

PGIM Financial Limited
Section 172(1) Statement for the year ended 31 December 2019

The Strategic Report must include a statement describing how the Directors have a regard to the matters as set out in section 172(1) of the Companies Act 2016 (CA 2016) as detailed below.

(a) The likely consequences of any decision in the long term

The Company regularly assesses its strategy from both a commercial and risk perspective at an individual Company and Group level to ensure the long term consequences of any strategic decision are understood.

Wadhvani Cayman Limited, the parent of Wadhvani Capital Limited ('WCL') was acquired on 9 January following approval from the FCA. The rationale behind the acquisition is to use the distribution capabilities of the QMA division to leverage the contractual customer relationships of WCL and QMA W to the benefit of the wider PGIM Group. In the short term it is acknowledged that WCL and QMA W will require the support of its parent as in 2019 both entities were loss making due primarily to retention and other acquisition costs. In the long term WCL and QMA W and the QMA division are expected to benefit from the synergies created by the acquisition.

As detailed in the Group Business Review, several strategic decisions were taken within the Group during 2019 as part of the overall objective to better align the individual corporate entities with the wider Group's business lines to better support long term growth of those business lines. Within this context, PGIMREL received FCA approval for a Variation of its Permissions and has subsequently taken over third party mandates in connection with the Ground Lease Fund activity from PGIML effective 1 April 2020. PGIM Fund Management Limited changed its name on 30 March 2020 to PGIM Real Estate (UK) Limited and similarly Pricoa Capital Group Limited's name was changed on 3 April 2020 to Pricoa Private Capital Limited and further changed on 7 April 2020 to PGIM Private Capital Limited.

As detailed in the Group Business review, PPC terminated the Deed of Guarantee with PPC for insurance mediation activities carried out by PGIML, and a new Deed of Guarantee was underwritten by PGIMREL instead. Following the termination of the Deed of Guarantee PPC bought back 5,751,000 Ordinary shares at par from PFL and returned £12.0 millions of surplus capital to its sole shareholder by way of an interim dividend. In order to be able to underwrite the Deed of Guarantee, PGIMREL was required to have net assets of at least £10.0 million and to achieve this PFL acquired £9.3 million of Ordinary shares at par in PGIMREL during the year.

To support PGIML's continued long-term investment in CLO products and to ensure it is adequately capitalised both in the immediate and long term, PGIML issued share capital of 29,300,000 Ordinary shares at par. PGIML further strengthened its balance sheet by drawing down two tranches of its €120.0m subordinated loan with PFL of £29.7m (€33.0m) and £44.9m (€55.0m) in December 2019.

In light of the ongoing uncertainty surrounding the form that Brexit may take and as detailed in the Group Business review, the Group decided to re-structure its European Branches and on 12 April 2019 PPC transferred the activities of its three branches, including the employees working in those branches, to Pricoa Capital Group (Ireland) Limited. On 1 January 2020, the Fixed Income employees of PGIML working in its Munich and Frankfurt branches had their employment contracts moved across to the newly established branches of PGIM Netherlands B.V. also in Munich and Frankfurt, with PGIML's remaining German based employees moving across from its Frankfurt branch to the Frankfurt branch of PGIM Netherlands B.V. on 1 February 2020. The Munich and Frankfurt branches of PGIML are now in the process of being closed and their closure is expected to be completed during 2020.

(b) The interests of the Company's employees

The Group has 236 employees. The Group seeks to promote the interests of its employees by ensuring that they are skilled to undertake the role they perform, receiving regular training to maintain their competencies, and that all employees are fairly and appropriately remunerated. The Group also engages with its employees at least annually via an anonymous questionnaire, the results of which are summarised and shared with its employees to identify key areas of development.

(c) The need to foster the Company's business relationships with suppliers, customers and others

The Company works to foster positive business relationships with suppliers, customers and other stakeholders. Relationships with customers are governed by written contracts to ensure transparency and clarity of expectation of performance. The Company has established good working relationships with its suppliers and seeks to ensure a responsible payment culture, with the publishing for the UK Group of its Business Payment practices and Performance reporting on the Companies' House website. Following a review of the Modern Slavery Act, the Company has engaged with its suppliers to ensure mutual compliance.

The Company seeks to establish positive relationships with the local regulatory authorities.

(d) The impact of the Company's operations on the community and the environment

The Group encourages its employees to contribute to the community in which the Company operates by offering the opportunity to take part in local charity and volunteering initiatives. The Group seeks where possible to minimise its impact on the environment and has developed in-house initiatives, such as an internal recycling scheme and the provision of employee cycle racks, to this aim.

(e) The desirability of the Company maintaining a reputation for high standards of business conduct

There is worldwide engagement with employees regarding individual conduct and the high standards of ethics and integrity expected of employees is outlined in Prudential's Code of Conduct "Making the Right Choices". The Code of Conduct is supported by ongoing training and annual re-certification.

(f) The need to act fairly as between members of the Company

The Company is a private limited company with a sole shareholder.