity Fund - passive	No	No	Yes	Yes
PSPS Diversified Liquid Alternatives - active	Yes	Yes	Yes	Yes
Prudential With-Profits	Yes	Yes	Yes	Yes

21. CONCENTRATION OF INVESTMENTS

The following investments represented over 5% of the net assets of the Scheme:

	2024		2023	
	£m	%	£m	%
UK I/L GILT 0.125 10/8/2028 (DB)	382.3	7.5	n/a	<5%
PSPS Global Equity - Active (DC)	272.5	5.3	n/a	<5%

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

22. CURRENT ASSETS

	Defined Benefit Section £m	2024 Defined Contribution Section £m	Total £m
Bank balance	11.1	1.1	12.2
Contributions receivable - employer	0.6	-	0.6
Tax recoverable	0.2	-	0.2
	<u>11.9</u>	<u>1.1</u>	<u>13.0</u>
		2023	
Bank balance	12.7	1.1	13.8
Contributions receivable - employer	0.6	-	0.6
Tax recoverable	0.1	-	0.1
	<u>13.4</u>	<u>1.1</u>	<u>14.5</u>

Included in the Defined Contribution bank balance is £0.9m (2023: £0.9m) which is not allocated to members. All contributions receivable relate to the month of March 2024 and were paid in full to the Scheme within the timescale required by the Schedule of Contributions and Payment Schedule currently in force.

23. CURRENT LIABILITIES

	Defined Benefit Section £m	2024 Defined Contribution Section £m	Total £m
Accrued expenses	4.2	1.0	5.2
Unpaid benefits	9.4	-	9.4
Tax payable	3.4	-	3.4
	<u>17.0</u>	<u>1.0</u>	<u>18.0</u>
		2023	
Accrued expenses	1.2	1.8	3.0
Unpaid benefits	9.0	-	9.0
Tax payable	3.2	-	3.2
	<u>13.4</u>	<u>1.8</u>	<u>15.2</u>

24. CAPITAL COMMITMENTS

At the year-end the Scheme had capital commitments with Greenoak, amounting to £22.8m (2023: £23.4m), with Orchard Elegan, amounting to £6.7m (2023: £6.8m), and with Greencoat, amounting to £Nil (2023: £70m).

The Scheme also has the obligation to pay premiums under the longevity insurance contract each quarter on the cashflows covered.

PRUDENTIAL STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

25. RELATED PARTIES

The Scheme received employer contributions in respect of six Directors of the Trustee Company who are active members. There are three Trustee Directors who are pensioner members of the Scheme, as at 5 April 2024. One Trustee Director is not a member of the Scheme as at 5 April 2024. During the year the Company paid Trustee fees of £128k (2023: £120k) of which £Nil was payable at year end (2023: £Nil).

The Scheme holds assets managed by M&G Investment Management Limited, M&G Real Estate Limited and The Prudential Assurance Company Limited which form part of the M&G Group. Fees are payable to these companies as disclosed in Note 12.

The Scheme undertook a transfer in during the year of the Active members of the M&G Pension Scheme. This involved taking on the members past service and any future contributions including AVC's. The M&G Pension Scheme has concluded a buy-in of it's deferred and pensioner liabilities following the transfer of it's Active membership to the Prudential Staff Pension Scheme. The transfer in is shown in Note 5.

26. TAXATION

The Scheme is a registered pension scheme within the meaning of Section 153 of the Finance Act 2004.

27. GMP EQUALISATION

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. On 20 November 2020, the High Court also ruled that pension schemes will need to revisit individual transfer payments made since May 1990.

Under the rulings, schemes are required to backdate benefit and transfer out adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

PRUDENTIAL STAFF PENSION SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE PRUDENTIAL STAFF PENSION SCHEME

Statement about contributions

We have examined the summary of contributions payable under the Schedule of Contributions and Payment Schedule to the Prudential Staff Pension Scheme in respect of the Scheme year ended 5 April 2024 which is set out on page 64.

In our opinion contributions for the Scheme year ended 5 April 2024 as reported in the summary of contributions and payable under the Schedules of Contributions and Payment Schedule have in all material respects been paid:

- For the DC Section at least in accordance with the Payment Schedule dated 20 June 2019 and;
- For the DB Section from 6 April 2023 to 13 September 2023 at least in accordance with the Schedule of Contributions certified by the Actuary on 26 April 2021 and subsequently at least in accordance with the Schedule of Contributions certified by the Actuary on 14 September 2023.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedules of Contributions and Payment Schedule. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions and Payment Schedule.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 36, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions and Payment Schedule showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions and Payment Schedule.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and Payment Schedule to the Scheme and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Scheme's Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee for our work, for this statement, or for the opinions we have formed.

Iryndeeep Kaur-Delay
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

27 September 2024
Date:

PRUDENTIAL STAFF PENSION SCHEME

Statement of Trustee's Responsibilities in respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Payment Schedule and Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for monitoring that contributions are made to the Scheme in accordance with the Schedule.

SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR

During the year, the contributions payable to the Scheme by the Employer under the Schedules of Contributions and Payment Schedule were as follows:

	£m
Employer normal contributions	63.3
Employer additional contributions	6.6
Employee normal contributions	0.1
	<hr/>
Total contributions payable under the Schedules of Contributions and Payment Schedule as reported on by the Scheme auditor	<u>70.0</u>
Reconciliation to the financial statements:	
Contributions payable under the Schedules of Contributions and Payment Schedule	70.0
Employees' Additional Voluntary Contributions	1.9
Employer special contributions	<u>0.5</u>
Total contributions per the financial statements	<u><u>72.4</u></u>

26 September 2024

This summary was approved by the Trustee on (date)

Signed on behalf of the Trustee

.....
Keith Bedell-Pearce (Chairman)

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024

This Statement has been prepared by Prudential Staff Pensions Limited as the Trustee of The Prudential Staff Pension Scheme (the Scheme) to demonstrate how the Scheme has complied with the governance standards introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015 effective from 6 April 2015. This Statement covers both the Defined Contribution (DC) Section and the defined contribution assets held within the Defined Benefit (DB) Section. The defined contribution assets held in the DB Section are arising from Additional Voluntary Contributions (AVCs) and transfers in from other schemes.

This statement covers five key areas:

1. The PSPS Multi-asset Lifestyle, which is classed as the DC Section's default arrangement;
2. The processing of the Scheme's core financial transactions;
3. Charges and transaction costs within the Scheme;
4. The Scheme's net investment returns; and
5. The Trustee's compliance with the statutory knowledge and understanding (TKU) requirements.

1. The DC Section investment strategy relating to the PSPS Multi-asset Lifestyle

The Trustee has prepared a Statement of Investment Principles for the DC Section of the Scheme which governs decisions about investments including:

- a. The Trustee's aims and objectives.
- b. The Trustee's policies in relation to:
 - The types of funds available to members;
 - Fees;
 - Investment Risk & Governance;
 - Monitoring of Performance;
 - Member Communications;
 - Responsible Investment.
- c. An explanation of the Lifestyle options including the PSPS Multi-asset Lifestyle.

PSPS Multi-asset Lifestyle

With the introduction of Auto Enrolment Regulations, the Trustee needed to introduce a default investment strategy to cater for the investment needs of members who do not wish to select their own investments from the fund range on offer. The Trustee, with the help of its DC Section Investment Consultant, designed and made available to members the PSPS Multi-asset Lifestyle, in May 2013, the Company's 's Auto Enrolment effective date.

The investment strategy of the PSPS Multi-asset Lifestyle option is to invest in a diverse range of investments which are expected to provide significant real returns over long periods (including equities and diversified growth funds) for much of the member's working life, then switches gradually into assets that are more consistent with members taking their retirement benefits as a combination of cash, income drawdown and annuity purchase, as illustrated below.

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

With effect from 10 May 2023, the Trustee has made changes to the PSPS Multi-asset Lifestyle and the underlying funds and has introduced two new PSPS Multi-asset Lifestyles being the PSPS Cash at Retirement Lifestyle and Annuity at Retirement Lifestyle.

Full details of the PSPS Multi-asset Lifestyle and the other two lifestyles can be found in the Lifestyle Profile Guide available from the DC Section of the Scheme's website www.prudentialstaffps.co.uk

The Trustee and the DC Section Investment Consultant, Hymans Robertson LLP, review the performance of all the defined contribution funds against their investment managers' objectives and benchmarks on a quarterly basis via the DC Section Investment Consultant's quarterly investment performance monitoring report.

On an annual basis the Trustee conducts a high level review of all funds, with a formal review every 3 years, or following significant changes to governance requirements. In the meantime, the Trustee will monitor members' decisions at retirement to ensure that the PSPS Multi-asset Lifestyle option remains appropriate as a default option for members who do not make a decision on where to invest their contributions.

The Trustee is satisfied that the PSPS Multi-asset Lifestyle profile remains appropriate for the majority of the DC Section members because:

- Its design continues to meet its principal investment objectives;
- The demographic profile of the membership has not changed materially;
- Members' needs and likely benefit choices at retirement have not changed materially; and
- Its investment performance has been consistent with its investment objectives

A review of the PSPS Multi-asset Lifestyle profile was undertaken during the Scheme year ending 5 April 2023 and the results of this review were implemented on 10 May 2023. As well as introducing two alternative versions of the Multi-asset Lifestyle for members to select specifically designed to be consistent with members taking their retirement benefits as cash or by annuity purchase, the main changes to the default Multi-asset Lifestyle are to reduce the length of the period of de-risking from equities from 20 to 15 years, introducing a new Diversified Liquid Alternatives fund and altering the composition of the equity mix.

From 10th May 2023, the strategy invests 100% in equities (30% PSPS Global Equity – active, 7.5% PSPS UK Equity – active, 57.5% PSPS Sustainable Equity – passive and 5% PSPS Impact Equity – active funds) and between 15 years and 10 years from retirement gradually builds up exposure to the PSPS Diversified Growth –active and PSPS Diversified Liquid Alternatives – active funds, until at a point 10 years before retirement it is invested 63% in equities and 32% in the PSPS Diversified Growth –active and 5% in the PSPS Diversified Liquid Alternatives – active funds. Then 10 years from retirement the strategy also de-risks into PSPS Total Return Bond – active Fund and also, in the last 3 years before retirement, the PSPS Cash – active Fund. The final allocation at retirement is 13% equities, 32% Diversified Growth, 5% Diversified Liquid Alternatives, 30% Total Return Bond and 20% cash.

A copy of the Statement of Investment Principles for the DC Section and DB Section of the Scheme is available on the Scheme's Website <http://www.prudentialstaffps.co.uk>.

The DC Section Statement of Investment Principles covers all the DC Section's investments – the principles guiding the design of the PSPS Multi-asset Lifestyle profile are set out in Section 3 and Appendix 3.

The following table shows the asset allocation for the Scheme's default arrangement, for members of different ages, as at 30 September 2023. The asset allocation disclosure meets the DWP's statutory guidance "Disclose and Explain asset allocation reporting and performance-based fees and the charge cap" as at January 2023.

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Asset class	Percentage allocation – average 25 year old member (%)	Percentage allocation – average 45 year old member (%)	Percentage allocation – average 55 year old member (%)	Percentage allocation – average 1 day prior to Scheme Retirement Age 65 (%)
Cash	0	0	2.5	22.5
Bonds	0	0	16.2	46.2
Listed equities	100	100	77.8	27.8
Private equity	0	0	0	0
Infrastructure	0	0	0.7	0.7
Property / real estate	0	0	0.7	0.7
Private debt / credit	0	0	0	0
Other assets	0	0	2.1	2.1
Total	100	100	100	100

2. The processing of the Scheme's core financial transactions

The Trustee monitors core financial transactions and financial record keeping of the DC Section of the Scheme on a quarterly basis via the DC Section's Administrator's, The Prudential Assurance Company Limited ("the Administrator"), quarterly administration report. These core financial transactions include the investment of contributions, transfers in and out of the Scheme, fund switches and member payments and analysis of the DC Section of the Scheme's running costs.

These activities are monitored against a Service Level Agreement ("SLA") which generally imposes a requirement on the Administrator to process transactions within 5 working days. The SLA imposes more stringent requirements than those specified by the regulations and the Trustee and its advisors consider these to be in line with, or more stringent than, market practice. The Administrator's report is reviewed at quarterly Trustee meetings where the Administrator reports specifically on performance versus the SLA.

Contributions are monitored monthly, reconciled and recorded. All discrepancies are investigated and reconciled to data and contributions received from the Company's payroll department. The Trustee and the Pensions Team are informed of any discrepancies not resolved and contributions not received when expected.

The Trustee's Annual Report and Accounts, including the core financial transactions, is subject to statutory audit.

A Payment Schedule exists between the Trustee and Principal Employer and was signed on 20 June 2019. The Administrator confirms to the Trustee on a quarterly basis whether contributions were received in accordance with the Payment Schedule.

In previous years, the Trustee also receives and reviews a copy of the annual Report on Internal Controls provided by the Administrator. These Reports have been reviewed and audited by an externally appointed party, who evaluates the effectiveness of control procedures having regard to the Institute of Chartered Accountants in England and Wales Technical Release AAF 01/06. This year the Trustee received a letter from the Administrator "advising that the Report for the year ending 30 September 2023 was qualified with two material exceptions, but that both had been resolved appropriately and closed and did not present a material ongoing issue for our "customers".

The Trustee is satisfied that the Scheme's core financial transactions have been processed promptly and accurately during the Scheme year 6 April 2023 to 5 April 2024.

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

3. Charges and transaction costs

The Trustee, with the assistance of the DC Section Investment Consultant, undertakes an annual exercise to confirm that the Annual Management Charges (AMC) incurred by DC Section members invested in funds subject to the regulations do not exceed the Charge Cap (currently 0.75%) and that the AMCs paid by members for other funds are reasonable.

No performance-based fees apply to any of the funds used by the Scheme.

As at 31 March 2024 the charges were as follows:

PSPS Multi-asset Lifestyle (classed as the DC Section default arrangement)

The level of member-borne charges applying to the components of the PSPS Multi-asset Lifestyle are as set out in the table below:

Fund	Annual Management Charge (p.a.)	Annual Management Charge (p.a.)	Transaction Cost average up to the last
	31 March 2024	31 March 2023	5 years
PSPS Global Equity – active	0.55%	0.64%	0.25%
PSPS UK Equity – active	0.47%	0.47%	0.10%
PSPS Impact Equity – active	0.79%	n/a	Currently not available
PSPS Sustainable Equity – passive	0.26%	0.35%	0.00%
PSPS Diversified Growth – active	0.47%	0.45%	0.31%
PSPS Diversified Liquid Alternatives – active	0.80%	n/a	Currently not available
PSPS Cash Fund – active	0.10%	0.10%	0.00%
PSPS Total Return Bond Fund	0.35%	0.35%	0.08%

Source: (The Prudential Assurance Company Limited (“Prudential”)).

A fund's “Total Expense Ratio” (TER) is the sum of a fund's AMC and other operating costs and expenses. These other operating costs and expenses are rebated by PPL (a subsidiary of The Prudential Assurance Company Limited, which is the platform provider) and members only pay the AMC. The TER excludes transaction costs on the fund's underlying assets which are reflected in the unit price of each fund. Transaction costs information is shown as a percentage average up to the last 5 years. A fund's “Total Expense Ratio” (TER) is the sum of a fund's AMC and other operating costs and expenses. These other operating costs and expenses are rebated by PPL and members only pay the AMC. The TER excludes transaction costs on the fund's underlying assets which are reflected in the unit price of each fund. Transaction costs information is shown as a percentage average up to the last 5 years. Any negative transaction costs are shown as zero.

Transaction costs occur when a fund buys or sells investments. They are not separate charges as transaction costs have already been taken account of in the investment returns of the fund. Due to the movement of prices transaction costs can be positive or negative. The impact of a positive transaction cost is that it will reduce potential investment returns, while a negative transaction cost will increase potential investment returns.

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

As shown in the table below during the year covered by this Statement the member-borne charges for the PSPS Multi-asset Lifestyle arrangement were in a range from 0.37% p.a. to 0.44% p.a. of the amount invested:

Period to retirement (years)	Annual Management Charge (p.a.) %
40	0.39
35	0.39
30	0.39
25	0.39
20	0.39
19	0.39
18	0.39
17	0.39
16	0.39
15	0.39
14	0.40
13	0.41
12	0.42
11	0.43
10	0.44
9	0.44
8	0.44
7	0.44
6	0.44
5	0.44
4	0.44
3	0.43
2	0.41
1	0.39
0	0.37

Source: Prudential

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

An Illustration of the Potential Effect of Charges and Costs on Investment Return if invested in the PSPS Multi-asset Lifestyle

Projected pension pot in today's money

Growth rates *	5.21%	
Yearly Cost	0.50%	
End of Year	Before Charges £	After Charges £
1	31,500	31,300
5	38,400	37,400
10	49,200	46,800
20	80,800	73,100
30	132,000	114,000
40	218,000	178,000
47	308,000	243,000

*Growth rates for the funds have allowed for the effects of inflation

Basis for the calculation

Projected pension pot values are in today's money which means they have been adjusted for inflation. The calculation has used:

- A starting pot size of £30,000;.
- No regular contributions;
- The term of the investment is from age 18 to age 65;
- The illustration takes statutory guidance into consideration.

PSPS Multi-asset Lifestyle charges

The total charges borne by members in the new and previous version of the Multi-asset Lifestyle option would not be expected to exceed the Charge Cap at any point in the member's lifestyle.

The Trustee is satisfied that, taking into account the membership profile of the Scheme, the charges for the PSPS Multi-asset Lifestyle are reasonable, and help deliver good outcomes for members relative to the objectives of the default strategy.

Alternative Lifestyle Profiles

There were two alternative lifestyle profiles available to members; the PSPS Active Lifestyle – Annuity at Retirement and the PSPS Passive Lifestyle – Annuity at Retirement (formerly known as PSPS Active Lifestyle and PSPS Passive Lifestyle). Further information on these two alternative profiles can be found on the Lifestyle Profile Guide available from the DC Section of Scheme's website www.prudentialstaffps.co.uk. These have been closed to new entrants (only members invested in these strategies at 10 May 2023 can continue to use them).

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

As mentioned above, two new alternative lifestyles were made available to members from 10 May 2023, the PSPS Cash at Retirement Lifestyle and the PSPS Annuity at Retirement Lifestyle details of which can be found on the Lifestyle Profile Guide available from the DC Section of Scheme's website www.prudentialstaffps.co.uk.

The level of member-borne charges applying to the components of the two new lifestyles and the two alternative lifestyle profiles (closed to new members) which were available during the Scheme Year are as set out in the table below:

Fund	Annual Management Charge (p.a.)	Annual Management Charge (p.a.)	Transaction Cost average up to the last 5 years
	31 March 2024	31 March 2023	
PSPS Active Lifestyle			
PSPS Global Equity – active	0.55%	0.64%	0.25%
PSPS UK Equity – active	0.47%	0.47%	0.10%
PSPS Corporate Bonds – active	0.15%	0.15%	0.04%
PSPS Index-Linked Gilts- active	0.15%	0.15%	0.20%
PSPS Cash Fund – active	0.10%	0.10%	0.00%
PSPS Passive Lifestyle			
PSPS Overseas Equity – passive	0.05%	0.15%	0.05%
PSPS UK Equity – passive	0.09%	0.09%	0.07%
PSPS Corporate Bonds – active	0.15%	0.15%	0.04%
PSPS Index-Linked Gilts- active	0.15%	0.15%	0.20%
PSPS Cash Fund – active	0.10%	0.10%	0.00%
PSPS Cash at Retirement Lifestyle			
PSPS Global Equity – active	0.55%	0.64%	0.25%
PSPS UK Equity – active	0.47%	0.47%	0.10%
PSPS Impact Equity – active	0.79%	n/a	Currently not available*
PSPS Sustainable Equity – passive	0.26%	0.35%	0.00%
PSPS Diversified Growth – active	0.47%	0.45%	0.31%
PSPS Diversified Liquid Alternatives – active	0.80%	n/a	Currently not available*
PSPS Cash Fund - active	0.10%	0.10%	0.00%
PSPS Total Return Bond Fund	0.35%	0.35%	0.08%

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Fund	Annual Management Charge (p.a.) 31 March 2024	Annual Management Charge (p.a.) 31 March 2023	Transaction Cost average up to the last 5 years
PSPS Annuity at Retirement Lifestyle			
PSPS Global Equity – active	0.55%	0.64%	0.25%
PSPS UK Equity – active	0.47%	0.47%	0.10%
PSPS Impact Equity – active	0.79%	n/a	Currently not available*
PSPS Sustainable Equity – passive	0.26%	0.35%	0.00%
PSPS Diversified Growth – active	0.47%	0.45%	0.31%
PSPS Diversified Liquid Alternatives – active	0.80%	n/a	Currently not available*
PSPS Cash Fund – active	0.10%	0.10%	0.00%
PSPS Total Return Bond Fund	0.35%	0.35%	0.08%
PSPS Corporate Bonds – active	0.15%	0.15%	0.04%
PSPS Fixed Interest Bonds – active	0.15%	0.15%	0.00%

Note *: Transaction costs currently not available are due to the underlying funds not being in place for 5 years.

Source: Prudential

A fund's "Total Expense Ratio" (TER) is the sum of a fund's AMC and other operating costs and expenses. These other operating costs and expenses are rebated by PPL (a subsidiary of The Prudential Assurance Company Limited, which is the platform provider) and members only pay the AMC. The TER excludes transaction costs on the fund's underlying assets which are reflected in the unit price of each fund. Transaction costs information is shown as a percentage average up to the last 5 years. Any negative transaction costs are shown as zero. Transaction costs occur when a fund buys or sells investments. They are not separate charges as transaction costs have already been taken account of in the investment returns of the fund. Due to the movement of prices transaction costs can be positive or negative. The impact of a positive transaction cost is that it will reduce potential investment returns, while a negative transaction cost will increase potential investment returns.

The Annual Management Charges range from 0.22% p.a. (at retirement) to 0.44% p.a. for the PSPS Cash at Retirement Lifestyle and from 0.17% p.a. (at retirement) to 0.44% p.a. for the PSPS Annuity at Retirement Lifestyle.

Alternative PSPS Lifestyle Profiles

The Trustee is satisfied that, taking into account the membership profile of the Scheme, the charges for the alternative lifestyle strategies are reasonable, and help deliver good outcomes for members relative to their objectives.

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Self-Select fund range

The level of member borne charges (expressed as an "Annual Management Charge") applying to all the self-select funds are shown in the table below:

Fund	Annual Management Charge (p.a.) 31 March 2024	Annual Management Charge (p.a.) 31 March 2023	Transaction cost average up to the last 5 years
PSPS Cash – active	0.10%	0.10%	0.00%
PSPS Index-Linked Gilts – passive	0.15%	0.15%	0.00%
PSPS Index-Linked Gilts – active	0.15%	0.15%	0.20%
PSPS Fixed Interest Bonds – active	0.15%	0.15%	0.00%
PSPS Long-Dated Gilts – passive	0.15%	0.15%	0.00%
PSPS Corporate Bonds – active	0.15%	0.15%	0.04%
PSPS UK Equity – passive	0.09%	0.09%	0.07%
PSPS UK Equity – active	0.47%	0.47%	0.10%
PSPS Overseas Equity – passive	0.05%	0.15%	0.05%
PSPS Global Equity – active	0.55%	0.64%	0.25%
PSPS Emerging Markets Equity – active	1.00%	1.00%	0.07%
PSPS Diversified Growth – active	0.47%	0.45%	0.31%
PSPS Total Return Bond Fund	0.35%	0.35%	0.08%
PSPS Sustainable Equity- passive	0.26%	0.35%	0.00%
Previously known as PSPS Responsible Investment Equity – passive until 10 May 2023			
PSPS Impact Equity – active with effect from 10 May 2023	0.79%	n/a	Currently not available*
PSPS Diversified Liquid Alternatives- active with effect from 10 May 2023	0.80%	n/a	Currently not available*
PSPS Islamic Global Equity – passive with effect from 10 May 2023	0.35%	n/a	Currently not available*
Prudential With-Profits	1.00% ^[1]	1.00% ^[1]	0.19%

^[1] The 1% deduction is an implicit charge made before declaration of the bonus rate.

Note* Transaction costs currently not available are due to the underlying funds not being in place for 5 years.

Source: Prudential

Transaction costs information is shown as a percentage average up to the last 5 years. Any negative transaction costs are shown as zero.

Transaction costs occur when a fund buys or sells investments. They are not separate charges as transaction costs have already been taken account of in the investment returns of the fund. Due to the movement of prices transaction costs can be positive or negative. The impact of a positive transaction cost is that it will reduce potential investments returns, while a negative transaction cost will increase potential investment returns.

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

A fund's "Total Expense Ratio" (TER) is the sum of a fund's AMC and other operating costs and expenses. These other operating costs and expenses are rebated by PPL (a subsidiary of The Prudential Assurance Company Limited which is the platform provider) and members only pay the AMC. The TER excludes transaction costs on the fund's underlying assets which are reflected in the unit price of each fund.

The Trustee is satisfied that, taking into account the membership profile of the DC Section of the Scheme, the charges for most funds are within the Charge Cap and those that exceed are still reasonable, and help deliver good outcomes for members relative to their objectives.

DB Section defined contribution assets

The charges associated with the assets held through the commercial AVC policy are:

Fund	Annual Management Charge (p.a.) 31 March 2024	Annual Management Charge (p.a.) 31 March 2023	Transaction Costs average up to the last 5 years
PSPS Cash – active	0.20%	0.20%	0.00%
PSPS Index-Linked Gilts – passive	0.15%	0.15%	0.00%
PSPS Index-Linked Gilts – active	0.20%	0.20%	0.20%
PSPS Fixed Interest Bonds – active	0.20%	0.20%	0.00%
PSPS Long-Dated Gilts – passive	0.15%	0.15%	0.00%
PSPS Corporate Bonds – active	0.20%	0.20%	0.04%
PSPS UK Equity – passive	0.15%	0.15%	0.07%
PSPS UK Equity – active	0.55%	0.55%	0.10%
PSPS Overseas Equity – passive	0.05%	0.15%	0.05%
PSPS Global Equity – active	0.55%	0.70%	0.25%
PSPS Emerging Markets Equity – active	1.0%	1.05%	0.07%
PSPS Diversified Growth – active	0.47%	0.80%	0.31%
PSPS Total Return Bond Fund	0.35%	0.35%	0.08%
PSPS Impact Equity – active with effect from 10 May 2023	0.79%	n/a	Currently not available*
PSPS Diversified Liquid Alternatives-active with effect from 10 May 2023	0.80%	n/a	Currently not available*
PSPS Islamic Global Equity – passive with effect from 10 May 2023	0.35%	n/a	Currently not available*
PSPS Sustainable Equity - passive	0.26%	n/a	0.00%

Note* Transaction costs currently not available are due to the underlying funds not being in place for 5 years.

Source: Prudential

A fund's "Total Expense Ratio" (TER) is the sum of a fund's AMC and other operating costs and expenses. These other operating costs and expenses are rebated by PPL (a subsidiary of The Prudential Assurance Company Limited, which is the platform provider) and members only pay the AMC. The TER excludes transaction costs on the fund's underlying assets which are reflected in the unit price of each fund. The assets held through the DB Section In House AVC arrangement are not subject to any charges

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Transaction Costs

- Transaction costs information is shown as a percentage average up to the last 5 years. Any negative transaction costs are shown as zero.
- Transaction costs occur when a fund buys or sells investments. They are not separate charges as transaction costs have already been taken account of in the investment returns of the fund. Due to the movement of prices transaction costs can be positive or negative. The impact of a positive transaction cost is that it will reduce potential investment returns, while a negative transaction cost will increase potential investment returns.

There is no illustration available for the commercial AVC policy.

Value for money considerations

During the year to 5 April 2024 in accordance with The Pensions Regulator's current DC Code of Practice and the relevant legislation available at the time of this Statement, the DC Section Committee, on behalf of the Trustee concluded that the DC Section of the Scheme's overall benefits and options represent value for money for the following reasons:

- Charges borne by members in the Multi-asset Lifestyle and the other four Lifestyle Profiles as well as the majority of the funds on offer to members are below the Charge Cap of broadly 0.75% a year;
- Members have access to various asset classes, all of which have competitive fund management charges;
- Members do not pay for the costs of the DC Section of the Scheme's administration, professional advisers costs or indeed any costs (other than fund management) associated with the running of the DC Section of the Scheme;
- The Company does encourage members to save. Since 1 April 2019 the Company has had the following contribution structure: a Company core 8%, matching 1 for 1 up to 5% (there is a default member contribution of 1% which members can elect not to pay);
- Information about the DC Section of the Scheme is available on the Scheme's website www.prudentialstaffps.co.uk;
- The quality of communications issued to members on a regular basis provides an understanding of all legislative changes.

The Trustee Directors are also satisfied that the charges for the DB Section defined contribution assets represent value for money. However, the charges for some of the funds within the commercial AVC policy are higher than for the equivalent funds within the DC Section as the Company does not subsidise the administration costs.

Assessment

Each year the Trustee carries out an assessment of whether the charges and transaction costs for the PSPS Multi-asset Lifestyle (which is classed as the DC Section's default arrangement) and other investment options, which are borne in full or in part by members, represent good value for members.

Value is not simply about low cost – the Trustee also considers the quality of the services for which members pay.

In particular, for the Investment category of the assessment, being the only area which DC Section members pay a share of the cost, the Trustee noted this in their assessment.

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Charges for PSPS Multi-asset Lifestyle (which is classed as the DC Section default arrangement)

Charges for the PSPS Multi-asset Lifestyle were competitive for a Scheme of this size compared to the Department for Work and Pensions average and in relation to evidence of charges compiled by the DC Section Investment Consultant.

Charges compare favourably with other schemes especially when considering the Scheme employs active management and specialised funds (Equity, Diversified Growth, Diversified Liquid Alternatives and Absolute Return Bonds) in the PSPS Multi-asset Lifestyle. The Trustee believes that the use of active management and specialised funds will improve member outcomes (and performance of the active options utilised by the Scheme to date would evidence outperformance).

Charges for Inadvertent Defaults

During the Scheme year 2020/2021, two other funds became defaults under the charge cap regulations; the PSPS Cash fund and PSPS Total Return Bond fund. These funds became defaults due to members' PSPS Property fund's investments having to be re-directed to the Cash fund (initially) then to the Total Return Bond fund when the Property fund was closed.

The charges for these funds are below the 0.75% p.a. charge cap (PSPS Cash fund = 0.10% p.a.; PSPS Total Return Bond fund = 0.35% p.a.) and would not be expected to exceed the charge cap at any point over the next Scheme year.

Charges for Other Investment Options

Charges were competitive for a Scheme of this size in relation to evidence of charges compiled by the DC Section Investment Consultant.

The Trustee acknowledges that at this point, limited data is available on industry wide comparisons and the Trustee has therefore relied heavily on the market knowledge of its advisers.

Benchmarking of transaction costs is limited at this time, but the transaction costs shown in the sections above are reasonably competitive compared to other Schemes. As would be expected, higher transaction costs are associated with the Diversified Growth Fund and some overseas markets such as Global Equities. Most DC section funds have transaction costs less than 10bps (0.1%).

Full transaction cost information is available to the Trustee and industry comparable data is available from the Department for Work and Pensions 2020 average charge survey. The Scheme's DC Section Investment Consultant believes that the transaction costs on the funds offered to members appear reasonable given their understanding of likely costs of those type of funds and evidence from the DWP Survey.

The DC Section Investment Consultant also undertakes the Pensions Regulator's "Overall Value for Money" which considers the services that are paid by the Company. Under this assessment the Scheme Management and Governance, Communications, Administration and Investment is rated using the following rating:

Excellent

Good

Average

Poor

The DC Section of the Scheme was rated Good for the year to 5 April 2024.

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

4. The Scheme's net investment performance.

The presentation of the investment performance takes into account the statutory guidance issued by the Department for Work and Pensions. The Trustee has followed the statutory guidance in all areas.

Performance data below is shown for periods ending 31 March 2024 (Scheme year end is 5 April 2024).

Investment conditions

When looking at the following figures it should be borne in mind that major stock markets rose by 21.0% over the period (12 months to 31 March 2024), as measured by the FTSE All World Index. Bonds produced mixed returns. Corporate bonds, as measured by the iBoxx Non-Gilts Index returned 6.1% over 12 months and UK Gilts (FTSE British Government All Stocks Index) returned 0.0%. Index-linked gilts (FTSE British Government Index-Linked All Maturities) returned -5.0%.

Over the year, the funds used in the Scheme saw investment returns of between a rise in value of 22% or, put another way, a rise of £220 for every £1,000 invested for the PSPS Sustainable Equity -passive Fund to a fall in value of 7.3%, or a fall of £73 for every £1,000 invested for the PSPS Index-Linked Gilts -active Fund.

Fund Name	1 Year (%)	3 Years (% p.a.)	5 Years (%p.a.)	Since Inception (% p.a.)
PSPS Cash Active	4.9	2.3	1.5	0.5
PSPS Corporate Bond Active	6.9	-2.3	0.8	5.7
PSPS Fixed Interest Bonds Active	0.0	-6.9	-3.3	3.1
PSPS Index-Linked Gilts Active	-7.3	-11.2	-5.9	4.0
PSPS Index-Linked Gilts Passive	-7.2	-11.9	-6.5	3.2
PSPS Overseas Equity Passive	20.5	9.2	10.7	9.9
PSPS UK Equity Passive	8.2	7.7	5.2	6.6
PSPS Global Equity Active	16.4	5.9	11.2	11.5
PSPS UK Equity Active	3.9	4.1	4.5	8.5
PSPS Emerging Markets Equity – active	2.0	-2.9	2.5	3.0
PSPS Diversified Growth – active	6.7	2.9	2.9	3.3
PSPS Long Dated Gilts – passive	-4.8	-14.7	-8.2	-0.3
PSPS Total Return Bond	12.2	4.8	5.3	4.6
PSPS Sustainable Equity - passive	22.0	12.8	n/a	12.4

Source: Prudential as at 31 March 2024.

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Investment conditions (continued)

As the default arrangement uses a lifestyle strategy, the investment return varies depending on a member's age and how far they are from their retirement age.

Age of member in years	1 Year (%)	3 Years (% p.a.)	5 Years (%p.a.)
30	18.2	7.7	9.4
50	18.2	7.5	8.4
60	11.1	4.6	4.9

Source: Prudential as at 31 March 2024

The Trustee is satisfied that most funds used by the default arrangement have performed in line with their longer-term objectives.

More information:

Further information on the funds, how they are invested and their investment performance during the year, can be found on the Scheme's website at: <https://prudentialstaffps.co.uk/>

5. The Trustee's compliance with the statutory knowledge and understanding (TKU) requirements.

Trustee Directors Knowledge and Understanding (TKU)

Trustee Directors understand their legal obligations and the Pensions Regulator's expectations in relation to Trustee Knowledge and Understanding. This, together with advice available to them, allows them to properly exercise their functions as Trustee Directors of the Scheme. The Trustee's approach to meeting the TKU requirements is as follows:

- The Pensions Team keep a Training log for each Trustee Director and Trustee Directors are asked to review the contents annually to ensure it is correct;
- Trustee Directors are encouraged to attend training and seminars organised by the Scheme's Advisers, Providers and Fund Managers and are welcome to attend paid courses if they feel they would be beneficial, and which support their work as Trustee Directors;
- The Scheme's Actuary and Legal Advisers produce pensions updates for the quarterly Trustee Board meetings and twice a year the Scheme's Auditors provide updates to the Trustee Board;
- Bespoke training is arranged by the Pensions Team during the year;
- On appointment Trustee Directors are required to attend the Trustee's Legal Adviser's Foundation Course for new trustees;
- Due to the nature of the Company's business Trustee Directors have a mixture of skills and competencies, which they share with each other;
- Training is provided if gaps in knowledge are identified and no decision will be taken without receiving appropriate training and advice.

PRUDENTIAL STAFF PENSION SCHEME

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE PRUDENTIAL STAFF PENSION SCHEME FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Trustee Directors Knowledge and Understanding (TKU) (continued)

In particular:

- Trustee Directors are expected to have a working knowledge of the Scheme Trust Deed and Rules;
- Trustee Directors are expected to have a working knowledge of the Scheme Statement of Investment Principles as well as the investment concepts relevant to the Scheme;
- Trustee Directors are expected to have a working knowledge of the law and legislation relating to pension schemes;
- The Pensions Manager, working with the Scheme advisers, has a plan in place for ongoing Trustee Directors' training appropriate to their duties;
- The effectiveness of these practices and the training received are reviewed annually.
- The Trustee has appointed suitably qualified and experienced actuarial consultants, legal advisers, investment consultants and communications consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.
- The Trustee reviews the effectiveness of its advisers and periodically reviews the appointment of advisers.
- Trustee Directors believe based on the combination of their knowledge and understanding together with professional advice from appointed advisers they have properly exercised their duties and met relevant legislative requirements for the Scheme year ending 5 April 2024.

Signed by the Chairman on behalf of the Trustee of the Prudential Staff Pension Scheme.

Chairman:

Date: 26 September 2024

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT)

This document is the Annual Implementation Statement (the "Statement") prepared by the Trustee of the Prudential Staff Pension Scheme (the "Scheme") covering the "Scheme Year" from 6 April 2023 to 5 April 2024 in relation to the Statement of Investment Principles ("SIP").

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the Scheme's Statement of Investment Principles ("SIP") required under section 35 of the Pensions Act 1995 has been followed during the year;
- detail any reviews of the SIP the Trustee has undertaken, and any changes made to the SIP over the Scheme year as a result of a review;
- describe the voting behaviour on behalf of the Trustee over the year.

A copy of this implementation statement is made available on the following website: www.prudentialstaffps.co.uk

The SIP was reviewed and updated once during the Scheme Year, with two relevant versions over the year:

1. September 2022 – this was the version in place as at the start of the Scheme Year.
2. September 2023 – material updates to the SIP relate to Section 6, Section 9, Appendices B and C, namely :
 - *Addition of wording in relation to the Trustee's stewardship priorities, including in relation to engagement and voting.*
 - *Addition of wording around the management of leverage risk.*
 - *Change to the Scheme Actuary.*
 - *Addition of manager performance target for the Secured Lease Income Fund.*
 - *An update to Greencoat's benchmark.*

The September 2023 SIP is the version referenced in the following Sections of this document, where we set out how the principles have been implemented. Where new Trustee policies have been added to the SIP that was in place at the start of the Scheme year, we have referenced how these have been implemented from the time of adoption to the end of the Scheme year.

In the following sections, we comment on how the Trustee has followed its policies with respect to engagement as set out in the SIP. The Trustee has delegated the day-to-day ESG integration and stewardship activities (including voting and engagement) to its investment managers. However, to monitor how the Scheme's investment managers integrate ESG and undertake stewardship activities on the Trustee's behalf, the Trustee undertakes an annual review via a report provided by its Investment Consultant. This report contains information on each manager's policies and approach to sustainability and stewardship, including portfolio turnover.

Overall, following the review carried out this year, the Trustee remained comfortable that it had followed the policies set out in the Scheme's SIP.

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

The SIP comprises the following sections:

- Section 1: Introduction
- Section 2: Division of responsibilities
- Section 3: The Scheme's Investment Objectives
- Section 4: Strategic Asset Allocation
- Section 5: Investment Manager Structure
- Section 6: Corporate Governance and Socially Responsible Investment
- Section 7: Investment Manager arrangements
- Section 8: Monitoring Investment Managers
- Section 9: Risk Management

Section 1: Introduction

Section	Approach and actions taken over the Scheme Year
1.1 – 1.6	These paragraphs provide relevant introductory and background comments rather than setting out any policies.
1.7	This paragraph is a statement of fact, setting out the regulations the Trustee must comply with when setting investment strategy and the process for making such decisions.
1.8 – 1.15	These paragraphs provide statements of fact regarding the AVC arrangements offered by the Scheme.

Section 2: Division of responsibilities

Section	Approach and actions taken over the Scheme Year
2.1 – 2.12	These paragraphs are statements of fact that provide details on the responsibilities of each party involved in the running of the Scheme (Trustee Directors, Investment Managers, Custodians, Investment Consultant and Scheme Actuary).

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Section 3: The Scheme's Investment Objectives

Section	Approach and actions taken over the Scheme Year
3.1 – 3.2	These paragraphs are statements of fact, setting out overall objectives for the Scheme and the objectives for each investment manager.
3.3	<p>Policy: The Trustee's Policy is to seek to achieve the objectives by investing in a combination of bonds and other instruments including derivatives, which aim to provide a close link to the liabilities of the Scheme and a portfolio of return-seeking assets, which aim to provide growth above liabilities at an acceptable level of risk.</p> <p>Actions: The Trustee has agreed to target a level of investment return of around 0.7% pa in excess of liabilities. On a quarterly basis the Trustee monitors the actual and expected return from the portfolio and the associated level of risk in order to ensure that the portfolio is appropriately positioned. The Trustee expects to review the target return and risk profile for the Scheme again in 2024 following the results of the 2023 actuarial valuation.</p>
3.4	This paragraph is a statement of fact in relation to investments in derivative instruments.
3.5	<p>Policy: The assets of the Scheme must be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole. Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose the Scheme to excessive risk concentration.</p> <p>Actions: The Trustee has agreed a strategic asset allocation for the Scheme, which is set mindful of its overall return requirement and risk tolerance. As noted above, this will be reviewed again in 2024 in light of the 2023 actuarial valuation results.</p> <p>Issuer concentrations are managed through the setting of restrictions in the mandates of each investment manager, which reflect the nature of the asset class and the strength of the issuer in question.</p>

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Section	Approach and actions taken over the Scheme Year
3.6 – 3.8	These paragraphs are statements of fact in relation to the market regulations that the Trustees must follow.
3.9	<p>Policy: The Trustee has taken and will continue to take advice from both the Scheme Actuary and the Investment Consultant to ensure the assets held to support the liabilities are appropriate. The Trustee will continue to monitor, and take advice on, the investment strategy on an ongoing basis.</p> <p>Actions: The Trustee reviews the return requirement for the Scheme's investments on at least a triennial basis following each actuarial valuation.</p> <p>The Trustee receives formal advice on an annual basis from the Investment Consultant confirming that the Scheme's investments comply with the requirements of the Pensions Act.</p>
3.10	<p>Policy: The Trustee has implemented a process whereby the Scheme's liability hedging manager will ensure that there is sufficient cash available on a quarterly basis to meet outgoings. The Trustee reviews the effectiveness of this process through the quarterly monitoring reports that it receives. The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances so that, where possible, realisation of assets will not disrupt the Scheme's overall investment policy. This includes the potential need to provide collateral for any swap contracts that the Scheme may hold.</p> <p>Actions: During the Scheme Year the LDI manager provided cash on a quarterly basis into the Trustee bank account in order to meet outgoings. This process ensured that the Scheme was able to meet all its liquidity requirements.</p> <p>The Trustee monitors the collateralisation of the Scheme's derivative positions through quarterly reporting provided by the Investment Consultant. The Trustee, Investment Advisers and LDI manager meet on an ad-hoc basis when needed to discuss collateral levels and proposed developments to the Scheme's collateral monitoring. Topics of discussion over the past year have included automating the current monitoring framework, the potential use of credit repo and enhancements to the Scheme's legal agreement with the LDI manager to enable a more efficient collateral posting process.</p> <p>During the Scheme Year no issues with collateral posting were identified by the Trustee.</p>
3.11	This paragraph is a statement of fact regarding the activities delegated to the Scheme's investment managers.

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Section 4: Strategic asset allocation

Section	Approach and actions taken over the Scheme Year
4.1 – 4.5	These paragraphs set out statements of fact regarding the strategic asset allocation, overall benchmark and asset ranges for the Scheme, which are focussed on ensuring that the Scheme's investments are adequately diversified and suitable for the Scheme given its liability profile.
4.6	<p>Policy: In establishing its investment policy, the Trustee has regard to the historical and expected future rates of return earned on the various classes of asset available to the Scheme for investment.</p> <p>Actions: As noted above, on a quarterly basis the Trustee monitors the expected return and risk of the Scheme's portfolio to ensure that it is aligned with its overall objectives. This analysis uses the Investment Consultant's latest asset return and volatility assumptions, which are set taking into account both historic levels of return for each asset class and expectations for future developments. The Trustee considers the appropriateness of these assumptions alongside the results of the analysis presented.</p>

Section 5: Investment Manager structure

Section	Approach and actions taken over the Scheme Year
5.1-5.3	These paragraphs are statements of fact setting out various factors that the Trustees will consider in establishing the Scheme's Investment Manager structure.

Section 6: Corporate Governance and Socially Responsible Investment

Section	Approach and actions taken over the Scheme Year
6.1	This paragraph is a statement of fact setting out how the Trustee approaches ESG and climate risks.
6.2	This paragraph is a statement of fact setting out how the Trustee approaches ESG and climate risks.

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Section	Approach and actions taken over the Scheme Year
6.3	<p>Policy: Where relevant, the Trustee may take into account non-financial considerations in designing and implementing the investment strategy, including (but not limited to) the views of members and beneficiaries of the Scheme.</p> <p>Actions: The Trustee welcomes questions and comments from members, which it receives on a regular basis. Each is considered carefully and the Trustee seeks to provide a detailed response to the member on the query raised.</p> <p>To date, no broader exercise has been undertaken to seek the views of members.</p>
6.4	<p>Policy: The Trustee has reviewed in detail and will continue to periodically review the policies operated by each of the Investment Managers in respect of corporate governance issues and in respect of ESG issues to the extent such policies are relevant in respect of each Investment Manager's mandate. Where an investment manager's processes are deemed insufficient by the Trustee and the investment manager does not take steps to improve their approach, the investment manager's position in the portfolio may be reviewed and/or a decision may be taken not to proceed with an investment.</p> <p>Actions: The Trustee monitors developments at each Investment Manager alongside the performance of the mandates at its quarterly meetings through reporting provided by the Investment Consultant. In the event of a significant change at an investment manager, the Investment Consultant will provide an update to the Trustee outside of the regular meetings to allow more rapid action to be taken.</p> <p>In relation to the policies of the Scheme's investment managers in relation to corporate governance and ESG:</p> <ul style="list-style-type: none"> • During the Scheme Year the Trustee made no new investments, although the commitment previously made to a renewable energy fund managed by Greencoat was drawn down in full. • During the year the Trustee met with M&G Investment Management to address performance concerns around the Debt Opportunities funds (DOF III and IV). During the meeting, the Trustee expressed its concerns regarding the outlook for the funds, however it was agreed that no changes should be made to the portfolio at that time. • On an annual basis, the Trustee receives reporting from the Scheme's Investment Consultant setting out in detail the policies of each investment manager and how these have been implemented over the previous year. <p>Following review of the annual report prepared by the Scheme's Investment Consultant, the Trustee has agreed that no changes are required to the Scheme's investment managers at the current time.</p>

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Section	Approach and actions taken over the Scheme Year
6.5	<p>This paragraph is a statement of fact setting out the Trustee's policy regarding the delegation of voting rights, where applicable.</p>
6.6	<p>Policy: The Trustee expects investment managers to report regularly on votes cast and other relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings, noting in particular those cases where resolutions have not been supported, on other shareholder actions and on any ESG issues arising from the operation of the portfolio.</p> <p>Actions: During the Scheme Year there were no holdings in listed equities and therefore the exercise of voting rights is not relevant. Notwithstanding this, the Trustee expects investment managers to exercise any votes where they do arise and to engage with the companies in which they invest where relevant to the mandate in question.</p> <p>As noted previously, the Trustee receives a report from the Investment Consultant on an annual basis setting out each manager's approach to Sustainable Investment, including engagement with companies in which the Scheme is invested and the ESG characteristics of the portfolio. This is considered in detail by the Trustee and any issues identified are raised with the relevant investment manager.</p> <p>Additionally, the Scheme receives updates from the Investment Consultant's manager research team with notable updates on managers and any changes of investment rating, which includes consideration of the integration of ESG factors within the rating. The Scheme's Investment Consultant also engages with managers on ESG issues on the Scheme's behalf, as well as policy makers and the industry as a whole.</p> <p>Over the Scheme Year, the Trustee has considered its policy in relation to stewardship including voting and engagement and identified climate change and diversity & inclusion as key areas of focus in this area.</p>

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Section 7: Investment Manager arrangements

Section	Approach and actions taken over the Scheme Year
7.1	<p>Policy:</p> <p>Alignment between a manager's management of the Scheme's assets and the Trustee's policies and objective are a fundamental part of the appointment process of a new manager. Before investing, the Trustee will seek to understand the manager's approach to sustainable investment (including engagement). When investing in a pooled investment vehicle, the Trustee will ensure the investment objectives and guidelines of the vehicle are consistent with its own objectives. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with its own policies.</p> <p>Actions:</p> <p>Having reviewed the Investment Consultant's reporting on the Scheme's existing investment managers, the Trustee concluded that the managers' policies were in line with the Trustee's policies and objectives and therefore no changes to guidelines or mandates were required.</p> <p>During the Scheme Year, the Trustee published the Scheme's second TCFD report as at 31 March 2023.</p> <p>The Trustee aims to reduce the Scheme's carbon footprint and carbon emissions over time with a longer-term target of reaching net zero by 2050. The Trustee also has a short-term target of improving carbon emissions data coverage for listed equity and public fixed income to 100% by 2025. During the Scheme Year, the Trustee reviewed progress made by investment managers over 2023 in relation to the Scheme's selected TCFD metrics and net zero goals.</p> <p>The Trustee believes that the current investment arrangements are in line with the Policy and other policies outlined in the SIP.</p>

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Section	Approach and actions taken over the Scheme Year
7.2	<p>Policy: To maintain alignment, managers will be provided with the most recent version of the Scheme's Statement of Investment Principles, on an annual basis and will be required to explicitly confirm that the Scheme's assets are managed in line with the Trustee's policies as outlined in that statement.</p> <p>Actions: During the Scheme Year, a copy of the latest SIP was provided to all the Scheme's managers who confirmed that their management of the Scheme's assets is consistent with the policies set out.</p>
7.3	<p>Policy: Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristic of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.</p> <p>Actions: Please refer to the response to Section 6.4.</p>
7.4	<p>This paragraph is a statement of fact regarding the approach to investment to be taken by the Scheme's investment managers.</p>
7.5	<p>This paragraph is a statement of fact regarding the approach the Trustee takes to monitoring managers' performance.</p>
7.6	<p>This paragraph is a statement of fact regarding the fees paid to the Scheme's managers.</p>
7.7	<p>Policy: Where available the Trustee will review the costs incurred in managing the Scheme's assets annually, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, where relevant the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.</p> <p>Actions: The Trustee receives annual reporting from the Investment Consultant setting out the investment costs and expenses incurred in running the Scheme, as required under the MiFID II regulations.</p> <p>In addition to this, on an annual basis as part of the review of the investment managers' ESG policies, the Trustee receives data from the Scheme's Investment Consultant setting out the level of turnover within each mandate compared to an expected level of turnover for the asset class/management style in question.</p>

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Section 8: Monitoring Investment Managers

Section	Approach and actions taken over the Scheme Year
8.1	<p>Policy: The Trustee reviews the Scheme's Investment Managers from time to time, considering the results of its monitoring of performance and process and the Investment Manager's compliance with the requirements of the Pensions Act concerning diversification and suitability.</p> <p>Actions: The Trustee receives quarterly reporting from the Investment Consultant setting out the returns of each mandate over the most recent quarter and longer time periods. The report also includes the Investment Consultant's most recent assessment of the investment manager together with information on any recent changes or developments at the investment manager.</p> <p>In the event of a significant change at an investment manager, the Investment Consultant will provide ad hoc reporting to the Trustee between meetings setting out the development that has occurred, an updated assessment of the investment manager's capabilities as a result and advice on any action that might be required.</p> <p>The Trustee receives an annual letter from the Investment Consultant confirming that the Scheme's investment managers comply with the requirements of the Pensions Act.</p>
8.2	<p>This is a statement of fact regarding the information prepared by the Scheme's performance measurer.</p>
8.3	<p>Policy: The Trustee and its agents hold meetings with each Investment Manager to satisfy themselves that the Manager continues to carry out its work competently and has the appropriate knowledge and experience to manage the investments of the Scheme.</p> <p>Actions: As noted above, the Trustee monitors developments at each investment manager, alongside the performance of the mandates, at its quarterly meetings through reporting provided by the Investment Consultant.</p> <p>During the course of the Scheme Year the Investment Committee met with a small number of the investment managers within the Scheme where particular issues had been identified.</p>
8.4 – 8.5	<p>These paragraphs are statements of fact setting out the criteria by which Investment Managers may be selected or deselected by the Trustees.</p>

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Section 9: Risk Management

Section	Approach and actions taken over the Scheme Year
9.1 – 9.2	These paragraphs are statements of fact setting out the key risks identified by the Trustee for the Plan and how these are measured and managed.
9.3	<p>Policy: The Trustee continues to monitor these risks, with the assistance of the Investment Consultant and any other risks that may arise and may add to this list any new significant risk categories.</p> <p>Actions: The Trustee has developed a Risk Register setting out the key investment, funding, operational and member related risks, how these are controlled, their potential impact and planned actions to further mitigate each risk. This Register is reviewed and updated on at least an annual basis to ensure that it remains appropriate.</p> <p>On a quarterly basis, the Trustee considers analysis from the Scheme's Investment Consultant quantifying the key investment risks facing the Scheme and their possible impact on the funding level. The Trustee uses this analysis together with estimates of the expected return from the portfolio to assess whether the overall investment strategy remains consistent with its objectives.</p>

As set out in the SIP, the Trustee's policy is to delegate the day to day sustainable investment considerations (including environment, social and governance factors) and stewardship activities (including voting and engagement) to the Scheme's investment managers.

The Scheme's investment funds cover a range of asset classes, however during the Scheme Year no investments were held in listed equities with associated voting rights and therefore no voting data has been provided in this section of the Statement.

PRUDENTIAL STAFF PENSION SCHEME

DB SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

The Trustee ensures that the Scheme's underlying investment managers engage on important ESG related topics on behalf of the Scheme. Key activity over the Scheme Year has been set out below.

1. M&G, who manage the majority of the Scheme's portfolio, have invested heavily in proprietary and third-party tools to increase transparency in periodic and ad-hoc reporting, using this to produce an ESG scorecard. M&G have also undertaken various engagements concerning environmental and other issues with a large number of issuers to which the Scheme has exposure over the Scheme Year. Key examples are as follows:

Long Dated Buy and Maintain Credit Portfolio: M&G engaged with Segro PLC on 11 August 2023 in regard to Governance related issues. The manager requested further disclosure on cyber security and how the company mitigates these risks. The overall view of Segro's ESG actions and disclosures is good, and M&G expect disclosures to continue to develop, taking into account this request.

Matching Portfolio (Corporate Bonds): M&G engaged with Gatwick Airport on 5 December 2023 relating to Environmental issues, specifically progress towards Net Zero and Climate Transition. The manager had a call with the airport and encouraged them to report their Scope 3 emissions related to "cruise emissions" i.e. emissions from planes when flying, that have departed Gatwick Airport. The outcome was that Gatwick Airport have reported cruise emissions in their "Decade of Change Report" for the first time, off the back of this engagement.

Alpha Opportunities Fund: M&G engaged with YARA International ASA, a chemical company, on 31 October 2023 with regards to Environmental issues. The manager requested that Yara discloses more granularity regarding their decarbonisation levers beyond the 2030 roadmap, including metrics to measure progress towards their targets. In addition, the manager requested that Yara publishes a verified scope 3 target through SBTi. Yara has confirmed that they will explore ways to report more on their milestones, metrics, and abatement levers, although some information may be sensitive due to their position as a large participant in the renewable energy sector.

Debt Opportunities Fund IV: Over the Scheme Year, the manager engaged with a Marine and Defence Safety Equipment provider to enhance its ESG policy for the business and develop its ESG narrative and credentials. An ESG review was conducted by a third-party specialist at the time of the balance sheet restructuring. The outcome achieved was that the company now has an ESG policy and has implemented various ESG initiatives across the business.

2. BlackRock, who manage the Scheme's secure income (SAIF) and liquidity funds, report that sustainability is a key consideration through their entire investment process. Where possible BlackRock aim to engage with portfolio companies to improve adherence to ESG principles.

SAIF: BlackRock have engaged with counterparties to make ESG improvements through the implementation of ESG ratchets in new bilateral deals within the Private Credit allocation. An example is a senior secured loan to a global outsourced physical marketing material procurement provider, based in the UK. Within this deal the investment team agreed on the certain ESG ratchets, board diversity and sustainable supply chain targets.

3. Greencoat, who manage the Scheme's private markets investment that focuses on renewable income, outline their initiatives to reduce emissions over the Scheme Year, including the following:

Schroders Greencoat worked with its funds to switch electricity tariffs to fully renewable as contracts come up for renewal; and

Schroders Greencoat completed Phase 1 of its Carbon Capture Storage feasibility assessment on one of its waste wood biomass plants. The Greencoat Energy Transition Team started to engage with technology suppliers in order to discuss a potential solution (meaning the asset would become carbon negative).

The Trustee considers that all relevant SIP policies and principles were adhered to over the Scheme Year.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT)

Welcome to the Trustee's Statement of how it implemented the policies and practices in the Scheme's Statement of Investment Principles on behalf of DC Section members during the year ending 5 April 2024.

Why do the Scheme's DC investments matter to members?

The DC section of the Prudential Staff Pension Scheme provides members with benefits on a defined contribution ("DC") basis (sometimes called money purchase benefits). This means that the size of the benefits paid when members retire will depend on how much the funds where their contributions are invested grow over the years.

What is the Statement of Investment Principles ('SIP')?

The SIP sets out the investment principles and practices the Trustee follows when governing the Scheme's DC Section investments. It describes the rationale for the investment options which members can choose (including the default arrangement if a choice isn't made), explains the risks and expected returns of the funds used and the approach the Trustee takes to Responsible Investment and Environmental, Social and Governance (ESG) considerations (including climate change considerations).

The last review of the Scheme's SIP was completed on 7 June 2023 and the next review will take place no later than 1 October 2024.

The following changes were made to the SIP during the last year:

- Updated wording to include currency risk within list of investment risks.
- Updated to reflect changes to funds, addition of new funds, changes to default lifestyle (Multi-asset lifestyle) and introduction of two new alternative lifestyles (PSPS Cash at Retirement Lifestyle and PSPS Annuity at Retirement Lifestyle).
- Updated to note that two other lifestyles (PSPS Active Lifestyle - Annuity at Retirement and PSPS Passive Lifestyle - Annuity at Retirement) were no longer available for members to select from 10 May 2023 (except for those members already invested in them).
- Updated to reflect changes to the fees and charges applying to some funds.

A copy of the Scheme's SIP (and the Scheme's Chairman Statement) can be found at:

[Formal documents - Prudential Staff Pension Scheme DC \(prudentialstaffps.co.uk\)](https://prudentialstaffps.co.uk)

What is this Implementation Statement for?

Each year the Trustee is required to prepare an Implementation Statement, which sets out how it has complied with the Scheme's SIP relating to DC benefits during the last year.

Overall, the Trustee is satisfied that:

- **The Scheme's DC Section investments have been managed in accordance with the DC Section SIP; and**
- **The provisions of the DC Section SIP remain suitable for the needs of the Scheme's DC Section members.**

How the Scheme's DC investments are governed

The Trustee has overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

There have been no changes to the Trustee or the governance processes during the last year.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

How the Scheme's DC investments are governed (continued)

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the fund managers.

The Trustee undertook the following during the last year to ensure that its knowledge of investment matters remains current, that its investment beliefs remained relevant and that the aims and objectives for the default and self-select fund arrangements remained appropriate:

- The Trustee received and considered regular reports from Hymans Robertson reviewing the investment manager arrangements including performance of default and self-select funds;
- The Trustee received and considered regular governance updates from Hymans Robertson covering wider issues and regulatory developments for DC pension schemes and related this back to the Scheme's DC Section default investment strategy and self-select fund range;
- The Trustee met with and received presentations from a number of investment managers whose funds are used by the Scheme.

The Trustee monitors how well its investment advisers meet the objectives agreed with them. Following the requirements from the Competition & Markets Authority (CMA) to establish investment adviser objectives, the Scheme's DC Section investment advisers have agreed objectives which cover demonstrating added value (including advice in relation to the default arrangements, lifestyles and self-select range for members), the delivery of specialist services, proactivity of advice, support with member communications and maintenance and delivery of high relationship and service standards.

The Trustee is satisfied that during the last year:

- **The Scheme's DC Section governance structure remains appropriate;**
- **The Trustee has maintained its understanding of investment matters; and**
- **Its investment advisers met the agreed objectives.**

How the default arrangement and other investment options are managed

The objectives and rationale for the default arrangement are set out in the DC Section SIP.

The Trustee has carried out its annual high-level review of the default arrangement and other investment options to ensure they remain suitable for most members. This involved:

- Ensuring that the default arrangement complies with the charge cap.
- Monitoring the investment performance of each fund.
- Monitoring the turnover of the assets in which each fund is invested.
- Considering whether the funds still meet the investment objectives the Trustee has set for the default arrangement and other investment options; and
- Checking whether there have been any significant changes in the demographic profile of the Scheme's membership, members' choices of investment options and members' choices of benefits when they retire.

The Trustee is satisfied that the default arrangement remains suitable for most members and following the completion of the strategy review completed in the previous Scheme year (to 5 April 2023) implemented changes to the investment strategy including lifestyle and self-select options including further ESG / Sustainability integration and additional member options.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

The main changes implemented in May 2023:

- Revision of the default Multi-asset Lifestyle adjusting the initial mix of equity funds including additional sustainable and impact equity funds, adjusting the commencement of the de-risking period from equities and adding a new diversified liquid alternatives fund. The strategy initially invests 100% in equities (30% PSPS Global Equity – active, 7.5% PSPS UK Equity – active, 57.5% PSPS Sustainable Equity – passive and 5% PSPS Impact Equity – active funds) and between 15 years and 10 years from retirement gradually builds up exposure to the PSPS Diversified Growth –active and PSPS Diversified Liquid Alternatives – active funds, until at a point 10 years before retirement it is invested 63% in equities and 32% in the PSPS Diversified Growth –active and 5% in the PSPS Diversified Liquid Alternatives – active funds. Then 10 years from retirement the strategy also de-risks into PSPS Total Return Bond – active Fund and also, in the last 3 years before retirement, the PSPS Cash – active Fund. The final allocation at retirement is 13% equities, 32% Diversified Growth, 5% Diversified Liquid Alternatives, 30% Total Return Bond and 20% cash.
- Addition of two new alternative lifestyle strategies, similar to the Multi-Asset Lifestyle option up to 5 years prior to retirement but targeting a different mix of assets at the point of retirement designed specifically for members intending to take their retirement benefits either in the form of cash withdrawal or purchase of an annuity. These alternative lifestyle options are called the PSPS Cash at Retirement Lifestyle and PSPS Annuity at Retirement Lifestyle.
- Two existing alternative lifestyle options have been closed to new entrants (only members in these strategies at 10 May 2023 can use them) and the strategies re-named as PSPS Active Lifestyle – Annuity at Retirement and PSPS Passive Lifestyle – Annuity at Retirement.
- The underlying component funds of the PSPS Global Equity – active and PSPS Diversified Growth – active funds have been adjusted.
- The PSPS Responsible Investment – passive fund has been re-named the PSPS Sustainable Equity – passive fund and a new component fund added, replacing the previous fund.
- Three new funds have been made available as self-select funds, the PSPS Impact Equity – active, PSPS Islamic Global Equity Fund – passive and PSPS Diversified Liquid Alternatives- active funds.

Other default arrangements

Details of other default arrangements are outlined in the DC Section SIP. These are monitored and assessed as a default arrangement for the purposes of meeting DC pensions regulations.

The Trustee investment beliefs

The Trustee has developed a set of investment beliefs which are set out in the SIP which it uses as a guide when making investment decisions.

There have been no changes to these beliefs in the last year.

The expected risks and returns on member savings in the DC Scheme

The investment risks relating to members' DC benefits are described in the DC Section SIP.

The expected returns from each type of investment used by the Scheme are set out in the DC Section SIP.

The Trustee believes that the main investment risks members face described in the DC Section SIP have not changed materially over the last year.

The Trustee is satisfied that the current expected rates of investment return for the main types of funds described in the SIP are still reasonable relative to the risks that members face.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

The Trustee's views on expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what types of assets and areas of the world the DC Section invests in over the longer-term) for the Scheme's DC Section default lifestyle options (which gradually change the funds in which member savings are invested as members approach retirement) and the Scheme's DC Section bespoke multi-asset fund, the PSPS Diversified Growth – active Fund (which invest in several types of assets such as equities, bonds and cash).

The Trustee's views on the long-term mix of investments for the Scheme's DC Section lifestyle options including the default arrangement and for the bespoke multi-asset fund (PSPS Diversified Growth – active Fund) did not change during the last year although the review of strategy will introduce some changes to the default arrangement and bespoke multi-asset fund which were made in May 2023.

The Trustee implemented some changes to strategic asset allocation of the default lifestyle option set out above (to improve potential member outcomes by adjusting the lifestyle glidepath and also increasing sustainability) and also implemented change to the composition of the blended multi-asset fund (PSPS Diversified Growth – active Fund) to replace one of the underlying component funds (Invesco GTRS) with the Nordea Diversified Return Fund.

Platform providers and fund managers

Choice of platform providers and funds

The Trustees monitors the service of the platform provider used by the Scheme's DC Section of the Scheme by:

- Receiving quarterly updates from the platform provider regarding service levels and standards; and
- Inviting the platform provider to present at four Trustee meetings a year.

The Trustee monitors the performance of the funds used by the DC section of the Scheme by:

- Receiving quarterly updates from their investment adviser regarding fund performance against their respective benchmarks; and
- Receiving quarterly updates from their investment adviser regarding fund suitability and any significant changes to the fund managers.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

There have been no changes to the platform provider but the Trustee agreed the following changes to funds during the last year (implemented 10 May 2023).

Fund	Change	Rationale
PSPS Global Equity - active	Replace 37.5% allocation to KBI Global Equity Fund with LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index fund	Replace fund where Trustee has concern with asset size with a new fund complementary to other component funds
PSPS Diversified Growth - active	Replace allocation (one third) to Invesco GTRS with Nordea Diversified Return Fund	Replace existing fund which had experienced team change and disappointing performance
PSPS Overseas Equity - passive	Replace existing M&G component fund with mix of BlackRock index tracking funds	Remove "active" management component of current fund and improve index tracking
PSPS Emerging Markets - active	Remove one component fund (AMG GW&K Trilogy) and allocate to the other existing component fund (RBC).	Reduced confidence in manager
PSPS Sustainable Equity - passive	Replace component fund (LGIM Global Ethical Index) with new fund (LGIM Future World Global Equity Index)	Improved sustainability credentials of new component fund
PSPS Impact Equity - active	New Fund	Additional self-select sustainable investing option
PSPS Diversified Liquid Alternatives- active	New Fund	Improved options for diversification
PSPS Islamic Global Equity - passive	New Fund	New fund managed on Shariah principles to meet demand from members

The Trustee is satisfied that the platform provider and funds used by the Scheme's DC Section remain appropriate.

Ability to invest/disinvest promptly

It's important that contributions can be invested promptly in the default arrangement, or the investment options chosen and that investments can be sold promptly when members want to change where they are invested, transfer a pension pot to another scheme or benefits are due to be paid out when members retire.

The Trustee oversee this by monitoring the service levels and standards of the investment and disinvestment processes completed by the platform provider.

The Trustee is satisfied that money can be invested in and taken out of the Scheme's DC Section funds without delay as set out in the DC Section SIP.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Changes in where funds are invested

The Trustee's investment adviser monitors on behalf of the Trustee the volume of buying and selling of the assets and the nature of those assets in which each fund is invested that is carried out by the funds' managers.

Short-term changes in the level of turnover of the assets in which a fund is invested may be expected when a fund manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover or the time the fund invests in an asset might indicate a shift in the amount of risk the fund manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee.

The Trustee is satisfied that the level of trading of the funds' assets carried out by the fund managers has been consistent with the funds' objectives.

Security of member savings in the Scheme

In addition to the normal investment risks faced investing in the funds used by the Scheme, the security of member savings in the Scheme depend upon:

- The financial strength of the investment platform provider used by the Scheme;
- The financial strength of the fund managers used by the platform provider; and
- The legal structure of the funds the Scheme invests in.

The financial strength of the platform provider and the fund managers has a bearing on the risk of losses to the Scheme's DC members caused by the remote chance of one of these institutions getting into financial difficulties. The legal structure of the funds used has a bearing on the degree to which the funds' assets are "ring-fenced" from the rest of the provider's or fund managers' business in the unlikely event that the provider or manager becomes insolvent.

There have been no changes to the structure of the funds used by the Scheme's DC Section during the last year. The Trustee is not aware of any material changes in the financial strength of the platform provider, or the fund managers used by the platform in the last year.

Conflicts of interest

As described in the DC Section of the SIP, the Trustee is mindful of potential conflicts of interest:

- When choosing fund managers;
- When monitoring the fund managers' investment performance and the fund managers' approaches to investment stewardship and responsible investing; and
- When the fund manager is making decisions on where each fund is invested.

The Trustee expects the fund managers to invest the Scheme's assets in the members' best interests. As the funds used by the Scheme are held at arms-length from the Trustee via an investment platform, the Trustee has asked the platform provider to report on its own investment governance of the funds including potential conflicts of interest.

The Trustee is satisfied that there have been no material conflicts of interest during the year which might affect members' benefit expectations.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Manager incentives

As described in the DC Section of the SIP, the Trustee seeks to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives.

The funds used by the Scheme are held at arms-length from the Trustee via an investment platform. Nevertheless, the Trustee believes it is in the platform provider's best commercial interests to ensure that the fund managers are suitably incentivised to meet their funds' investment objectives.

The Trustee is satisfied that the fund managers are suitably incentivised to deliver good outcomes for the Scheme's DC Section members.

Responsible Investment

The Trustee believes that responsible investing covers both sustainable investment and effective stewardship of the assets the Scheme invests in.

The Trustee's approach to responsible investing has not changed during the last year.

Sustainable Investment

The Trustee believes that investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (called "ESG" factors) can have on the value of the Scheme's investments and in turn the size of member retirement benefits.

The Trustee has considered the length of time members' contributions are invested in the Scheme's DC Section when choosing and reviewing the funds used in the investment options. The DC Section of the Scheme potentially has members joining from age 18 who could therefore have savings invested over a multi-decade time horizon.

The Trustee and its investment adviser periodically reviews the platform provider's and fund managers' approaches to sustainable investing. The Trustee receives reports on how the fund managers have handled these risks.

The Trustee reviewed the platform provider's and fund managers' approaches to sustainable investing as part of the review of strategy in the previous Scheme year discussed above and following the completion of the review implemented an increase in sustainable investment integration within the investment options during the Scheme year.

The Trustee is satisfied that during the last year the Scheme's DC Section investments were invested in accordance with the policies on responsible investing set out in the DC Section SIP.

Investment stewardship

As described in the DC Section SIP, the Trustees believe it is important that the fund managers as shareholders or bond holders take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on major issues which affect a company's financial performance (and in turn the value of the Scheme's investments).

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Investment stewardship (continued)

As the Scheme's investments are held at arms-length from the Trustee and members through an investment platform operated by Prudential Assurance Company Limited, the Trustee is not able to instruct the fund managers how they should vote on shareholder issues. The Trustee nevertheless:

- Choose fund managers whose voting policy are consistent with the Scheme's objectives;
- Expect fund managers to vote in a way which enhances the value of the funds in which the Scheme invests;
- Monitor how the fund managers exercise their voting rights.

How do the Trustees monitor this?

The Trustee periodically reviews the fund managers' approaches to stewardship including voting and engagement policies.

The Trustee's investment adviser receives at least annually reports from the platform provider on how the fund managers have voted at shareholder meetings and what topics fund managers have discussed with the companies in which they invest and reports back to the Trustee.

The Trustee is satisfied that the fund managers' voting record on the companies in which their funds invest was aligned with the stewardship policy described in the DC Section SIP.

Impact Investing

Impact investing relates to investments that are intended to have a positive and measurable environmental or social impact, alongside a financial return. For instance, investing in businesses and projects which benefit the local community or investing globally in companies and projects which are expected to have a positive impact on greenhouse gas emissions. The Trustee is of the view that impact investing is of financial benefit to the Scheme's members and consistent with the investment objectives of the Scheme's DC Section investment options.

The Scheme's investment options make use of a fund which aims to have a positive impact globally (i.e. an allocation to an Impact fund within the default Multi-Asset Lifestyle and the alternative lifestyles targeting Cash Withdrawal and Annuity at retirement. This fund is also a self-select-fund for members to choose).

Ethical Investing

The Trustee recognises that some members will have strong views on where their pension savings should be invested.

The Scheme offers members a fund, the PSPS Islamic Global Equity Fund - passive which is managed on Shariah principles.

Nevertheless, the Trustee recognises that it is not possible to cater for everyone's views on non-financial/ethical matters.

The Trustee monitors the investments held by the Scheme's ethical investment options. The Trustee also monitors developments in ethical investing funds which could be appropriate to the Scheme's members.

The Trustee made the following changes to their approach to ethical investing following the review of Scheme strategy which was implemented in May 2023.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

The Trustee decided to replace the component fund of the PSPS Responsible Investment Equity – passive fund (which had been managed against an ethically constructed benchmark index) with a more modern fund managed more widely against Environmental, Social and Governance issues and also agreed to re-name the fund PSPS Sustainable Equity – passive fund.

The Trustee also agreed to add the PSPS Islamic Global Equity – passive fund discussed above.

The Trustee is satisfied that the Scheme offers ethical investment options for members in accordance with the SIP.

Communication and member engagement

The Trustee's approach to communicating the Scheme's investment options and investment governance have not changed during the last year.

The Trustee's current policy on member engagement is as follows:

- Effective member engagement will help develop suitable investment options;
- Member engagement is actively encouraged through a variety of means.

During the last year the Trustee has undertaken the following to support member engagement and obtain member feedback:

- Providing communications using a range of media to Scheme DC Section members;
- Providing a range of literature/media to assist members in making their investment decisions. In addition, members have access to factsheets for each fund;
- Providing a series of market updates including both market performance and estimated performance on an ongoing monthly basis to keep members informed and engaged.
- The Trustee has practices in place to encourage member feedback. The Scheme website invites feedback from members and provides contact details including an e-mail address. Feedback is also requested in the Scheme newsletter "Overview" and in the digital version there is a page set up for feedback with space for comments which can be submitted directly from that page.
- A modelling tool is available for members to model contribution rate and investment choices and their impact on the value of their funds at retirement.
- The Trustee provides a range of appropriate guides and information on the DC Section's external website including retirement, investment, and contribution options.
- The Trustee provides DC Section member guides
- The Trustee provides a retirement living standards modeller.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Looking forward

In the next Scheme year, (year ending 5 April 2025) which will be covered by next year's Implementation Statement, the Trustee intends to undertake the following actions in relation to the SIP:

- Explore addition of other assets classes e.g. illiquids that may benefit member outcomes in long-term. Continue looking at illiquid investing including offerings from managers and issues of implementation. Further consider potential benefits and challenges presented by illiquid investing.
- Develop policy on illiquid investing and policy wording for Statement of Investment principles.

More information

The Trustee hopes this Statement will assist members understand how the Scheme's investment of their savings for retirement has been managed in the last year.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Appendix: Voting and Engagement

The funds with voting rights attached that are available to members as part of the default fund range or the self-select fund range are listed below along with summary voting statistics for each fund.

- PSPS UK Equity – Passive (1)
- PSPS UK Equity – Active (2)
- PSPS Overseas Equity – Passive (3)
- PSPS Global Equity – Active (4)
- PSPS Emerging Markets Equity – Active (5)
- PSPS Impact Equity – Active (6)
- PSPS Sustainable Equity – Passive (7)
- PSPS Islamic Global Equity – Passive (8)
- PSPS Diversified Growth – Active (9)
- PSPS Diversified Liquid Alternatives – Active (10)

	1	2	3	4	5	6	7
No. of resolutions eligible to vote	9,595	2,478	50,223	3,412	722	846	52,212
% resolutions voted	98.4%	99.5%	96.3%	99.9%	92.2%	96.5%	99.9%
Of the resolutions voted, the % voted for management	97.1%	97.9%	90.6%	80.0%	92.9%	94.7%	80.3%
% resolutions voted against management	2.7%	1.8%	7.9%	19.6%	7.1%	5.3%	19.5%
% resolutions abstained	0.2%	0.3%	1.5%	0.4%	0.0%	0.0%	0.3%

Source: The Prudential Assurance Company Limited

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Appendix: Voting and Engagement (continued)

	8	9	10
No. of resolutions eligible to vote	1,702	12,192	5,037
% resolutions voted	96.0	95.3	100.0
Of the resolutions voted, the % voted for management	76.7	88.1	86.1
% resolutions voted against management	23.1	10.9	12.6
% resolutions abstained	0.1	1.0	1.3

Source: The Prudential Assurance Company Limited

The Trustees also consider how the fund managers voted on specific issues. The Trustees consider 'significant votes' to be either companies with relatively large weightings in the funds members invest in, or where there were shareholder issues that members are expected to have an interest.

The most significant shareholder votes and how the fund managers voted during the last year were:

Date	Associated Fund	Company	Resolution	Manager's vote
23/05/2023	PSPS UK Equity Passive	Shell Plc	Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	BlackRock voted Against and did not support this shareholder proposal because in their view, it was overly prescriptive and unduly constraining on management's decision making. The company is addressing the risks and opportunities in their business model stemming from a low carbon transition and has demonstrated that they are delivering against their stated plan.
03/05/2023	PSPS UK Equity Active	Unilever Plc	Remuneration	The manager voted for this resolution, The change in CEO has led to an increase in the base pay of 18% - he will have negotiated his pay package when taking the job, but future large increases out of step with the wider workforce should be monitored moving forward.
26/05/23	PSPS UK Equity Active	Glencore Plc	Resolution in respect of the Next Climate Action Transition Plan	The manager believes that the disclosure requested will help keep the company accountable for its emissions profile and emissions reductions.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Date	Associated Fund	Company	Resolution	Manager's vote
31/05/2023	PSPS Overseas Equity Passive	Exxon Mobil Corporation	Various resolutions on GHG reduction, reduced plastics demand, calculation of emissions, methane emission disclosures and report on social impact of plant closure and energy transition.	BlackRock voted Against these resolutions, with the rationale being, the company already has policies in place to address the request being made by the proposal or are already enhancing their relevant policies or the request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.
01/06/2023	PSPS Global Equity Active	Netflix, Inc	Shareholder Resolution - Social	The manager supported a shareholder resolution requesting that the company adopt and disclose a freedom of association and collective bargaining policy. Labour issues are identified as a material risk in the company's financial statements and the manager believes that shareholders would benefit from a greater understanding of Netflix's policy and approach to this matter. Its lack of policy lags other large technology companies and may open it up to increased reputational risk, particularly in light of past and ongoing controversies. While this resolution failed, it received 35% votes in favour. The manager intends to communicate their voting decision to the company and encourage the company to carefully consider their policies relating to freedom of association and collective bargaining.
24/05/2023	PSPS Global Equity Active	Amazon.com, Inc.	Shareholder Resolution - Social	The manager has voted for this resolution, they supported a shareholder resolution on gender/racial pay gap reporting. They have supported this resolution at Amazon for the last three years. They believe that women and minorities are underrepresented in leadership positions compared with the broader workforce, and reporting the unadjusted median gap would help to assess structural bias regarding job opportunity and pay. They believe a diverse workforce supports future business growth.

Source: Investment Manager

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Date	Associated Fund	Company	Resolution	Manager's vote
15/11/2023	PSPS Global Equity Active	Oracle Corporation	Report on Median and Adjusted Gender/Racial Pay Gaps	<p>MFS voted for this proposal, as they believe that additional disclosures relating to the company's adjusted pay gap and more information on how the company is ensuring pay equity would allow shareholders the ability to compare and measure the progress of the company's ongoing diversity and inclusion initiatives.</p> <p>The manager states that the level of support for the resolution (31.4%) demonstrates a fair level of shareholder desire for additional reporting from the company as it relates to its ongoing gender pay gap and diversity initiatives. They hope to see the company enhance its future reporting in this regard.</p>
18/05/2023	PSPS Emerging Markets Equity Active	Shenzhen Mindray Bio-Medical Electronics Co., Ltd.	Approve Sustainability Report	RBC has voted for this resolution and are supportive of the resolution and it is aligned with RBC GAM's custom proxy voting guidelines.
01/03/2024	PSPS Impact Equity Active	Bank Rakyat Indonesia (Persero)	Directors' and Commissioners' Fees	Wellington has voted against this resolution as they deemed this an excessive bonus.
16/05/2023	PSPS Sustainable Equity Passive	JPMorgan Chase & Co.	Resolution 9 - Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	<p>LGIM voted for, they generally support resolutions that seek additional disclosures on how companies aim to manage their financing activities in line with their published targets. They believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.</p>

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Date	Associated Fund	Company	Resolution	Manager's vote
24/05/23	PSPS Sustainable Equity Passive	Amazon.com, Inc	Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps	LGIM voted in favour as it expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as they believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.
28/02/2024	PSPS Islamic Global Equity Passive	Apple Inc.	Report on Median Gender/Racial Pay Gap	HSBC voted against management; they believe that the proposal would contribute to improving gender inequality.
20/04/23	PSPS Diversified Growth Active	Wells Fargo & Company	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	The manager supported the resolution asking the company to produce a report disclosing how it intends to align its financing activities with its 2030 sectoral GHG emission reduction targets. The manager welcomes additional disclosures that help better understand how the company is implementing its climate strategy.
26/04/23	PSPS Diversified Growth Active	The Goldman Sachs group, Inc	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	The manager supported the resolution asking the company to produce a report disclosing how it intends to align its financing activities with its 2030 sectoral GHG emission reduction targets. The manager welcomes additional disclosures that help better understand how the company is implementing its climate strategy.
07/06/23	PSPS Diversified Growth Active	Comcast Corporation	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	The manager supported this shareholder resolution and believes that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change-related risks.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Date	Associated Fund	Company	Resolution	Manager's vote
12/07/2023	PSPS Diversified Liquid Alternatives Passive	Microsoft Corporation	Shareholder Proposal Regarding Board Diversity	Fulcrum voted for this resolution based on the following: Glass Lewis (proxy adviser) was unconvinced that adoption of this proposal would necessarily lead to a more diverse or inclusive board and is unwarranted at this time as the Company has adopted policies and provided disclosures that clearly take into account diversity, thus recommended that they vote against the proposal. However, Fulcrum are committed to pushing for Board level diversity and agree with the proponent's perspective and thus voted FOR the proposal.
31/05/23	PSPS Diversified Liquid Alternatives Passive	Exxon Mobile Corp	Shareholder Proposal Regarding Addressing Virgin Plastic Demand	Glass Lewis was not convinced that the proponent has sufficiently demonstrated that the Company has neglected this issue or that adoption of this proposal would mitigate risks to or increase shareholder value, particularly given the Company's current initiatives and commitments. As such, they do not believe that adoption of this proposal is necessary at this time and recommended that Fulcrum vote against the proposal. However, Fulcrum agree with the proponent's view and after internal discussions, voted for the proposal.

Source: Investment Manager

How do fund managers implement their votes?

The managers often make use of proxy voting to inform their decision making. The managers use the following organisations as proxies for their voting activity:

Manager	Comment on approach
Baillie Gifford	All voting decisions are made by their ESG team in conjunction with investment managers. Whilst they are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource stewardship activities or follow or rely upon their recommendations when deciding how to vote on clients' shares. All client voting decisions are made in-house. They vote in line with their in-house policy and not with the proxy voting providers' policies. They also have specialist proxy advisors in the Chinese and Indian markets to provide them with more nuanced market specific information.

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Manager	Comment on approach
Fulcrum	<p>Fulcrum use Glass Lewis as their proxy adviser. Their default is to use GL's standard voting policy, however, there may be times where they override the advice, particularly related to climate change proposals. Their default choice is to vote as per the Climate Change Policy by their proxy adviser, Glass Lewis. They will, in these instances, do their own research and if they consider it right to do so, vote against the advice if this is in advantage of the topic of climate change mitigation. In particular, they look for votes related to encouraging science-based target setting with regard to decarbonisation goals as this is a core part of their engagement focus.</p>
BlackRock	<p>BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.</p> <p>While they subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into their vote analysis process, and they do not blindly follow their recommendations on how to vote. They primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship analysts can readily identify and prioritise those companies where their own additional research and engagement would be beneficial. Other sources of information they use include the company's own reporting (such as the proxy statement and the website), their engagement and voting history with the company, and the views of their active investors, public information and ESG research.</p>

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Manager	Comment on approach
BlackRock (continued)	<p>In summary, proxy research firms help them deploy their resources to greatest effect in meeting client expectations</p> <ul style="list-style-type: none"> • BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients' assets, using their voice as a shareholder on their behalf to ensure that companies are well led and well managed. • They use proxy research firms in their voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that their analysts can readily identify and prioritise those companies where their own additional research and engagement would be beneficial. • They do not follow any single proxy research firm's voting recommendations and in most markets, they subscribe to two research providers and use several other inputs, including a company's own disclosures, in their voting and engagement analysis . • They also work with proxy research firms, which apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to any meetings where additional research and possibly engagement might be required to inform their voting decision. • The proxy voting operating environment is complex and they work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting.
Schroders	<p>In Q4 2023 they switched vendor from ISS to Glass Lewis (GL) who act as their one service provider for the processing of all proxy votes in all markets. GL delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from GL in line with their bespoke guidelines, in addition, they receive GL's Benchmark research. This is complemented with analysis by their in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.</p>
M&G	<p>M&G use research provided by ISS and the Investment Association; and they use the ProxyExchange platform from ISS for managing their proxy voting activity.</p>
RBC	<p>RBC GAM retains the services of Institutional Shareholder Services (ISS) to provide proxy research and issue custom voting recommendations based on their Guidelines. They make each voting decision independently, in accordance with their Proxy Voting Guidelines. These custom guidelines provide an overview of the principles they support and how they will vote on particular issues. They are updated yearly to reflect their views on emerging trends in corporate governance and responsible investment.</p> <p>In addition to research provided by ISS, RBC GAM has also retained Glass Lewis & Co. to provide proxy research.</p>

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Manager	Comment on approach
Lindsell Train	Lindsell Train appointed Glass Lewis during Q1 2020 to aid the administration of proxy voting and provide additional support in this area. However, the portfolio managers maintain final decision making responsibility, which is based on their detailed knowledge of the companies in which they invest, as this forms an important part of their investment process and proactive company engagement strategy. For clarity, they do not default to GL's advice/suggested vote, but rather they vote in line with LT's proxy voting policy and may consider GL's recommendation and/or research to improve the inputs to their decision making.
MAGIM	They use research provided by ISS and the Investment Association; and they use the ProxyExchange platform from ISS for managing our proxy voting activity.
MFS	MFS have entered into an agreement with Institutional Shareholder Services, Inc. (ISS) to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions. While they also receive research reports and vote recommendations from ISS and Glass, Lewis & Co., Inc., MFS analyses all proxy voting issues within the context of the MFS Proxy Policies, which are developed internally and independent of third-party proxy advisory firms. MFS' voting decisions are not defined by any proxy advisory firm benchmark policy recommendations. MFS has due diligence procedures in place to help ensure that the research they receive from proxy advisory firms is accurate and to reasonably address any potentially material conflicts of interest of such proxy advisory firms.
HSBC	They use the voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of their voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene their guidelines. They review voting policy recommendations according to the scale of their overall holdings. The bulk of holdings are voted in line with the recommendation based on their guidelines.
Nordea	<p>In general, every vote they cast is considered individually on the background of their bespoke voting policy, which they have developed in-house based on their own principles.</p> <p>Their proxy voting is supported by external vendors (Institutional Shareholder Services) to facilitate proxy voting, execution and to provide analytic input.</p> <p>During 2023, Glass Lewis was also added to this list of external vendors but is mainly used for analytic input.</p>

PRUDENTIAL STAFF PENSION SCHEME

DC SECTION IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

Manager	Comment on approach
<p>Wellington</p>	<p>Wellington vote proxies in the best interests of their clients as shareholders and in a manner that they believe maximises the economic value of their holdings. They do not automatically vote proxies either with management or in accordance with the “house” or benchmark recommendations of third-party proxy providers. They vote according to their own Global Proxy Voting Guidelines and employ a third-party vendor to perform administrative tasks related to proxy voting. As inputs into their internal analysis, Wellington Management subscribes to the research services of Glass Lewis & Co. and ISS. They also subscribe to the Viewpoint voting platform provided by Glass Lewis & Co. to facilitate electronic receipt and execution of ballots.</p> <p>They recognize the importance of public transparency of their voting practices at the firm level. Accordingly, they disclose their voting record through their public website which is updated quarterly. They further provide a summary of voting activity and case study examples through their annual sustainability report.</p>
<p>LGIM</p>	<p>LGIM’s Investment Stewardship team uses ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.</p> <p>To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.</p>