PRUDENTIAL

Principles and Practices of Financial Management

Report to With-Profits Policyholders on Prudential's Compliance for 2018

Summary

In the opinion of the Board ("the Board") of The Prudential Assurance Company Limited ("PAC"), PAC has complied with its obligations in relation to the Principles and Practices of Financial Management ("PPFM") over the period 1 January 2018 to 31 December 2018 (inclusive) and at the bonus declaration in respect of the year 2018, announced on 26 February 2019.

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

Report to With-Profits Policyholders on Prudential's Compliance for 2018

1. Introduction

Each year, the Board of PAC must report to with-profits policyholders on compliance with its obligations relating to the PPFM.

In managing with-profits business, firms rely on their ability to use discretion, particularly in relation to the investment strategy adopted, and the smoothing and bonus policies used. The purpose of PAC's PPFM is therefore to:

- explain the nature and extent of the discretion available;
- show how competing or conflicting interests or expectations of
  - different groups and generations of policyholders, and
  - policyholders and shareholders,

  are managed so that policyholders and shareholders are treated fairly; and
- give a knowledgeable observer (e.g. a financial adviser) an understanding of the material risks and rewards from starting and continuing an investment in a with-profits policy with PAC.

The PPFM covers all with-profits policies issued in the UK by:

- companies in the Prudential Group (i.e. by PAC, Scottish Amicable Life plc which were transferred to PAC with effect from 31 December 2002 (SAL), Prudential (AN) Limited which were transferred to PAC with effect from 31 October 2010, and Prudential International Assurance plc), and
- Scottish Amicable Life Assurance Society (SALAS) which were transferred to PAC with effect from 30 September 1997.

The PPFM also covers the with-profits annuity business that was transferred from the Equitable Life Assurance Society (ELAS) to PAC with effect from 31 December 2007. Although the business originally written by ELAS in Germany and Ireland was transferred from PAC to Prudential International Assurance (PIA) on 1 January 2019, this remains covered by the PPFM, as immediately following the transfer it was reinsured back to PAC.

In general, the Principles and Practices set out in the PPFM do not apply to the overseas business written prior to 1 January 2019 in PAC's branches in Poland, France and Malta which on 1 January 2019 were transferred to PIA and reinsured into PAC, nor the PIA Poland business written from 1 January 2019 which is reinsured into PAC. They do, however, apply to off-shore business reinsured into PAC by Prudential International Assurance plc and Canada Life Assurance Europe Limited (CLE).

This report covers the period from 1 January 2018 to 31 December 2018 (inclusive), and includes the bonus declaration announced on 26 February 2019. It describes:

- changes to the PPFM during 2018,
- how PAC has complied with the PPFM in exercising discretion in managing its with-profits business,
- how PAC has addressed competing or conflicting rights, interests and expectations,
- governance arrangements for with-profits business, and
- maintenance of the PPFM.

Any terms used in this report have the meaning set out in the PPFM which can be found on **pru.co.uk/ppfm**.

2. Strategic matters

Following the announcement in November 2017 of the merger of M&G and Prudential to form M&G Prudential, in March 2018 Prudential plc announced that it intends to demerge its M&G Prudential business group from Prudential plc. Work on the demerger is still in progress and there is currently no defined date for this. With-profits policyholders are not expected to be adversely impacted by the demerger. You can find further details of our planned demerger on **pru.co.uk/press-centre**

As announced in January 2018, M&G Prudential entered into a new 10-year partnership with Tata Consultancy Services, a global leader in IT, business process and digital services. This partnership, which commenced in October 2018, is part of a wider programme to accelerate M&G Prudential's transformation into an efficient, service-led, digitally-enabled business. Further information on our programme of transformation projects can be found in section 4.7 of this report.

In December 2018, the ownership of PHKL a subsidiary containing business written in Hong Kong was transferred from PAC to Prudential Corporation Asia, with no adverse impact on with-profits policyholders.

The Scheme which transferred the business of Scottish Amicable Life Assurance Society to Prudential contains specific provisions for the merger of the Scottish Amicable Insurance Fund (SAIF) with the Prudential With-Profits Sub Fund (WPSF) once the value of SAIF falls below a specified level. The current trigger point is £1.8bn and the value of SAIF is £4.4bn at 31 December 2018. The conditions for the merger of the Funds are anticipated to happen in around three to four years' time. However, as SAIF continues to reduce in size, preliminary investigations into the possibility of merging the funds at an earlier date than required by the Scheme are ongoing. Any such decision to merge early, which will have regard to both the interests of SAIF and other PAC policyholders, would require approval from the PAC Board, the Scottish Amicable Board and regulatory approval.

3. Changes to the PPFM during 2018

A number of changes were made to the PPFM over the period covered by this report.

Version 1.31 of the PPFM was published in March 2018 and included changes made to reflect the Scottish Amicable Board's decision to increase the charge taken for guaranteed annuity rates on SAIF policies from 1.0% to 1.25% per year with effect from 1 January 2018.

Version 1.32 of the PPFM was published in October 2018. This version included changes made to reflect new smoothing limits on some of the PruFund funds, and the introduction of a 'unit price reset' clause for all PruFund funds. Wording was also added to clarify that cash claim values for Personal Pension Retirement Plans depend on current annuity rates and the PruFund Cautious (Sterling) Fund was removed from the list of hypothecated asset pools, where it had been included in error.

Version 1.33 of the PPFM was published in January 2019. This included changes to reflect the transfer of PAC's European business (i.e. the Poland, Malta & France business as well as the ELAS policies that were originally sold in Ireland and Germany) to PIA, effective from 1 January 2019 and to reflect the transfer of Hong Kong business to Prudential Corporation Asia with effect from 14 December 2018. This PPFM update also included the launch of the new PruFund Risk Managed 5 fund, and the changes to the existing PruFund Risk Managed fund names effective from 21 January 2019.

The current full PPFM, the current Customer Friendly versions of the PPFM, and the document summarising the notable changes to the PPFM are available at **pru.co.uk/ppfm**.

4. How PAC has complied with the PPFM in exercising discretion in managing its with-profits business

The PAC Board, having taken advice from the With-Profits Actuary (WPA), and following discussion with the With-Profits Committee (WPC) have confirmed that PAC complied with the obligations set out in the PPFM in respect of 2018. Compliance with the PPFM is subject to the investigation and appropriate addressing of the operational issues covered further in section 4.10.

The key areas where PAC has exercised its discretion in managing its with-profits business are set out below.

4.1 Bonus rates

Setting the rates of regular and final bonus for with-profits policies is probably the single most important item of discretion that PAC has affecting its with-profits policyholders.

Final and annual bonus declarations were made on 20 February 2018 and 26 February 2019. For some lines of business, final bonuses were updated in October 2018 (PAC business) and November 2018 (SAIF business).

2018 was a difficult year for most investment asset classes, with negative returns seen in many investment markets. Performance in equity markets, including the UK, was particularly poor, and long term interest rates remained at low levels by historic standards, broadly unchanged from 2017 levels. Against this background, investment returns for the main with-profits Funds were – 2.8% before tax in 2018 which meant we've been able to provide some protection to our investors from the extremes of market volatility. In contrast, the FTSE All-Share and FTSE 100 indices fell 9.5% and 8.7% respectively. The change in a policy's value from one year to the next will differ from the returns earned on the fund due to the smoothing of returns and the impact of policy charges. As a result, at the February 2019 bonus declaration, rates of final bonus were such that the majority of products will see year on year changes close to zero or slightly positive.

When setting annual bonuses a number of factors are considered, including the economic outlook and the long-term returns expected on the with-profits fund. After taking these factors into account the Boards of both PAC and Scottish Amicable decided to maintain the annual bonus rates for with-profits policies at their current levels at the 2019 declaration.

Since PAC's Ordinary Branch (OB) assets and Industrial Branch (IB) assets were merged in 1988, bonuses added to IB policies have been set with reference to bonuses for equivalent OB policies. In line with the undertaking given at the time IB bonuses for policies issued prior to 1988 have been at least 90% of OB policy bonuses. In addition, an annual test is carried out to confirm that, in aggregate, this approach produces IB pay-outs that are higher than the corresponding IB asset shares. This aggregate test continued to be satisfied at the February 2019 bonus declaration.

As a result of our regular review process we identified that asset shares for some very long duration IB and OB policies were higher than pay-outs. As a consequence, at both the 2018 and 2019 bonus declaration IB and OB bonus rates and hence pay-outs were increased, with these increases focussed on the longer duration business.

The 2018 and 2019 bonus declarations were reviewed by both the WPA and the WPC prior to being approved by the Board. For each bonus declaration, the Board was supplied with sufficient information for it to be comfortable that the declaration was consistent with the requirements of the PPFM.

The Scottish Amicable Board also considered and approved the 2018 and 2019 bonus declarations for SAIF business.

4.2 Target ranges

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

Following the February 2019 bonus declaration, Prudential expect around 97% of pay-outs to fall within the target range. Pay-out levels relative to asset share vary over time, in particular as actual investment returns earned by the with-profits funds differ from those assumed when bonus rates and surrender value bases are set. We continue to monitor pay-out levels regularly over time to ensure that they do not deviate too far from asset shares. Policies with claim values falling outside our target range are also investigated to ensure there is no underlying problem with our bonus setting processes and that pay-outs remain fair to customers.

The monitoring of actual claims carried out during 2018 demonstrated that target range requirements were met.

For PruFund investments, the automatic smoothing mechanism ensures that all claims fall within target range.

4.3 PruFund range of funds

Policies invested in the PruFund range of funds participate in profits via an increase in the unit price of the selected fund at the relevant expected growth rate (EGR) subject to adjustments when the unit price moves outside specified limits. EGRs were set quarterly on 26 February 2018, 25 May 2018, 28 August 2018 and 26 November 2018 by the Board following consultation with the WPA. The WPC are also informed of the EGRs declared.

No changes were made to EGRs on any PruFund funds during 2018.

During 2018, the PPFM was updated to reflect changes to the smoothing limits on some of the PruFund funds and the introduction of a 'unit price reset' clause for all PruFund funds. A unit price reset, and/or temporary suspension of smoothing are discretionary actions available to the PAC Board should they be required to manage smoothing profits or losses, or to protect the With-Profits Fund, and interests of all our with-profits policyholders. Smoothing was not suspended and there were no unit price resets on any PruFund fund during 2018.

4.4 Surrender values

Surrender values and Market Value Reductions(MVRs) were monitored during 2018 to ensure that they remained appropriate. Surrender value bases were updated alongside final bonus declarations. No change was made to the MVR policy during the year.

4.5 Investment strategy

The investment strategy for the With-Profits Sub-Fund (WPSF), the Defined Charge Participating Sub-Fund (DCPSF) and for SAIF is regularly monitored by the business and any proposals for changes in investment strategy are put before the Board for approval.

The investment strategy for the Scottish Amicable Funds are also monitored by the Scottish Amicable Board.

The PPFM states that the objective of the fund is to maximise investment return subject to an appropriate level of risk. In determining this level of risk consideration is given to the overall solvency of the fund relative to its risk appetite, policyholder expectations, and investment views. In light of these factors, the Board agreed in 2018 to retain broadly the same level of risk as the previous year, with a slight increase in fixed income holdings, and with slightly greater diversification across equities, property and alternatives, and geographical regions.

The Board, and the Scottish Amicable Board for SAIF, continue to keep investment strategy under review to ensure that the with-profits funds continue to achieve an appropriate balance between risk and return, having regard to regulatory changes, the financial strength and risk appetite of the fund, the attractiveness of the expected returns available on different asset classes and the on-going volatility in investment markets, particularly in reaction to continuing uncertainty over Brexit.

Information on the current investment allocation of the WPSF and SAIF can be found at **pru.co.uk/ppfm**.

4.6 Business risks

In consultation with the WPC and WPA, the Board and, where relevant, the Scottish Amicable Board for SAIF, continually monitor the business risks and approve any management actions required to protect the security of the with-profits funds and limit any adverse impact on with-profits policies. This continued to be the case during 2018.

4.7 Charges and expenses

PAC's apportionment of administration expenses to funds and products is regularly monitored and reviewed for fairness. In line with the PPFM, the WPA and Chief Actuary (CA) review the fairness of the cost allocation to each category of with-profits policy each year. While a number of recommended improvements were made, the principle outcome of the 2018 review was that the cost allocation in 2018 was consistent with the agreed methodology and fair to the with-profits policyholders as a whole.

In addition to the expenses of administering with-profits policies, PAC pays fees from the with-profits funds to the asset managers for the investment management of PAC's assets. These investment fees are reviewed at least every three years. The latest review was completed during 2018 and considered market data to ensure competitive fee rates were set. The fees agreed took effect from 1 January 2018, will apply until 31 December 2020, and are expected to achieve savings of around 20% compared to the previous fee rates.

As M&G Prudential seeks to improve its operational efficiencies for the benefits of existing and new customers and shareholders, significant investment is being made in several transformational projects, the aim of which is to allow the business to operate at a fundamentally lower cost and provide policyholders with improved service. The allocation of costs incurred in respect of these projects, which was agreed with the WPA and WPC, reflected where the benefits were expected to arise, so as to ensure fairness for both customers and shareholders. Costs allocated to the WPSF will be borne by the Inherited Estate and will not impact existing policyholders.

During 2018, an in-depth review of investment expenses was performed, as a result of which an updated framework for allocating these expenses, which was supported by the WPA and WPC, was introduced. Where application of this framework requires an increase in asset shares or customer pay-outs, these will be carried out in an appropriate and timely manner. We have also improved the way we show these costs in illustrations and associated documents.

4.8 Management of the inherited estate

The WPSF contains an amount of money in excess of the amount expected to be paid to existing policyholders. This excess money, known as the inherited estate, has built up over many years from a number of sources and it provides working capital to support current and future business.

The Board has regard to the financial position of the inherited estate in its financial management of the WPSF.

The WPSF inherited estate has been increasing in recent years and there is thus a possibility that it will exceed the amount of working capital required to support current and future business. In such circumstances regulations require that any excess capital is distributed to policyholders. Given this we are currently reviewing the future working capital requirements of the fund and the eligibility and methodology for any distribution.

SAIF's inherited estate is being distributed under the terms of the Scheme of Arrangement as an addition to the payments to its policyholders, and the Scottish Amicable Board, acting on the advice of the independent SAIF Monitoring Actuary, has approved an increase in the enhancement applied on SAIF claims from 5% to 6%, which will apply from 1 January 2019 via the final bonus rates. The assets backing SAIF's inherited estate are mainly invested in fixed interest securities and cash.

A number of separate asset pools are maintained within the WPSF. There are separate asset pools for the assets backing asset shares and those backing the inherited estate. This enables the inherited estate to follow a different investment strategy to that for the assets supporting asset shares in order to help meet guarantees and maintain regulatory solvency in adverse market conditions. Currently the assets backing the inherited estate are mainly invested in fixed interest securities and cash. This was reviewed during 2018 and no change in investment strategy was recommended.

4.9 Management of new business

PAC sets limits on the capital available to support new business, and the terms on which new business is written, to ensure new sales do not adversely affect existing with-profits policyholders. Despite new business growing strongly during 2018, the capital utilised to write this new business stayed within the allocated capital budget.

The terms on which new business was written in 2018 met the company's guidelines to ensure that new business did not adversely affect existing with-profits policyholders. These guidelines are regularly reviewed and are an area in which PAC exercises discretion.

During 2018, charges were reduced for some PruFund Retirement Account and ISA new business policies. The same reductions were also applied to existing business in force given that this business had only been launched recently. In view of these reductions, the calculation used to determine the level of shareholder funding in respect of new business written since 2017 were adjusted to reflect these reduced charges.

As a result of the level of accumulated smoothing losses incurred on recently written PruFund new business, the methodology for determining the charges for smoothing and the holding account guarantee were revised in 2018. In addition new limits on the level of accumulated smoothing losses to apply before any adjustments are made, were agreed.

No other material changes were made during 2018.

Based on the volumes and terms of new business written in 2018 a small shareholder contribution was required. In addition, shareholders currently pay a subsidy to cover any shortfall in the costs of providing certain guarantees in excess of charges taken.

PAC has no current intention to close the WPSF or the DCPSF to new business, and has had no such intention during the period. SAIF is already closed to new business.

4.10 Operational Issues

Action is taken to rectify issues with data or systems that impact with-profits business, as well as to prevent any such issues arising again. Given the number and complexity of transactions undertaken in managing the WPSF, SAIF and other funds, errors inevitably occur from time to time. These are carefully monitored and, in general, are of a minor nature and dealt with in an efficient manner. Corrective action considers the causes of the error, and any policyholder impact, as well as allocation of the costs of rectification.

In 2018 an operational issue arose whereby the assets backing some PruFund Cautious business were incorrectly invested in the PruFund Growth Fund. All policyholders received the correct growth rate on their policies, however the error, which has since been corrected, resulted in a significant investment gain for the With-Profits Fund.

5. Competing or conflicting rights, interests and expectations

5.1 Equity between with-profits policyholders and shareholders

Inequity between with-profits policyholders and shareholders could arise in tax, in expense apportionment, in inter-fund transactions and in new business pricing.

5.1.1 Tax

The WPSF, SAIF and DCPSF are parts of PAC, which also includes other funds, including some owned by PAC's shareholders. To ensure that the tax charged to the WPSF, SAIF and the DCPSF is fair, PAC has ensured that the tax charged to each sub-fund is no more than the tax that would have been charged if that sub-fund had been a stand-alone entity. Consistent with the PPFM and established practice, tax on the transfer of shareholder profits, is paid from PAC's inherited estate.

PAC is, therefore, satisfied that the allocation of the overall tax charge for 2018 was fair to both with-profits policyholders and shareholders.

5.1.2 Expenses

Audited expense apportionment processes are in place, so that a fair and appropriate split of expenses between the WPSF, SAIF, other funds and shareholder-owned funds can be achieved. Exceptional expense items are included in these processes.

As noted in section 4.7, the WPA and CA reviewed the overall expense apportionment for 2018. The Scottish Amicable Board also review the SAIF expenses to ensure these charges are consistent with the limits in the Scheme under which policies were transferred to PAC.

5.1.3 Inter-fund transactions

A risk mitigation agreement has been implemented between the shareholder fund and the with-profits fund estate, in respect of 2018 PruFund new business, to reduce the shareholder losses incurred when investment returns are very low. In return, the with-profits fund benefits from some reduction in its exposure to losses which result from shareholder transfers exceeding the fixed charges deducted to cover those transfers when investment returns are very high. The WPSF will also be paid a premium to cover the difference in the value of the shareholder and policyholder benefits.

The terms of this agreement were agreed with the WPA and reviewed by the WPC to ensure the agreement was fair to the with-profits fund. While this agreement initially only applies to new business written in 2018, it could be extended to cover future years' new business.

All inter-fund transactions made during 2018 were carried out at fair value (i.e. on market related terms).

5.1.4 New business pricing

PAC seeks to price new with-profits business so it is financially self-supporting over the lifetime of the business at the point the business is priced. In achieving this aim, it is possible for cross-subsidies to arise between certain product lines. Where new business is not self-supporting, shareholders will make an appropriate contribution to the WPSF.

5.2 Equity between different groups of with-profits policyholders

Different groups of with-profits policyholders have potentially competing or conflicting interests. Such groups comprise, for example, holders of:

- different products,
- policies of different sizes or policy terms,
- policies with different entry dates or maturity dates, or with-profits policyholders of different ages,
- policies with different levels of guarantees,
- policies claiming for different reasons (e.g. maturity, death, surrender), and
- policies exercising different policy options, who could receive different benefits relative to each other depending on how discretion is exercised.

The main areas in which judgement and discretion are exercised in balancing the interests of these groups are:

- smoothing of policy benefits, and
- grouping of policies for setting bonus rates and surrender values and sharing of investment and other experience, such as surrender, expense and mortality profits or losses.

The approach taken to smoothing during 2018 was as described in the PPFM. The bonus declarations made during 2018 and 2019 were within the normal smoothing guidelines.

The approach to grouping policies varies for different purposes (for example investment returns, expenses and mortality). For each particular purpose policies judged to have similar characteristics are grouped together, in order that a practical and equitable approach to the sharing of experience is achieved.

6. Governance arrangements for with-profits business

There are two specific roles which have been set up to ensure that PAC is managing its with-profits business in accordance with the PPFM – the With-Profits Committee (WPC) and the With-Profits Actuary (WPA). In addition, for SALAS business managed within SAIF, there is the Scottish Amicable Board and an independent Monitoring Actuary.

6.1 The role of the With-Profits Committee (WPC)

The WPC provides an independent assessment of the way in which PAC manages its with-profits business, how PAC balances the rights and interests of policyholders and shareholders in relation to its with-profits funds, and whether PAC complies with the PPFM.

The Committee comprises at least three members, all of whom are independent of PAC.

There were no changes to the WPC membership during 2018, where the following individuals comprised the Committee:

- Christopher David Daykin, former Government Actuary and a past President of the Institute of Actuaries – joined the Committee in September 2013;
- Julius Laurence Mark Pursaill, Chair of the RBS and Heineken DC schemes, Governor of the Pensions Policy Institute and past Trustee member of NEST – joined the Committee in November 2014;
- Ronald Stewart Bowie, a Partner at Hymans Robertson and past president of the Institute and Faculty of Actuaries – joined the Committee in November 2014;
- Bruno Marcel David Geiringer, formerly a Partner specialising in financial services at international law firm Pinsent Masons and past Chairman of the board of the Investment and Life Assurance Group (ILAG), a trade body – joined the Committee in June 2015; and
- David John Keeler, a consulting actuary with Towers Watson for over 25 years until 2010 and Chairman of the CIS With-Profits Committee from 2010 to 2014 – joined the Committee in October 2015.

The WPC was consulted during the year on all significant matters concerning with-profits business, including investment policy, and provided an independent view to the Board on all matters where they were required to do so. The opinions provided addressed the treatment of conflicting rights and interests of policyholders and shareholders, where relevant, as well as compliance with the PPFM.

6.2 The role of the With-Profits Actuary (WPA)

Peter Needleman (a Managing Director at Willis Towers Watson) fulfilled the role of WPA throughout 2018. The WPA reviews all material aspects of the operation of the with-profits business, including communications to with-profits policyholders, and advises PAC on compliance with the PPFM, on the interests of with-profits policyholders, on the exercise of discretion and on the management of conflicts of interests.

The WPA's report to with-profits policyholders in respect of 2018 can be found in the Appendix.

6.3 The role of the Scottish Amicable Board and the Monitoring Actuary for SAIF

The Scottish Amicable Board reviews the management of SAIF to ensure it is managed in accordance with the Scheme under which policies were transferred to PAC. The Scottish Amicable Board is also responsible for the investment and bonus policy for SAIF.

The Monitoring Actuary advises the Scottish Amicable Board on the operation of SAIF to protect the interests of SAIF policyholders. John McKenzie, Head of Insurance Transfers and Reporting Service at Hymans Robertson, has been the Monitoring Actuary since August 2004.

6.4 Governance of ex-ELAS policies

The business transferred from ELAS to PAC on 31 December 2007 is operated in accordance with the terms of the Scheme that effected the transfer. The WPC reviews the operation of the transferred ELAS business to ensure compliance with the Scheme.

7. Maintenance of the PPFM

PAC reviews the content of the PPFM regularly to ensure it remains up-to-date. As a consequence, two updated versions of the PPFM were published during 2018 and one updated version was published in January 2019. Details of the updates made during 2018 are described in section 3 above.

Appendix

Report from the With-Profits Actuary

As With-Profits Actuary ("WPA"), for The Prudential Assurance Company Limited ("PAC"), I advise PAC on key aspects of the discretion that it exercises on with-profits business and I am required by the Financial Conduct Authority's rules to report to with-profits policyholders as to whether PAC's annual report to with-profits policyholders and the discretion exercised by PAC in respect of the period covered by the report has taken the interests of the with-profits policyholders into account in a reasonable and proportionate manner.

I was appointed as WPA on 3 February 2015. I have been involved in consideration of all the matters referred to in the attached report on PAC's compliance with its Principles and Practices of Financial Management, and I have carried out a review of PAC's compliance with the PPFM and its exercise of discretion over 2018, including the bonus declaration for the year ending 31 December 2018 which was announced in February 2019.

In my opinion, based on the information and explanations provided to me by PAC, the discretion exercised by PAC over the period took your interests into account in a reasonable and proportionate manner, and was consistent with disclosures to customers and the PPFM.

In arriving at my opinion, I have relied without independent verification upon the accuracy and completeness of the data and information provided to me by PAC and I have taken into account the relevant rules and guidance issued by the Financial Conduct Authority, the actuarial profession and the Financial Reporting Council.

Peter Needleman

Peter Needleman, Fellow of the Institute and Faculty of Actuaries
Willis Towers Watson

With-Profits Actuary

June 2019

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