

Welcome to our 2021 Annual Report

As Interim Chair of your Company I am pleased to introduce our Annual Report and Accounts

Last year I wrote to you with optimism and hope for 2021, after a difficult 2020 for so many people, and I am pleased that it proved to be a much more positive year, thanks to the dedication of scientists, physicians and many others to develop new vaccines and treatments for COVID-19.

It has also been a positive year for our business which has delivered on demerger commitments while making exciting progress in a number of areas, both organically and through strategic acquisition. Particular highlights for me include our M&G Wealth business in the UK, where we have added new capabilities and customer choice through partnerships with Moneyfarm and Ignition, and added adviser scale through the acquisition of Sandringham; the launch of a smoothed savings proposition in Europe and the excellent performance of our institutional asset management business, all of which point to our success in shaping our business to meet our customers' changing needs.

We have also made good progress in sustainability, a key focus for 2021.

Our Catalyst strategy has already committed over £1.2 billion to sustainably-focused private assets, and just after the financial year closed we announced our plans to further bolster our capacity in this area by acquiring a controlling stake in responsAbility, a leading player in impact investing, based in Europe and specialising in emerging markets.

While science – and some signs of economic recovery – gave us many reasons to be more optimistic in 2021, life was still by no means back to normal for most of us. Work, education, healthcare and travel have been disrupted, and although spending more time at home can offer some benefits, the pandemic has affected mental health and well-being across society.

At times like this, I am very conscious of the responsibility that a business like M&G has to support our customers, colleagues and wider society. I am especially proud of how we have risen to the challenge this year: from the efforts of our customer service teams to improve how we serve and protect the vulnerable, to the work of our employee affinity groups to provide support and fellowship to other colleagues, and of course our broader work in the community.

The number of our colleagues volunteering in their local communities has almost doubled during 2021, and we have donated £4.6 million in charitable support. This included helping Habitat for Humanity to build four new COVID-19 care centres in India, working with Barnardo's in the UK to help young people vulnerable to digital exclusion to access remote learning, with devices and Wi-Fi connectivity; and continuing to support older people experiencing major life events and changes through our partnership with Age UK.

We have also, more recently, made an emergency corporate donation to our partners SOS Children's Villages and Habitat for Humanity, and through the British Red Cross to the Ukrainian Red Cross Society. All three charities are working to help Ukrainians with housing and other humanitarian aid following the Russian invasion. Our own colleagues in Poland are also working with Habitat for Humanity to support refugees arriving from Ukraine.

I would like to thank colleagues, partners and suppliers for serving and supporting our customers, clients and communities with such commitment throughout the year, even while facing challenges of their own.

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Interim Chair



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However, I am acutely aware that some of our customers in our Retail and Savings business experienced unacceptable levels of service during the year. I would like to apologise sincerely, on behalf of the Board, to all those affected, and you can read about the actions we are taking to restore service levels in on page 59 of this report.

The Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision-making. We are complying with that requirement and have set out how our Directors have discharged this duty. You can read more in our Section 172 Statement on page 96.

Governance

In March 2021, we welcomed Clare Chapman to the Board as Non-Executive Director and Chair of the Remuneration Committee, following Robin Lawther’s decision to step down due to other professional commitments. In December, we were delighted to announce that Dev Sanyal will be joining the Board on 16 May 2022. Dev’s in-depth experience of sustainability and finance from his 32-year career at BP – where he led the company’s entry into solar and offshore wind power – and from his current role as Chief Executive Officer of VARO Energy Group AG, will be invaluable to us as M&G continues to embed sustainability in everything we do.

There has also been a change to the executive membership of the Board. In September, Clare Bousfield stepped down from the Board and her role as Chief Financial Officer to become Managing Director of our Retail and Savings business. In January, we were pleased to announce the appointment of Kathryn McLeland as our new Chief Financial Officer and an Executive Director of the Board. Kathryn joins us in May from Barclays plc, where she has been Group Treasurer since 2018. While we will still be working closely with Clare in her important new role, on behalf of the Board I would like to thank her for her hard work and dedication as an Executive Director over the last three years, and in particular her contribution to M&G’s successful demerger and listing in 2019.

Finally, while I am writing to you as Interim Chair of M&G plc, having reviewed and signed off our 2021 Annual Report and Accounts, we recently announced Edward Braham will become the new Chair of M&G plc from 14 March 2022. We searched for some time for the right Chair to succeed Mike Evans, who stepped down for health reasons last year, and were delighted Edward was able to join us in March. Edward brings vast experience from his long career at Freshfields Bruckhaus Deringer and I am very much looking forward to working with him as I return to my role as Senior Independent Director on the Board.

It has been a great privilege to serve the Company as Interim Chair for much of M&G plc’s first two years as an independent business, and I would like to thank my fellow Board members and all colleagues for their support.

Dividend and capital return

The Board’s policy is to pay stable or increasing dividends over time. We were pleased to be able to maintain our dividend policy in 2021, recognising the importance of dividend income to many long-term savers and investors during the pandemic. Having paid an Interim dividend in September 2021 of 6.1 pence per share, the Board proposes a second interim dividend in respect of 2021 of 12.2 pence per share. Payable in April 2022, this will maintain the total ordinary dividend at the previous year’s level. In addition, we have announced our intention to return £500 million to shareholders by way of a share buy-back programme, which is expected to start shortly and to complete within 12 months.

Thank you to all our shareholders, customers, clients, colleagues and partners for your support this year, and best wishes to you all in 2022.

Fiona Clutterbuck
Interim Chair