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Governance to support our business

I am proud to open this Governance Report by highlighting some of the areas of governance which have had the most impact on us as a Board and as a business. I am also delighted to use this opportunity to welcome Edward Braham as our new Chair, who will take on the role with effect from 14 March 2022. Edward's experience of building international businesses while leading one of the largest global law firms, developing teams, managing stakeholders, as well as his strong transformational track record, make him a compelling choice for M&G.

Composition

The Nomination Committee has had a very busy schedule this year, on the Chair and Chief Financial Officer succession activities, and also on the review of the Board level skills that our business needs.

Clare Chapman joined our Board in March 2021, and has brought great focus to employee matters, critical for one of our key stakeholder groups.

We are also delighted to be welcoming Dev Sanyal to the Board in May 2022, bringing expertise in sustainable energy and executive operations.

Kathryn McLeland will also be joining the Board in May as our new Chief Financial Officer.

ESG focus

Environmental and climate issues have been a focus of the Board's agenda in 2021. On the next page we describe how we are embedding governance in this area and our achievements to date, including the approval of M&G plc's first Sustainability Report, the approval of our first interim target towards our goal of achieving net zero across our entire investment portfolio by 2050, and changes to our governance to recognise the increased work required around ESG risk oversight and climate reporting.

These changes recognise that the Non-Executive workload around environmental and climate matters is increasing, but we feel well positioned to take on this challenge and we are very supportive of John's ambitions in this area.

This year we will be asking our shareholders to support our climate transition plan through a specific "Say on Climate" resolution to be put to our shareholders at our AGM.

Culture

Culture was a key agenda item in 2020, and was an area of continued focus in 2021. This was a year in which we could build on our foundation work and the Board used this opportunity to debate its own role in overseeing culture and the data it needed to do this. Significant progress has been made but there is still more to do.

Review and evaluation

In addition to our regular year end evaluation, the Non-Executive Directors carried out a review of the governance across M&G plc with the aim of ensuring we maintained simple, purposeful and efficient structures. We collaborated with the Boards of PAC and MGG (our Material Subsidiaries) on this project, which was a very successful process. It is one of the key tasks of the Chair to ensure evaluation and self-assessment by the Board takes place to improve how we operate.

AGM

We thank all our shareholders who voted via proxy and who put forward questions to our AGM in 2021. While COVID-19 restrictions have made the traditional in-person meetings difficult, we nonetheless view the AGM as a critical point of engagement with shareholders and we strive to ensure your voting support remains at the high levels we have seen in 2021.

Fiona Clutterbuck
Interim Chair

"Welcome to our Governance Report. We hope this section demonstrates to you how the governance of M&G contributes to its long-term sustainable success and how the Board has carried out its duties throughout the year."

Fiona Clutterbuck
Interim Chair

Embedding governance over sustainability

Roles and responsibilities

We recognise that climate change has the potential to materially impact our business. Over 2021, the Board spent more time considering environmental, social and governance matters in preparation for delivering enhanced sustainability disclosures, including TCFD recommended disclosures on climate in this Annual Report.

The Board has also considered its own role in overseeing ESG matters, taking into account the increasing focus of our stakeholders on firms' reporting on climate risk and other ESG matters and the new disclosure requirements.

The Board made the following key changes to roles and responsibilities to ensure that our governance continues to support our sustainability, climate and other ESG ambitions:

- The Board retains its overall duty to set M&G plc's ESG strategy and its ESG values and principles.
- Specific duties around ESG reporting oversight, and development of assurance around ESG reporting have been added to the Audit Committee's terms of reference, which reflects our current practice.
- Specific duties around the oversight of ESG risk have been added to the Risk Committee's terms of reference. This is intended to demonstrate our focus in this area to our stakeholders, and to clearly separate reporting from risk, with the Risk Committee focused on business and other (e.g. people) impacts, emerging trends and mitigation of ESG risks.

With these changes in place, we feel the Board is well positioned to take on ESG duties moving forward.

Reflecting the scale and scope of our sustainability commitments and ambitions, our ESG programme, including our ESG risk management framework, is sponsored by our Chief Executive. The overall strategic priorities of the programme are agreed by the Executive Committee with overall responsibility for sustainability strategy allocated to the Chief Customer and Innovation Officer.

Key activities in 2021

In April 2021, the Board considered and approved its inaugural Sustainability Report. This was a particularly important milestone as it laid out the 10 point sustainability programme which we are now following. This formed a foundation for explaining the links between our strategy and our sustainability ambitions.

In May 2021, the Board received an in depth briefing covering the work of the firm's ESG programme, in particular the work to enhance the ESG characteristics of product offerings and to build the Planet+ range, through repositioning of existing funds or launching new versions.

In September 2021, the Board received an update on the firm's sustainability work, and also approved the Group's first interim net zero target, which commits to a 50% reduction in carbon emissions across 20% of M&G Investments' assets under management by 2030. This sits alongside our existing commitment to being carbon net zero in our own business operations by 2030.

Priorities for 2022

Our key priority for 2022 remains to implement the steps required to deliver our 10 point sustainability plan as detailed on page 40. This involves publishing interim net zero targets for our asset owner, as a member of the Net Zero Asset Owners Alliance and working to achieve our net zero carbon emissions goals for our business by 2030 at the latest, and by 2050 for our investment portfolio.

We will also continue to build our reputation as a champion of diversity and inclusion, and use our influence to encourage other companies to deliver improvements.

Skills and experience

ESG, in particular climate, is one of the areas of expertise that the Nomination Committee has been tracking on the Board Skills and Experience matrix since our listing. We were pleased to enhance the Board's skills in this area through the appointment of Dev Sanyal, who has deep experience in sustainable energy, in particular solar, wind energy and hydrogen, and bioenergy integrated low carbon power.

The Board also received dedicated training sessions and update material on ESG matters, with the main focus on climate, to ensure collective skills were enhanced in line with its increased responsibilities.

The topics of these sessions and materials are summarised below:

- Metrics and targets to measure ESG progress.
- An update on the firm's net zero commitments and stakeholders' expectations, with a progress update on the firm's work to date.
- Net zero methodology.
- Oversight of climate-related disclosure.
- Assurance approaches around climate-related disclosures.
- Reporting requirements.

Experienced leadership

This section shows the skills and experience of each Director and the specific strengths they contribute to the Company's long-term sustainable success

Key

- R Risk Committee
- A Audit Committee
- R Remuneration Committee
- N Nomination Committee

Fiona Clutterbuck

Interim Chair; permanent Senior Independent Director

N – Chair R A R

Appointment: 9 October 2020

Age: 63

Relevant skills and experience

Fiona Clutterbuck was appointed as the Senior Independent Director and is currently Interim Chair.

Fiona is Chair of Paragon Banking Group PLC and a Non-Executive Director at Sampo plc, the Nordic financial services group. She was previously a Non-Executive Director of Hargreaves Lansdown plc, until 8 October 2020. Her most recent executive role was Head of Strategy, Corporate Development and Communications at Pearl/ Phoenix Group (2008-2018), and she was previously Head of Financial Institutions Advisory at ABN AMRO Investment Bank and Global Co-Head of the Financial Institutions Group at HSBC Investment Bank.

Fiona served as a Non-Executive Director on the Investment Funds Direct Limited Board until January 2022.

Other appointments

- Paragon Bank plc
- Paragon Banking Group plc
- Sampo plc

Strengths

- Background as barrister, banker and Managing Director.
- Significant banking and wealth/ asset management experience.
- Professional services and technology-led innovation.

John Foley

Chief Executive

Appointment: 2 July 2018

Age: 65

Relevant skills and experience

John Foley was appointed to the Board of M&G plc on 2 July 2018, following his appointment as Chief Executive of M&G Prudential in August 2017.

Prior to this, John spent 17 years within the Prudential plc Group in a number of senior roles, including Chief Executive Officer of Prudential Capital and Group Chief Risk Officer, Group Investment Director and, most recently, Chief Executive Officer of Prudential UK & Europe. In January 2016, he re-joined the Prudential Board, having already served a previous term while Group Chief Risk Officer.

Prior to joining the Prudential Group, John spent over 20 years at Hill Samuel & Co, where he worked in every division of the bank, culminating in senior roles in risk, capital markets and treasury for the combined TSB and Hill Samuel Bank. John spent three years as General Manager, global capital markets at National Australia Bank.

Other appointments

- None

Strengths

- Management and leadership.
- Deep historical experience of the Group.

Clive Adamson

Independent Non-Executive Director

R – Chair A N

Appointment: 22 March 2019

Age: 65

Relevant skills and experience

Clive Adamson has considerable experience of UK and global economic, banking and regulatory matters gained from an extensive career in banking and financial services regulation, including senior executive and advisory positions with the FCA and its predecessor, the Financial Services Authority.

Clive is a Non-Executive Director on the PAC Board and Chair of the PAC Risk Committee.

He is also the Senior Independent Director at Ashmore Group plc and holds a number of board positions within the JP Morgan Chase group including Chair of JP Morgan Europe, Non-Executive Director in the board of JP Morgan Securities plc and Chair designate of Nutmeg Savings & Investments Ltd. He is also a Senior Advisor at McKinsey & Co. He was previously a Non-Executive director and Chair of the Risk committee at Virgin Money plc (formerly CYBG plc).

Other appointments

- Ashmore Group plc (SID)
- J.P. Morgan Securities plc
- J.P. Morgan Europe Limited (Chair)
- Nutmeg Savings and Investment Limited (Chair Designate)
- McKinsey & Company (Senior Advisor)

Strengths

- Executive background as banker and regulator.
- Deep life insurance and with-profits experience.
- Emerging markets investment experience.
- Professional services.

Clare Chapman

Independent Non-Executive Director

R – Chair R N

Appointment: 15 March 2021

Age: 61

Relevant skills and experience

Clare currently chairs the Remuneration Committee at Weir Group. Clare is also the Chair of ACAS , the Advisory, Conciliation and Arbitration Service for Great Britain and co-Chair of The Purposeful Company which focuses on transforming UK business with purposeful companies that create long-term value by serving the needs of society.

Her executive career included HR leadership roles at BT Group, the UK Department of Health and Social Care and Tesco, as well as international roles at Pepsi-Cola International and Quaker Oats.

Her previous non-executive experience includes chairing the remuneration committees at Kingfisher, G4S and Heidrick & Struggles.

Other appointments

- Weir Group
- ACAS
- The Purposeful Company
- Reconciliation Leaders Network

Strengths

- Executive background in HR.
- Telecomms, Retail and the Public Sector.

Clare Thompson

Independent Non-Executive Director and Interim SID

A – Chair R R N

Appointment: 7 May 2019

Age: 67

Relevant skills and experience

Clare Thompson is an experienced Non-Executive Director with a deep understanding of the insurance sector. With extensive financial services and audit experience, Clare spent 23 years as lead audit partner on major financial services groups at PwC, predominantly in the insurance and investment sectors.

Since stepping down from her executive career, Clare has developed a portfolio of Non-Executive directorships, as well as a previous Non-Executive Director role at Direct Line Group plc, she currently serves on the Board of Bupa Group.

Clare is also Chair of the Investment Funds Direct Limited (IFDL) Board. IFDL is the main Ascentric operating entity.

Clare is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments

- Bupa
- Financial Reporting Council
- Investment Funds Direct Limited (Chair)

Strengths

- Executive background as accountant and audit partner.
- Significant advisory/professional services work, specifically for life insurance and investment clients.

Massimo Tosato

Independent Non-Executive Director

R

Appointment: 1 April 2020

Age: 67

Relevant skills and experience

Massimo Tosato joined M&G plc as an Independent Non-Executive Director and is also Chair of M&G Group Limited. Massimo has more than 30 years' experience as an investment banking and asset management entrepreneur and senior manager.

Massimo's career has included 21 years at Schroders, where he served most recently as Chief Executive of Schroder Investment Management Limited and Executive Vice Chairman of Schroders plc. He has also held Board positions at Nutmeg, an online discretionary investment management start-up, Banca Nazionale del Lavoro, and served as Vice President of the European Fund and Asset Management Association (EFAMA).

Massimo is currently Non-Executive Director of Banca Intermobiliare and serves on the Board of Overseers of Columbia Business School in New York and, until 31 March 2020, he was also Non-Executive Director of Pictet Asset Management in Geneva. Massimo also served as an Advisory Board member of Trilantic Europe Capital Partners LLP until its closure in January 2022.

Other appointments

- Columbia Business School of Columbia University
- Banca Intermobiliare di Investimenti e Gestione Spa

Strengths

- Deep asset management experience in executive career.
- CEO experience.
- Regulatory experience.
- International perspective.

Alan Porter

General Counsel and Company Secretary

Appointment: 22 July 2019

Age: 58

Relevant skills and experience

Alan Porter was appointed General Counsel and Company Secretary in July 2019, having held the same role at Prudential plc since September 2012. Prior to that, he was the Group General Counsel of Tesco plc for four years and held various senior legal positions at British American Tobacco plc and Farmers Insurance Group. He began his career at Simmons & Simmons.

Alan was Chairman of the GC100 – the association of General Counsels and Company Secretaries of the FTSE 100 – from January 2018 to January 2020, and is currently a member of the Takeover Panel.

Alan is a solicitor and also a member of the State Bar of California.

Joining the M&G plc Board of Directors this year

We are pleased to have completed three successful appointment processes and we welcome our new directors to the Board

Edward Braham

Chair

Appointment: 14 March 2022

Age: 60

Relevant skills and expertise

In February we announced the appointment of Edward Braham as our new Chair with effect from 14 March 2022.

Edward was Senior Partner of Freshfields Bruckhaus Deringer LLP, the global law firm and before that was global head of its Corporate practice. While Senior Partner, he headed the firm's strategic growth in the US, including establishing a new office in Silicon Valley. Edward also led on culture, diversity and ESG. Edward was a leading international lawyer in mergers and acquisitions, with experience in many industries including financial services.

Edward is a Non-Executive Director of TheCityUK, where he chairs the International Trade and Investment Group and is a member of the Remuneration and Nomination Committee. He has also recently become a Non-Executive board member of HM Treasury and a member of its Audit and Risk and Nominations Committees.

Other appointments

- Museum of London (member of Campaign Board)
- Capital as a Force for Good (Member of Advisory Council)
- Goldsmiths Company (Assistant, Director of the Goldsmiths' Charity and Chair of the Trustees of The Goldsmiths' Centre)

Strengths

- Experienced leader of an international people business.
- Broad sector experience from advising public companies, private equity investors, infrastructure investors and financial institutions and from public affairs work for the financial and related professional services sector and the professional and business services sector.
- Regulatory experience.

Dev Sanyal

Independent Non-Executive Director

Appointment: 16 May 2022

Age: 56

Relevant skills and expertise

In December 2021, we announced that Dev Sanyal would be joining the M&G plc Board on 16 May 2022.

Dev was recently appointed as Chief Executive Officer of Swiss based VARO Energy Group AG, a leading European energy transition company, effective 1 January 2022. Prior to that Dev had been a member of bp's Group Executive committee for over a decade in a 32-year career with the company where he headed the Gas and Low Carbon Energy business globally, and was Chief Executive, Alternative Energy and was also responsible for bp's Europe and Asia regions. Prior to that he was Group Treasurer and Chairman, bp Investment Management Ltd. He led bp's entry in solar and offshore wind energy and hydrogen, expanding its bioenergy integrated low carbon power and onshore wind businesses as well as building businesses in hydrogen and gas and power.

Since 2013, Dev has also been an independent Non-Executive Director of Man Group plc and will step down from that Board at the conclusion of its AGM in May 2022.

Other appointments

- Ministry of Petroleum & Natural Gas (India)
- Centre for European Reform (UK)
- Tufts University, The Fletcher School of Law and Diplomacy

Strengths

- Deep experience in sustainable energy, solar and wind energy and hydrogen in particular, and bioenergy integrated low carbon power.

Kathryn McLeland

Chief Financial Officer

Appointment: 2 May 2022 (subject to regulatory approval)

Age: 50

Relevant skills and expertise

In January we announced the appointment of Kathryn McLeland as Chief Financial Officer and that she would be joining M&G plc in May, subject to regulatory approval.

Kathryn joins from Barclays PLC where she has been Group Treasurer since 2018 having previously held a series of senior roles since joining Barclays Capital in 2001. Prior to that, Kathryn spent a number of years in investment banking with Merrill Lynch and Salomon Brothers International.

Other appointments

- Listing Authority Advisory Panel (Deputy Chair)

Strengths

- Strategic, commercial finance leader with significant global international banking and capital markets experience.
- Capital management and strategy, principal equity investments (including sustainable impact and Fin Tech) and investor relations.

Our compliance with the 2018 UK Corporate Governance Code, and how we have applied its Principles and Provisions

The 2018 UK Corporate Governance Code can be found on the FRC website

The table below sets out examples of how the Board has done this for each Principle, enabling our shareholders to evaluate our Code compliance for themselves. We have not attempted to include all details in this table, but focused on the key actions that demonstrate our adherence to the Code and we've signposted different parts of the Governance Report where you can find more information.

The Company complied with the Code save that, in relation to Code Provision 24, Fiona Clutterbuck took on the role of Interim Chair in the period from 11 January 2021 and, in the expectation that her role as Interim Chair would be for a short period, also continued in her roles as a Non-Executive member of the Audit, Risk, Remuneration and Nomination Committees. Her Senior Independent Director duties have been carried out by Clare Thompson during this time period. Due to the longer than anticipated duration of Fiona's role as Interim Chair, the Company was not technically compliant with Code Provision 24 during this period, as the Interim Chair of the Board was also a member of the Audit Committee. Compliance with the Code has been restored following Edward's appointment as Chair with effect from 14 March 2022.

Code Principle		Read More
Board Leadership and Company Purpose		
A	The Board has been found to have operated effectively over 2021, using an internal board evaluation to test this. Focus on the long-term success of the Company continues to influence decision-making around a number of key decisions, including three new appointments to the Board and the decision to acquire Sandringham Financial Partners to support our Revitalise UK strategic priority.	Page 106
B	The Company's purpose and values have been further strengthened throughout 2021 by the Board's oversight of M&G plc's culture journey, which the Board tested and reviewed in September 2021. The Board has also focused on our ESG and Sustainability purposes.	Page 96
C	The Board has measured performance carefully through dedicated presentations from all key parts of the business and regular management information, including changes to the agenda where necessary. Through the Audit Committee, the Board has reviewed the testing of and challenged M&G plc's controls and is satisfied with their robustness.	Pages 110-116
D	Stakeholder engagement continues to cover a range of topics, with focus on customers and clients as M&G plc serves its wide range of audiences across individual, institutional and professional investors and our environment and community as we confirm our climate targets.	Pages 96-101
E	We were pleased that our One Voice employee opinion survey in 2021 showed that our workforce feels comfortable to speak out and we have embedded this important principle within our Code of Conduct.	Page 97
Division of Responsibilities		
F	Fiona Clutterbuck, as Interim Chair, has led the Board effectively throughout 2021 and the Board has focused on developing its working practices, the relationships between Non-Executive and Executive Directors and how the Board skills and experiences can be enhanced.	Page 106
G	The Board has maintained the required composition throughout the year using interim positions where required. Fiona Clutterbuck took the role of Interim Chair in early 2021 and, at the same time, Clare Thompson took on Senior Independent Director (SID) duties.	
H	All Non-Executive Directors have committed appropriate time to their roles and made themselves available for additional meetings as required. This has been reviewed by the Nomination Committee.	
I	The Company Secretary has been effective throughout the year and has continued to monitor Board paper preparation and reporting processes. Governance manuals have been updated in response to the Board's Governance review.	
Composition, Succession and Evaluation		
J	The appointments of Clare Chapman and Dev Sanyal appropriately addressed improvements the Board wished to make in its range of skills. The Nomination Committee continues to lead transparent selections, with weight given to gender, ethnicity and diversity of thought.	Page 108
K	The Nomination Committee considers Committee membership and length of tenure annually, typically in February.	Pages 88-90
L	The evaluation of the Board for 2021 was undertaken by means of an internal questionnaire circulated to each Board member. The Board was found to be operating effectively.	Page 106
Audit, Risk and Internal Control		
M	The Audit Committee has led on assessing auditor independence and effectiveness and has reviewed all material narrative and financial statements, in 2021.	Pages 110-116
N	The Board is satisfied that a fair, balanced and understandable assessment of the firm's financial position is presented.	
O	The Risk Committee has assessed Principal Risks and set and monitored risk appetite. The Audit Committee has overseen the Integrated Control Framework.	
Remuneration		
P	Remuneration design has continued to evolve during 2021 to take into account the culture that we want to promote and the risk limits to which colleagues must adhere. Executive remuneration is linked to the successful delivery of M&G plc's strategy.	Pages 119-129
Q	The Remuneration Committee has led a formal and independent process to measure and challenge executive remuneration. None of the Executive or Non-Executive Directors have taken any role in setting their own remuneration.	
R	Remuneration outcomes for Executive Directors are ultimately determined by the Remuneration Committee, applying independent judgement and ensuring the wider context of business success, culture and risk appetite are taken into account alongside any applicable regulations.	

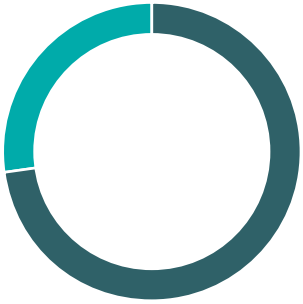
A balanced Board, a balanced agenda

These pages tell you more about the composition of the Board and its members, the meetings we have held over 2021 and how we have spent our time

Board diversity

Male: 3	50%
Female: 3	50%

Group Executive Committee (GEC) diversity

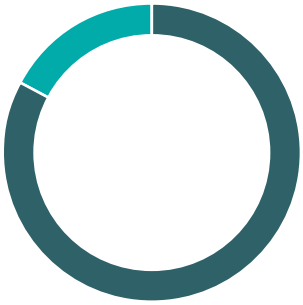


Male: 8	73%
Female: 3	27%

Senior managers: direct reports of GEC diversity

Male: 39	64%
Female: 22	36%

Board nationality and ethnicity



British: 5	83%
Italian: 1	17%

All figures are as at 31 December 2021.

For more information on the M&G's Diversity policy and goals
Page 65

How the Board spent its time

The Board seeks to balance its agendas in order to ensure it covers all its statutory and regulatory duties as well as allowing time for strategic and governance matters.

This section shows how the agenda is weighted between regular items and specific focus areas for the Board in 2021.

The typical Board agenda allows time for:

General matters

Minutes, matters arising and reports from the Chairs of each committee on its activities.

Business updates

Regular performance and financial reporting. The Chief Executive, Managing Director – Retail and Savings, Managing Director – Asset Management, Chief Operating Officer and Chief Financial Officer will typically report in this section, with a rolling programme of reporting from the other members of the Executive Committee.

Strategy

Covers projects and transactions, as well as approvals which the Board is requested to give under M&G plc's delegated authority framework, such as the business plan and dividend, and updates on strategy progress.

Risk, regulatory and governance

Regular reporting from the Risk and Compliance, Regulatory Affairs, Legal and Company Secretariat functions.

In addition to the regular reporting above, the key focus areas for the Board in 2021 are set out in the table on
Page 106

Board and Committee attendance

Total meetings	Board 15	Audit Committee 9	Risk Committee 5	Remuneration Committee 7	Nomination Committee 7
Clive Adamson	15/15	9/9	5/5	–	7/7
Clare Bousfield	13/13	–	–	–	–
Clare Chapman	11/11	–	4/5	3/3	7/7
Fiona Clutterbuck	15/15	9/9	5/5	6/7	4/4
John Foley	15/15	–	–	–	–
Robin Lawther	4/4	4/4	2/2	4/4	1/1
Clare Thompson	15/15	9/9	5/5	7/7	7/7
Massimo Tosato	12/15	–	–	7/7	–

The Board held a number of ad hoc meetings during 2021. As a result, some meetings were called with less notice than would be usual, meaning attendance for Directors was more challenging.

In all cases, Directors unable to attend reviewed documentation and provided comments as appropriate to the meeting Chair.

Board

Of the 15 Board meetings held, three were joint with the Audit Committee to consider the Full Year and Half Year Results. The Board also held four ad hoc meetings throughout the year. Clare Chapman joined the Board on 15 March 2021. Clare Bousfield stepped down from the Board on 1 October 2021. Mike Evans was on a leave of absence from 11 January and stepped down from the Board on 1 April 2021 and therefore did not attend any Board or Committee meetings in 2021.

Audit Committee

Of the nine meetings held by the Audit Committee, three were joint with the Board. There were also two joint meetings held with the Risk Committee. Robin Lawther stepped down from the Committee with effect from 15 March 2021.

Risk Committee

Five meetings were held. There were also two joint meetings held with the Audit Committee. Clare Chapman joined the Committee on 15 March 2021. Robin Lawther stepped down from the Committee with effect from 15 March 2021.

Nomination Committee

Seven meetings were held. Clare Chapman joined the Committee on 15 March 2021. Robin Lawther stepped down from the Committee with effect from 15 March 2021.

Ms. Clutterbuck's attendance reflects the fact that she was recused from attending meetings where matters under review represented a potential conflict of interest.

Remuneration Committee

Seven meetings were held. Robin Lawther stepped down from the Committee with effect from 15 March 2021. Clare Chapman joined the Committee on 15 March 2021.

The Board's Year

The timeline below sets out key decisions and actions during 2021 and how stakeholders were involved or their interests taken account of

2021

Strategy, governance, risk and opportunity management

January

- Fiona Clutterbuck and Clare Thompson take on roles as Interim Chair and Interim SID respectively

February

- Deep dive review of the Wealth business within Retail and Savings
- Approval of Modern Slavery statement

March

- FY Results released and dividend declared to shareholders
- Clare Chapman joins the Board

April

- Approved the Solvency II Group reporting

May

- M&G plc's second AGM takes place
- ESG update to the Board and a focus on training topics for NEDs
- M&G plc's first Sustainability Report approved for publication

June

- Board Strategy Meeting

Understanding the views of stakeholders, the interests of colleagues and the fostering of business relationships

- Reacting to changing governance needs and ensuring that our Board leadership remains robust for all our stakeholders

- Close oversight of the development of our business offerings for customers
- Commitment to our suppliers and other stakeholders to help end slavery, human trafficking, child labour and any other abuse of human rights

- Considering the views of the regulator and markets around solvency and risk appetite
- Thinking about our shareholder needs today and those of the business longer-term
- Ensuring all our stakeholders are served by bringing the right skills on to the Board

- Taking into account our wider communities and environments, as well as serving investor client needs by publishing clear updates on our Sustainability ambitions

- Hearing from our shareholders, particularly our retail shareholder community, about what matters to them
- Keeping the Board skills robust and up to date, in order that they can serve all stakeholders in changing environments
- Letting our investors, our communities and our regulators know how we carry out our stewardship

- Taking time to look across the business at our strategy ambitions, and in particular thinking about our shareholders and colleagues over the longer term

July

- Board evaluation actions reviewed and closed
- Review of Gender Pay Gap Report for publication

- Testing ourselves against the actions we set at the beginning of the year to ensure we are improving as a Board to continue to serve all stakeholders
- Consideration of our colleagues and our commitments to the wider community on D&I

August

- Announcement of intention to acquire Sandringham Financial Partners Limited
- Half year results and interim dividend announced

- Thinking of the firm's long-term ambitions for growth, the good fit with our existing advisory offerings for customers, the regulatory requirements involved in the acquisition

September

- 2021 Sharesave launched
- Review of the Group's Delegated Authorities

- Ensuring colleagues at all levels can commit to the business and share in its success
- Keeping decision-making clear and controlled is a key part of our governance to give comfort to our investors and regulators and to ensure colleagues can work easily within frameworks

October

- Clare Bousfield steps down from the Board into MD, Retail and Savings role
- Consideration of feedback from firmwide One Voice employee opinion survey

- Supporting John in his Executive Committee changes and in this case, in particular, making sure our customers in Retail and Savings are served by strong executive management
- Giving full time and consideration to the feedback we receive from our colleagues, as stakeholders in our business and thinking about how their views can be taken into account in Board decisions

November

- M&G Investments publishes first interim net zero targets

- Making our commitment to the environment and communities that we live and invest in

December

- 2022-2024 Business Plan approved
- Annual Health & Safety report received
- Announced that Dev Sanyal would join in May 2022

- Keeping in mind the investors and customers of now and the future in our business planning
- Colleague well-being and safety are key to our culture at M&G

- Building further on our robust leadership for all stakeholders and particularly our sustainable investors and our environment and communities with the appointment of Dev Sanyal

How we engage with our stakeholders

Section 172 Statement

At M&G plc, the Board seeks to consider the interests of all our stakeholders when reaching decisions

This will involve a detailed assessment of the effect of a decision on relevant stakeholder groups. Our considerations also include M&G's impact on the environment and our part in tackling climate risk, as well as how our activities affect the many communities we serve. We are always mindful of our reputation. This section gives you more detail on how we have engaged with and taken account of our stakeholders' interests over the year.

Reporting requirement	Page
Who our key stakeholders are and how we have engaged with them in 2021	97-101
How we have taken our stakeholders' interests into account when making principal decisions	96
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Principal decisions

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

In doing this, Section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging Section 172 duties, the Board has regard to the factors set out above, as relevant, and also additional factors, which are specific to the matter under consideration. It is understood that the importance of each factor will vary depending on the decision being taken.

Board decisions

Set out below are some examples of what stakeholder implications were considered in key decisions taken by the Board.

Acquisition of Sandringham

In August 2021, we announced our planned acquisition of Sandringham Financial Partners, a fast growing provider of independent financial advice.

The Board considered its long-term ambitions for growth and how the acquisition would support that ambition and complement our Wealth strategy, Sandringham being a good fit with M&G's broader asset management activities.

The Board also considered the valuation of the business, taking into account recent comparative transactions, and the strategic opportunities for growth. The Board also reviewed the outcome from the due diligence process and plans to integrate within the Wealth business.

The Board considered the significantly increased opportunities for adviser relationships that the transaction would bring and was mindful of the wider range of UK customers that could be reached through the transaction, helping to close the advice gap.

Dividend Payments in 2021

In May and September 2021, the Board made dividend payments to shareholders in line with its Dividend Policy.

The Board held a number of meetings in April, and again in July and August, to test that the firm's solvency and financial position remained robust both before and after the proposed dividend payments.

The continued uncertainty and volatility caused by the COVID-19 pandemic during 2021 remained an area of consideration.

The Board used the skills of the Risk Committee to consider a number of adverse scenarios to test whether the Group would remain within its Risk appetite. In particular, the Board balanced immediate expectations around the Dividend Policy and returns to investors with ensuring the longer-term needs of the business were supported.

Climate Targets/NZAMI Disclosures

In September 2021, as a founder member of the Net Zero Asset Management Initiative (NZAMI) and having considered stakeholder expectations, the Board approved, in principle, the firm's commitments around sustainability, including our first interim target towards our goal of achieving net zero across our entire investment portfolio by 2050. Our interim target commits to achieving a 50% reduction in carbon emissions across 20% of M&G Investments' assets under management by 2030.

The Board needed to consider here both the needs of our clients in the products they want to invest in and the impact of these products on the community. In reaching its decision, the Board considered carefully the credibility of the targets and the positive messages we want these to project to our regulators, customers and shareholders.

The Board also noted the importance of prior engagement with clients.

Colleagues

Our colleagues are the most valuable asset we have and are critical to our success as a business. We have an established approach to the way we engage with colleagues at all levels, from the Board to the Group Executive Committee and senior leaders, which includes both formal and informal meetings. The Board receives a quarterly Employee Voice pack setting out colleague demographics, key people metrics, top people risks, a culture dashboard, One Voice employee opinion and pulse surveys as well as ad hoc updates. The Non-Executive Directors have also attended a number of Colleague Forum meetings during the year and have reflected on the feedback they received during those sessions.

We have embraced the use of technology to deliver messages and this has been particularly effective during the pandemic. These messages are delivered by senior managers using a range of formats, including email, video, and interactive virtual meetings.

The Chair and members of the Group Executive Committee also took part in video messages and interviews. These were delivered to colleagues via a dedicated communication channel, providing them with insight as to how the business is developing as well as other practical updates.

Colleague welfare, as well as customer focus, has been at the centre of everything we have tried to do during the COVID-19 pandemic, particularly as work patterns flexed and changed. The Board understood and recognised the need to constantly adapt and modify available resources to help colleagues access remote well-being support, advice and resources.

Culture programme

Following significant work undertaken in 2020, the culture programme remained one of our key priorities during the year. The Board receives quarterly data including both people data and a culture dashboard that was introduced at the start of the year. A specific Board training session also took place, which included discussion on the Board's role in establishing culture.

The Board continues to recognise its crucial role in providing oversight and ensuring stewardship of the firm's culture.

Annual engagement survey

Listening to colleague feedback is important to us and our annual One Voice survey captures feedback and tracks engagement across M&G plc. The One Voice survey is supplemented by "Pulse" engagement surveys which give a snapshot of sentiment from a sample group of colleagues.

Survey results were discussed at Board and Group Executive Committee level to identify areas for improvement which were then communicated back to the business. The continued impact of organisational and transformational change on the workforce was a key factor in 2021, as was our approach to both the COVID-19 pandemic and future ways of working.

Each function has its own action plan and progress is tracked by and discussed with the Group Executive Committee.

Virtual town hall events

Directors have continued to adapt to the challenges that the COVID-19 pandemic has presented to traditional ways of working by presenting interactive updates across business functions and locations. These included the "In conversation with" series in which the Chief Executive and other key members of senior management presented items such as the half year results, strategy and sustainability. The "Sustainability Talks" series was also introduced for 2021. Using new technologies we have also provided opportunities for colleagues to raise questions. Virtual presentations by senior management included a focus on what M&G plc's culture, and specifically its purpose, values and behaviours, mean to them.

Site visits

Continued travel restrictions caused by the COVID-19 pandemic have unfortunately meant the Board was unable to undertake many site visits this year. The relaxation of restrictions in December, however, allowed the Chief Executive and MD of M&G Wealth to visit Ascentric colleagues in our newly acquired office in Bath where they learned what they were doing to deliver for our customers.

The Board is making plans to reinstate site visits further afield as soon as international travel restrictions are lifted. In the meantime, the Chief Executive was able to join the team in South Africa and Namibia, via video link, to mark the launch of the M&G Investments brand in Southern Africa.

The benefit of these visits is recognised to give a valuable understanding of colleagues' opinions and their working environment.

Facilitated by the HR function, the Board held two colleague engagement sessions: the first on 27 July, with colleagues in Asia, and the second on 18 November, with colleagues in the Investments team. Both sessions were well received by Board members and colleagues. There was also a Board led panel event in March to celebrate International Women's Day.

Colleagues as shareholders

In July, the Board approved a further offer of the UK Sharesave and International Sharesave plans to all eligible employees, which was launched in September. This builds on our ambitions to align employee interests with our business strategy.

Customers and clients

We consider the needs of our customer in everything we do. One of the ways in which the Board monitored customers and what we are offering them is the regular reporting from the Chief Customer and Innovation Officer (CCIO) to its scheduled meetings. As well as qualitative reporting from the CCIO, the Board also received data on customer satisfaction, complaints and outcomes.

In 2022, following changes to our management structure to give clear ownership for the end to end customer journey and associated financial results, the Board will liaise with the Managing Directors of the Retail and Savings and Asset Management Businesses.

Throughout 2021, the Board has focused specific attention on the following, when we consider the needs of our customers:

- improving customer service, particularly for our Pru customers;
- broadening our UK financial advice footprint and proposition;
- shifting our investment philosophy to ESG, sustainability and impact; and
- increasing the breadth and quality of our digital customer and client experience.

Further detail on progress in each focus area is below.

Customer service

Service levels with our Pru UK customers are recovering following challenges this year. Additional staff were recruited and reorganised in order to meet demand, and digital transformation to improve our service systems continues. The Board has been kept regularly informed as to service level issues. The PAC Chair also has a regular dialogue with the Plc Chair to escalate any issues that are required.

The firm's mandatory all-employee training, which was introduced for Board members in Q4 2021, included sessions on Customer Vulnerability.

Financial advice proposition

M&G Wealth has grown its advice footprint this year, with the decision to acquire Sandringham Financial Partners and the launch of The Advice Partnership Academy.

The Sandringham acquisition in particular will grow M&G Wealth's independent advice footprint by around 180 advisers and over 10,000 clients, enabling M&G Wealth to provide financial advice to a wider range of UK customers, in turn helping to close the advice gap. M&G Wealth also appointed its first CIO to develop and manage its investment products.

Investment philosophy

A number of new propositions were taken to various markets this year, which were designed to enable our customers to invest sustainably, such as: PruFund Planet, M&G Climate Solutions Fund, and the M&G Diversity & Inclusion Fund.

These products will meet the growing demands of both our customers and clients, and the planet. In addition, we are transitioning many of our existing funds to be sustainably invested (in many cases this means meeting the standards of SFDR Article 8). We have made strong progress in 2021 e.g. transitioning the (Lux) Optimal Income Fund to SFDR Article 8, with more to come in 2022 and beyond.

Digital services

We have made great strides this year to increase the breadth and quality of our range of digital services for customers across multiple brands. This includes changes to support vulnerable customers, and making financial guidance and advice more accessible.

In addition to this, we have launched a new suite of modern and user-friendly customer facing websites; rebranded our operating brands to a cohesive family of brands that reflect the values of M&G plc; and enhanced our social media presence.

These changes will ultimately make it easier for customers to do business with us.

Investors

Institutional shareholders

The Board is kept aware of major shareholder issues and concerns through reports from a variety of sources including the Chief Executive and Chief Financial Officer reports, a regular report at Board meetings by the Director of Investor Relations and feedback from the Chair on governance meetings with major investors. The Chair of the Remuneration Committee also reports to the Board on discussions with shareholders. The Investor Relations Report covers share price performance, investor meetings, and analyst reports, views and forecasts.

Investor engagement

2021 was a year in which frequent and constructive engagement continued to be crucial as the economy and financial markets were still heavily impacted by the COVID-19 pandemic.

In the early part of 2021, we conducted a number of meetings with the Chair to discuss with investors broad issues of governance, and to hear their views on our Sustainability disclosure. We announced our 2020 full year results on 9 March 2021 and, once again, due to the pandemic, all roadshow activity following the announcement was held on a virtual basis via conference calls and video meetings.

Our half year results were announced on 10 August. Around both announcements and throughout the rest of the year, we have engaged on a regular basis with both sell-side analysts and investors through a variety of means including virtual roadshows, virtual investor conferences, and analyst sponsored virtual group investor meetings.

This activity enables the Board to have a timely and accurate understanding of investor perspectives and concerns. In aggregate, over 2021 we carried out almost 300 virtual interactions with investors representing over 150 institutions and c.50% of our shareholder register. The number also includes some investors that are non-holders but might be interested in acquiring M&G shares.

Retail shareholders

Retail shareholders have dedicated services in place via the Group Secretariat team and the Company's registrar, Equiniti.

Key information is also available on the Company's website including the "Shareholder Information" section which contains information on corporate governance, dividends, the AGM and share dealing, as well as answers to some of the most frequently asked questions. These sections continue to be developed and updated to ensure content is clear, concise and easily accessible.

The Board recognises the AGM as an important formal interaction with predominantly retail shareholders and was pleased to be able to hold its first hybrid AGM during 2021 with all shareholders invited to join proceedings virtually.

Shareholders were encouraged to use the virtual meeting technology to ask questions live in the meeting, as well as having had the opportunity to pre-register questions in advance. The virtual meeting technology also enabled shareholders to vote on the AGM resolutions live in the meeting.

To ensure all shareholders were able to access the AGM content regardless of their attendance on the day, the Company's website was updated after the AGM with confirmation of the voting results.

To ensure the AGM is accessible for all shareholders, the 2022 AGM will be run as a hybrid meeting where virtual attendance will also be offered.

Communities and charities

We have a clearly defined overarching social purpose which works towards a future where our communities are more resilient and inclusive. Flagship programmes (urban regeneration; economic empowerment; and skills and education) support all our strategic priorities.

The community investment strategy and how it is being delivered, has been reviewed by the Corporate Responsibility Governance Committee and discussed at Executive Committee and Board level.

Over 2021, the Board considered M&G plc's social purpose, the flagship programmes within social purpose; how colleagues have been engaged in community and charity work and how we compare to other listed companies.

We aim to establish long-term relationships with our charity partners to improve lives, build communities and provide support, not only through funding, but also with the experience and expertise of our colleagues. We collaborate with colleagues to ensure our support is both strategic and local in impact.

The projects we support are sustainable and we work closely with our partners to ensure that our programmes continuously improve and are able to respond swiftly to emerging needs.

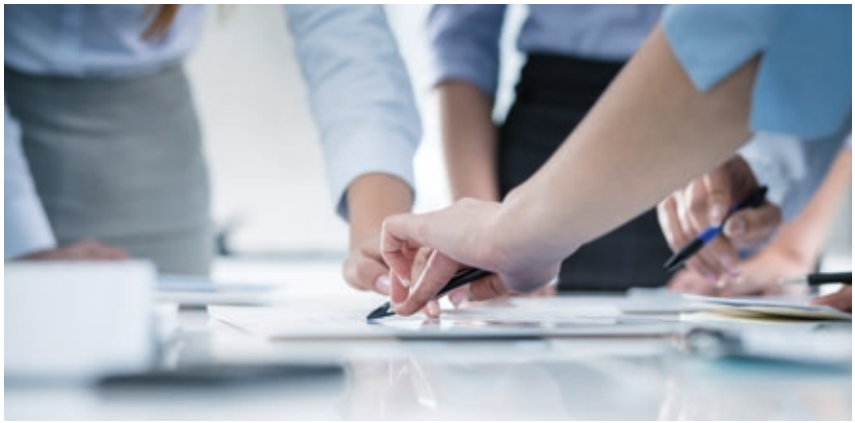
Read more
Pages 60-63

"We are delighted to be partnering with M&G to lead a coalition of interested parties to develop a new approach to fight against housing poverty in the UK and across Europe.

By joining our efforts into resolving this crisis, we hope to bring more affordable homes for communities in need and to create new opportunities for businesses, local authorities and NGOs to collaborate."

Tum Kazunga
CEO at Habitat for Humanity Great Britain

Regulators



It's vitally important that we continue to maintain strong regulatory relationships – communicating openly, working collaboratively and providing the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and all our other global regulators with timely notification of issues.

We aim to approach our relationship with our regulators, as stakeholders, in an open and constructive manner at all times.

During the year, we worked hard to ensure we met both our regulatory obligations as an independent international business and the objectives of our policyholders, while at the same time continuing to support the real economy, particularly during the continued disruption from the COVID-19 pandemic.

There has been significant engagement from the Board and members of the Senior Executive team with our regulators on a range of key risks and areas of supervisory focus including culture, governance arrangements, management of conflicts of interest and control environment.

The Interim Chair and other Board members met separately with the supervisory teams at the PRA and FCA to discuss these focus areas.

The Board receives a report on regulatory matters from the Chief People and Corporate Affairs Officer, who has responsibility for regulatory relationships, at every Board meeting and all relevant regulatory correspondence is made available to the Board in a timely manner via a dedicated Reading Room.

The Board has held additional meetings over 2021 to discuss responses to specific regulator requests and recommendations.

Business partners

The Chief Risk Officer's (CRO) report to the Risk Committee provides a regular assessment of the key risks which the firm is exposed to against risk appetite. This includes Third Party Risk and will include assessment of any issues regarding third party suppliers and outsourcers.

M&G continues to rely on third party suppliers and outsourcers and the Board recognises the huge importance that they have in our operating model.

The Board is involved in key decisions relating to material outsourcer arrangements.

The Board also approves M&G plc's Modern Slavery statement which, given the nature of our business and our use of third parties, is focused on our efforts to detect and prevent modern slavery in our supply chain.

This provides the Board with oversight of the controls in place to manage an important risk in our supply chain.

Governance structure

This part of the report sets out the Board's corporate governance structures

Committee terms of reference
www.mandgplc.com/investors/shareholder-information/corporate-governance

Roles and responsibilities of the Board

Our governance structure is designed to support a clear understanding and delivery of our strategy. The Board has responsibility for the oversight, governance, direction, long-term sustainability and success of the business and affairs of M&G plc and is responsible to shareholders for creating and delivering sustainable shareholder value. The Board is also responsible for:

- approving the business strategy proposed by management, as well as setting our purpose, values, standards and culture and ensuring that these are aligned;
- oversight of effective risk management and internal control processes including a robust assessment of our emerging and principal risks;
- the approval of any changes relating to M&G plc's capital, corporate and/or listed structure; and
- oversight of the our ESG strategy.

In discharging its responsibilities the Board is supported by management and ensures a clear division of responsibilities between the Chair, the Chief Executive, the Senior Independent Director and the Non-Executive Directors. The Division of Responsibilities was considered and updated in December 2021 as part of annual terms of reference reviews.

The Board has delegated certain responsibilities to its Committees and, in compliance with the Code, has established an Audit Committee, a Nomination Committee and a Remuneration Committee. A separate Risk Committee has also been established. The Terms of Reference for each of the Board's Committees were most recently updated and approved by the Board on 14 December 2021 and are available to view on the Company's website.

The Committee Chairs are responsible for reporting to the Board on the Committees' activities.

In addition, all Non-Executive Directors have access to Audit and Risk Committee papers even if they are not members.

Board composition

The Board is comprised of six Directors: a Non-Executive Chair, one Executive Director, a Senior Independent Director and three Non-Executive Directors. Currently, Fiona Clutterbuck is Interim Chair as well as Interim Nomination Committee Chair. Clare Thompson is Interim Senior Independent Director and Audit Committee Chair. Clive Adamson and Clare Chapman are both Non-Executive Directors and chair the Risk Committee and Remuneration Committee respectively. From the AGM, we expect to have a Board of nine: our Chair, two Executive Directors (CEO and CFO), a Senior Independent Director and four Non-Executive Directors. The Board considers all its Non-Executive Directors to be independent and that it has complied with the requirements of the Code in relation to the balance of executive and independent Non-Executive Directors on the Board, and the composition of the Company's Audit Committee, Remuneration Committee and Nomination Committee.

Schedule of Matters Reserved for the Board and delegations

Matters and decisions that require Board approval are set out in a formal Schedule of Matters Reserved to the Board (last reviewed and updated on 14 December 2021). This includes approval of the Group's strategic aims, objectives and purpose and the annual Group financial budgets.

Other specific responsibilities are delegated to Board Committees which operate within clearly defined terms of reference approved by the Board. Day-to-day management of the business of the Group is delegated to the Chief Executive. Full details of the Schedule of Matters Reserved for decision by the Board and the responsibilities delegated to the Board Committees can be found under the Corporate Governance section of the Group's website.

The roles of the Chair and the Chief Executive

The roles of the Chair and the Chief Executive are clearly segregated. The division of responsibilities between them is set out in writing and was last updated by the Board on 14 December 2021.

The Chair leads the Board, facilitating engagement at meetings by drawing on members' skills, experience and knowledge, and is responsible for the Board's overall effectiveness and oversight of the management of the Company.

The Chief Executive is responsible for the proposal and delivery of strategy, the day-to-day management of M&G plc and for ensuring information is presented to the Board to enable it to make decisions effectively.

Directors' inductions, training and development

All new Board members are provided with a structured induction programme on appointment which includes an overview of all business areas as well as key functions.

Regular updates are given at each Board meeting on market and industry activities and legal and regulatory changes relevant to the business.

The Board holds an annual Strategy Offsite, next scheduled for June 2022.

In 2021, dedicated Directors' training sessions included sessions on Whistleblowing and Culture; Operational Resilience; Investments; Customer & Distribution Transformation; Governance; Conflicts of Interest; Solvency II ; ICF update and Combined Assurance Plan; With-Profits Actuary; IFRS 17; Briefing on BEIS consultation on audit reform and ESG Governance and reporting.

For each year, the Board plans training on a forward-looking basis, collecting feedback from Non-Executive Directors on topics of interest. The training schedule is available at every meeting for Board members to recommend any changes, and remains under review throughout the year.

Mandatory all employee training

To ensure the experience of Non-Executive Directors aligns with all employees, from 2021, all Non-Executive Directors in the Group take part in the same mandatory online training as colleagues. In 2021, this included sessions on Modern Slavery Awareness; Customer Vulnerability; Sustainability and M&G; We are M&G (Code of Conduct) and Information Security 2021. Board members receive formal papers a week ahead of each Board or Committee meeting, which enables them to make informed decisions on the issues under consideration.

In addition to formal Board meetings, the Chair maintains regular contact throughout the year with the Chief Executive, Chief Financial Officer and members of the Group Executive Committee to discuss specific issues.

The Company Secretary acts as an adviser to the Board on matters concerning governance and ensures compliance with Board procedures. All Directors had access to the Company Secretary's advice during 2021. Directors may also take independent professional advice at the Company's expense if required. In the event that any Director has concerns about the running of the Company, or a proposed action that cannot be resolved within the Board forum, these may be reflected in the Board minutes.

The Company Secretary circulates minutes of each Board meeting following the meeting for comment and approval to ensure an accurate record is captured.

Tenure, election, reappointment and removal of Directors

Directors are typically appointed by the Board and then put forward for election by shareholders at the subsequent AGM.

All Non-Executive Directors are appointed for initial terms of three years and may be terminated by either party upon six months' written notice or by shareholder vote at the AGM. The Non-Executive Directors do not have any entitlement to compensation if their office is terminated.

Full details of the remuneration of the Non-Executive Directors can be found on page 137 of this document in the Directors' Remuneration Report. More information about the appointment process for Directors can be found on page 108 of this document in the Nomination Committee Report. Further details of Executive Directors' service contracts can be found on page 158.

Group Governance Framework

Forums and documents

The Group has established a Group Governance Framework (GGF) which comprises three parts: (i) the forums we use to govern; (ii) how we make decisions and (iii) how we conduct ourselves. The forums and documents comprising the GGF are set out below:

Theme		Key Documents
The forums we use to govern	– The M&G plc Board and its Committees	– Listing Rules and Disclosure Guidance and Transparency Rules – UK Corporate Governance Code – Terms of Reference – Division of Responsibilities
	– Material Subsidiaries (PAC and MGG) and their Committees	– FCA Handbook – Supervisory Statement 5/16 – Material Subsidiary Corporate Governance Manual – Terms of Reference
	– Other regulated and non-regulated subsidiaries	– FCA Handbook (as applicable) – Subsidiary Corporate Governance Manual – Terms of Reference
	– Executive Committee and management committee structure	– Executive Governance Manual – Terms of Reference
How we make decisions	– Approvals and decision-making framework	– Delegated Authorities
How we conduct ourselves	– Code of Conduct, policies and ways of working	– Code of Conduct – Policies (MetricStream)

Governance review

At the end of 2020, the Board determined that it would be appropriate to examine the broader governance arrangements of M&G plc and its Material Subsidiaries and a review was commenced in late 2020, with conclusions finalised in April 2021. In summary, the review identified the following enhancements to governance which have been implemented during 2021:

- improving working with subsidiary boards and committees and putting in place additional direct oversight by the PLC Board of certain of its regulated subsidiaries.
- combining the meetings of MGG (a Material Subsidiary) with certain of our asset management operating companies to ensure efficiency and Non-Executive oversight of the operations of our investments business.
- further formalising the processes for Risk, Compliance, Internal Audit and Finance reporting from around the business to Group Audit and Risk Committees.

Subsidiaries

Independent Non-Executive Directors are appointed to the Boards of M&G plc's Material Subsidiaries: M&G Group Limited (MGG) and The Prudential Assurance Company Limited (PAC). Each of these entities has a Board of Directors led by an independent Chair and an Audit Committee and Risk Committee, comprised entirely of independent Non-Executive Directors.

The PAC Board also has a With-Profits Committee and an Independent Governance Committee, as required by regulation, which are also comprised of independent Non-Executive Directors. Dialogue between the Board, Audit and Risk Committee Chairs at Group level occurs on an ongoing basis with their counterparts in the Material Subsidiaries, to ensure an effective information flow and escalation of issues. The Boards and Committees of the Material Subsidiaries are also committed to the highest standards of governance and follow our internal policies, set out in a dedicated manual – the Material Subsidiary Corporate Governance Manual, which covers appointment of Directors, annual evaluation, and standards and delivery of Board materials. The governance arrangements for the Material Subsidiaries are overseen by the Nomination Committee.

A Subsidiary Corporate Governance Manual was established at the end of 2021 and is in the process of being embedded in order to align Board processes for our regulated entities which are not Material Subsidiaries.

Executive governance

We have established an Executive Governance framework comprising management committees aligned under the members of the Group Executive Committee. The Executive Governance framework supports the Executive Committee members and, as required, subsidiary boards within M&G plc, with specialist review and advice.

The Executive Committee oversees the Executive Governance framework and its processes are set out in a dedicated manual – the Executive Governance Manual.

Governance structure: roles and responsibilities

The diagram below sets out the roles and responsibilities of the Board members and the Company Secretary.

Chair

- leads the Board and is responsible for its overall effectiveness in oversight of the management of M&G plc
- sets the Board agenda which is primarily focused on delivering the M&G plc's strategic objectives and developments to its strategy
- draws out knowledge and experience from Non-Executive Directors
- shapes the culture in the Boardroom
- ensures that adequate time is available for discussion of these issues and that all Directors contribute effectively

Senior Independent Director

- works closely with the Chair, acting as a sounding board and providing support
- acts as an intermediary for other Directors as and when necessary
- is available to shareholders and other Non-Executive Directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication
- with the Non-Executive Directors, reviews the Chair's performance and carries out succession planning for the Chair's role
- attends sufficient meetings with major shareholders to obtain a balanced understanding of their issues and concerns

Non-Executive Directors

- provide constructive challenge, strategic guidance and specialist advice to hold management to account
- scrutinise and hold to account the performance of management and individual Executive Directors against performance objectives
- sit on various committees to provide challenge, guidance and direction on specific areas, and report back to the Board on these

The Board makes the Non-Executive Directors collectively responsible for engagement with the workforce. The Board specifically tested this through its Board evaluation and determined in 2021 that dedicated additional reporting on employee engagement should be collated in order that the Non-Executive Directors could monitor their work in this area more easily and ensure the right topics and populations were being covered.

Chief Executive

- leads the business, implements strategy and chairs the Executive Committee
- responsible for all operational and strategic management of M&G plc
- ensures management fulfils its obligations to the Board to provide information in an accurate and timely manner
- manages M&G plc's risk profile
- keeps the Chair informed of all material issues
- sets the vision for our culture, values and purpose

Chief Financial Officer

- reports directly to the Chief Executive
- has responsibility for the Finance function and its operations
- supports the Chief Executive in all aspects of financial reporting, investor engagement and business planning
- is a member of the Group Executive Committee

Clare Bousfield stepped down as CFO, and therefore from the Board, on 1 October 2021. Paul Cooper has since attended the Board as Interim CFO, but is not a member of the Board.

Company Secretary

- supports the Chair and Chief Executive in fulfilling their duties
- provides regular corporate governance updates on topics which may affect M&G plc or the Board
- available to all Directors for advice and support
- manages M&G plc's Secretariat function which provides administrative and governance support to the Board and its Committees
- is a member of the Group Executive Committee

Board Committees and Group Executive Committee

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Committee. These Committees form the independent oversight element of the Group Governance Framework by the Non-Executive Directors. The terms of reference for each of the Board's Committees are documented formally, approved by the Board and updated as necessary. Each Committee Chair provides regular reports to the Board on the matters covered at each Committee meeting. Full details of each Committee's activities throughout the year are detailed on pages 108 to 123 in the Committee Reports. The Executive Committee is established by the Chief Executive and reports to him.

Nomination Committee

- overseeing the composition of the Board and its Committees
- assisted by HR, recruitment of new Board members
- succession planning for the Board and its Committees
- taking an active role, together with HR and other management, with respect to our diversity and inclusion strategy and associated objectives, including monitoring of their effectiveness

Audit Committee

- reviewing our financial statements, related announcements and other financial information provided to shareholders and other stakeholders
- reviewing the effectiveness of our system of internal financial controls and internal control systems and whistleblowing procedures
- overseeing the assurance and oversight of financial and ESG reporting
- monitoring and reviewing internal audit activities, reports and findings
- receiving and reviewing reports from our external auditors
- monitoring the effectiveness and independence of our external auditors and making recommendations to the Board in respect of their remuneration, appointment and dismissal

Risk Committee

- advising the Board on our emerging risks, risk strategy, risk policies, risk appetite and current risk exposures
- overseeing the implementation and maintenance of the overall Risk Management Framework (including the embedding of sustainability and ESG into this framework)
- overseeing our procedures for detecting fraud, preventing bribery and non-compliance
- reviewing our risk assessment processes and capability to identify and manage new risks

Remuneration Committee

- establishing, approving and maintaining the principles and framework of our remuneration policies and ensuring compliance with those policies
- determining the design, implementation and operation of remuneration arrangements for the Chair, the Executive Directors, members of senior management, and certain other individuals identified by relevant regulations

Executive Committee

The members of the Executive Committee are:

- Chief Executive (CEO)
- Chief Financial Officer (CFO)
- MD Asset Management and Chief Investment Officer
- MD Retail and Savings
- Chief Risk and Compliance Officer (CRCO)
- Chief Operating Officer (COO)
- Chief Customer and Innovation Officer (CCIO)
- General Counsel and Company Secretary
- Chief People and Corporate Affairs Officer
- Culture Lead

This Committee is established by the Chief Executive and has responsibility for the operational management of the business on a day-to-day basis.

The Committee leads on: the development and implementation of strategy, operational plans, policies, procedures and budgets; prioritisation and allocation of resources; and promotion of our culture and values.

The Committee reviews all material or strategic matters being proposed to the Board and approves certain levels of expenditure under M&G plc's delegated authority framework.

Changes to the Executive Committee structure in 2021 included the creation of the new MD roles for the Asset Management and Retail and Savings businesses. The Chief Human Resources and Director of Public Policy and Regulation retired at the end of 2021 and, as of 1 January 2022, the new combined role of Chief People and Corporate Affairs Officer was created as an Executive Committee member.

Board evaluation

2021 Review

At the end of 2021, the Board undertook a formal and rigorous internal evaluation of its performance, including that of its Committees, the Chair and individual Directors. The process included the circulation of a questionnaire to each Board member.

The results of the questionnaire were analysed and collated by the Chair and Company Secretary, with a report being produced and considered by all Board members in February 2022. The report formed the basis of a 2022 work plan, with action points for the year, summarised below. The Board will review progress against these action points throughout the year with a view to completing actions by February 2023.

The Chair also evaluated the performance of each Non-Executive Director by holding individual meetings, the outcome of which was reported to the Nomination Committee at its February 2022 meeting to support the proposed re-elections of Non-Executive Directors at the AGM.

Summary of findings

The report identified a number of strengths of the Board which included:

- A true mix of experience and skill on the Board;
- Good constructive challenge on most key issues;
- Robust debate;
- Board papers improving;
- Good progress having been made on culture and values topics;
- Compliance mechanisms having been generally effective; and
- The Business Planning process being very strong.

All Committees received high scores overall and minimal critical feedback. The Board identified areas of focus and related actions to enhance its performance. See summary table below:

Area of Focus	Action Point
Board Composition and Diversity	
– Enhancing skills on the Board, with focus on further areas of financial services expertise and gender diversity to be kept under consideration. – Audit Committee composition to be considered.	These observations will be specifically considered by the Nomination Committee as part of its regular succession planning cycles.
Strategy	
Working on greater linkage between the firm's purpose and strategy and allocating time to debating strategic options.	The CEO's Office and Group Strategy will lead on these points by articulating linkage between purpose and strategy for the Board's review; and preparing a programme of debate for the firms' annual Board Strategy Offsite.
Competitor/Consumer Information	
Enhance reporting and debate on market developments (consumer and competitor) through Board meetings or training.	The firm will create a programme of information on consumer and competitor market developments for delivery over 2022.
Relationships with the PRA/FCA	
The Board keeps an ongoing focus on strong, transparent regulatory relationships and making communication with the PRA and FCA as effective as possible.	Reports to each Board meeting to continue to include a standing item on regulatory affairs which will cover topics of regulatory focus.

2020 Closures

In our last Annual Report, we set out the feedback from the externally facilitated Board Performance and the actions we planned to take over 2021 to enhance performance. A summary of the 2021 action points and progress updates is set out in the table below:

Themes	Progress in 2021
1. Collaborative Engagement Developing Board and senior management relationships further, recognising the newness of the Company and Board members. Developing the engagement between our Board and the workforce and listening to their feedback to better understand the business.	Board dinners. Non-Executive mentoring of colleagues. Non-Executive Directors participation in colleague led Insight meetings. Enhanced Board reporting on employee engagement from September 2021.
2. Strong Regulatory Relationships Continuing to focus on strong, transparent regulatory relationships.	M&G plc Standard on "Maintaining an Open & Constructive Relationship with our Regulators" was put in place in April 2021. The Chair and the Non-Executive Directors have regular meetings with the regulators. The M&G plc CEO, CRO and Director of Public Policy and Regulation also regularly meet with both the FCA and PRA, as does the CFO with the PRA. Additionally, separate topic specific executive meetings (Strategy, Senior Manager Review, Culture, Risk and Compliance TOM, Annual results, COVID-19 impacts etc) were scheduled throughout the year. The 2021 Governance Review responded to feedback from the PRA and FCA.
3. Aligned Governance for Parent and Subsidiary Ensuring sequencing of PAC and MGG Board decision-making with M&G plc is optimal, that reporting on key issues from subsidiaries is addressed appropriately at M&G plc level and that clear delineation as to remit exists in terms of reference. Continue establishing clear governance paths for decision-making. Ensure composition of Boards remain appropriate for the business and board roles and responsibilities are clearly defined.	The sequencing of meetings was addressed for 2021 and will be continued for 2022 onwards. Roles of boards were considered as part of the Governance Review. Board paper preparation guidelines have been updated to include a requirement that governance pathways are included in papers. Risk agendas across PLC, PAC and MGG have been refined to address a clearer delineation of remits. Delegated authorities were reviewed and refreshed in September 2021. The 2021 Governance Review assessed the roles of Material Subsidiaries and sought and incorporated their input to ensure a collaborative approach. See more on page 103. Board compositions were reviewed and refreshed, in particular additional Non-Executives were added to the PAC and MGG Boards.
4. Board Papers Focusing on quality summaries; timeliness of papers and reducing duplication between Boards and Committees.	Non-Executive Directors were given the opportunity to comment on the Board Paper Preparation Guidelines which were re-issued in a refreshed form in March 2021. A training session on Board paper preparation for senior colleagues also took place in March 2021.
5. Strategy Dialogues Evolving the two-way dialogues between Non-Executive Directors and senior management on strategic topics.	Strategy engagement in 2021 included quarterly strategy updates to the Board, the annual Board Strategy Offsite meeting in June and included engagement with the Material Subsidiary Boards throughout the year. The 2021 Board Strategy Offsite was held over two days in June with the Strategy and Corporate Development team having conducted prior 1-2-1 interviews with Non-Executive Directors to help develop the Board Strategy Offsite agenda.
6. Constructive Meetings Ensuring meetings are efficient, constructive and challenging.	The Governance Review and Year End Evaluation both focused on the importance of making meetings constructive. The majority of 2021 Board meetings ended with a short feedback session on the meeting itself to ensure "real time" views could be quickly collated and fed into the next meeting.

Nomination Committee Report

Fiona Clutterbuck
Acting as Interim Committee Chair

Role and responsibilities of the Nomination Committee

The Committee is responsible for the composition of the Board and its Committees, together with succession planning. This ensures that the right skills are in place to support our strategic priorities and the long-term success and future viability of M&G plc. The Committee is also responsible for elements of Diversity and Inclusion (D&I) leadership.

The Nomination Committee's terms of reference
www.mandgplc.com

Membership and meeting attendance
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Areas of focus in 2021

- Chair succession
- CFO recruitment
- Non-Executive recruitment and skills building

Priorities for 2022

- Continuing build of Non-Executive skills base
- Executive talent and succession
- Diversity and inclusion
- Subsidiary governance

Dear Shareholder

As Interim Committee Chair, I'm pleased to report on the formal meetings of the Committee in 2021 and in particular on the ad hoc decisions throughout the year around Non-Executive appointments and our Chair succession.

With Mike Evans' decision to step down from the Board in April, this has been one of the Committee's main areas of focus throughout 2021 and we are delighted to have announced Edward Braham as our new Chair and the chairing of this Committee will also pass to him.

Cultural fit and skills to fit the business have been our watchwords as we consider the selection of Board members, with a view to setting the right tone from the top in how we go about our work and how our candidates represent and support our firm's culture.

We were pleased to announce in December 2021 that Dev Sanyal will join the Board in May 2022. Dev's experience in sustainable and bioenergy fills an important gap in the Board's skills.

Appointment process

The Committee has a duty to consider, and recommend to the Board the appointment of any Director of M&G plc. The Committee also has a duty to approve the appointment of the independent Chairs of its material subsidiaries, PAC and MGG, the processes for which are governed by the Material Subsidiary Corporate Governance Manual.

The appointment of a new Director begins with the identification of a vacancy or skills gap. The Committee assesses any skills required, arising either through vacancy or the evolving needs of the Board. We then work with HR to produce a clear role specification to focus recruitment activities.

Using the role specification, HR arranges external searches for Non-Executive roles and internal and external searches for Executive roles. The next stage is interviews, at which Committee members (among others) test the candidates' skills, including fit with culture.

If interviews are successful the Committee will make a recommendation to the Board covering skills, experience, time commitment and availability, diversity (ethnicity, gender and thought) and, in the case of Non-Executives, independence. The Board will make an initial consideration of the candidate and approve the appointment in principle, subject to regulatory approval. The final approval will be given by the Board following the regulatory approval, at which point the appointment becomes effective.

Board composition and succession planning

The Committee's primary role is to ensure that Board composition remains appropriate and to keep succession planning of both Executive and Non-Executive roles under ongoing review.

The Committee will also use learnings from the Board Evaluation process described on page 106 to ensure the right skills are in place.

Non-Executive Directors

The Board engaged external consultants Nurole, Egon Zehnder and MWM Consulting to assist in Non-Executive searches over the course of 2021. None of these firms has any connections with the Company or with individual Directors. The Committee addressed two Non-Executive vacancies during 2021.

Chair appointment

Mike Evans formally stepped down from his role as Chair of the Company on 1 April 2021 to concentrate on the recovery of his health and the Committee immediately commenced a search for a new Chair.

Together with the Chief HR Director, the Committee agreed a full job specification for the Chair role. In doing so, we considered the specific skills and experience required for a Chair, taking into account technical skills as well as interpersonal skills and considering breadth and relevance of experience.

External consultants, Egon Zehnder, were then instructed to carry out a search of external candidates. A number of meetings of the Committee were carried out to assess a shortlist of candidates, discuss feedback on meetings with candidates and then choose a preferred candidate.

Non-Executive Director appointment

Following our decision in late 2020 to commence a broader Non-Executive search, with a focus on diversity, in December we announced that Dev Sanyal would join the Board in May 2022.

In making the above appointments, the Committee refreshed its Skills Map twice during 2021 and again in early 2022. The Skills Map enables us to objectively identify and track the skills required by the Board and plan for both emergency and longer-term succession.

Committee membership was reviewed in February 2022.

Executive Directors – skills mapping and succession

On 13 September 2021, the Company announced that Clare Bousfield had been appointed as Managing Director of the Retail & Savings business and would hand over her responsibilities as CFO to Paul Cooper on an interim basis. We engaged external consultants Egon Zehnder to support John in the search for a new CFO.

The Committee spent time reviewing the skills and experience of the candidate pool. Interviews were then held with shortlisted candidates to ensure a correct fit for the Board following which the Committee unanimously agreed to recommend Kathryn McLeland as our new CFO and Executive Director of M&G plc with effect from May 2022 subject to regulatory approval and which was announced in January.

During August, September and October meetings, we spent time reviewing the feedback from John and our advisers, development plans, skills gaps to be addressed and strength of management succession.

Executive succession planning has been carried out collaboratively between Non-Executives and senior team members.

We're committed to developing talent internally as well as ensuring the market for all key roles is well understood.

Diversity and inclusion and gender balance

The Committee received an update on the progress made during 2021 on the Company's Diversity and Inclusion (D&I) Strategy including a focus on the diversity of the talent pipeline by expanding our internship programme with the #100 black interns and Change 100 programmes which specifically target the black and disabled communities respectively.

We were also updated on the measures being taken to expand and customise the well-being offering as well as the work underway to benchmark M&G's approach against its peers.

Our members particularly took time to consider the Company's D&I statistics given recent changes at Board level and how metrics could be compiled to monitor the pipeline in terms of the percentage of women in key operational roles, the data surrounding the return to work after maternity leave and the conversion rate, compared to men, of those appointed to pivotal roles.

Further details on M&G's approach to D&I and progress against targets can be found in the Sustainability section of the Strategic Report on pages 38 to 43.

The M&G plc D&I Policy can also be found on the website at www.mandgplc.com.

Details of the gender balance of the Board and senior management can be found on page 92 of the Governance Report.

Subsidiary governance

The Committee is responsible for the governance arrangements of its material subsidiaries: PAC and MGG. During the year, we reviewed the composition of the Material Subsidiary Boards and changes to them, ensuring that these continued to comply with regulatory requirements. We also kept the succession plans for the Material Subsidiary Boards under review. The performance and ongoing appointment of all Material Subsidiary Non-Executives is assessed and approved by the Committee in a process designed to mirror the annual election of Directors by shareholders at an AGM.

AGM

In early 2022, we carried out preparations for the AGM which will be held in May. We considered each of the Directors putting themselves forward for election, and satisfied ourselves that all aspects of performance, time commitment, skills and experience were appropriate to the Board's needs. We also considered the continuing independence of Non-Executive Directors. This work supported our recommendation to the Board that each currently serving Director be put forward for election or re-election at the 2022 AGM.

Committee evaluation

The Committee's evaluation took place as part of the main Board evaluation and the Committee was found to be operating effectively.

Fiona Clutterbuck
Acting as Interim Committee Chair

Audit Committee Report

Clare Thompson
Committee Chair

Role and responsibilities of the Audit Committee

The Committee's responsibilities include:

- Financial reporting: monitoring the integrity of the consolidated financial statements, related announcements and other financial information provided to shareholders and other stakeholders.
- Framework of internal control and risk management systems: reviewing and monitoring the adequacy and effectiveness of the Risk Management Framework and internal control systems, in conjunction with the Risk Committee.
- Internal and external audit processes: assessing the effectiveness and objectivity of both the internal and external audit process.
- Whistleblowing procedures: Overseeing the effectiveness of the whistleblowing programme.
- ESG reporting oversight and the development of assurance and oversight in relation to this reporting.

The Audit Committee's terms of reference can be found on the website at:

The Audit Committee's terms of reference
www.mandgplc.com

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Areas of focus in 2021

The Audit Committee held nine meetings in 2021: six regular scheduled meetings and three meetings held jointly with the Board to recommend approval of the full year and half year results. There were also two meetings held jointly with the Risk Committee. The Committee met separately for training sessions on the BEIS consultation on corporate reporting and audit reform, IFRS 17 (new insurance accounting standard), ESG reporting and assurance, and for a briefing session on the Integrated Control Framework.

In addition, the Committee met individually with the heads of Internal Audit and Risk and Compliance, and the lead audit partner from KPMG without the presence of management. These private sessions are on a rolling programme, with the internal and external auditors each holding at least two of these private sessions a year.

Areas of focus included:

Business as usual activity:

- Reviewing and recommending to the Board of the full year and half year 2021 results
- Reviewing and recommending to the Board of Solvency II Pillar III reporting
- Approving key accounting and actuarial assumptions and methodology to be used in the half year and full year financial reporting
- Reviewing Solvency II balance sheet valuation methods and assumptions
- Monitoring the effectiveness of the Internal Audit function, approving the Internal Audit Charter and Internal Audit Plan
- Oversight of testing by Risk and Compliance teams
- Reviewing External Audit Strategy and Plan
- Consideration of audit findings reported on by the external auditor

Special business:

- Monitoring the progress on enhancements to the whistleblowing programme
- Reviewing the implementation of Integrated Control Framework
- Reviewing enhancements to controls over financial crime
- Reviewing and approving the Tax Strategy
- Reviewing and approving response to the BEIS consultation on corporate reporting and audit reform
- Monitoring Finance Change agenda including the adoption of IFRS 17
- Consolidating and harmonising of assurance reporting

The Committee also receives the following regular reports:

- Audit Committee reports from The Prudential Assurance Company Limited (PAC) and M&G Group Limited (MGG)
- Financial reporting including regulatory developments and approval of audit and non-audit work
- Risk & Compliance updates on testing activities
- Internal audit updates

Priorities for 2022

The Committee's main priorities for 2022 are as follows:

- oversee management's progress for the commencement of IFRS 17 which comes into effect on 1 January 2023
- approve IFRS 17 methodology and key judgements including the approach to defining adjusted operating profit under the new standard
- consider ESG reporting and assurance requirements
- continue to oversee the Group-wide Integrated Control Framework, focusing on management self-assessing and evidencing design and operating effectiveness of key controls
- finalise the external auditor handover process from KPMG to PwC, and ensure PwC's readiness, to take on this role
- maintain focus on the controls topics most relevant to our industry, in particular cyber security and financial crime

Dear Shareholder

Our Committee is first and foremost intent on ensuring robust and effective financial reporting. It has been pleasing to see that financial controls remain robust and that high quality financial reporting continues to be delivered. When assessing the quality of financial reporting, we've continued to consider how PAC and MGG approached assumptions and judgements in their separate financial statements.

Through our second line assurance responsibilities, we're ensuring that internal controls remain effective and that internal audit is providing strong third line assurance. The Integrated Control Framework is developing well and it's pleasing to see that the Risk function is continuing to strive for further improvements. The assurance planning for 2022 is being undertaken on a combined basis, across Internal Audit and Risk and Compliance, which will help to ensure that assurance work is efficiently and effectively delivered.

Last year we reported the conclusion of the audit tender exercise and we're looking forward to welcoming PwC as our external auditor from 1 January 2022, subject to shareholder approval at our AGM in May 2022. We would like to take this opportunity to thank KPMG for their diligent work as external auditor.

Our internal reporting network continued to work effectively and reports were introduced from IFDL in addition to those already received from the PAC and MGG Audit Committees. As Chair, I continue to have regular communication with the subsidiary company Audit Committee chairs, and this includes, establishing an annual plan and ensuring items that require approval at more than one Board or Committee are properly sequenced.

The forward agenda for 2022 includes a number of important new priorities, which are highlighted on page 110. The implementation of IFRS 17 will be a substantial project and the Committee will closely monitor developments in this area. ESG reporting will continue to develop and the Committee will be particularly focused on the assurance to support this reporting.

Finally, I'd like to thank Robin Lawther who stepped down from the Committee on 15 March 2021, and also take this opportunity to thank my fellow Committee members for their efforts and dedication over the year.

Clare Thompson
Committee Chair

Composition

The Board considers all members of the Committee to be independent and Clare Thompson to have recent and relevant experience of working with financial reporting and accounting matters. Details of the Committee membership including members' relevant skills and experience can be found on pages 88 and 89.

Financial Reporting 2021

The Audit Committee reviewed the full year 2021 consolidated and Company financial statements.

The review included:

Fair, balanced and understandable

In assessing whether the 2021 Annual Report and Accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess M&G plc's position, the Audit Committee gave regard to:

- The information contained within the Strategic Report, in particular the Business and Financial Review, represents a fair reflection of performance during the year, and is consistent with the information contained within the financial statements.
- The significant issues identified in this report, including the key areas of judgement and estimation, as well as any other significant issues disclosed within the narrative reporting are consistent with the financial statements.
- The alternative performance measures, adjusted operating profit before tax and shareholder Solvency II coverage ratio, have been given equal prominence to the statutory measures of profit and capital, that there's a clear description of their calculation and an explanation of their use and relevance.
- The allocation of items to adjusted operating profit before tax was in line with the defined methodology, and was appropriately disclosed.
- The identified key performance measures reflect those used by management to manage, monitor and assess the results of the business, linking to the strategy.
- The key messages are clear, consistent, and easily understood without the use of excessive jargon.

Going concern and viability statements

In early 2022, the Committee reviewed the going concern assessment undertaken by management for the purposes of the 2021 consolidated financial statements.

This included assessing M&G plc's solvency, including its sensitivity to various economic stresses and its projections in a reasonable worst case scenario (including the ongoing impacts of COVID-19 on the global economy and a possible high inflationary environment); liquidity projections, including the impact of applying specific liquidity stresses; and ability to access funding sources.

Based on the review, we concluded that the going concern assumption remains appropriate.

In addition, the Committee considered the associated assessment of longer-term viability to support the Viability Statement. We considered the strategic and financial planning process to support the Viability Statement in conjunction with an assessment of M&G plc's key strategic priorities, business model and forecasting undertaken as part of the Business Plan. We challenged the assumptions underpinning the assessments, including the impact of various severe, but plausible stresses and scenarios on the ability to deliver the Business Plan, particularly in light of COVID-19, and concluded that the positions were both reasonable and supportable. In making this determination, we concluded that three years was the most appropriate period for longer-term viability in line with the M&G plc Business Plan.

Critical estimates and areas of judgement and how they were addressed

We have assessed whether suitable accounting policies have been adopted in the preparation of the consolidated financial statements. We've also considered all critical estimates and key judgements that are material to the preparation of the consolidated financial statements. In this regard, we receive regular updates from management and review and challenge estimates and judgements accordingly. This section outlines the critical estimates and key judgements that have been applied in the preparation of the consolidated financial statements and how each of them have been considered and addressed by the Committee.

Critical estimate/Key judgement	How the Committee addressed the issue
Valuation of insurance contract and defined benefit pension liabilities	We reviewed the key assumptions and judgements presented by management in the estimation and valuation of M&G plc's insurance contract and defined benefit pension liabilities. The key assumptions reviewed were: – Policyholder mortality, maintenance expenses and valuation rate of interest (including related credit risk assumptions) used in the estimation of insurance contract liabilities for annuities. – Allowance for maintenance expenses, persistency and other assumptions used in the estimation of insurance contract liabilities for policyholder liabilities other than annuities. – Mortality, inflation rates and discount rates used in the estimation of M&G plc's defined benefit pension liabilities. We considered the rationale provided by management for the assumptions used and reviewed any benchmarking provided. As part of the review, we continued to consider the reasonableness of these assumptions in light of ongoing impact of COVID-19 on mortality experience. We were satisfied that the assumptions adopted by management were appropriate. Further information on key assumptions can be found in Notes 26 and 33 of the consolidated financial statements in respect of the insurance contract liabilities and in Note 17 of the consolidated financial statements in respect of the defined benefit pension liabilities.
Valuation of complex and illiquid financial assets	We received information on the carrying value of investments held on the M&G plc balance sheet, and particularly focused on those investments where the determination of their fair value required more subjective estimation (classified as Level 3 under the fair value hierarchy). These assets include investment properties, lifetime mortgages, private credit and investments in private equity vehicles. In addition, we considered the governance arrangements put in place by management to review the valuation of these assets (including those held by the defined benefit pension schemes) to ensure that it remains appropriate. While reviewing the valuation, we also considered the potential impact of climate-related risk on relevant asset classes. Following review and challenge of the assumptions made, as well as the wider assessment of the remainder of M&G plc's assets, we satisfied ourselves that the basis of valuation for these assets was appropriate. Further information on key assumptions can be found in Note 32 of the consolidated financial statements.
Recoverable amount of goodwill	We reviewed the results of annual impairment testing carried out in respect of goodwill associated with MGG. This involved reviewing the key inputs used in the assessment, including the discount rate and future cash flow projections used to determine value in use for the investment in MGG. We considered the results of the work performed and confirmed the conclusion that no impairment was required in respect of goodwill. Further information on key assumptions can be found in Note 12 of the consolidated financial statements.
Provisions	We reviewed M&G plc's significant provisions, including those in respect of regulatory and conduct-related matters. We considered the key inputs used in measurement and the uncertainties surrounding the outcomes associated with the relevant provisions. Based on the review, we were satisfied that the level of provisioning adopted by management was appropriate. We also considered the release of the remaining provision in respect of annuity sales practices in the year to be appropriate. Further information on provisions can be found in Note 29 of the consolidated financial statements.

Critical estimate/Key judgement	How the Committee addressed the issue
Valuation of intangibles acquired at acquisition	We reviewed the value of the customer relationship intangible recorded as a result of the acquisition of a controlling stake in PPMSA. We considered the key assumptions used to determine the value at initial recognition, including discount rate and future cash flow projections. Based on the review, we were satisfied that the value of the intangible recorded at the acquisition date is appropriate. Further information on intangible assets can be found in Note 12 of the consolidated financial statements.
Other significant judgements	We reviewed and considered the other significant judgements as disclosed within Note 1.3 of the consolidated financial statements: – Consideration over M&G plc's interest in structured entities and whether control exists which would require their consolidation. – The judgement with respect to whether contracts issued by M&G plc contain significant insurance risk. Following review of the basis of the above judgements we were satisfied that these were appropriate.

We also considered the following critical estimates and key judgements in respect of the company financial statements.

Critical estimate/Key judgement	How the Committee addressed the issue
Recoverable amount of M&G Group Regulated Entity Holding Company Limited in the financial statements	Management performed an impairment assessment in advance of the year end in relation to the Company's investment in M&G Group Regulated Entity Holding Company Limited, which in turn is the holding company for M&G plc's main regulated entities, including MGG, PAC and IFDL. As a result the recoverable amount of M&G Group Regulated Entity Holding Company Limited has been determined by reference to the recoverable amount of these main operating subsidiaries. We considered management's assessment of the recoverable amounts based on discounted cash flow assessment, which was derived from management's expectations of profits in respect of MGG and IFDL and application of appropriate market multiples to relevant metrics for individual books of business in respect of PAC. Where possible, management also considered alternative valuation techniques consistent with established valuation principles to determine the recoverable amount. Based on the review, we concluded that there was sufficient evidence to support the view that no impairment was required.

Financial Reporting Council Letter

In November 2021, M&G plc received a request for information letter[i] from the Financial Reporting Council (FRC) in respect of our 2020 financial statements, requesting quantitative details of the significant unobservable inputs used to measure the fair value of assets held at level 3 in our fair value hierarchy.

The Committee reviewed management's response which provided the information requested for the 2020 financial year. In the 2021 financial statements this information has been provided in Note 32. We received a final response from the FRC in January 2022, confirming that their enquiries are now closed.

i The FRC's review is based on our Annual Report and Accounts and does not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into.

It is, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. The FRC support continuous improvement in the quality of corporate reporting and recognise that those with more detailed knowledge of our business, including our Audit Committee and auditors, may have recommendations for future improvement, consideration of which they would encourage.

The letter provides no assurance that our report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. Their letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

IFRS 17

IFRS 17: Insurance Contracts is a new accounting standard effective from 1 January 2023 which will have a significant impact on the financial reporting of our insurance contracts.

M&G plc has an ongoing project to implement IFRS 17 and we've received updates throughout the year on the progress of the project, including achievements to date, priorities for the remainder of the year, and key milestones into 2022.

The new standard requires a significant number of methodology decisions and implementation judgements. These began to be discussed with the Committee on a phased basis during 2021, on the understanding that they may need to be revisited as the methodology and implementation judgements develop and will be presented for approval during 2022.

Committee members have benefited from a number of training sessions to ensure that they have an appropriate level of knowledge about IFRS 17.

Sustainability reporting

Specific duties around ESG reporting oversight and development of assurance around ESG reporting were added to the Audit Committee's terms of reference in December 2021, reflecting current practice.

The Audit Committee has a responsibility to review, and challenge where necessary, the reporting in the Annual Report and Accounts and any other material public documents in respect of climate change and ESG matters for compliance with relevant regulations and legislation and standards, including but not limited to the climate-related financial disclosures required by the UK Listing Rules.

The Committee have received regular updates during 2021 on our planned ESG disclosures and have challenged, reviewed and approved these accordingly.

The Committee members also attended a training session on ESG reporting and assurance.

Audit and corporate governance reform

The Department of Business, Enterprise and Industrial Strategy launched a consultation on audit and corporate governance reform in March 2021. The consultation sought views on proposals to strengthen the UK's framework for major companies and the way they are audited.

The proposed reforms aim to restore public trust in the way that the UK's largest companies are run and scrutinised, ensuring that the UK's most significant corporate entities are governed responsibly, empower investors, creditors, workers, and other stakeholders by giving them access to reliable and meaningful information on a company's performance and keep the UK's legal frameworks for major businesses at the forefront of international best practice.

The Audit Committee reviewed the proposals within the consultation and submitted a response on behalf of M&G plc.

Our response confirmed that we understand the need for reform, and are supportive of the objectives on which the proposals are based. However, while we're largely supportive of the direction of travel, we highlighted that the implementation of any reforms should be proportionate, recognising that for financial services companies in particular, there are already a range of existing regulatory regimes in place which we believe largely function effectively.

Internal controls

The Group Risk Management Framework sets out the Audit Committee's responsibility for assisting the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of our financial reporting, including obligations for reviewing the effectiveness of our internal controls and risk management systems.

Our approach to risk culture is centred around the enterprise-wide programme of "I Am Managing Risk", which requires colleagues to take personal responsibility and accountability for identifying, assessing, managing and reporting risk and working together to do the right thing for our customers, clients, stakeholders and our business in line with our Code of Conduct. This approach to risk culture is supported by the Operational Risk Policy, Framework, Standards and associated training, which articulates how the business expects colleagues to positively manage risk. All colleagues have risk management accountabilities as part of their core objectives.

We receive regular reports regarding the status of the control environment, including reviews of the effectiveness of the Risk Management Framework, the status and assessment of any outstanding control deficiencies and results of internal testing of controls over financial reporting.

Effectiveness of risk management and internal controls

We carry out a formal evaluation of the systems of internal controls and risk management at least once a year. The Committee considered the outcome of the risk management and internal control effectiveness review for 2021 which covered all material controls, including financial, operational and compliance controls, and the continued impact of the COVID-19 pandemic on the control environment. The review identified a number of actions to further enhance the risk management system and strengthen the overall control environment, with a particular focus on continuing to embed both operational resilience and third party policy requirements across M&G plc. Enhancements to our Policy Framework identified in the previous year were delivered during 2021.

The Risk and Audit Committees at M&G plc and subsidiary levels collectively monitor outstanding actions and embed plans in these and other areas, and ensure sufficient resource and focus is in place to resolve such actions within a reasonable timeframe. We continue to receive regular reports enabling us to monitor outstanding issues, set parameters for reasonable closure and challenge management to resolve issues in a reasonable timeframe.

Whistleblowing policy and framework

M&G plc is committed to a safe and inclusive workplace where all colleagues can speak out and report inappropriate behaviour. The Board therefore recognises the need for our people to be able to raise concerns on any issue in complete confidence and without fear of retaliation. Our Whistleblowing policy includes details of the whistleblower protections we have in place across M&G plc, so anyone who does speak out feels safe and confident in doing so.

The Whistleblowing policy is supported by our Speak Out programme that includes different reporting channels, such as EthicsPoint which is a confidential reporting system provided by an independent external service provider. This system is managed by the Speak Out team who report directly to the Chief Risk and Compliance Officer. Governance and oversight of the programme is provided by the Whistleblowers' Champion who is Chair of the Audit Committee.

All whistleblowing cases are independently and confidentially investigated by Speak Out using specialist advisers as required. Formal reporting to the Audit Committee on the effectiveness of the policy occurs twice a year. Regular meetings are also held with the Whistleblowers' Champion to discuss and review cases and the programme. We're satisfied that the whistleblowing policies and procedures remain robust and adequate.

Internal Audit

The Committee has a responsibility to assess the effectiveness of the Internal Audit function and we again concluded that the function is effective. This section sets out the main monitoring activities that we considered in making our assessment.

The primary objective of Internal Audit is to provide independent and objective assurance to the Board and Executive Management regarding the adequacy of the design and effectiveness of the systems of internal control, including risk management, governance and operational processes. This helps them protect the assets, reputation and future sustainability of M&G plc.

The Audit Committee approved the Internal Audit Charter in October 2021, following an annual review to assess its continued validity in light of business developments, current Internal Audit professional standards and regulatory expectations.

The Chair of the Audit Committee is responsible for setting the objectives and reviewing the performance of the Group Head of Audit (GHA), Ian Robinson. The GHA is directly accountable to the Audit Committee and has unfettered access to both the Chairs of the Committee and the Board, as required, as well as Executive Management.

Internal Audit adopts a risk-based audit cycle of work. This is based on an assessment of the inherent risk, control environment, prior coverage, and a review of external factors such as emerging industry themes, strategy and Executive Management priorities.

The 2022 audit plan was approved by the Audit Committee in December 2021 and will be reviewed and updated as required to reflect evolving assurance requirements and priorities.

We receive regular briefings from Internal Audit throughout the year, and ask business owners to attend the Committee to explain actions being taken.

External Audit

Oversight and engagement of external auditor

KPMG has been the external auditor of M&G plc businesses since 1999, as part of the external audit of Prudential plc. The audit has been led for the second year by audit partner Stuart Crisp.

The Audit Committee provides clear guidance to KPMG on the Committee's expectations and held two meetings with KPMG, without management present, to give the audit team the opportunity to raise any concerns and remain independent and objective.

We reviewed the Company's Auditor Independence Policy (including the provision of non-audit services) in October 2021 and will continue to review the policy at least once a year.

The main purpose of the policy is to ensure that we don't engage the external auditor in any non-audit services that are not permitted, that we comply with all other relevant regulation and ethical guidance relating to relationships with the external auditor, and that we maintain a sufficient choice of appropriately qualified audit firms. Certain services need to be approved by the Committee in advance of any engagement.

The Committee reviewed the external audit plan before the start of the 2021 year end process.

External auditor effectiveness

Each year, the Committee, together with senior management, assesses the performance of the external auditor, monitors their independence and objectivity and the effectiveness of the audit process.

The assessment carried out in April 2021 considered topics including the quality of the resource, the overall approach and plan, the execution of the audit and the quality of communications received. We also considered whether the external auditor had appropriately challenged management's methodology and assumptions, key accounting policy judgements and exercised professional scepticism.

Following the review of external audit performance and effectiveness, we recommended a resolution to shareholders for the reappointment of KPMG as external auditors at the Annual General Meeting in May 2021.

Fees paid to the auditor

During the year ended 31 December 2021, the total fees paid to KPMG amounted to £12.2 million (2020: £12.1 million) of which £3.3 million (2020: £3.2 million) related to non-audit services. The total fee paid also includes £0.3 million (2020: £0.3 million) of fees incurred in relation to the audit of M&G plc's defined benefit pensions schemes. A breakdown of fees paid to KPMG is given in Note 8 of the consolidated financial statements.

All non-audit services described above were approved by the Committee as required in line with the Auditor Independence Policy discussed above. We were satisfied that, considering the fees paid and services provided under the policy, the objectivity and independence of KPMG was safeguarded.

Transition to new external auditor

The Audit Committee is responsible for conducting the process to select the external auditor and recommends their appointment, reappointment or removal to the Board for approval by our shareholders at each AGM.

As disclosed in last year's report, following a tender process in 2020, the Committee recommended, and the Board agreed, that PwC be appointed as the external auditor for the period commencing 1 January 2022, subject to shareholder approval at the AGM in 2022.

In line with the agreed transition process, PwC shadowed KPMG during their audit of M&G plc's 2021 Annual Report and Accounts, including attending some meetings alongside KPMG.

The Auditor Independence Policy has been applied to PwC from 1 December 2020, with non-audit services that are not permitted to be performed by our auditors being managed down during 2021 to ensure PwC's independence from 1 January 2022.

M&G plc has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 December 2021.

Annual evaluation of Audit Committee performance

We carried out an evaluation of the Committee's effectiveness through an internal questionnaire which was circulated to each Committee member and regular attendees. The results of the questionnaire were analysed and collated by the Chair and Company Secretary, with a report being produced and considered by all Committee members in February 2022. Further details are included in the Board evaluation section of the Governance Report on page 106.

In Focus

Integrated Control Framework

One of the Audit Committee's priorities for 2021 was to continue to embed the Group-wide Integrated Control Framework (ICF), focusing on management self-assessing and evidencing design and operating effectiveness of key controls. During 2021, the Committee has overseen the implementation and embedding of the ICF, challenging regular progress updates provided by management and attending dedicated "out of Committee" deep dive sessions. As a principal component of the Group Risk Management Framework, the ICF has consolidated the previous multiple control frameworks into a single enterprise-wide control framework with a focus on key management, process and transactional level controls.

Target state

The future target state is a mature and embedded ICF across M&G plc, which delivers the linking of regulatory and policy requirements to risks, controls and Key Risk Indicators (KRI) and is assessed by proxy in Risk & Control Self Assessments (RCSAs), Key Control Assessments (KCA) and regularly monitored using Key Risk Indicators (KRI). Subsequently, when a Notifiable/ Operational Risk Event occurs the impact on control, policy and regulation can automatically be assessed in our Group-wide Governance, Risk and Compliance (GRC) tool.

Progress to date

A key objective in 2021 was to embed the ICF and GRC tool across all Business Areas so it becomes "the way we work" at M&G plc. With appropriate challenge and oversight from the Committee, significant progress has been made during 2021, including:

Risk Culture – Enhanced first line of defence ownership and accountability of risk and control matters, with open discussion about failures and subsequent learnings, sharing them widely so that other areas of our business can benefit, through the enterprise-wide risk culture programme "I Am Managing Risk".

Policy Framework – Policy Framework overhauled to simplify requirements and link to the ICF.

Assurance Issues – Increased focus on the timely and effective closure of assurance issues in order to minimise the number of issues going overdue.

Self-Identified Issues – The development of a culture of self-identified issues and logging them in the GRC tool, rather than assurance providers raising the majority of significant issues.

Risk & Control Self-Assessments – RCSA process further embedded including aligning all risks to the operational risk taxonomy and utilisation of the risk library.

Risk Acceptance – Increased governance, oversight and recording of risk acceptance decisions.

Controls – Identification and documentation of all key processes and controls that support the financial statements and bi-annual self-assessment of key controls has commenced.

Reporting – Implementation and enhancement of the automated risk reporting suite to support the visibility and management of risk.

Notifiable Events – Enhanced focus on the quality of input, including root cause analysis and creating issues and action plans, so that the cause can be understood and control improvements implemented to prevent similar events in the future.

Risk Appetite – Increased ownership, awareness and embedding of the plc, PAC and MGG risk appetite statements and KRIs.

Training and Support – Alongside a refreshed Operational Risk Framework, the introduction of a new suite of training tools and an Operational Risk Handbook to make risk simple and accessible for all colleagues.

Looking ahead

In 2022, the Committee will continue to oversee the further embedding of the risk appetite framework and the full implementation of revised and simplified policies across the business. We will challenge management to ensure they continue to build on the progress to date, including finalising the documentation of all key processes and controls supporting the business, and embedding management self-assessment of key controls.

Risk Committee Report

Clive Adamson
Committee Chair

Role and responsibilities of the Risk Committee

The Committee is responsible for assisting the Board in its oversight of risk, including but not limited to:

- Advising the Board on M&G plc's overall risk appetite, risk tolerances and risk strategy.
- Reviewing the Risk Management Framework and advising the Board on its overall effectiveness.
- Approving M&G plc's risk policies and/or recommending such approval to the Board.
- Providing input to the Audit Committee's review of effectiveness of the Integrated Control Framework.
- Reviewing the effectiveness of the Internal Model including stress testing.
- Reviewing the Own Risk and Solvency Assessment (ORSA) and overseeing the Internal Capital Adequacy Assessment Process (ICAAP) and ORSA processes in our subsidiaries.
- In conjunction with the Audit Committee, ensuring compliance with regulatory requirements.
- Advising the Remuneration Committee on risk and control issues that may impact remuneration strategy in any given year including adjustments to individual incentives.

The Risk Committee's terms of reference
www.mandgplc.com

Membership and meeting attendance
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Dear Shareholder

As you will see from our areas of focus, this year's risk agenda has covered a broad range of topics. Particular focus continued to be on COVID-19 and effort was dedicated to embedding sustainability and ESG into our Risk Management Framework. As Chair, I have been pleased to see the diligence taken by the Committee to understand these areas, whilst still successfully managing our other responsibilities.

In January, we welcomed Peter Grewal as Chief Risk & Resilience Officer. As we expected, Peter's contribution and impact has been significant, particularly in relation to the reorganisation of the Risk and Compliance functions and enhancements to the management reporting to the Committee.

As part of the reorganisation, Peter's responsibilities were amended and his title changed to Chief Risk & Compliance Officer.

The Committee has been pleased to see further concerted effort over the year to enhance the control environment across the business. We are encouraged by the progress made, but acknowledge there is still further work required in 2022.

As a Committee, we continued with regular deep dives on key matters, as we want to support the business by monitoring the risks where it matters most. We particularly value these sessions as they allow us to meet more of the senior team around the Group and see first hand some of the day-to-day challenge between the first and second lines of defence.

Deep dives over 2021 included: Technology Transformation; Investments (Cash & Currency); Reputational Risk; Finance (Reporting & Operations); and Operational Resilience.

Given the Group's ongoing transformation initiatives, the Committee closely monitored the management of change risk across the business with regular updates from both the first and second lines of defence.

As mentioned earlier, a key priority for 2021 was embedding sustainability and ESG into all aspects of our Risk Management Framework. We expect this will be an area that will require further development and refinement in 2022 and beyond.

The Committee continues to work closely with the Audit and Remuneration Committees, and the cross-membership principles that we follow ensure conflicts are managed and all Non-Executives have the right information provided in the most efficient way. I have continued my role as Chair of the Risk Committee of PAC, which allows me a wider oversight of risk issues in the Group.

My thanks go to Robin Lawther who stepped down from the Committee on 15 March 2021. We welcomed Clare Chapman to the Committee on the same date.

Clive Adamson
Committee Chair

Review of current and emerging risks

The Committee is responsible for reviewing the Risk Management Framework, further details of which can be found on pages 70 to 83, together with a list of M&G plc's principal risks and how those risks are identified, managed and mitigated. We're satisfied that our review, and subsequent reporting to the Board, enabled the Board to carry out a robust assessment of M&G plc's emerging and principal risks.

Chief Risk & Compliance Officer

The Chief Risk & Compliance Officer (CRCO) has responsibility for the risk function and all compliance matters, and is a standing attendee at all meetings. Our CRCO ensures written reports are provided to the Committee covering key risk matters and compliance reporting.

The Chief Risk & Compliance Officer is also available to the Committee for consultation regarding any other agenda item.

Areas of focus in 2021

The Risk Committee held seven meetings during 2021: five regular scheduled meetings and two held jointly with the Audit Committee.

Risk appetite, tolerance, profile and strategy

We've reviewed regular reports from the Chief Risk & Compliance Officer (CRCO) including updates on the risk profile, key risks and issues facing M&G plc, emerging risks, M&G plc's capital and liquidity position against appetite, the control environment, and operational risks including customer, change and regulatory risks. We also received regular reports from subsidiary Board Risk Committees.

During 2021 the COVID-19 pandemic has continued to impact M&G plc and remained a key focus area of the Committee. We closely monitored heightened and emerging risks as a result of COVID-19. This included reviewing and recommending to the Board a range of economic scenarios for business planning purposes, including high inflation.

Sustainability and Environmental Social Governance (ESG) risk has also been a key area of focus. During 2021, we approved an ESG Risk Management Framework and Policy which defines M&G plc's approach to risk management in this evolving area. In addition, we oversaw the Bank of England's 2021 Climate Biennial Exploratory Scenario (CBES) exercise which analysed the financial risks related to climate change. We also reviewed a subset of the required scenarios on a full balance sheet basis as part of the Own Risk and Solvency Assessment (ORSA).

We regularly reviewed and provided advice to the Board on how the assessment and analysis of the principal financial and non-financial risks facing M&G plc were being managed. We were also provided with detailed "deep-dive" reviews and presentations from executives on key risks under their management, including LIBOR, reputational risk, and aggregate risk and control assessment reporting from Investments and Finance. In addition, we received regular updates on business transformation activities and key programmes including the enhancement of operational resilience capabilities across M&G plc.

Risk Management Framework and internal controls

As part of our annual review of the Risk Management Framework, we approved changes to it and the risk policies, as well as a revised risk taxonomy. We reviewed and recommended updates to M&G plc's financial risk appetite and individual risk limits to the Board for approval.

We also received regular updates on the progress of the Risk Management Framework and Function review. This review was initiated by the new CRCO at the beginning of 2021 to embed a further step change in risk understanding, awareness and accountability across the organisation.

In conjunction with the Audit Committee, we oversaw the continued implementation and embedding of the Integrated Control Framework. Further detail is provided in the Audit Committee Report.

Risk models and measures

In conjunction with the Audit Committee, we reviewed and approved the overall methodology and key assumptions for the Solvency II valuation, and reviewed the overall effectiveness of the M&G plc Internal Model by reviewing and approving the results of the annual programme of Solvency II Internal Model validation. We also approved the Internal Model validation plan for the forthcoming year.

We approved changes to the approach to economic capital across M&G plc, placing more focus on risks where the one-year time horizon under the Solvency II framework doesn't sufficiently support the risk and capital management of the specific risk requiring a multi-year view (e.g. climate change).

Regulatory matters

We reviewed the M&G plc ORSA and recommended its approval to the Board. In conjunction with the Audit Committee, we also reviewed regulatory and public Solvency II disclosures and recommended them to the Board for approval. In addition, we received updates on emerging regulations, regulatory risks and other regulatory matters arising during the year.

Compliance and fraud

We reviewed and approved updates to a number of policies including those relating to regulatory compliance risk, tax risk, privacy and data protection, conduct risk, market abuse and financial crime compliance.

In conjunction with the Audit Committee, we also oversaw the continued Financial Crime Compliance Transformation Programme with an objective to enhance the mitigation and management of Financial Crime risk.

Remuneration

We advised the Remuneration Committee on risk management considerations to be applied to the Remuneration Policy and performance measures including risk adjustments to the incentive pool and individual incentive packages.

Annual evaluation of Risk Committee performance

We review the effectiveness of the Committee annually using an internal questionnaire which is circulated to each Committee member. The results of the questionnaire were analysed and collated by the Chair and Company Secretary, with a report being produced and considered by all Committee members in February 2022. Outcomes arising from the report will contribute to the 2022 work plan. We will review progress against these throughout the year.

Priorities for 2022

The Committee's main priorities for 2022 are as follows:

- Monitor the ongoing impact of COVID-19 on our risk profile in both the short and longer term
- Continue to review and embed sustainability and ESG into our Risk Management Framework
- Maintain focus on the risk areas most relevant to our industry, including both financial and operational resilience
- Oversee the maintenance of a supportive risk culture across the Group
- Oversee the continued embedding of the Group's Risk Management Framework, in particular in relation to operational risk

Details of Committee members' relevant skills and experience are shown in the Governance report on pages 88 to 89.

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Statement of implementation of the Remuneration Policy in 2022
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Directors' Remuneration Report

Clare Chapman
Committee Chair

Role and responsibilities of the Remuneration Committee

Deciding the framework of the remuneration policies: establishing, approving and maintaining the principles and framework of the remuneration policies and arrangements for the Group.

Determining the design, implementation and operation of remuneration arrangements for the Chair of the Board, the Executive Directors, Group Executive Committee, individuals identified as Solvency II staff and Material Risk Takers under remuneration regulations that apply to the Group and overseeing remuneration for individuals whose total remuneration exceeds an amount determined by the Committee from time to time.

The Remuneration Committee's terms of reference
www.mandgplc.com

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Dear Shareholder

On behalf of the Board and its Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021, my first since joining the Board on 15 March 2021. This is our third report following our listing on the London Stock Exchange as a FTSE 100 company on 21 October 2019, and second full year under our Directors' Remuneration Policy, approved by shareholders on 27 May 2020.

Performance delivered in 2021

We have delivered another robust performance in 2021. We have achieved all of our major demerger commitments and in some cases have delivered them ahead of schedule. We have also made good progress towards pivoting the entire business towards sustainability. We are directing more of our customer and client assets into sustainable and impact propositions, both by launching new and transitioning existing ones.

Our financial results demonstrate our consistent strength in proactively and efficiently managing our balance sheet and our diversified sources of earnings from being an asset owner and asset manager. Our Asset Management business financial performance was stabilised during the year following a reduction in net client outflows from the retail asset management business as we reposition the business for sustainable growth and continued strong net client inflows from our institutional asset management business. Our Retail and Savings business financial performance was impacted by our Wealth business experiencing increased competitive pressure due to consolidation in the market and the move to digital post COVID-19. However, the Wealth business did benefit from higher shareholder transfers from PruFund due to upwards unit price adjustments as the financial markets improved. The Heritage business produced stable results slightly impacted by a lower benefit from management actions including longevity assumption changes.

Financial Performance in 2021

Adjusted operating profit before tax (including restructuring costs) is above the maximum performance level, reflecting the benefits of our diversified earnings from being an asset manager and asset owner. We earned a higher than planned margin on our annuity business due to favourable benefits from longevity and expense assumption changes, which offset lower than expected operating profit before tax from our Asset Management business.

We also spent less on our transformation activities in 2021 than planned due to reprioritisation as we continually balanced the benefits with the costs to achieve. The reprioritisation of the activities also led to the rephasing of benefits realisation.

Total capital generation (excluding market movements) is also above the maximum performance level, demonstrating our continued focus on delivery of management actions to protect the balance sheet. We delivered higher than planned management actions, including the release of the counterparty credit risk overlay following the Part VII transfer to Rothesay Life PLC and a release of capital due to a Major Model Change approved by the PRA.

There was a reduction in the With-Profits Fund's per policy renewal expenses to above target performance level, due to spending less on transformation activities than planned in 2021. New business expenses were below threshold due to pressure on client inflows from increased competition following consolidation in the market and shift to digital post COVID-19.

With-Profits Fund investment performance outperformed the benchmark demonstrating the benefit

Remuneration Chair statement

to policyholders of the strength and diversification of the Fund's investment approach, although the outcome was slightly below our target. 84% of institutional funds outperformed their benchmark/objective to deliver a maximum outcome, whilst improving retail investment performance resulted in an outcome above the threshold requirement.

Non-financial performance

We made great strides in digital enablement during the year as we increased the breadth and quality of our range of digital services for customers across multiple brands to deliver an outcome just below maximum. This included changes to support vulnerable customers, and making financial guidance and advice more accessible. NPS and Complaints deteriorated through 2021 as a result of service level disruption from operational changes to modernise the business, which were exacerbated by lockdown restrictions. This resulted in both measures being below threshold. We have implemented a plan to return service levels to those expected by our customers, and new complaint volumes are now starting to fall.

Every year, our One Voice employee opinion survey tracks what our people think of life at M&G, showing us what we are getting right and where we can improve. Despite the enormous challenges of the last 12 months, our engagement scores largely stabilised relative to 2020. Sustainable Engagement was again positive at 75%, albeit lower than the 2020 outcome, resulting in threshold performance. The continued impact of organisational and transformational change on the workforce was a key factor in 2021 results, as was our approach to both the COVID-19 pandemic and future ways of working.

Following work undertaken in 2020, the culture programme remained a key priority in 2021, with a focus on embedding our culture through the induction process and sessions for our current employees and managers, as well as the implementation and continuing refinement of a culture dashboard. Initiatives such as our annual employee opinion survey, town hall events, the colleague forum, Q&A sessions with leaders and a culture diagnostic exercise have all helped to shape the next phase of work for our culture programme.

The 75% outcome reflects the significant progress that has been made, but there is still much to do.

In addition we remained on track to meet our 2025 strategic diversity objective to have 40% female representation within the leadership team by achieving 35% female representation at the end of 2021, well above the 30% target set in our 2019 LTIP scorecard.

Significant progress has been made in creating and embedding the Integrated Control Framework and Group Risk and Compliance tools which have resulted in improving trends in the risk and control environment. This includes reducing the number of overdue high and very high assurance issues, increasing the proportion of self-identified issues and general improvements to the RCSA process, although the proportion of high/very high issues overdue did not meet the threshold performance requirement in 2021. There will be continued focus to deliver the future target state of a mature and embedded control framework across the business in 2022.

The performance indicators driving the outcomes of the incentive plans vesting at the end of 2021 were as follows:

The 2021 Short-Term Incentive (STI) delivered an outcome of 70.15% of maximum opportunity for both Executive Directors (compared to an outcome of 59.4% in 2020). The outcome was the result of the following performance:

	Measure	Performance	Vesting (Max)
Financial Measures	– Adjusted operating profit, including restructuring costs	£575m – above maximum	54.1% (60%)
	– Total capital generation, excluding market movements	£905m – above maximum	
	– With-Profits renewal expense per policy	£90 – above target	
	– With-Profits new business expense	2.49% – below threshold	
Investment Performance	– With-Profits Fund (versus benchmark)	0.29% – above threshold	3.6% (10%)
	– Institutional (above benchmark)	84.5% – above maximum	
	– Retail (above benchmark)	53.1% – above threshold	
Customer Outcomes	– Digital enablement	35.7% – above target	3.0% (10%)
	– NPS	3 – below threshold	
	– Customer complaints	4.4 – below threshold	
People Measures	– Sustainable engagement	75% – at threshold	3.8% (10%)
	– Culture programme	75% – above target	
Risk & Controls	– % high/very high issues overdue	18% – below threshold	5.6% (10%)
	– Proportion self-identified issues of total	68% – above target	
	– % RCSA overdue	0.39% – above maximum	

The 2019 Long-Term Incentive Plan (LTIP) awards covered the period 2019 to 2021 and will vest at 52.6% for the Chief Executive and 41.3% for the Chief Financial Officer (compared to the 2018 LTIP vesting of 59.6% and 82.4% in 2020). The difference in outcomes for the Executive Directors is a result of the different performance measures in their LTIP scorecards, which reflected their roles within the Prudential plc group at the time of grant.

	Measure	Performance	Vesting (Max)
Chief Executive	– Total shareholder return (TSR)	55th percentile – above threshold	27.6% (75%)
	Sustainability Scorecard: – Total capital generation – Diversity – Conduct/culture/governance	 £4,326m – above maximum 35% – above maximum Full achievement – maximum outcome	25% (25%)
Chief Financial Officer	– Adjusted operating profit including restructuring costs	£2,294.5m – above threshold	21.3% (80%)
	Sustainability Scorecard: – Total capital generation – Diversity – Conduct/culture/governance	 £4,326m – above maximum 35% – above maximum Full achievement – maximum outcome	20% (20%)

The primary measure for the Chief Executive was relative TSR, with a 75% weighting. Prior to demerger in October 2019, Prudential plc TSR was below the median of the peer group, however M&G plc TSR performance was materially above the median for the remaining period to 31 December 2021. This resulted in combined performance at the 55th percentile, above the threshold.

The primary measure for the Chief Financial Officer was adjusted operating profit (including restructuring costs), with an 80% weighting. The Committee acknowledged that this was a very stretching target as it was based on a business plan determined and adopted in late 2018 prior to the planning for the demerger of the business from Prudential plc. It therefore did not make a provision for a number of additional costs that were to be incurred by the business as a result of the demerger. These costs were identified and incorporated into a subsequent business plan adopted in 2019 that was more reflective of the goals and strategic direction of M&G as a separate listed entity.

Following a thorough review of the two business plans to determine which elements of the original business plan had specifically changed purely as a result of the demerger, the Committee concluded that a downward adjustment of £171.6m (6.3%) to the profit target would be appropriate to avoid an unfair disadvantage for LTIP participants with this measure. This adjustment resulted in 26.7% of the profit measure component of the scorecard vesting and increased the overall outcome of the LTIP awards for the Chief Financial Officer (and other participants in the relevant LTIP) from 20% to 41.3% of maximum.

The Committee does not take the decision to amend incentive performance conditions lightly, and would only do so in truly exceptional circumstances. However, it is satisfied that this adjustment is reasonable in the context of performance delivered over the period and that it delivered a fair and proportionate outcome for participants, including Clare Bousfield, who was the Chief Financial Officer, but stepped down from the Board with effect from 1 October 2021 to assume the role of Managing Director of our Retail and Savings business

It was also satisfied that the rationale to amend performance conditions met the requirements of the Directors' Remuneration Policy and relevant scheme rules, in that there had been a material change in circumstances from when the original targets had been established and that the amended condition was not materially less challenging to achieve.

We would also like to thank the shareholders with whom we consulted with regards to the proposed adjustment for their views.

Further details of the adjustment applied and its impact on the outcome of the award are provided in the main section of the report.

The remainder of each award comprised a balanced scorecard of capital generation, diversity and conduct measures. Capital generation and diversity both performed above the maximum levels. The Committee took consideration of a report from the Chief Risk and Compliance Officer, with oversight and approval from the Risk Committee, in respect of the conduct/culture measure.

This confirmed that there were no significant capital add-ons or material fines during the performance period requiring a reduction to the outcome.

In determining the appropriateness of the 2021 variable incentive outcomes, the Committee also considered a number of factors, including the experience for M&G's shareholders, for whom TSR returns were above the FTSE 100 Index and the median of the FTSE 100 Financial Services peer group over the period; the experience of M&G's employees in terms of the alignment of remuneration outcomes and continuing focus on inclusion and well-being initiatives; and the risk and conduct performance of the business, taking consideration of a report from the Risk Committee and Chief Risk and Compliance Officer.

Taking all of the above into consideration, including the adjustment made to the Adjusted Operating Profit target, the Committee considered the outcomes of the 2021 incentives for Executive Directors to be appropriate. Further details of the incentive schemes and outcomes are provided in the single figure section of the report.

Consideration of pay and conditions across the wider workforce

The Committee takes careful consideration of pay and conditions for the wider workforce in the normal course of its duties. This is also a key input when determining salary reviews and incentive outcomes for the Executive Directors. The key indicators considered by the Committee as part of its 2021 year-end decision making included:

- The Chief Executive Total Remuneration Ratio, which was 52:1 in 2021 at median (compared to 45:1 in 2020 and 58:1 in 2019);
- The year-on-year percentage change in incentive and total remuneration outcomes for 2021 for the Executive Directors were significantly lower than the increases for the average employee; and
- The salary increase budget of 4% in 2022 across the UK workforce, which was split to a 4.25% budget for the majority of the workforce and 3% for those in more senior management positions.

These indicators gave the Committee assurance that the incentive outcomes and trends in total remuneration for the Executive Directors were fair and reasonable when compared to wider workforce experience over the period, noting that outputs such as the Chief Executive pay ratio would be subject to some volatility over a period where restructuring, including acquisition activity, impacts the demographics of our wider workforce.

Diversity and inclusion is one of our two strategic sustainability priorities, along with climate change. In July 2021, we were proud to become the first business in our sector to publish pay gap data inclusive of ethnicity for both 2020 and 2021, providing greater transparency to the commitments made in our diversity and inclusion strategy. We are committed to achieving year-on-year improvement in the representation of gender and ethnicity in senior leadership roles with goals of 40% women and 20% ethnicity by 2025. While we recognise that there remains significant work to do, we are pleased to report good progress and a positive year-on-year improvement in both gender and ethnicity pay gaps.

Change in Chief Financial Officer and plc Board Chair positions

Clare Bousfield stepped down from the Board with effect from 1 October 2021 and transitioned into the role of Managing Director of our Retail & Savings business, for which Clare continued to receive salary and benefits reflective of her new role. Clare's 2021 bonus and 2019 LTIP awards shown within this report reflect her period of service as Chief Financial Officer up until 1 October 2021. There are no other awards or payments connected with Clare stepping down from the Board.

In January we announced the appointment of Kathryn McLeland as Chief Financial Officer and that she would be joining M&G plc in May, subject to regulatory approval. Kathryn will receive a base salary of £580,000 (4% higher than the package that applied to Clare Bousfield in 2021), standard pension in line with the wider workforce and maximum incentive opportunity in line with her predecessor in the role, 225% of base salary for both the STI and LTIP awards. Kathryn's 2022 STI will be pro-rated to the May 2022 start date. There are no other awards or payments connected with Kathryn's appointment.

We were also delighted to announce our new Board Chair on 24 February 2022. As explained in the implementation section of the report, the fee that will apply from Edward Braham's appointment date of 14 March 2022 will be £525,000 per annum (compared to £450,000 per annum for the previous Chair). In line with the Policy, private healthcare will also be provided for himself and his spouse/partner.

Taking consideration of external benchmarking and independent advice, the Committee is satisfied that these packages are appropriate for the significant strengths and experience that Kathryn and Edward will bring to these roles. The Committee was also mindful of the anticipated time commitment for the Chair and that this fee had not been reviewed since the previous incumbent had been appointed in 2018. Full details of the packages are provided on pages 144 and 146.

Implementation of the policy in 2022

Fixed Remuneration

The Committee approved a salary increase of 3% for the Chief Executive in 2022. This was the first increase to apply since the package was reviewed in 2019 in anticipation of the demerger from Prudential plc. The Committee considered external market benchmark data and the experience of the wider workforce, for whom a 4% budget was operated in 2022.

As indicated in the 2020 report, the Chief Executive consulted with the Committee on a review of his car/driver benefit during 2021. The review was completed and an alternative outsourced driver service implemented from 1 July 2021. As is evidenced by our 2021 single figure disclosure, this review has resulted in a significant reduction in the cost of the benefit. The full-year reduction in costs will be recognised in 2022.

Incentive plan measures for 2022

Following a number of changes to the incentive plan scorecard measures in 2021, there will only be minor changes applied in 2022. The Committee carefully considered how effectively the scorecards aligned to our strategic priorities and key focus areas. Further details on this alignment is provided in the "Rationale for measures and link to strategy" section of this report.

In determining the 2022 incentive scorecards, we have again sought to ensure that all underlying measures have clear and transparent targets and performance tracking methodology, aligned to key priorities for the Company.

The 2022 STI scorecard will continue to have:

- 70% financial weighting with measures aligned to profit, capital generation, With-Profits Fund expense management and investment performance, with no change to their respective weightings; and
- 30% non-financial weighting with measures aligned to customer and people outcomes and risk/controls, equally weighted at 10%.

The underlying non-financial measures will directly align with our 2022 priorities to improve the quality of customer service, continue to strengthen our culture and respond to colleague feedback, and further embed the focus on the timely and effective closure of assurance issues and a culture of self-identifying issues.

There are no changes to the 2022 LTIP scorecard, which will continue to have:

- 75% financial weighting (including TSR) comprising Operating Capital Generation (50%) and TSR ranking within a peer group of FTSE 100 financial services companies (25%); and
- 25% non-financial weighting with measures aligned to Risk and Conduct, Diversity and Sustainability.

In 2021 we reported that we were changing the capital measure from total capital generation to operating capital generation. The Committee concluded that it is appropriate to retain operating capital generation in the 2022 LTIP as it provides continuity of target setting, aligns with our external targets and is reflective of performance that is within management's control to deliver.

ESG is central to our strategic priorities and we have therefore retained the same non-financial measures with updated targets to the end of 2024 that align with the progress required to achieve our 2025 diversity target of 40% and net zero carbon emissions for our own operations by 2030.

As indicated in our previous report, new regulatory requirements under the Investment Firms Prudential Regime will apply to the Company from 1 January 2022. As anticipated, the regulations have not required us to make any immediate changes to the operation of the Policy for the Executive Directors. The Committee will keep this position under review as the regime has different tiers of requirements that may become applicable to the Company in the future.

Looking ahead

Our Directors' Remuneration Policy is scheduled for renewal and shareholder vote at the 2023 AGM. The Committee will carefully consider how the policy and its implementation may need to be refined to ensure we have appropriate alignment to our strategic priorities and the purpose, values and behaviours that underpin One M&G. Simplicity and transparency of design and outcomes will also be a key focus of the review.

We will complete this review during 2022 and are committed to a full and transparent consultation with our regulators and shareholders on any changes and will take full consideration of feedback received before finalising the proposals.

To close, the Committee was happy with the level of shareholder support at the 2021 AGM, with a 93.6% vote in favour of our 2020 remuneration report. On behalf of the Remuneration Committee, I would like to thank you again and look forward to your continued support at the upcoming AGM.

Clare Chapman
Remuneration Committee Chair

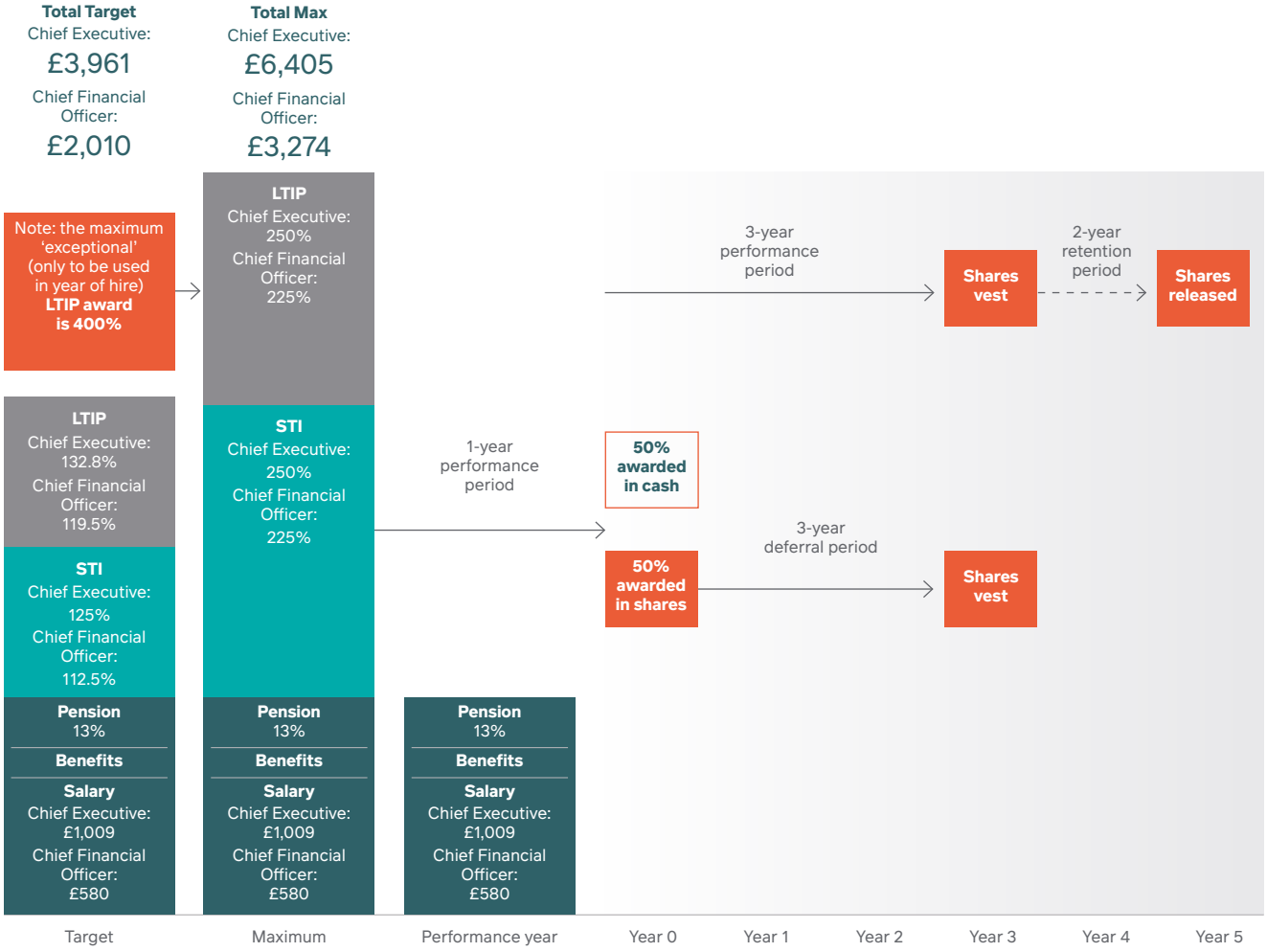
Remuneration at a glance

This section provides an overview of the remuneration outcomes for our Executive Directors in 2021, the Directors' Remuneration Policy and implementation decisions for 2022. Through our implementation and operation of the policy we ensure that:

Clarity	Remuneration packages are appropriately positioned relative to the scope and complexity of the roles and relevant market benchmarks to attract, retain and motivate executives with the required skills and experience to deliver our strategic objectives;
Simplicity	Simple and transparent incentives provide clear alignment of objectives and performance with our financial and non-financial strategic priorities;
Risk	A strong focus on adherence to our risk management policies and appetite limits to ensure performance is delivered in the long-term interests of the Company, customers and shareholders;
Predictability	Balancing the interest of shareholders and customers through the combination of performance measures adopted in the incentive schemes that mitigate the risk of conflicts of interest; Strong alignment between remuneration and the long-term interests of the Company through a significant proportion of executive packages being delivered in shares for three to five years, a shareholding requirement policy and two-year post-employment shareholding requirement policy;
Aligned to our purpose, culture and values	Key focus on positive customer outcomes and quality of customer engagement; Support for the Group's purpose and values to build a safe, respectful and inclusive culture through remuneration policies and schemes that promote and reward good conduct and behaviours for the benefit of our customers and colleagues; and Promotion of a positive culture for employees and customers with demonstrable alignment to remuneration outcomes where our standards for conduct and behaviours are not met, including a robust individual performance assessment process and malus and clawback policy.

Overview of the Directors' Remuneration Policy

The following chart shows the operation of the key elements of our Directors' Remuneration Policy approved by shareholders at our 2020 AGM. Summary details of the Policy are provided in the next section (all amounts in £'000). The charts detail the remuneration arrangements proposed for our incoming Chief Financial Officer, Kathryn McLeland.



Summary of the Directors' Remuneration Policy and 2022 implementation

2022 implementation figures include the remuneration arrangements that will apply to Kathryn McLeland upon her joining the Board as Chief Financial Officer in May 2022, subject to regulatory approval.

Remuneration element and time horizon	2020 Policy summary	2022 Implementation

Base Pay

Operation

Reviewed annually – any increases take effect from 1 April each year.

Opportunity

There are no prescribed maximum salary levels. The Committee considers a range of internal and external factors to ensure that base salaries are appropriate.

Performance

Individual and Company performance will be taken into consideration.

	Effective 1 April 2022 £	Effective 1 April 2021 £	% increase
John Foley	1,009,400	980,000	3.0%
Kathryn McLeland	580,000		n/a
Wider workforce 2022 (budget)			4.0% (4.25% below senior leader level)

Benefits

Operation

Reviewed periodically against market practice taking consideration of benefits offered to colleagues across the Company.

Opportunity

Where applicable, maximum levels are prescribed by the terms of the benefit provider or HMRC limits. Costs are monitored to ensure they remain reasonable for the benefit/service provided.

Performance

There are no performance measures.

- Life, disability and critical illness insurance
- Private health insurance (including spouse and dependants) and annual health assessment
- Eligibility to participate in the Company Sharesave and Share Incentive Plan (SIP)
- The Chief Executive has grandfathered entitlement to a car service, international medical cover and security costs from employment with Prudential plc

Pension

Operation

Defined contribution pension participation or cash in lieu.

Opportunity

13% of base salary per annum, aligned with the wider workforce.

Performance

There are no performance measures.

	Contribution 2022	Contribution 2021
John Foley	13%	13%
Kathryn McLeland	13%	n/a

Remuneration element and time horizon	2020 Policy summary	2022 Implementation
Short-term incentives (STI)	**Operation** An annual incentive award subject to performance conditions assessed at the end of the calendar year. Performance outcomes are subject to a discretionary downward risk adjustment. 50% of any STI payable is deferred into shares with a three-year vesting period. Malus and/or clawback provisions apply to cash and deferred STI. **Opportunity** Up to a maximum of 250% of base salary, subject to performance. A threshold, target and maximum performance level is established for each award with a 0% outcome for threshold performance and 50% outcome for target performance. **Performance** Performance scorecards comprise a combination of financial and non-financial measures aligned to the Company's strategic objectives and financial goals. Financial measures must comprise a minimum of 50% of the scorecard.	Financial measures comprise 70% and non-financial measures 30% of the 2022 STI scorecard (see page 145 for details). There were no changes to target and maximum STI opportunity as a % of base salary for 2022: Target STI % 2022 / Maximum STI % 2022 John Foley: 125% / 250% Kathryn McLeland: 112.5% / 225%
Long-term incentives (LTIP)	**Operation** LTIP awards over M&G plc shares are normally granted annually subject to performance conditions assessed at the end of a three-year performance period. Vested shares are subject to a two-year holding period. Performance outcomes are subject to a discretionary downward risk adjustment. Malus and clawback provisions apply to the awards over the five-year period. **Opportunity** Up to a maximum of 250% of base salary, subject to performance. Threshold, target and maximum performance levels are established for each award. **Performance** Performance scorecards comprise a combination of financial and non-financial measures aligned to the Company's strategic objectives and financial goals. Financial measures (including TSR) must comprise a minimum of 75% of the scorecard.	Financial measures comprise 50% cumulative operating capital generation and 25% relative TSR. Non-financial measures constitute 25% of the 2022 LTIP scorecard (see page 146 for details). There were no changes to maximum LTIP opportunity as a % of base salary for 2022: Maximum LTIP % 2022 John Foley: 250% Kathryn McLeland: 225% In this report the term 'LTIP' refers to awards granted under both the Prudential Long Term Incentive Plan until 2019 and the M&G Performance Share Plan from 2020 onwards.

Shareholding requirements

The Chief Executive and Chief Financial Officer must attain a shareholding requirement of 300% and 200% of base salary respectively within five years. Vested shares, after the sale of shares to fund tax liabilities, must be held until the requirement is met (unless there are exceptional circumstances). Unvested shares not subject to performance conditions count towards the requirement on a net-of-tax basis. In addition, shares subject to the shareholding requirement must be held in full for two years post-employment.

The shareholdings for the Chief Executive as at 31 December 2021 were as follows. Holdings for Clare Bousfield are shown as at 1 October 2021, the date upon which she stepped down from the Board.

Name	Guidelines	Shares as a % of salary
John Foley	300% of base salary	418.7%
Clare Bousfield	200% of base salary	165.2%

2021 Performance outcomes

The performance scorecard for the 2021 STI was the same for the Executive Directors. For the 2019 LTIP the performance scorecards were different, as explained in detail in the annual report on remuneration from page 130. Outcomes are included for Clare Bousfield in consideration of her role as Chief Financial Officer up to 1 October 2021.

Taking into account a range of factors, the Committee was satisfied that the STI Plan had operated as intended and no adjustments were applied to the formulaic outcomes for Executive Directors.

With respect to the vesting of the 2019 LTIP for the Chief Financial Officer, the Committee exercised discretion to adjust the profit target from that originally disclosed in the 2019 Directors' Remuneration Report by £171.6m (from £2,690m to £2,518m) to reflect that the original business plan on which the target was based did not make provision for a number of additional costs that were to be incurred by the business as a result of the demerger from Prudential plc in October 2019. As a result the LTIP vesting level for the Chief Financial Officer increased from 20% to 41.3% of maximum. The Committee was satisfied that this adjustment was reasonable and that in the context of performance delivered has resulted in a fair and proportionate outcome for all LTIP participants subject to this measure, including the Chief Financial Officer. Further detail is provided in the Remuneration Chair Statement and on page 135.

The Chief Executive is not subject to a profit measure under the 2019 LTIP and no adjustment has been applied to the formulaic outcome that applies to him. The component and total outcomes of the scorecards were as follows:

2021 STI – % of maximum opportunity

		Financial Measures	Non-Financial Measures	Overall STI Outcome
John Foley	2021	82.5%	41.4%	70.15%
	2020	64.0%	48.7%	59.4%
Clare Bousfield	2021	82.5%	41.4%	70.15%
	2020	64.0%	48.7%	59.4%

2019 LTIP – % of maximum opportunity

		Financial Measures (excl. TSR)	TSR	Capital, Conduct and People Measures	Overall LTIP Outcome
John Foley	2021 *(2019 LTIP)*	n/a	36.8%	100.0%	52.6%
	2020 *(2018 LTIP)*	69.8%	0.0%	98.8%	59.6%
Clare Bousfield	2021 *(2019 LTIP)*	26.7%	n/a	100.0%	41.3%
	2020 *(2018 LTIP)*	78.4%	n/a	98.8%	82.4%

Remuneration outcomes

The Executive Directors' 2021 single figure earnings are summarised below (with prior year for comparison):

		Fixed Remuneration £'000	STI £'000	LTIP £'000	Total (incl "Other") £'000
2021	John Foley	1,325	1,719	1,432	4,476
2020	John Foley	1,427	1,455	1,154	4,036
2021	Clare Bousfield	477	661	656	1,795
2020	Clare Bousfield	634	746	384	1,765

- Fixed remuneration includes salary, benefits and pension.
- 2021 single figure earnings for Clare Bousfield reflect her period of service as Chief Financial Officer until 1 October 2021.
- STI includes both the cash and deferred elements of the STI awarded. LTIP shows the vesting proceeds from awards granted in 2019 for the performance period ending 31 December 2021 (and granted in 2018 for the 2020 value, which has been updated to reflect the actual share price at vesting).
- 'Other' is the value of matching shares received on share purchases made through the company's All Share Incentive Plan.

Full details of the single figure methodology and incentive plan scorecards can be found in the annual report on remuneration from page 130.

Rationale for measures and link to strategy

The performance scorecards for short and long-term incentive awards are reviewed annually to ensure they effectively align the Executive Directors' remuneration to the Group's strategic objectives, financial goals, culture and values. We use a combination of financial and non-financial measures in the scorecards to ensure we have an appropriate balance between what performance has been delivered and how that performance has been delivered. Following a number of changes to the incentive plan scorecard measures in 2021, there will only be minor changes applied in 2022. The Committee carefully considered how effectively the scorecards aligned to our strategic priorities and key focus areas. The Committee was also mindful that our remuneration policy is subject to its three-year renewal and shareholder vote at the 2023 AGM, which will require a full review of the policy and how it is implemented, which is being undertaken during 2022.

Performance measures

The performance conditions may comprise a combination of financial and non-financial measures, with financial measures comprising at least 50% for STI and at least 75% (including TSR) for the LTIP. The 2022 STI scorecard will continue to have:

- 70% financial weighting with measures aligned to profit, capital generation, With-Profits Fund expense management and investment performance, with no change to their respective weightings; and
- 30% non-financial weighting with equally weighted measures aligned to customer and people outcomes and risk/controls.

There are no changes to the 2022 LTIP scorecard which will continue to have:

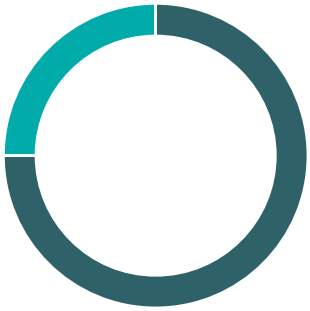
- 75% financial weighting (including TSR) comprising Operating Capital Generation (50%) and TSR ranking within a peer group of FTSE 100 financial services companies (25%); and
- 25% non-financial weighting with measures aligned to Risk and Conduct, Diversity and Sustainability.

In determining the 2022 incentive scorecards, we have again sought to ensure that all underlying measures have clear and transparent targets and performance tracking methodology, aligned to key priorities for the Company. The performance conditions and weighting for 2022 are illustrated below:

STI

Financial	70%
Total capital generation, excluding market movements	30%
Adjusted operating profit before tax including restructuring costs	20%
With-profits expenses	10%
Investment performance	10%
Non-financial	30%
Customer	10%
People	10%
Risk and controls	10%

LTIP



Financial	75%
Cumulative operating capital generation	50%
Relative total shareholder return	25%
Non-financial	25%
Risk and Conduct	10%
People (Diversity)	7.5%
Sustainability	7.5%

2022 Financial measures

Total capital generation excluding market movements (short-term incentives)

Total capital generation (defined on page 301) is a key performance measure and represents the change in surplus capital during the period before dividends and other capital movements. We consider it to be integral to the management of the business and decisions on capital allocation and investment, and ultimately our dividend policy. The Remuneration Committee believes it is appropriate to exclude the impact of market movements when determining the outcome of short-term incentives. Total capital generation includes restructuring costs. The successful delivery of the transformation activities in the short-term is key to the success of our strategy, and the Remuneration Committee therefore felt it appropriate for restructuring costs to be included for determining the short-term incentive outcomes.

Adjusted operating profit before tax including restructuring costs (short-term incentives)

Adjusted operating profit before tax (defined on page 301) is the Group's non-GAAP alternative performance measure used to demonstrate the longer-term performance of the Group as it is less affected by short-term market volatility and non-recurring items than IFRS profit before tax. Adjusted operating profit before tax is IFRS profit before tax excluding short-term fluctuations from investment returns, profit/(loss) on disposal of businesses and corporate transactions, restructuring and other costs, and profit/(loss) before tax from discontinued operations. Restructuring costs have been included in this measure for the same rationale as outlined above for total capital generation excluding market movements.

With-profits expense measures (short-term incentives)

The With-Profits Fund is an integral part of the business to both the Retail and Savings and Asset Management segments. It is included in the short-term incentive scorecard to ensure there is an appropriate balance between the interests of shareholders and policyholders. This is represented by two measures: With-Profits renewal expenses per policy and With-Profits new business expenses as a percentage of flows.

Investment performance measures (short-term incentives)

Strong investment performance is key to the successful execution of our strategy and delivering good customer outcomes. This is represented by three measures: With-Profits Fund investment performance and investment performance of our retail and institutional funds.

Cumulative operating capital generation (long-term incentives)

Operating capital generation (defined on page 301) is a key performance measure which is less affected by short-term market volatility and other non-recurring items than total capital generation, and is representative of the long-term capital generation of the business. In 2021 we reported that we were changing the LTIP capital measure from total capital generation to operating capital generation. The Committee concluded that it is appropriate to retain operating capital generation in the 2022 LTIP as it provides continuity of target setting, aligns with our external targets and is reflective of performance that is within management's control to deliver.

Relative total shareholder return (long-term incentives)

A long-term measure that ensures direct alignment of remuneration outcomes to shareholder experience relative to shareholders of FTSE 100 financial services companies (excluding investment trusts).

2022 Non-financial measures

Across the short and long-term incentive plans we have non-financial measures aligned to key strategic priorities:

- Two Customer measures that use client feedback leveraged from independent studies that allow us to understand client sentiment about our brands and our position against competitors: (a) for Retail and Savings customers, a measure aligned to addressing and improving our customer net promoter score and; (b) for Asset Management customers, a measure that assesses the level of trust in the M&G Investments brand.
- Sustainability measure aligned to our pledge to reduce our own carbon emissions to net zero by 2030.
- People measures aligned to our stretching long-term diversity target and embedding our culture.
- Risk and Conduct measures aligned to our commitment to operate within an embedded risk culture and strong risk governance framework.

Link to strategic priorities

Metric	1 **One M&G** Realise collaboration synergies and embed ESG	2 **Revitalise UK** Reinvigorate in our target market	3 **Expand Institutional** Broaden capabilities and internationalise	4 **Grow Europe** Build on partnership approach	5 **Build International** Focused expansion in Asia, the Americas and Africa	6 **Protect Heritage** Improve customer outcomes and increase resilience	7 **Active Capital Management and Operational Efficiency** Proactively manage for all stakeholders
Capital generation	●	●	●	●	●	●	●
Adjusted operating profit before tax including restructuring costs	●	●	●	●	●	●	●
With-Profits expense measures	○	●	○	○	○	●	●
Investment performance	○	●	●	●	●	●	○
Non-financial measures	●	●	●	●	●	●	○

Relative total shareholder return aligns the Executive Directors to the experience of shareholders. However, as a Group-level metric it does not apply to the individual strategy priorities and has therefore been excluded from the Link to strategy priorities table.

More on our strategy
Pages 17-24

Annual report on remuneration

Single figure remuneration

In this section

- Single figure total remuneration table (Audited)
- Single figure remuneration – Base salary (Audited)
- Single figure remuneration – Benefits (Audited)
- Single figure remuneration – Pension (Audited)
- Single figure remuneration – Short Term Incentives (STI) (Audited)
- Single figure remuneration – Long Term Incentive Plan (LTIP) vesting in year (Audited)
- Single figure remuneration – Other (Audited)
- Unvested share awards at time of demerger
- Total shareholder return performance graph and Chief Executive pay
- Non-Executive Director single figure total remuneration table (Audited)

Single figure total remuneration table (Audited)

The following table provides the 2021 single figure remuneration for the Executive Directors, with prior year for comparison.

Year	Executive Director	Base Salary £'000	Benefits £'000	Pension £'000	Total fixed remuneration £'000	STI £'000	LTIP £'000	Other £'000	Total variable remuneration £'000	Total £'000
2021	John Foley	980	218	127	1,325	1,719	1,432	–	3,151	4,476
2020	John Foley	980	320	127	1,427	1,455	1,154	–	2,609	4,036
2021	Clare Bousfield	419	4	54	477	661	656	1	1,318	1,795
2020	Clare Bousfield	556	6	72	634	746	384	1	1,131	1,765

Notes to the single figure table

- 2021 base salary and benefits for Clare Bousfield reflect her period of service as Chief Financial Officer up until 1 October 2021.
- STI includes both cash and deferred shares components. For Clare Bousfield the value reflects the STI earned for her period of service as Chief Financial Officer.
- The Other category for Clare Bousfield relates to the value of matching shares received on share purchases made through the company SIP.
- The 2019 LTIP awards vesting in 2022 in respect of the performance period ending 31 December 2021 reflect legacy Prudential plc incentive awards rather than the current M&G plc Remuneration Policy approved by shareholders in 2020. The outcome of these awards has been calculated on the basis of the measures and methodology explained in the 2019 Annual Report and on pages 132 to 135 of this report.
- For Clare Bousfield the 2019 LTIP vesting value in respect to 2021 has been pro-rated for 33 over the 36-month performance period to reflect the 1 October 2021 date on which she stepped down from the Board.
- The price used to calculate the value of the M&G plc shares for the 2019 LTIP is £1.9707, using an average of the closing price for the final three months of 2021. The actual share price and vesting value will be determined upon vesting and disclosed in the 2022 Annual Report.
- The 2018 LTIP vesting figures reported in the 2020 single figure now reflect the actual vesting price of the shares, which vested on 1 April 2021 at £2.0761 per share. The values previously included in the 2020 report were calculated using an average of the closing price for the final three months of 2020 (£1.7910).

Single figure remuneration – Base salary (Audited)

The base salaries for the Executive Directors were reviewed in 2021 and no increases granted. A budget of 2.0% applied to the wider workforce in 2021.

Single figure remuneration – Benefits (Audited)

Benefits include the total value of all benefits provided in respect of the year ended 31 December 2021. These comprise life, ill-health and critical illness insurance, private medical cover and eligibility for health assessments. In accordance with the Remuneration Policy, John Foley has also retained a number of legacy taxable benefits offered as a Director of Prudential plc, comprising private international healthcare for him and his family, home security support and use of a car service, with values inclusive of tax paid by the Company.

As was indicated in the 2020 Annual Report, the Chief Executive, in consultation with the Committee, reviewed the in-house car/driver service during 2021 in order to materially reduce the cost of the taxable benefit arising. With effect from 1 July 2021 this service was replaced with a fully outsourced arrangement, materially reducing the cost of this benefit. The 2021 cost therefore represents six months of the previous in-house service and six months of the outsourced service.

	John Foley		Clare Bousfield	
	2021 £'000	2020 £'000	**2021[1] £'000**	2020 £'000
Car/driver	**154**	250	**n/a**	n/a
Security costs	**2**	4	**n/a**	n/a
International healthcare	**51**	51	**n/a**	n/a
Healthcare and insurances	**11**	15	**4**	6
Total	**218**	320	**4**	6

i For Clare Bousfield the 2021 benefits are pro-rated to reflect her period of service as Chief Financial Officer until 1 October 2021.

Single figure remuneration – Pension (Audited)

Executive Directors receive a 13% employer pension contribution which they may receive in part or in full in cash. The contribution rate and delivery options are in line with other employees who participate in the Company's defined contribution pension plan. Executive Directors are not accruing benefits under the Company's legacy defined benefit pension plans.

Single figure remuneration – Short-Term Incentive (Audited)

For the purposes of determining the 2021 STI outcome, the Remuneration Committee assessed the performance of the Company and the individuals by reference to the 2021 STI scorecard, which included a combination of financial and non-financial measures, as follows:

2021 Executive Director STI scorecard outcome

	2021 STI Scorecard	Weighting	Threshold 0%	Target 50%	Maximum 100%	Actual	Outcome	Weighted Outcome
Financial	Adjusted operating profit before tax including restructuring costs (£m)	20%	384	452	520	575	100.0%	20.0%
	Total capital generation excluding market movements (£m)	30%	382	449	516	905	100.0%	30.0%
	With-Profits renewal expense per policy	5.0%	106	97	87	90	83.0%	4.14%
	With-Profits new business expense as % of flows	5.0%	2.31%	2.10%	1.89%	2.49%	0.0%	0.0%
	With-Profits Fund investment performance (three-year)	5.0%	0%	1%	3%	0.29%	14.3%	0.72%
	Investment performance of Retail Funds relative to benchmark (one and three-year)	2.5%	50%	60%	70%	53.1%	15.6%	0.39%
	Investment performance of Institutional Funds relative to benchmark (one and three-year)	2.5%	50%	60%	70%	84.5%	100.0%	2.5%
Non-financial	Customer – digital adoption	3.33%	30.30%	33.30%	36.30%	35.75%	90.0%	3.0%
	Customer – UK net promoter score	3.33%	9	11	13	3	0.0%	0.0%
	Customer – complaints ratio	3.33%	3.40	3.25	3.10	4.4	0.0%	0.0%
	People – culture	5.00%		Qualitative		75%	75.0%	3.75%
	People – sustainable engagement index	5.00%	75.0%	80.0%	82.0%	75%	0.0%	0.0%
	Risk and Controls – % high/very high assurance issues overdue at year-end	3.33%	10%	5%	0%	18%	0.0%	0.0%
	Risk and Controls – % self identified of total assurance issues raised	3.33%	50%	60%	80%	68%	70.0%	2.33%
	Risk and Controls – % overdue RCSA of total	3.33%	10%	5%	2%	0.39%	100%	3.33%
	Total							70.15%

Definitions

Definitions and further details of the above measures are provided on page 147.

Consideration of individual performance

The Committee considered performance assessments for the Executive Directors and concluded that the formulaic outcome of the STI was appropriate in the context of their personal contribution over the performance period.

Consideration of risk

The Committee received an independent review of the control environment and risk issues by the Chief Risk and Compliance Officer, as well as input from the Risk Committee and the subsidiary boards for PAC and MGG. The Committee noted the significant progress and the initiatives delivered in improving the risk and control environment, whilst noting that further improvement is expected. Taking the above into consideration, the Committee considered it appropriate to make no adjustments to the formulaic outcome of the 2021 STI for the Executive Directors.

Deferral policy

50% of any STI amount awarded is deferred for three years in M&G plc shares, subject to continued employment, good leaver and malus provisions. Dividend equivalents accrue on a reinvestment basis during the vesting period.

STI opportunity and outcome

The maximum STI opportunity for the Chief Executive and Chief Financial Officer remained unchanged at 250% of base salary and 225% of base salary respectively for 2021. The STI amounts in the single figure table reflect awards to be delivered in 2022 in respect of 2021 performance, inclusive of both the cash and deferred elements as follows:

Executive Director	Maximum STI Opportunity £'000	Total STI Outcome £'000	Cash STI £'000	Deferred STI £'000
John Foley	2,450	1,719	859	859
Clare Bousfield[i]	942	661	330	330

i The opportunity and outcomes for Clare Bousfield are shown for her period of service as Chief Financial Officer in 2021.

Single figure remuneration – LTIP vesting in year (Audited)

LTIP awards that were granted in 2019 under the Prudential plc Long-Term Incentive Plan vest on the basis of performance measured at the end of 2021. The performance measures and weightings varied for the Executive Directors, reflecting their different roles within the Prudential plc group at the time of grant.

As a result of the demerger and listing of M&G plc in October 2019, it was not possible to complete the performance period for the original Prudential plc capital measures, which comprised 50% of the balanced scorecard in the 2019 LTIP awards. These were replaced with a single M&G plc capital measure for the entire performance period, as explained in the 2019 annual remuneration report. The Remuneration Committee was satisfied that the replacement capital measure and target had been derived from the relevant business plan and that this was the closest equivalent measure available for the performance period. In addition, the TSR measure had to be split into two periods before and after the demerger, tracking Prudential plc and M&G plc performance respectively against the relevant peer groups.

All other terms of the awards were maintained, including the vesting levels at threshold, target and maximum performance. In addition, the shares under each award were converted from Prudential plc shares to M&G plc shares at demerger. The methodology used to ensure that this was a fair and equivalent value conversion is provided in "Unvested share awards at the time of demerger" section on page 136.

2019 LTIP Scorecards

Chief Executive

	Weighting	Measure	Period	Threshold (20%)	Maximum (100%)	Actual	Vesting	Weighted Outcome
Relative TSR	75%	Percentile ranking relative to peer group	1/1/19 – 31/12/21	50th	75th	55th	36.8%	27.6%
Balanced Scorecard	25%	See details of individual capital, people and conduct measures below	1/1/19 – 31/12/21				100%	25%
Total								52.6%

Chief Financial Officer

	Weighting	Measure	Period	Threshold (20%)	Target (80%)	Maximum (100%)	Actual	Vesting	Weighted Outcome
Profit	80%	M&G plc adjusted operating profit before tax including restructuring costs (£m)	1/1/19 – 31/12/21	2,267	2,518	2,770	2,295	26.7%	21.3%
Balanced Scorecard	20%	See details of individual capital, people and conduct measures below	1/1/19 – 31/12/21					100%	20%
Total									41.3%

All financial measures are cumulative over the vesting period.

Notes to the LTIP scorecards:

Definitions

Definitions for the above measures are provided on page 147.

Adjustment to the profit target

The M&G plc adjusted operating profit measure has been assessed for the entire performance period of 1 January 2019 to 31 December 2021.

The Committee exercised discretion to adjust the profit target from that originally disclosed in the 2019 Directors' Remuneration Report to reflect that the original business plan on which the target was based did not make a provision for a number of additional costs that were to be incurred by the business as a direct result of the demerger from Prudential plc in October 2019. These costs were identified and incorporated into a subsequent business plan adopted during 2019 after the awards had been granted.

Following a comprehensive review of the two business plans to determine which elements of the original business plan had specifically changed purely as a result of the demerger, the Committee concluded that a downward adjustment of £171.6m (6.3%) to the profit target and the associated threshold and maximum performance objectives would be appropriate to avoid an unfair disadvantage for LTIP participants with this measure, including the Chief Financial Officer. The identified items making up this amount were:

Additional Costs	Quantum	Descriptor
One-off demerger-related Investment costs	£75m	As part of the demerger we had to complete IT data centre migrations, rebrand the business, put in place new standalone IT systems and fund other separation project costs.
One-off demerger-related Incentive costs	£27m	The demerger triggered a change in control clause in a number of in-flight incentive plans. There was no acceleration of awards at the demerger, however the vesting calculation changed to be the higher of the actual value at vesting OR the value immediately prior to the demerger. This change in valuation methodology led to an increased accounting cost for the remaining vesting period of the awards. The Executive Directors did not have awards under the impacted plans.
Assumption Changes		
Return on Surplus Assets	£70m	Additional cash requirements to fund our dividend policy resulted in lower levels of surplus assets on which investment income can be generated.

The target was therefore reduced from £2,690m to £2,518m with an updated performance range as follows:

M&G Plc Adjusted operating profit before tax including restructuring costs	Performance Range		
	Threshold	Target	Maximum
	20%	**80%**	**100%**
Original target and range	2,421	2,690	2,959
Adjusted target and range	2,267	2,518	2,770

This resulted in the profit outcome of £2,294.5m being above the threshold with a 26.7% vesting level. As the profit measure has an 80% weighting in the scorecard, the Chief Financial Officers' LTIP award vesting level increased by 21.3% of maximum from 20% to 41.3%.

The Committee was satisfied that, given the exceptional circumstances, this adjustment was reasonable and in the context of performance delivered over the period delivered a fair and proportionate outcome for participants, including the Chief Financial Officer. It was also satisfied that the rationale for exercising discretion to amend performance conditions met the requirements of the Directors' Remuneration Policy and scheme rules, in that there had been a material change in circumstances from when the original targets had been established and that the amended condition was not materially less challenging to achieve.

Relative Total Shareholder Return (TSR) outcome table

Prudential plc TSR was measured alongside the following peer group, as disclosed in the 2019 M&G plc annual remuneration report, up to and including the first day of trading of M&G plc following demerger.

– Aegon	– AXA Equitable	– Great Eastern	– Manulife	– Ping An Insurance	– Prudential Financial
– AIA	– China Taiping Insurance	– Lincoln National	– MetLife	– Principal Financial	– Sun Life Financial

In accordance with the terms of the award, we used a 90-day average from the last quarter of 2018 to create the baseline for the calculations. The spot rate on 21 October 2019 was used for the closing TSR. The TSR for Prudential plc included the value of the demerger dividend of one M&G plc share to ensure the calculation accurately reflected shareholder experience.

M&G plc TSR was subsequently measured from its first day of trading to 31 December 2021 relative to a new peer group defined as the FTSE 100 Financial Services sector, excluding investment trusts (consistent with the TSR measure used for new LTIP awards under the M&G plc Remuneration Policy). We used a 90-day average from the last quarter of 2021 to complete the performance period.

The resulting combined TSR performance of Prudential plc and M&G plc was ranked relative to the median and upper quartile of the peer groups, on a similarly combined basis, as shown below:

		Company TSR	Threshold (Peer Group 50th)	Maximum (Peer Group 75th)	Percentile ranking achieved
Prudential plc TSR	1/1/19 – 21/10/19	7.9%	12.0%	20.8%	
M&G plc TSR	21/10/19 – 31/12/21	14.6%	5.1%	20.9%	
Combined	1/1/19 – 31/12/21	23.6%	17.7%	46.0%	55th

Balanced scorecard outcome table

The balanced scorecard comprised three measures linked to capital, people and conduct. We replaced the original Prudential plc capital measures with a single M&G plc capital measure for the entire performance period, as explained in the 2019 annual remuneration report:

	Weighting	Measure	Period	Threshold (20%)	Target (80%)	Maximum (100%)	Actual	Vesting	Weighted Outcome
Capital Measure[i]	50%	M&G plc total capital generated £m	1/1/19 – 31/12/21	2,305	2,561	2,817	4,326	100%	50%
Diversity Measure	25%	Percentage of the Leadership Team that is female at the end of 2021	1/1/19 – 31/12/21	28.0%	30.0%	32.0%	35%	100%	25%
Conduct Measure	25%	Conduct/ culture/ governance	1/1/19 – 31/12/21	Partial achievement		Full achievement		100%	25%
Total									100%

i As confirmed in the Directors' Remuneration Report in the 2020 Annual Report and Accounts, the capital measure for the 2019 LTIP scorecard is total capital generation and not operating capital generation as originally disclosed in the 2019 report. This does not impact the target as originally disclosed or the outcome, as this was already based on the total capital generation definition.

Assessment of the conduct measure and consideration of risk

The awards contained a metric linked to conduct/culture issues leading to a significant capital add-on or material fine. The Committee noted that the fine linked to the thematic review of annuity sales practices, issued to M&G plc in late 2019, had been reflected in the zero outcome of this metric in the 2017 LTIP and following the successful closure of the remediation programme in 2020, concluded that it was not appropriate for it to be also reflected in the 2019 LTIP outcome. The independent Chief Risk and Compliance Officer report, with input from the Risk Committee, confirmed that there were no other significant capital add-ons or material fines during the performance period of the awards, and this element therefore vested in full.

The Committee received an independent review of the control environment and risk issues by the Chief Risk and Compliance Officer, as well as input from the Risk Committee and the subsidiary boards for PAC and MGG. The Committee noted the progress made in improving the control environment whilst observing that this remained a focus area for future improvement. Taking the above into consideration, the Committee considered it appropriate to make no adjustments to the formulaic outcome of the 2019 LTIP awards for the Executive Directors.

Vesting of 2019 LTIP award shares

The unvested LTIP awards granted in 2019 over Prudential plc shares were converted to awards over M&G plc shares in October 2019 using the methodology described in "Unvested share awards at time of demerger" on page 136.

Each of the Executive Directors received an LTIP award under the Prudential Long Term Incentive Plan on 2 April 2019.

In addition, Prudential plc elected to grant an additional LTIP award to the Chief Executive on 26 June 2019 with the same performance conditions as the original 2019 LTIP award, a vesting date of 26 June 2022 and a two-year holding period. The award was granted to ensure that total remuneration granted in 2019 was commensurate with the revised package and role effective from June 2019.

The Chief Financial Officer received an additional LTIP award on 26 June 2019 as replacement for forfeited rights to unvested incentives under a legacy Prudential plc incentive scheme. The replacement award has the same performance conditions as the original LTIP award in 2019 with a vesting date of 26 June 2022. The Remuneration Committee determined that the replacement award provided improved and increased long-term alignment to the strategic objectives of the Company and shareholder interests.

The table below shows:

- the original grant value of the awards and performance outcome;
- the number of shares under award at the vesting date including dividend equivalents that have accrued during the performance period and the number of shares vesting based on the performance outcome;
- the estimated value of the vesting shares using the average closing price for the final three months of 2021 (£1.9707); and
- the vesting value attributable to the accrual of dividend equivalents and share price growth over the performance period. This has been calculated as the difference between the grant value adjusted for performance outcome and the estimated vesting value.

The Committee concluded that it was appropriate to apply discretion to adjust the profit target for the 2019 LTIP award for the Chief Financial Officer to reflect that the original business plan on which the target was based did not make provision for a number of additional costs that were to be incurred by the business as a result of the demerger from Prudential plc in October 2019. This is further explained in the Remuneration Chair Statement and on page 133. The adjustment to target resulted in an increase in the overall outcome for the Chief Financial Officer from 20% to 41.3% of maximum.

No adjustment to the formulaic outcome was made to the 2019 LTIP award for the Chief Executive for whom the profit measure did not apply.

	Grant value £'000	Performance outcome	Shares under award at vesting	Shares vesting	Estimated value of shares vesting £'000	Value attributable to share price movement and dividend equivalents £'000
John Foley – April 2019 grant	1,992.5	52.6%	1,146,441	603,028	1,188.4	140.3
John Foley – June 2019 grant	457.5	52.6%	235,321	123,779	243.9	3.3
Total 2019					**1,432.3**	**143.6**
Clare Bousfield – April 2019 grant (full award)	1,237.5	41.3%	712,028	294,068	579.5	68.4
Clare Bousfield – June 2019 grant (full award)	325.0	41.3%	167,157	69,036	136.0	1.8
Total 2019 (full award)					**715.5**	**70.2**
Clare Bousfield – April 2019 grant (pro-rated)	As above	41.3%	652,692	269,562	531.2	62.7
Clare Bousfield – June 2019 grant (pro-rated)	As above	41.3%	153,227	63,283	124.7	1.7
Total 2019 (pro-rated award)					**655.9**	**64.4**

For Clare Bousfield the number of vesting shares and values are shown on both an actual and a pro-rated basis (33 over 36 months, reflecting the date she stepped down from the Board on 1 October 2021). The pro-rated total value of £656,000 is that shown in the single figure table on page 130.

Single figure remuneration – Other (Audited)

This comprises the value of matching shares received on share purchases made through the company's all-employee Share Incentive Plan (SIP) during the year, at a rate of one matching share for every two shares purchased. The matching shares have been valued using a three-day average price preceding the date of each purchase, which is typically monthly, in accordance with the plan rules. This amount would also include the value of any gain realised on the maturity of a Sharesave contract, although no Sharesave contracts matured for the Executive Directors during 2021.

Unvested share awards at time of demerger

The 2019 LTIP is the last of the awards granted before demerger to vest.

The Executive Directors had unvested deferred STI and LTIP awards over Prudential plc shares at demerger. No value crystallised to the Executive Directors at demerger, and the awards were replaced with awards of equivalent value over M&G plc shares. These awards have the same vesting date and key terms as applied to them under the Prudential plc schemes. In order to achieve equivalent value the following approach was adopted:

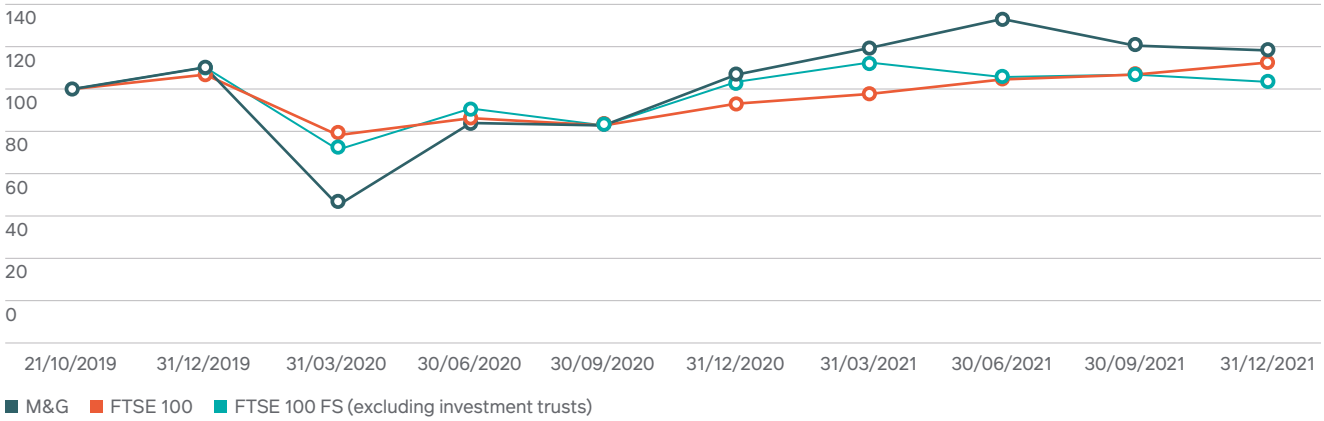
The Prudential plc share awards were valued using the five-day average closing price of Prudential shares up to and including the last trading day on which those Prudential shares were eligible to receive the M&G plc shares as part of the demerger. The average price was £14.814.

The number of M&G plc shares over which the replacement awards were granted was calculated by reference to the five-day average closing price of the first five days of trading of M&G plc's shares. The average price was £2.1737.

The resulting conversion was 6.815 M&G plc shares for each Prudential plc share under award pre-demerger. The Remuneration Committee was satisfied that it had conducted a robust process involving an assessment of market practice, independent advice on alternative approaches and consideration of the associated risks with each approach, in determining the methodology used.

As noted above, it was not possible to complete the performance period for the original Prudential plc capital measures, which comprised 50% of the balanced scorecard in the 2019 LTIP awards. These were replaced with a single M&G plc capital measure for the entire performance period, as explained in the 2019 annual remuneration report. The Remuneration Committee was satisfied that the replacement capital measure and target had been derived from the relevant business plan and that this was the closest equivalent measure available for the performance period. In addition, the TSR measure had to be split into two periods before and after the demerger, tracking Prudential plc and M&G plc performance respectively against the relevant peer groups.

Total shareholder return performance graph and Chief Executive pay



The performance graph shows the Total Shareholder Return of M&G plc compared to the FTSE 100 and FTSE 100 financial services (excluding investment trusts) index constituents for the period beginning in October 2019, when the company was listed upon demerger, and ending in December 2021. These comparators have been chosen as M&G plc is a member of the FTSE 100 index and the FTSE 100 financial services sector (excluding investment trusts) is used to measure relative TSR performance in the LTIP.

The following table sets out a breakdown of the Chief Executive's remuneration for 2019, 2020 and 2021.

	2019	2020	**2021**
Chief Executive	John Foley	John Foley	**John Foley**
Total remuneration (£'000)	3,281	4,036	**4,476**
STI as % of maximum	64.3%	59.4%	**70.2%**
LTIP as % of maximum	63.5%	59.6%	**52.6%**

Non-Executive Director single figure total remuneration table (Audited)

The total remuneration for the full year ended 31 December 2021 for the Chair and each Non-Executive Director is detailed below:

	Fees for 2021 £'000	**Taxable benefits £'000**	**2021 Total £'000**	Fees for 2020 £'000	Taxable benefits £'000	2020 Total £'000
Mike Evans	112.5	0.6	113.1	450.0	2.6	452.6
Fiona Clutterbuck	451.6	–	451.6	39.7	–	39.7
Clare Thompson	201.1	–	201.1	152.0	–	152.0
Clive Adamson	250.0	–	250.0	246.0	–	246.0
Massimo Tosato	271.3	–	271.3	198.8	–	198.8
Clare Chapman	104.1	–	104.1	–	–	–
Robin Lawther	28.9	–	28.9	138.9	–	138.9

Notes to the table:

- Mike Evans left the Board on 1 April 2021. He received fees for his period of service in 2021, and private medical cover for himself and his spouse. In addition he received a payment of £225,000 and private medical cover in respect of his six months' notice period (reported in the payments for loss of office section).
- Fiona Clutterbuck assumed the role of interim Chair from 10 January 2021 and has received the Chair fee from this date. Total 2021 fees include £8,391 for her role as Chair of the IFDL Board until 26 March 2021. The 2020 amount reflects fees paid from 9 October 2020, when she joined the Board, and has been re-stated from the figure reported in the 2020 Directors' Remuneration Report to take account of the backdating of IFDL Chair fees of £3,455 paid for the period 25 November to 31 December 2020.
- Clive Adamson's fees include £110,000 for his roles on the PAC Board during 2021 (and £110,000 in the 2020 amount).
- Massimo Tosato's fees include £175,000 for his role of Chair of the MGG Board during 2021 (and £131,250 in the 2020 amount). 2020 reflects fees paid from 1 April 2020, when he joined the Board.
- Clare Thompson acted as interim Senior Independent Director from 10 January 2021 and has received an additional fee for the role since this date. Fees also include £26,788 for her role as Chair of the IFDL Board since 26 March 2021.
- Clare Chapman joined the Board on 15 March 2021. The table reflects fees paid from this date.
- Robin Lawther left the Board on 15 March 2021. The table reflects fees paid up to her departure.

Directors' share interests and other payments (Audited)

In this section

Awards granted in 2021 (Audited)
Directors' share interests (Audited)
Payments to past Directors (Audited)
Payments for loss of office (Audited)

Awards granted in 2021 (Audited)

The following table provides the details of scheme interests awarded to the Executive Directors during 2021:

Plan	Participant	Type of award	Basis of award	Grant Date	Vesting Date	Face Value at Grant £'000	Number of shares awarded	% payable for threshold performance
Deferred Incentive Plan	John Foley	Share Award	Deferred STI: 50%	01-Apr-21	01-Apr-24	727.7	351,182	n/a
Performance Share Plan	John Foley	Share Award	% of Salary: 250%	01-Apr-21	01-Apr-24	2,450.0	1,182,432	6.25%
Deferred Incentive Plan	Clare Bousfield	Share Award	Deferred STI: 50%	01-Apr-21	01-Apr-24	373.0	180,027	n/a
Performance Share Plan	Clare Bousfield	Share Award	% of Salary: 225%	01-Apr-21	01-Apr-24	1,256.0	606,153	6.25%

Notes on the scheme interests table:

The number of shares granted under deferred STI and LTIP awards was calculated using the average middle-market closing share price for the three business days immediately preceding the award date, being £2.072. Each of the Executive Directors received a deferred STI award of M&G plc shares on 1 April 2021 in respect of their 2020 STI. The face value of the awards was based on deferral rates of 50%, in accordance with the Directors' Remuneration Policy.

Each of the Executive Directors received an LTIP award under the M&G plc Performance Share Plan on 1 April 2021, subject to performance conditions (as described in the table below), with a vesting date of 1 April 2024 and subject to a further two-year holding period. At grant the awards were 250% and 225% of base salary respectively for the Chief Executive and Chief Financial Officer.

Performance conditions for LTIP awards granted in 2021

		Weighting	Threshold	Target	Maximum
	Vesting		**0%**	**50%**	**100%**
Cumulative operating capital generation (£m)		50%	2,213	2,604	2,995
Risk and Conduct		10%	See definitions table on page 148.		
Diversity		7.5%	33%	35%	37%
Sustainability – own emissions reduction		7.5%	14.7%	16.8%	18.9%
	Vesting		**25%**		**100%**
Relative TSR		25%	50th p'cile		75th p'cile

Definitions

Definitions for the above measures are provided on pages 147 and 148.

Measurement and vesting

All quantitative measures have straight-line vesting between points.

For operating capital generation, measured over the three-year period 1 January 2021 to 31 December 2023, there is 0% vesting for performance at or below threshold, 50% at target and 100% at maximum with straight-line interpolation between these points.

The starting point for TSR will be based on a 30-calendar day average of M&G plc and peer group companies preceding the performance period. The end point will be based on an average of the last 30-calendar days of the performance period. For this metric there is 0% vesting for performance below threshold, 25% for achieving the median and 100% vesting for achieving upper quartile or above with straight-line interpolation between these points. The peer group consists of FTSE 100 financial services companies (excluding investment trusts).

Directors' share interests (Audited)

The following table shows the interests that each Director and their connected persons had in M&G plc shares at 31 December 2021. This comprises personally/legally owned shares, shares purchased and held within the Company's Share Incentive Plan (SIP) and unvested shares under deferred STI and LTIP awards. Shares vesting to John Foley in 2021 from his 2018 LTIP award were subject to a two-year holding period to April 2023 after the sale of shares for tax. These shares are included in the shares owned outright column of the table.

The value of the shares has been calculated using the average closing M&G plc share price for the final three months of 2021, which was £1.9707.

Name	Shares owned outright	Subject to SIP	Deferred STI shares	LTIP awards subject to performance conditions	Total	Value	Multiple of salary
John Foley	1,437,852	1,149	1,213,023	5,318,138	7,970,162	£15,706,798	1,603%
Clare Bousfield	235,274	4,298	431,295	2,897,096	3,567,963	£7,031,385	1,260%
Mike Evans	83,627				83,627	£164,804	n/a
Fiona Clutterbuck	15,920	–	–	–	15,920	£31.374	n/a
Clare Thompson	22,100	–	–	–	22,100	£43,552	n/a
Clive Adamson	9,100	–	–	–	9,100	£17,933	n/a
Massimo Tosato	213,800	–	–	–	213,800	£421,336	n/a
Clare Chapman	----	–	–	–	–	–	n/a
Robin Lawther	5,668	–	–	–	5,668	£11,170	n/a

There were no changes to the Chief Executive's or Directors' interest in ordinary shares between 31 December 2021 and 3 March 2022. The number of share interests for Mike Evans and Robin Lawther are reported as at the dates of their respective departures from the Board, although valued on a consistent share price basis of £1.9707. Clare Bousfield remains an active employee of the Company and her interests are shown as at 31 December 2021.

Shareholding guidelines

The Executive Directors are required to build up and maintain a shareholding in the Company under the Directors' Remuneration Policy. The holding requirement must be achieved within five years of the introduction of the policy in 2020 (or recruitment date for new Executive Directors).

Name	Guidelines	Shares as a % of salary
John Foley	300% of base salary	418.7%
Clare Bousfield	200% of base salary	165.2%

Holdings as a percentage of salary are shown for the Chief Executive as at 31 December 2021, and for Clare Bousfield as at 1 October 2021, the date upon which she stepped down from the Board. For the purpose of the shareholding requirement, unvested shares that are not subject to performance conditions (deferred STI and LTIP awards subject to a holding period following the completion of the three-year performance period) count towards the shareholding requirement on a net-of-tax value basis.

Payments to past Directors and for loss of office (Audited)

Clare Bousfield stepped down from the Board on 1 October 2021 to carry out a new role within M&G. As Clare remains within the M&G group, no payment in lieu of notice or other termination payment was made to her on stepping down from the Board. Her outstanding share awards also continued to subsist, subject to the rules of the relevant share plans.

Mike Evans received a six-month notice payment of £225,000, as well as benefits to the total value of £3,271, including private medical cover for himself and his spouse until the end of September 2021 and expenses.

Robin Lawther, who left the Board with effect from 15 March 2021, received regular fees up to her exit date only, as disclosed in the Non-Executive Director single figure table. No other fees/payments were made.

Remuneration arrangements throughout the Company

In this section

Workforce remuneration
Chief Executive pay ratio
Directors vs average employee pay
Gender/Ethnicity pay gap
Relative importance of spend on pay

Workforce remuneration

A Remuneration Policy is in place for establishing standards for the design and operation of remuneration across the Company, and is based on principles consistent with the Directors' Remuneration Policy. The core components of remuneration and how they are operated for colleagues across the Company are explained in the table below.

The Board has an established approach to how it engages with colleagues, including both formal and informal meetings. Full details of colleague engagement during 2021 can be found on page 97. We continued to embrace the use of technology to deliver messages and take part in interviews, and have successfully adapted to the challenges presented by the COVID-19 pandemic by presenting interactive updates across the business and holding two Board led virtual colleague engagement sessions. One Voice survey results were discussed by the Board to identify areas for improvement which are communicated back to the business and incorporated into action plans for each function. In line with our ambition to align colleague interests with our business strategy the Board approved a further offer of the UK and International Sharesave plans.

Remuneration element	Details
Base salary	Base salaries are set at a competitive level taking into account a range of factors including: – The individual's skills, performance and experience; – Internal relativities and wider workforce salary levels; – External benchmark data; and – The size, responsibility and geographical scope of the role. The Company is committed to maintaining base salaries at or above the London Living Wage/ National Living Wage, as applicable, across our UK offices and in 2021 achieved formal accreditation as a Living Wage Employer. Base salaries are reviewed annually. In 2021 a 2% budget applied to the wider UK workforce, with no increases for senior managers and executives other than by exception. For 2022 a 4% budget was agreed in the UK, with 3% available for senior colleagues and 4.25% for the rest of the workforce. For our non-UK offices salary review budgets are determined on the basis of economic and market data in each location.
Pension	Across the Company all colleagues are eligible to participate in a pension scheme, which is designed to be competitive, but not excessive, in each of the markets in which we operate. Our standard defined contribution scheme in the UK offers a core contribution of 8% of salary with additional matching to a maximum company contribution of 13%, aligned with the Executive Directors. Certain UK colleagues have retained the right to accrue benefits under defined benefit schemes, which are closed to new entrants (the Executive Directors are not accruing benefits under a defined benefit scheme).
Benefits	Benefit packages are designed to be competitive, but not excessive, aligning with local market practice for businesses with which we compete for talent, and with the culture and values of the Group. Benefit packages are benchmarked periodically to ensure they remain consistent with these principles. A consistent core and flexible benefit offering has been operated across our UK businesses since 2020. Core benefits include life, ill-health and critical illness insurances and private medical cover. Colleagues may supplement core benefits with additional cover for both themselves and family members on a self-funded basis and have access to a range of other voluntary programmes including cycle-to-work and payroll giving. Certain colleagues have entitlement to higher levels of core benefits retained from their employment prior to 2020. To support our colleagues during the global pandemic we have operated a wide range of programmes, including financial support to purchase IT equipment and to set up an appropriate home-working environment, and providing targeted financial support with higher utility costs. In addition there has been continued momentum to broaden and improve accessibility for colleagues to health and well-being programmes during 2021.

Remuneration element	Details
Short-Term Incentive Plans (STI)	All colleagues are eligible to participate in an STI plan with outcomes closely aligned with Group performance, customer outcomes and individual objectives, including the effectiveness of risk management, conduct, culture and behaviours. We operate bespoke schemes for our Investment Management and Distribution colleagues, consistent with these principles. Performance of colleagues engaged in a control function is assessed independently of the performance of the business overseen. We operate a Group-wide deferral policy whereby a proportion of STI over a threshold is deferred for three years, typically in M&G plc shares, unless regulation requires a higher level of deferral or alternative deferral mechanism.
Long-Term Incentive Plans (LTIP)	Participation in an LTIP is reserved for senior management colleagues with the highest influence over the determination and execution of our strategic goals, delivery of business performance and creation of shareholder value. The majority of the Group Executive Committee participate in the performance-based share plan aligned with that disclosed for the Executive Directors, with other senior management and those executives engaged in a control function participating in a non-performance based share award. Eligibility to participate is assessed annually.
All-colleague share plans	All colleagues have an opportunity to participate in an all-colleague share plan, to align with and share in the success of the Company. In the UK all colleagues are eligible to participate in the Company Sharesave (SAYE) and Share Incentive Plan (SIP) on the same terms as those applicable to the Executive Directors. Both schemes are HMRC-approved. We operate an International Sharesave in all other locations, providing the same opportunity as the UK Sharesave, subject to the rules/regulations that apply in each location.

Chief Executive pay ratio

The table below sets out the M&G plc Chief Executive pay ratio when compared to pay levels at the 25th, 50th and 75th percentile of M&G's UK workforce for both base salary and total remuneration. We have used option B as our method for calculating the pay ratio for this report, as this is consistent with our approach and methodology for other publicly reported information on the gender pay gap. Individuals are identified using the gender pay gap methodology, with remuneration then calculated on a basis consistent with the single figure methodology.

	Year	Method	25th percentile	Median	75th percentile
Salary	2021	B	23:1	16:1	11:1
Salary	2020	B	22:1	15:1	11:1
Salary	2019	B	23:1	16:1	12:1
Single figure total remuneration	2021	B	80:1	52:1	36:1
Single figure total remuneration	2020	B	67:1	45:1	31:1
Single figure total remuneration	2019	B	80:1	58:1	35:1

The company finalised the identification of the applicable colleagues at the 25th, 50th and 75th percentiles on 10 February 2022 following the close of the 2021 compensation review in order that 2021 STI outcomes be included, subject to final approval.

The Remuneration Committee is satisfied that using this population and methodology delivers a representative Chief Executive pay ratio relative to the general employee workforce. The changes in the ratio from 2020 are primarily driven by the following factors:

- The Chief Executive did not receive a salary increase in either 2020 or 2021 and the change in ratio is therefore a factor of a slight decrease in the workforce 2021 quartile figures in comparison to the prior year.
- The average salary increase across the UK workforce equalled 5.8% in 2021, as explained in the Directors vs average employee pay table. This consisted of the 2% salary budget as well as targeted increases for market or role change increases. The change in median employee salary is therefore a result of on-going change in the demographic mix of the UK workforce as opposed to the impact of pay decisions on employees over the course of the year.
- The Chief Executive single figure increased by 10.9% in 2021 from 2020. The increase was driven by the improved STI outcome and the increase in the 2019 LTIP grant value over that awarded in 2018, reflecting the new position as Chief Executive of M&G plc following the demerger.
- STI awards for the 2021 performance year for employees were up by an average of 36.2% as explained in the workforce remuneration table on page 142, and the increase in the 2021 pay ratio is therefore a factor of the workforce demographic mix as well as the increase in the Chief Executive single figure.

For the purpose of comparing annual changes in pay levels and determining the pay ratio at each percentile, the single figure methodology was used for total remuneration, as disclosed earlier in this report for the Executive Directors. The salary and total remuneration of the representative individuals at each quartile were as follows:

	25th percentile £	50th percentile £	75th percentile £
Salary 2021	42,314	63,047	92,000
Salary 2020	44,187	64,500	90,245
Salary 2019	39,484	55,750	77,750
Total remuneration 2021	55,716	86,789	124,704
Total remuneration 2020	57,490	85,410	124,603
Total remuneration 2019	46,854	64,707	105,542

Directors vs average employee pay

	2021			2020		
	Change to base salary/fee	**Change to benefits**	**Change to STI outcome**	Change to base salary/fee	Change to benefits	Change to STI outcome
John Foley	0.0%	(32.0)%	18.1%	8.4%	3.5%	11.7%
Clare Bousfield	(24.7)%	(25.0)%	(11.4)%	1.5%	(2.2)%	(14.1)%
Clare Bousfield 2021 annualised	0.4%	0.0%	18.1%	1.5%	(2.2)%	(14.1)%
Fiona Clutterbuck	131.6%	–	–	–	–	–
Clare Thompson	32.3%	–	–	12.6%	–	–
Clive Adamson	1.6%	–	–	38.6%	–	–
Massimo Tosato	2.4%	–	–	–	–	–
UK workforce	5.8%	3.4%	36.2%	3.3%	13.4%	70.4%

Notes to the 2021 to 2020 figures

- The percentage changes for the Directors between 2021 and 2020 have been based on the single figure tables on page 130.
- To provide meaningful comparison in change in pay:
  - An additional line has been added for Clare Bousfield to show annualised outcomes as well as those calculated on the single figure table, which reflects her period of service as Chief Financial Officer up until 1 October 2021. The 0.4% increase in salary earned in 2021 is due to the April 2020 salary increase of 1.49%.
  - 2020 fees have been annualised for Fiona Clutterbuck and Massimo Tosato based on the respective dates they joined the Board in 2020 (9 October and 1 April).
- Mike Evans and Robin Lawther left the Board during 2021 and are not included in the above table. Neither received a fee increase in relation to 2021 fees over 2020.
- The changes in fees are driven by the following:
  - Fiona Clutterbuck assumed the role of interim Chair from 10 January 2021. In addition she received fees for her role as Chair of the IFDL Board up until 26 March 2021.
  - Clare Thompson received additional fees in 2021 for her role as interim Senior Independent Director from 10 January 2021 and commenced as Chair of the IFDL Board at the end of March 2021.
  - Clive Adamson commenced membership of the Nominations Committee in 2020, which leads to a slight increase in fees paid over the course of 2021 relative to the prior year.
  - Massimo Tosato received an increase for his role as Chair of the MGG Board, effective 1 October 2021, to reflect the additional role of Chair of the MAGIM/MAGAIM Boards entailing increased regulatory responsibilities.
  - Clare Chapman joined the Board during 2021 and is therefore excluded from the table.
- Consistent with the Chief Executive pay ratio, the UK workforce is considered the most appropriate employee population for the basis of comparison.
  - The 2021 salary review was managed to an overall budget of 2%. The higher average percentage change of 5.8% reflects the impact of targeted adjustments over the course of the year to align to market or recognise changes in role.
  - There have been no material changes to benefits provision or rates and the annual workforce change percentage is therefore reflective of salary movement and employee selection choices on medical and pension benefits.
  - The change in average STI reflects both financial performance against targets in 2021 and on-going standardisation and simplification of total compensation structures.

Gender/Ethnicity pay gap

Diversity and inclusion is one of our two strategic sustainability priorities, along with climate change. In July 2021, we were proud to become the first business in our sector to publish pay gap data inclusive of ethnicity for both 2020 and 2021, providing greater transparency to the commitments made in our diversity and inclusion strategy.

M&G plc is committed to achieving year-on-year improvement in the representation of gender and ethnicity in senior leadership roles with goals of 40% women and 20% ethnicity by 2025. These goals, which define our commitments to the Hampton-Alexander Review, HM Treasury Women in Finance Charter, 30% Club and the Race at Work Charter, are underpinned by a range of initiatives that are fundamentally shifting the way we recruit, retain and progress our people through their careers.

While we recognise that there remains significant work to do, we are pleased to report good progress and a positive year-on-year improvement in both gender and ethnicity pay gaps. We remain committed to our strategy and are determined to deliver the sustainable long-term changes which will ensure that M&G plc is an organisation in which everyone can thrive.

Gender pay gap

The 2021 mean gender pay gap was 29.3%, down from 30.5% in 2020. At the same time, our mean gender bonus gap decreased from 70.8% in 2020 to 69.3% in 2021. These pay gaps are still larger than we would like them to be – but they are primarily driven by the shape of our organisation with a higher proportion of men in senior roles compared to women.

Year	Mean pay gap	Median pay gap	Mean bonus gap	Median bonus gap
2021	29.3%	26.1%	69.3%	49.0%
2020	30.5%	26.6%	70.8%	51.1%

Ethnicity pay gap

This is the first year that we have reported ethnicity pay gap data – and in the interests of transparency and disclosure we have voluntarily taken the opportunity to publish data for both 2021 and the previous year. Our 2021 mean ethnicity pay gap was 5.7% (2020: 9.3%), while our mean ethnicity bonus gap was 34.0%, an improvement on the 43.6% recorded for the previous year. We are working hard to fully understand the drivers for our pay gaps, and are committed to reduce these in the months and years ahead.

Year	Mean pay gap	Median pay gap	Mean bonus gap	Median bonus gap
2021	5.7%	(11.2)%	34.0%	2.6%
2020	9.3%	(8.4)%	43.6%	1.4%

How we calculate our pay gaps

The mean gender pay gap is a calculation of the average hourly pay or bonus of a man versus the average hourly pay or bonus of a woman and includes all relevant payments and allowances indicated in the gender pay regulations. The median gap is determined by ranking the pay for each man from lowest to highest to determine the mid-point and comparing this to the equivalent mid-point for a woman. Pay quartiles are calculated by ranking the pay for each employee from lowest to highest. This list is then divided into four equally sized segments and the proportion of men and women in these segments are reported (pay quartiles are also calculated and reported within our publicly disclosed gender pay gap reports).

We calculate the M&G plc ethnicity pay gap by following the methodology described in the gender pay gap legislation for our White population compared to our combined Black, Asian and minority ethnic population within the UK.

Our ethnicity pay gap data is calculated using the same calculation methodology as for gender pay gap reporting, based on colleagues who declared their ethnicity. Colleagues who did not share ethnicity information have been included in the White population data.

For more details, please see our UK Gender and Ethnicity Pay Gap Report 2020/21, which is available on our website. The report covers all M&G plc's UK-based staff and includes pay data for both 2020 and 2021.

Relative importance of spend on pay

The following table shows the relative importance of spend on pay in 2021 compared to shareholder dividends, adjusted operating profit before tax and total capital generation. These measures have been chosen as they are key performance measures for the business which are linked to the financial measures in the Executive Directors' STI performance scorecard as defined on page 131. No share buybacks were made in 2021.

£m	**2021**	2020	% change
Spend on pay	**872**	835	4.4%
Shareholder dividends	**466**	562	(17.1)%
Adjusted operating profit before tax	**721**	788	(8.5)%
Total capital generation	**1,822**	995	83%

Statement of implementation of Remuneration Policy in 2022

In this section

- Appointment of Chief Financial Officer
- 2022 Salary review
- Incentive measures changes in 2022
- 2022 Short-term incentive
- 2022 Long-term incentive
- 2022 Non-Executive Director remuneration (Audited)

Appointment of Chief Financial Officer

Kathryn McLeland is due to join the M&G Board in May 2022 as Chief Financial Officer. In determining her remuneration arrangements the Committee took into consideration her experience and expertise, the external market and our Remuneration Policy.

The remuneration package comprises:

- Base salary of £580,000.
- Pension contribution of 13% of salary, in line with the maximum pension rate applicable to the wider workforce, receivable in part or in full in cash.
- Standard benefits in line with policy.
- STI target of 112.5% and maximum of 225% of salary, with 50% delivered in cash and 50% deferred into shares for three years. Eligibility will be pro-rated to the appointment date for the 2022 performance year.
- Eligibility to participate in the Company Long-Term Incentive Plan with a maximum annual share award of 225% of base salary, with three-year vesting subject to applicable performance conditions and a further two-year holding period for vested shares. The first award will be granted in 2022.

2022 Salary review

With effect from 1 April 2022 the base salary for the Chief Executive is as follows:

Year	Salary	Salary Increase
John Foley	£1,009,400	3%

The Committee approved an increase to salary of 3% for the Chief Executive. This was the first increase to apply since the package was reviewed in 2019 in anticipation of demerger from Prudential plc. The Committee considered the external market and the experience of the wider workforce, for whom a 4% budget was applied in 2022. The spend was split between a 4.25% budget for the majority of the workforce and 3% for those in senior management positions (with some variation in our international locations to reflect market conditions).

Incentive measure changes 2022

Following a number of changes to the incentive plan scorecard measures in 2021, there will be only minor changes applied in 2022. The Committee carefully considered how effectively the scorecards aligned to our strategic priorities and key focus areas. The Committee was also mindful that our remuneration policy is subject to its three-year renewal and shareholder vote at the 2023 AGM, which will require a full review of the policy and how it is implemented, which is being undertaken during 2022.

The 2022 STI scorecard will continue to have:

- 70% financial weighting with measures aligned to profit, capital generation, With-Profits Fund expense management and investment performance, with no change to their respective weightings; and
- 30% non-financial weighting with equally weighted measures aligned to customer and people outcomes and risk/controls.

We will be applying two Customer measures that use client feedback leveraged from independent studies that allow us to understand client sentiment about our brands and our position against competitors. For Retail and Savings customers, a measure aligned to addressing and improving our customer net promoter score. For Asset Management customers, a measure that assesses the level of trust in the M&G brand.

STI people measures are focused on embedding our culture.

STI risk and controls has been simplified to two measures, with continuing focus on embedding our risk culture through timely and effective closure of assurance issues and self-identification.

There are no changes to the 2022 LTIP scorecard which will continue to have:

- 75% financial weighting (including TSR) comprising Operating Capital Generation (50%) and TSR ranking within a peer group of FTSE 100 financial services companies (25%); and
- 25% non-financial weighting with measures aligned to Risk & Conduct, Diversity and Sustainability.

Diversity and sustainability measures have updated targets aligned to remaining on-track to achieving our 2025 diversity and inclusion and 2030 own carbon emissions reduction objectives.

2022 Short-term incentive

The maximum STI opportunity for our Executive Directors in 2022 is unchanged from 2021:

- Chief Executive – 250%
- Chief Financial Officer – 225%

The following table shows the 2022 STI scorecard of performance measures and weightings that will apply to both Executive Directors. All measures in the scorecard will have a target and performance range. Full details of the measures and targets will be disclosed retrospectively with performance outcomes in the 2022 Annual Report on Remuneration due to the commercial sensitivity of the targets, as they indicate the Company's forward plan for the year.

	Metrics	Weighting
Financial metrics	Adjusted Operating Profit before tax including restructuring costs	20%
	Total capital generation excluding market movements	30%
	With-Profits Fund expense management	10%
	Investment performance relative to benchmark (1 & 3-year basis)	10%
Non-financial metrics	Customer	10%
	People	10%
	Risk and controls	10%

Definitions

Measure	Additional information
Adjusted operating profit	See the definitions section on page 147.
Total capital generation excluding market movements	See the definitions section on page 147.
With-Profits Fund expense management	Two equally weighted measures as defined on page 147.
Investment performance	Three equally weighted investment performance measures for: – With-Profits Fund – Retail funds – Institutional funds Definitions are provided on page 147.
Customer	Represents two measures, equally weighted: – Pru UK Customers – Net Promoter Score; and – M&G Investment Customers – Trust Ranking Both measures have quantitative targets and performance ranges.
People	Represents key performance indicators from the Company's culture dashboard, relative to a target and performance range.
Risk and Controls	Represents two measures, equally weighted, aligned to assessing the effectiveness of risk management culture across the Company. Both measures have quantitative targets and performance ranges.

2022 Long-term incentive

The maximum LTIP awards for our Executive Directors in 2022 are unchanged from 2021:

- Chief Executive – 250%
- Chief Financial Officer – 225%

The table below shows the 2022 LTIP scorecard of performance measures, weightings, targets and performance ranges that will apply to both Executive Directors:

	Weighting	Threshold	Target	Maximum
Vesting		0%	50%	100%
Cumulative operating capital generation (£m)	50%	2,108	2,480	2,852
Risk and Conduct	10%		See definitions table for details	
Diversity	7.5%	36.0%	38.0%	40.0%
Sustainability – own operations emissions reduction (from 2019 baseline)	7.5%	18.4%	21.0%	23.63%
Vesting		25%		100%
Relative TSR ranking	25%	50th p'cile		75th p'cile

Definitions for the above measures are provided on pages 147 and 148.

Non-Executive Director remuneration (Audited)

The fee structure applicable to the Non-Executive Directors in 2022 is detailed in the table below.

£'000	2022 fees	2021 fees
Chair	450	450
Non-Executive Director basic annual fee	75	75
Senior Independent Director	30	30
Chair of the Risk Committee	40	40
Chairs of the Audit and Remuneration Committees	30	30
Members of the Risk, Audit and Remuneration Committees	15	15
Members of the Nominations Committee	10	10

No changes were applied to the Non Executive Director fee structure from 1 January 2022, including that for the interim Chair.

As announced on 24 February 2022, Edward Braham has been appointed as Chair of the Board from 14 March 2022. The new fee that will apply from the appointment date will be £525,000 per annum. In accordance with the Policy, private healthcare will be provided to Edward and his spouse/partner, with Edward responsible for the tax due on the provision of this benefit. No other pension, benefits or payments will be made other than the reimbursement of eligible expenses incurred to undertake the role.

The role is subject to six months' notice from either party without liability for compensation. Taking consideration of external benchmarking and independent advice, the Committee is satisfied that this package is appropriate for the significant strengths and experience that Edward will bring to the Company. The Committee was also mindful of the anticipated time commitment and that this fee had not been reviewed since the previous incumbent had been appointed in 2018.

Directors' service contracts and letters of appointment

As detailed in the Directors' Remuneration Policy all Executive Directors have service agreements of an indefinite duration that can be terminated by either party by serving 12 months' notice and each of the Non-Executive Directors has a letter of appointment with a mutual notice period of six months.

Definitions table

Category	Measure	Definition
Financial		
Profit	Adjusted operating profit before tax including restructuring costs	Adjusted operating profit before tax is the Group's non-GAAP alternative performance measure, which complements IFRS profit before tax. Certain adjustments that are considered to be non-recurring or strategic, or due to short-term movements not reflective of longer-term performance are made to IFRS profit before tax. Adjustments are in respect of short-term fluctuations in investment returns, costs associated with fundamental one-off Group-wide restructuring and transformation, profits or losses arising on corporate transactions and profit/(loss) before tax from discontinued operations. The adjusted operating profit methodology is described in Note 3 on page 202.
Capital Generation	Total capital generation	Surplus capital is the amount by which own funds exceed the Solvency Capital Requirement (SCR) under Solvency II. Total capital generation is the total change in Solvency II surplus capital before dividends and capital movements, and capital generated from discontinued operations.
	Operating capital generation	Operating capital generation is the total capital generation before tax, adjusted to exclude market movements relative to those expected under long-term assumptions and to remove other non-operating items, including shareholder restructuring and other costs.
Shareholder Return	Relative Total Shareholder Return (TSR)	TSR represents the growth in the value of a share plus the value of dividends paid, assuming that the dividends are reinvested in the Company's shares on the ex-dividend date. Relative TSR compares the performance of the Company with the relevant peer group.
With-Profits Fund expense management	With-Profits renewal expense per policy	Represents the renewal expenses, including associated restructuring costs, incurred by the With-Profits Fund on a per-policy basis.
	With-Profits new business expense as % of flows	Represents new business expenses, including associated restructuring costs, incurred by the With-Profits Fund as a proportion of new business flows and restructuring costs.
Investment performance	With-Profits Fund investment performance	Performance of the With-Profits Fund, relative to its benchmark, the ABI Mixed Investment 20-60% Shares fund.
	Investment performance of Retail and Institutional Funds	The investment performance of retail and institutional funds on an asset weighted basis over one and three years, measured against relevant benchmarks/targets, as appropriate.
Non-Financial		
Customer	Digital Adoption	**2021** (Retail and Savings segment): The percentage of total customer interactions undertaken using digital capability.
	UK Net Promoter Score	**2021** (Retail and Savings segment): 3-month rolling average relative to a target and performance range. **2022** (Retail and Savings segment): 6-month rolling average relative to a target and performance range.
	Complaints ratio	**2021** (Retail and Savings segment): Complaints ratio per 1,000 customer policies, relative to a target and performance range.
	Trust Ranking	**2022** (Asset Management segment): Customer trust ranking relative to competitors.
People **2021 STI Scorecard**	Culture	A qualitative assessment of the M&G culture programme goals and milestones launched in 2020.
	Engagement	The sustainable engagement index score outcome from the One Voice employee opinion survey, relative to a target and performance range.
People **2022 STI Scorecard**		Represents key performance indicators from the Company's culture dashboard, relative to a target and performance range.
Diversity	Percentage of the Leadership Team that is female	Percentage of the senior leadership team, defined as the Executive Committee and their reports, that is female at the end of the defined performance period compared to progress against targets set by the Company upon signing the Women in Finance Charter.
Sustainability	Own emissions reduction	The percentage reduction in the Company's Scope 1, 2 and 3 emissions from the disclosed baseline position for 31 December 2019 in the 2019 Annual Report. Targets are aligned to our objective to achieve net zero emissions by 2030 and are assessed against the 2019 base year.

Category	Measure	Definition
Risk, Controls and Conduct	**STI**	Measures aligned to assessing the effectiveness of risk management culture across the Company. All measures have quantitative targets and performance ranges. **2021 STI** – % high/very high assurance issues outstanding at year end – % self-identified of total assurance issues raised – % overdue RCSA of total **2022 STI** – % high/very high assurance issues outstanding at year-end – % high/very high self identified of total high/very high assurance issues raised **2019 LTIP (legacy Prudential plc measure)** Qualitative measure – through appropriate management action, ensure there are no significant conduct/culture/governance issues which result in significant capital add-ons or material fines. **2021 and 2022 LTIP** Determined on a qualitative basis by reference to an independent report from the Chief Risk and Compliance Officer, approved by the Risk Committee, taking consideration of the following criteria: – Adherence to risk appetite policy and limits; and – Adherence to conduct/culture/governance policies and standards.

Other related disclosures

In this section

Remuneration Committee
External advisers to the Committee
Consideration of risk
Consideration of shareholder views
Voting outcomes and share dilution

Remuneration Committee

The Remuneration Committee's terms of reference can be found on the Company's website.

The Committee's principal areas of focus are:

- Framework of the remuneration policies: establishing, approving and maintaining the principles and framework of the remuneration policies and practices for the Group.
- Remuneration: determining the design, implementation and operation of remuneration arrangements for the Chair of the Board, the Executive Directors, Group Executive Committee, individuals identified as Solvency II staff and Material Risk Takers ('identified staff') under remuneration regulations that apply to the Group and overseeing remuneration for individuals whose total remuneration exceeds an amount determined by the Committee from time to time.

The Remuneration Committee comprises Clare Chapman (Chair), Clare Thompson, Massimo Tosato and Fiona Clutterbuck. The Committee met seven times during 2021 and full details of Committee member attendance can be found on page 93 of the Governance Report. Other attendees during 2021 comprised: Clive Adamson, Board member, Jo Dawson, Non-Executive Board member of PAC (Q1 only) and Louise Fowler, Non-Executive Board member of PAC (from Q3, 2021). Where appropriate the Chief Executive, Chief Financial Officer, Chief HR Officer, General Counsel, Chief Risk and Compliance Officer, Reward Director and Deputy Reward Director also attended meetings. No individual was in attendance for discussions/decisions in respect of their own remuneration.

A summary of the activities undertaken by the Committee is presented below:

Q1 2021	Q2 2021
– Salary review and incentive outcomes for the executives and broader workforce – Performance measures and targets for 2021 incentive plans – Completion and disclosure of the 2020 Annual Remuneration Report – 2021 individual performance objectives for the executives	– Annual share grants for STI deferrals and LTIP awards – AGM – Executive Committee member retirement terms – Amendments to Chief Executive benefits, comprising replacement of the in-house car/driver with a fully outsourced service – Review of internal Remuneration Policy effectiveness and of regulatory requirements including the impact of IFPR
Q3 2021	**Q4 2021**
– 2023 Directors' Remuneration Policy planning – Review of Asset Management workforce remuneration – Incentive plan forecasts and planning – Review of identified staff	– 2023 Directors' Remuneration Policy planning – Incentive plan forecasts and performance measures and targets for 2022 incentive plans – Annual review of remuneration governance, including regulatory compliance – Updates to the Committee Terms of Reference – Board Chair and Material Subsidiary Board fees – Approval of the remuneration packages for the new Chief Operating Officer, Vanessa Murden, and the new Chief Financial Officer, Kathryn McLeland.

External advisers to the Committee

Deloitte were appointed as advisers to the Remuneration Committee in December 2020 following a formal tender process to provide guidance and advice to the Committee. Deloitte are founding members of the Remuneration Consultants Group and provide advice in line with its Code of Conduct. The Committee is satisfied that the advice received from Deloitte is objective and independent. The Committee is comfortable that Deloitte do not have any current connections with any individual M&G plc Directors that may impair their independence and objectivity. In addition to advice regarding remuneration, separate teams from Deloitte also provided other unrelated professional services to the Group during the year including technology consulting, tax advisory services, finance and accounting and also cyber strategy.

PwC, previous advisers to the Committee, were appointed as independent auditors of M&G plc for the period commencing 1 January 2022 and ceased to provide formal advice to the Committee in respect of forward looking remuneration policy and implementation decisions as of 1 January 2021. The Committee retained PwC for a short period in the first quarter of 2021 for feedback and advice on matters relating to their tenure as advisor. We are confident that there were no conflicts of interest.

	Key areas of advice	Total fees 2021
PwC	Advice on disclosure of year-end decisions in Q1 2021.	£6,700
Deloitte	Directors' Remuneration Report, 2022 incentive measures, market insights, Remuneration Policy Review and regulatory advice.	£134,700

Consideration of risk

The design and operation of all remuneration policies and incentive schemes must be aligned with the Company's risk management principles and policies through the appropriate use of performance measures and targets and the discretion to adjust outcomes to reflect risk, compliance and conduct events.

The Risk Committee provides independent input to the Remuneration Committee to help with the assessment of scheme design and outcomes to ensure that they are consistent with these principles and policies. A formal risk and compliance report, compiled by the Chief Risk and Compliance Officer (CRCO) and approved by the Risk Committee is submitted to the Committee annually to provide an assessment of:

- The appropriateness of scheme design for the coming year and the effectiveness of the risk and control environment, material events and specific conduct and compliance issues over the one and three-year performance periods of awards to enable the Remuneration Committee to determine if the outcome of schemes are appropriate or if any adjustments should be applied at scheme or individual level.

Input from the report is also used to assess whether there have been any events that warrant the consideration of malus and/or clawback on previously determined awards. Any adjustments applied to scheme outcomes for the Executive Directors will be explained in the relevant Remuneration Report.

Sustainability risk

As a responsible investor we consider the sustainability risks of all our investments and advice by taking into consideration ESG factors that have the potential to have a material financial impact and seek to incorporate them into our general risk management framework. The effectiveness of sustainability risk management in investment decisions and advice is a consideration in the CRCO Risk and Compliance report and adherence to relevant principles and policies is monitored and reported to the Remuneration Committee as part of this report. In accordance with the 2022 M&G Remuneration Policy, any failings to meet the required standards of these principles and policies will be transparently reflected in the determination of remuneration outcomes.

Consideration of shareholder views

As explained earlier in this report, the Committee concluded to exercise discretion to amend the Adjusted Operating Profit performance condition in the 2019 LTIP. The Committee does not take the decision to amend incentive performance conditions lightly, and would only do so in truly exceptional circumstances, taking full consideration of shareholder views. We would like to thank the shareholders with whom we consulted on this issue during February and also those that provided feedback to our communications issued at the beginning of March.

The Company engages with shareholders regularly and any feedback received on remuneration is taken into consideration by the Committee, as is any published guidance issued by shareholders and advisory firms.

The Directors' Remuneration Policy is scheduled for renewal and shareholder vote at the 2023 AGM. We will complete this review during 2022 and are committed to a full and transparent consultation with our shareholders on any changes. The final proposed policy will take full consideration of the feedback we receive and we look forward to engaging with our shareholders on this process.

Voting outcomes at the Annual General Meeting (AGM) 2021

The following table provides the voting outcomes at the May 2021 AGM for the 2020 Annual Remuneration Report and the Directors' Remuneration Policy approved by shareholders in 2020.

Voting Item	For	Against	Abstain
Remuneration Policy	94.86%	5.14%	
	1,778,648,117 votes	96,342,690 votes	28,544,261 votes
2020 Remuneration Report	93.63%	6.37%	
	1,794,353,993 votes	122,024,110 votes	15,212,473 votes[i]

i Votes withheld are not votes in law and therefore have not been counted in the calculation of the proportion of the votes for and against a resolution.

Share dilution

All share plans operated by M&G plc which permit awards to be satisfied by issuing new shares contain dilution limits that comply with the guidelines produced by the Investment Association on 31 December 2018. As at 31 December 2021 M&G plc's standing against these dilution limits was:

- 1.13% (2020: 0.33%) where the guideline is no more than 5% in any 10 years under all discretionary share plans.
- 2.01% (2020: 1.21%) where the guideline is no more than 10% in any 10 years under all share plans.

Statement on external directorships

Details of external directorships held by the Executive Directors can be found on page 88 of the Annual Report.

The Directors' Remuneration report was approved by the Board on 7 March 2022.

Clare Chapman
Remuneration Committee Chair
7 March 2022

Directors' Remuneration Policy

Remuneration Policy for Executive Directors

The Remuneration Policy, which took effect from 27 May 2020, has been designed to align with and support our key strategic priorities to create long-term sustainable performance, shareholder value and positive customer outcomes within an inclusive and engaging culture for our employees. Key principles behind the design of the policy were as follows:

Clarity	Remuneration packages are appropriately positioned relative to the scope and complexity of the roles and relevant market benchmarks to attract, retain and motivate executives with the required skills and experience to deliver our strategic objectives;
Simplicity	Simple and transparent incentives provide clear alignment of objectives and performance with our financial and non-financial strategic priorities;
Risk	A strong focus on adherence to our risk management policies and appetite limits to ensure performance is delivered in the long-term interests of the Company, customers and shareholders;
Predictability	Balancing the interest of shareholders and customers through the combination of performance measures adopted in the incentive schemes that mitigate the risk of conflicts of interest; Strong alignment between remuneration and the long-term interests of the Company through a significant proportion of executive packages being delivered in shares for three to five years, a shareholding requirement policy and two-year post-employment shareholding requirement policy;
Alignment to culture	Key focus on positive customer outcomes and quality of customer engagement; Support for the Group's purpose and values to build a safe, respectful and inclusive culture through remuneration policies and schemes that promote and reward good conduct and behaviours for the benefit of our customers and colleagues; and Promotion of a positive culture for employees and customers with demonstrable alignment to remuneration outcomes where our standards for conduct and behaviours are not met, including a robust individual performance assessment process and malus and clawback policy.

Remuneration element	Strategic alignment and operation	Maximum opportunity	Performance measures
Base salary	Base salaries are appropriately positioned to attract and retain executives with the required skills and experience to deliver our strategic objectives. Base salaries are paid in monthly instalments and are normally reviewed annually with increases normally effective from 1 April each year. In reviewing base salaries, the Remuneration Committee takes into account a number of factors, including: – Company and individual performance; – the scope/size of the roles and the skills and experience of the Executive Directors; – increases amongst the general workforce and affordability; and – and benchmarking information for FTSE 100 financial services companies with operations consisting of one or a combination of insurance, asset management and wealth management with market capitalisation within a reasonable range of M&G plc.	There are no prescribed maximum salary levels, but any increase will be below or in line with increases for the general workforce in an ordinary year. The Remuneration Committee will retain the discretion to award increases at a level greater than that applied to the general workforce if the Remuneration Committee deems it appropriate to do so. The Remuneration Committee will consider the impact of increasing base salary on other elements of remuneration to ensure total remuneration remains appropriate.	Both individual and Company performance will be taken into consideration when determining base salary increases.

Remuneration element	Strategic alignment and operation	Maximum opportunity	Performance measures
Benefits	Benefits are provided to ensure our remuneration packages are appropriate to attract and retain executives with the required skills and experience to deliver our strategic objectives. Benefits are provided to Executive Directors at a market competitive level, taking into account benefits offered to other employees within M&G. Core benefits currently provided to Executive Directors include: – Life assurance; – Disability insurance and Critical Illness insurance; – Private health insurance (including eligibility for his or her spouse or civil partner and dependent children); and – Annual health screening. The Executive Directors are able to participate in self-funded voluntary benefits and discounted M&G products in line with other employees. Executive Directors are eligible to participate in UK all-employee share plans, which currently comprises HMRC-approved Sharesave and SIP plans, on the same terms as other employees. The Chief Executive has retained eligibility for certain additional benefits from his previous employment with Prudential plc comprising a car/driver, international medical cover and home security costs. These additional benefits are exceptional to the Remuneration Policy and will not be provided to any other existing or future Executive Directors.	Cover levels are defined within the terms of each benefit with maximum opportunity dependent on the terms of the insurer and individual circumstances. There is no maximum opportunity defined for the Chief Executive's additional benefits. The cost of these benefits is monitored to ensure they align with the intended benefit and are reasonable for the services provided.	There are no performance measures for benefits.
Pension	Pension contributions as a percentage of salary are aligned with the general workforce at a level sufficient to ensure our remuneration packages are appropriate to attract and retain executives with the required skills and experience to deliver our strategic objectives. Executive Directors are eligible for employer contributions in respect of the Company's defined contribution pension scheme which may be received in part or in full in cash, unless they have an entitlement to accrue benefits within one of M&G's closed defined benefit pension schemes, which they would retain in line with any other employee with the same legacy entitlement. The approach to pension arrangements for the Executive Directors is in line with the wider workforce.	13% of base salary per annum, or, if applicable, standard defined benefit accrual rates in line with the pension plan rules.	There are no performance measures for pension contributions.

Remuneration element	Strategic alignment and operation	Maximum opportunity	Performance measures
Short-Term Incentives (STI)	STI awards are designed to provide clear alignment of objectives and performance with the delivery of our financial and non-financial strategic objectives annually. The deferred share component of STI provides longer-term alignment with the interests of the Company and shareholder value creation. Executive Directors are eligible to participate in an annual STI plan at the discretion of the Committee. Performance measures and weightings are determined annually and may vary to ensure alignment with the business plan and strategy. A threshold, target and maximum performance level is set for each measure, with an outcome of 0% for threshold performance or below and 50% of maximum for on-target performance. Performance outcomes are subject to a discretionary downward risk adjustment taking consideration of an annual report from the Risk Committee, including an assessment of risk and compliance events and the effectiveness of risk management relative to M&G's risk appetite during the performance period. Any adjustments applied will be explained in the relevant annual remuneration report. 50% of any STI payable to an Executive Director will be deferred for three years into an award of M&G shares under the Deferred Incentive Plan. The rate of deferral may be adjusted upwards to meet remuneration regulatory requirements where required. Dividend equivalents may accrue on deferred share awards, based on dividends paid to shareholders during the vesting period. These may accrue either in cash or shares on a reinvestment basis and are subject to the same terms, including vesting date, as the deferred share award. Adjustments may be made to deferred share awards in certain circumstances including rights issues, corporate restructuring and special dividends, if the Remuneration Committee deems it appropriate to do so. Malus and/or clawback provisions apply to both cash and deferred STI awards, as described in further detail in on page 156.	STI awards are subject to an annual limit of 250% of base salary for the Executive Directors.	The scorecard of performance measures will comprise a combination of financial and non-financial measures, with financial measures comprising at least 50% of the scorecard. Performance measures and weightings are determined annually to ensure alignment with the business plan and strategy. The Remuneration Committee has discretion to adjust formulaic outcomes if they are not considered to be representative of the overall financial performance of the Company. Any adjustments applied will be explained in the relevant annual remuneration report. Performance targets and ranges will be disclosed with the performance outcomes of STI awards in the annual remuneration report published at the end of the performance period for the STI awards.

Remuneration element	Strategic alignment and operation	Maximum opportunity	Performance measures
Long-Term Incentive Plan (LTIP)	LTIP awards are designed to provide long-term alignment of executive remuneration to sustained business performance relative to long-term strategic objectives and shareholder value creation. Executive Directors are eligible to participate in an LTIP at the discretion of the Committee. Awards are normally granted annually over M&G plc shares. Awards are subject to performance conditions which are measured over a three-year vesting period from 1 January of the year of grant with vesting occurring on the third anniversary of the grant date. Vested awards are subject to an additional holding period of two years. A threshold and maximum performance level is set for each measure, with straight-line interpolation for performance between these levels. At threshold performance, 0% will vest for all metrics with the exception of TSR, for which 25% will vest. There is zero vesting for performance below the threshold. Maximum performance will result in 100% vesting. Performance outcomes are subject to a discretionary downward risk adjustment taking consideration of a report from the Risk Committee, including an assessment of risk and compliance events and the effectiveness of risk management relative to M&G's risk appetite during the performance period. Any adjustments applied will be explained in the relevant annual remuneration report. Dividend equivalents may accrue on LTIP awards, based on dividends paid to shareholders during the vesting period. In line with the plan rules, dividend equivalents may also accrue during any applicable post-vesting holding period. These may accrue either in cash or shares on a reinvestment basis and are subject to the same terms, including vesting date, performance conditions and holding period, as the LTIP share award. Adjustments may be made to deferred share awards in certain circumstances including rights issues, corporate restructuring and special dividends, if the Remuneration Committee deems it appropriate to do so. Malus and clawback provisions apply to LTIP awards during the vesting and holding periods. Further detail can be found on page 156.	LTIP awards are subject to a limit of 250% of base salary in respect of any financial year. An exceptional limit of 400% of base salary may be used at the discretion of the Remuneration Committee in respect of the year of recruitment of a new Executive Director only.	The performance conditions may comprise a combination of financial (including TSR) and non-financial measures, with financial measures comprising at least 75% of the scorecard. Performance measures and weightings for the grant of new awards are determined annually to ensure alignment with the business plan and strategy. The Remuneration Committee has discretion to adjust formulaic outcomes if they are not considered to be representative of the overall financial performance of the Company. Any adjustments applied will be explained in the relevant annual remuneration report. The Remuneration Committee has discretion to amend or replace performance measures where it reasonably considers it appropriate to do so, provided that the amended conditions are not materially less challenging. Performance measures, targets and ranges will be disclosed in the implementation section of the annual remuneration report for the year prior to the grant of LTIP awards.

Malus and clawback

All STI and LTIPs operated by M&G are subject to malus and clawback provisions in the following circumstances:

Application to STI	– Cash STI – Deferred STI (in shares)	– Clawback for 3 years from the payment date – Malus for the 3-year vesting period
Application to LTIP	– 3-year vesting period – 2-year holding period	– Malus for the 3-year vesting period – Clawback for the 2-year holding period

The circumstances in which the Remuneration Committee may consider the application of malus and/or clawback are defined in the plan rules and can be summarised as follows:

- a material misstatement of published accounts;
- an error in the calculation of performance outcomes or such calculation being based on inaccurate information;
- material risk management failures;
- gross misconduct;
- breach of an applicable law, regulation or code of practice;
- actions leading to reputational harm to the company; or
- corporate failure.

Malus can be applied to an alternative unvested award to satisfy a clawback event on a vested/released award.

Legacy arrangements

Executive Directors may be eligible to receive any payments from any remuneration arrangements in effect prior to the approval of this Remuneration Policy (including vesting of share awards granted prior to the listing of M&G plc or prior to the appointment to the Board). Details of any such payments will be set out in the applicable annual remuneration report as they arise.

Remuneration Committee discretion

The Remuneration Committee retains discretion in the operation and administration of the Directors' Remuneration Policy, noting that no material changes will be made to the advantage of the Executive Directors without obtaining shareholder approval.

This includes (but is not limited to) the following:

- the Executives' participation in the Company's incentive plans;
- the timing of awards including grant, vesting and release dates;
- the size of awards and vesting levels within the limits set out in this policy (including the exceptional LTIP limit of 400% for new appointments);
- the performance measures and weighting for STI and LTIP awards within the terms set out in this policy;
- the adjustment of formulaic outcomes of incentive awards for risk management issues or where the outcomes are not reflective of overall Company performance;
- the settlement of any share awards in cash in exceptional circumstances;
- the determination of good leaver status and treatment of unvested awards in line with this policy and incentive plan rules;
- the extent to which malus and clawback should apply to any award;
- the adjustment of awards in certain circumstances including rights issue, corporate restructuring, change of control and special dividends;
- the amendment or replacement of performance measures where it reasonably considers it appropriate to do so, provided that the amended conditions are not materially less challenging; and
- to amend the policy to ensure continued compliance with any applicable remuneration regulations.

Performance measures

Performance measures and targets for the STI and LTIP include a balance of financial and non-financial measures aligned with the Company's key short and long-term strategic priorities:

- stretching financial targets to deliver growth and create financial flexibility for investment opportunities to build capabilities in high value-added areas and expand our proposition in the UK and internationally. Financial targets are approved by the Board through a rigorous process taking consideration of market conditions, competitor practices and forecasts;
- balancing the interest of policyholders and shareholders;
- creating and maintaining positive experience and outcomes for our customers;
- creating an inclusive and engaging culture that supports the Company's diversity and inclusion objectives to provide equality of opportunity for all who apply for and perform work for the Company;
- adhering to a robust risk management policy and risk appetite limits; and
- aligning with the long-term sustainable success of the Company and value creation for shareholders.

Shareholding requirement

Executive Director	Shareholding requirement
Chief Executive Officer	300% of base salary
Chief Financial Officer	200% of base salary

Align executives with the long-term interests of the Company, customers and shareholders through a requirement to hold shares both during and post-employment.

Executive Directors must attain the shareholding requirement and maintain this level of holding within five years of this policy coming into effect or, for new appointments, of becoming an Executive Director.

In addition to personally owned shares, unvested shares not subject to performance conditions (deferred STI awards and LTIP share awards subject to a holding period) will count towards the requirement on a net-of-tax value basis. Executive Directors must hold vested shares until the requirement is met except in exceptional circumstances with the approval of the Chair.

Shareholding levels will be tested annually following completion of the annual grant and vesting of awards, which will be disclosed in the annual remuneration report.

A post-employment shareholding requirement will be operated for the Executive Directors requiring them to maintain their shareholding requirement or actual shareholding, if lower, at the point of departure in full for two years post-employment (following the same methodology as set out above).

External appointments

The Executive Directors may take up external directorships and retain the fees for such appointments with the approval of the Board. All external appointments will be disclosed in the annual remuneration report.

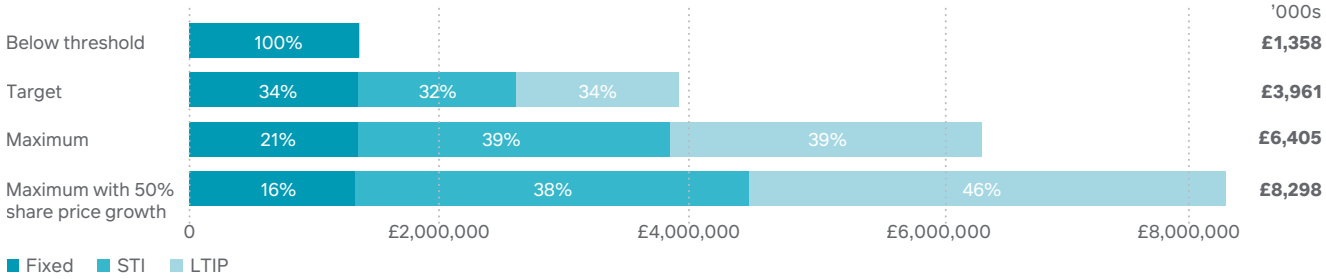
Remuneration regulations

This Policy has been designed to ensure compliance with all remuneration regulations applicable to the Company. The Remuneration Committee reserves discretion to amend the policy if it is required to do so in order to maintain compliance with any new or amended regulations.

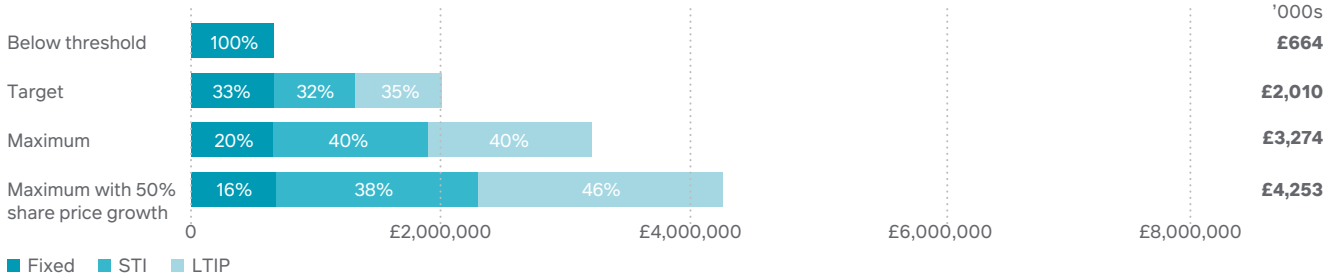
Scenario charts

This policy is designed to ensure that executive remuneration is directly aligned with the delivery of key financial and non-financial performance objectives and the creation of shareholder value, achieved in accordance with the Company's policies and values for risk management, conduct, customer and culture. The majority of the remuneration packages are in the form of incentive awards with the maximum values only achievable with significant outperformance of business plans and objectives. Two-thirds of the incentives are delivered in shares to maintain close alignment with shareholders. The table below illustrates the potential earnings of each Executive Director in four performance scenarios:

Chief Executive



Chief Financial Officer



The performance scenarios incorporate the following assumptions:

Fixed remuneration	Comprising the 2022 base salary, benefits (based on the 2021 single figure for the Chief Executive and on a calculated value based on standard benefits provision for the incoming Chief Financial Officer) and a 13% pension contribution.
Target remuneration	Fixed remuneration plus the value that would arise from the incentives for achieving on-target performance: STI with a 50% outcome for on-target performance. LTIP with a 53% outcome for on-target performance (financial/non-financial measures with a 50% outcome and TSR with a performance scale mid-point of 62.5%).
Maximum remuneration	Fixed remuneration plus the value that would arise from the incentives for achieving maximum performance.
Maximum remuneration with 50% share price growth	Maximum remuneration increased for the assumption that the share components of the package (deferred STI and LTIP awards) increase in value by 50% from the share price at grant.

Remuneration Policy for new appointments

Remuneration packages for new Executive Directors (including those promoted internally) will be in line with the requirements of this Policy including maximum incentive levels. If required, awards may be granted to replace awards or amounts forfeited by a previous employer (buyout awards). Any buyout awards would be limited to what is considered to be a fair estimate of the value of remuneration forfeited and with equivalent terms (including vesting dates and performance conditions). The grant value of buyout awards are not subject to the maximum limits described in this policy.

The Company may cover reasonable legal costs and certain relocation expenses in accordance with the Company's relocation policy for new appointments.

New Executive Directors may be eligible for an LTIP award up to the exceptional maximum opportunity of 400% of salary in the year of hire, at the discretion of the Committee.

Service agreements

All Executive Directors have service agreements of an indefinite duration that can be terminated by either party by serving 12 months' notice. Under this policy this is the maximum notice period that may be applied to Executive Directors. The terms of the service agreements are considered to be in line with current best practice for executive directors. The service contracts are available for inspection on request from the Company's offices.

Loss of Office

In the event of the termination of an Executive Director, the terms of the termination will be determined by reference to the service agreement, this policy, the rules of relevant incentive plans and the signing of a settlement agreement, as detailed in the table below:

Element	Policy
Notice period	– 12 months from either party. – The Company may require that all or an element of the notice period be taken as gardening leave. – The Company may elect to pay-in-lieu of notice for all or a portion of the contractual notice period. In this instance payment would be restricted to salary only and may be delivered monthly to mitigate loss. – Any holiday entitlement will be pro-rated to reflect the proportion of the year employed. Any outstanding holiday entitlement must be used during the notice period. – If an executive is dismissed for cause, there will be no notice period or payment made for loss of office.
Termination payments	Consistent with other employees, Executive Directors may receive payments to compensate them for the loss of employment rights on termination, subject to entering into a satisfactory settlement agreement. Payments may include a nominal amount for agreeing to non-solicitation and confidentiality clauses, insurance cover for a specified period following the termination date, outplacement services, legal fees or repatriation assistance. In the event of redundancy a payment may be made in accordance with the Company redundancy policy in effect at that time.
STI awards	A good leaver[i] will be entitled to a pro-rated STI award for the period worked (excluding garden leave) during the year, determined and paid through the normal process and subject to normal terms, including deferral. There is no entitlement to an STI award in the year of termination for a bad leaver.

i Good leaver applies in the event of death, disability, redundancy and sale of the company/business in which an individual works. Other leavers may be granted good leaver status at the discretion of the Remuneration Committee (which may include retirement).

Element	Policy
Treatment of incentive awards	Unvested deferred STI awards for good leavers continue to their normal vesting date. Unvested awards for bad leavers will lapse. Unvested LTIP awards for good leavers will continue to their normal vesting date, pro-rated for the time worked during the performance period. The Remuneration Committee has discretion to waive the pro-ration of LTIP awards, should they deem this to be appropriate. Unvested awards for bad leavers will lapse. Vested LTIP awards subject to a holding period will remain subject to the holding period until the original release date. All awards continue to be subject to their original terms, including malus, clawback and holding periods. The Remuneration Committee has discretion to accelerate the vesting and release of awards for good leavers in exceptional circumstances.
Change of control	In the event of a change of control of the Company, the Remuneration Committee may determine that: – STI awards for the year during which the change of control occurred may either continue to be determined on the basis of the whole year or may be pro-rated to the date of the change of control. – Unvested deferred STI awards are exchanged or replaced with equivalent awards over shares in another company, continuing to their normal vesting date, or that the vesting of the awards is accelerated to the date of the change of control. – Unvested LTIP awards are exchanged or replaced with equivalent awards in another company, continuing to their normal vesting date and subject to the same or equivalent performance conditions, or that the vesting of awards is accelerated to the date of the change of control. If the awards are accelerated, they will be subject to pro-ration and an assessment of the extent to which the performance conditions have been achieved. The Remuneration Committee has discretion to waive the pro-ration of LTIP awards if this is deemed appropriate.

Remuneration Policy for Non-Executive Directors

Element	Policy
Fees	– Fees take account of the time commitment and responsibilities of the roles and market reference points for comparable FTSE organisations. – The Chair receives a base fee which is reviewed annually by the Remuneration Committee. – Non-Executive Directors receive a base fee and additional fees for other Board roles such as Chairship or membership of a Committee, acting as the Senior Independent Director or subsidiary Board roles. Fees are reviewed annually by non-conflicted members of the Board. – Independent advice is considered in all fee reviews.
Benefits	– Private medical insurance is provided to the Chair. – The Chair and Non-Executive Directors are not eligible to participate in the Company's pension or incentive arrangements. – Expenses incurred to undertake the role may be reimbursed by the Company. The Company may pay any tax due on reimbursed expenses.
Recruitment	Fees for a new Non-Executive Director will be aligned with the fee structure applicable to other Non-Executive Directors at the time of appointment.
Notice period	– Chair: six months by either party without liability for compensation. – NED: six months by either party without liability for compensation.
Key terms of appointment	The Chair and Non-Executive Directors are subject to annual re-election at the AGM.

Note on changes since the last policy

There have been no changes to the policy since it was approved by shareholders in May 2020.

Directors' Report

The Directors present their Report for the financial year ended 31 December 2021. The Strategic Report and the Governance Report are incorporated by reference into the Directors' Report as noted in the index on page 163. In addition, the risk factors set out on pages 72 to 78, the additional unaudited financial information set out on pages 301 to 312 and the Shareholder Information section on page 320 are incorporated by reference in the Directors' Report. In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual Report and Accounts, where applicable, under LR 9.8.4, is set out in this Directors' Report.

Directors

The names and details of the current Directors, along with their biographical details as at the date of this Report, are set out on pages 88 to 89. The Directors who served during 2021 are set out below:

Director	Appointment	Resignation
Clive Adamson	22 March 2019	
Clare Bousfield	23 January 2019	1 October 2021
Clare Chapman	15 March 2021	
Fiona Clutterbuck	9 October 2020	
Mike Evans	1 October 2018	1 April 2021
John Foley	2 July 2018	
Robin Lawther	22 March 2019	15 March 2021
Clare Thompson	7 May 2019	
Massimo Tosato	1 April 2020	

Strategic Report

The Strategic Report on pages 2 to 84 is incorporated by reference and shall be deemed to form part of this Directors' Report.

Powers of the Board

The Board may exercise all powers conferred on it by the Company's Articles and the Companies Act 2006. This includes the powers of the Company to borrow money and to mortgage or charge any of its assets (subject to the limitations set out in the Companies Act 2006 and the Company's Articles) and to give a guarantee, security or indemnity in respect of a debt or other obligation of the Company. A copy of the Company's Articles can be found in the Corporate Governance section of our website.

Share capital

Issued share capital

The issued share capital as at 31 December 2021 consisted of 2,599,906,866 ordinary shares of 5 pence each, all fully paid up and listed on the London Stock Exchange.

Rights and obligations

The rights and obligations attaching to the Company's shares are set out in full in the Articles. There are currently no voting restrictions on the ordinary shares, all of which are fully paid, and each share carries one vote on a poll. If votes are cast on a show of hands, each shareholder present in person or by proxy, or in the case of a corporation, each of its duly authorised corporate representatives, has one vote except that if a proxy is appointed by more than one member, the proxy has one vote for and one vote against if instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. Where, under an employee share scheme, participants are the beneficial owners of the shares but not the registered owners, the voting rights are normally exercisable by Sanne Fiduciary Services Limited and Equiniti Share Plan Trustees Limited (The Trustees) in accordance with the relevant plan rules. The Trustees would not usually vote any unallocated shares held in trust, but they may do so at their discretion provided it would be considered to be in the best interests of the beneficiaries of the trust and permitted under the relevant trust deed. As at 4 March 2022, Trustees held 2.21% of the issued share capital under the various plans in operation. Rights to dividends under the various schemes are set out in the Directors' Remuneration Report.

Restrictions on transfer

In accordance with English company law, shares may be transferred by an instrument of transfer or through an electronic system (currently CREST) and any transfer is not restricted except that the Directors may, in certain circumstances, refuse to register transfers of shares but only if such refusal does not prevent dealings in the shares from taking place on an open and proper basis. If the Directors make use of that power, they must send the transferee notice of the refusal within two months. Certain restrictions may be imposed from time to time by applicable laws and regulations (for example, insider trading laws) and pursuant to the Listing Rules of both the Financial Conduct Authority as well as under the rules of some of the Group's employee share plans. All Executive Directors are required to hold a minimum number of shares under guidelines approved by the Board, which they would also be expected to retain as described on page 127 of the Directors' Remuneration Report.

Authority to issue shares

The Directors require authority from shareholders in relation to the issue of shares. Whenever shares are issued, these must be offered to existing shareholders pro-rata to their holdings unless the Directors have been given authority by shareholders to issue shares without offering them first to existing shareholders. M&G plc will seek authority from its shareholders on an annual basis to issue shares up to a maximum amount, of which a defined number may be issued without pre-emption. Disapplication of statutory pre-emption procedures is also sought for rights issues. Relevant resolutions to authorise share capital issuances will be put to shareholders at the AGM which is expected to take place on 25 May 2022.

Authority to purchase own shares

The Directors require authority from shareholders in relation to the purchase of the Company's own shares. M&G plc will seek authority by special resolution on an annual basis for the buyback of its own shares in accordance with the relevant provisions of the Companies Act 2006 and other related guidance. A special resolution

will be put to shareholders at the AGM which is expected to take place on 25 May 2022. There were no share buybacks in the period to 31 December 2021.

Major shareholders

The table below shows the holdings of major shareholders in the Company's issued ordinary share capital, as at 31 December 2021, as notified and disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules. The Company is not aware of any agreements between holders of securities which may result in restrictions on the transfer of securities or on voting rights.

Shareholder	% of total voting rights
BlackRock, Inc.	6.61%
Norges Bank	4.005%
Schroders plc	5.189%
Silchester International Investors LLP	5.050%

On 2 September 2021, The Capital Group Companies, Inc. notified the Company pursuant to the Disclosure Guidance and Transparency Rules of a reduction in its shareholdings from 5.19% to 4.91%. The Company has since confirmed that The Capital Group Companies, Inc. has reduced its shareholdings to a level which no longer needs to be disclosed and the Company has therefore excluded The Capital Group Companies, Inc. from the table of its major shareholders notwithstanding that this change in position was not notified to the Company pursuant to the Disclosure Guidance and Transparency Rules.

Between 31 December 2021 and 4 March 2022 (the latest practicable date for inclusion in this report) there have been no changes to the table of major shareholders.

Dividend information

2021 dividend	Shareholders registered on the UK register
Ex-dividend date	17 March 2022
Record date	18 March 2022
Payment date	28 April 2022

A number of dividend waivers are in place and these relate to shares issued but not allocated under the Group's employee share plans. These shares are held by the Trustees and will, in due course, be used to satisfy requirements under the Group's employee share plans.

Cash dividend alternative

The Company operates a Dividend Re-investment Plan (DRIP). Shareholders who have elected for the DRIP will automatically receive shares for all future dividends in respect of which a DRIP alternative is offered. The election may be cancelled at any time by the shareholder. Further details of the DRIP can be found on our website.

The ability to receive dividend payments by cheque was withdrawn for the dividend payment made on 28 April 2021. Dividends will be paid by direct debit or shareholders can join the Dividend Re-investment Plan to use their dividend to purchase further M&G plc shares. Receiving dividends in this way, rather than by cheque, means shareholders can receive funds more quickly, more securely and in a more environmentally friendly way.

Political donations

The Group does not make political donations.

Equal opportunities and employment of disabled persons

M&G plc's Global Diversity and Inclusion Policy ensures that equal opportunities are afforded to all colleagues, candidates and suppliers in an environment in which each is treated with dignity and respect. Clearly documented processes are in place to ensure diversity and inclusion is embedded in the culture of the workplace and that we comply with statutory and regulatory requirements in the local labour market; provide equality of opportunity for all who apply for and perform work for M&G plc irrespective of sex, race, age, ethnic origin, educational, social and cultural background, marital or civil partnership status, religion or belief, sexual orientation or disability; and allow for reasonable adjustments to support those with special requirements. Moreover, we encourage the same standards of our recruitment and consultant suppliers.

The Company's goals around women in senior executive positions can be found on page 65 and the proportion of women on the Board and in senior executive positions can be found on page 92. The Company's ethnicity targets can be found on page 65.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. In the context of the Group as a whole, none of these is deemed to be significant in terms of their potential impact except for that listed below.

Credit facilities

Under a £1,286 million multi-currency revolving credit facility between the Company and the banks and financial institutions named therein as lenders (Lenders) dated 27 March 2019 (the Facility), in the event that any person or group of persons acting in concert directly or indirectly gains control of the Company and its subsidiaries, then any Lender may elect within a prescribed time frame to be replaced by a new lender, or to cancel its commitment, under the Facility whereupon the Company shall be required to repay each loan made to it on the last day of the interest period for that loan, and any loan repaid may be reborrowed from a new lender, subject to the terms of the Facility. Under a £107 million and two £53.6 million revolving loan facilities between the Company and the bank named therein as lender (Lender) dated 27 March 2019 (the Facility), in the event that any person or group of persons acting in concert directly or indirectly gains control of the Company and its subsidiaries, then the Lender may elect within a prescribed time frame to be replaced by a new lender, or to cancel its commitment, under the Facility whereupon the Company shall be required to repay each loan made to it, together with accrued interest and all other amounts accrued under the Facility, which shall in each case be immediately due and payable, on the last day of the interest period for that loan.

Risk management objectives and policies

Details of the framework which allows M&G to manage risk within agreed appetite levels is set out on pages 70 and 71. In this section is information on risk culture and governance, systems of internal control, how risks are categorised and how risk appetites and levels are set. Specific information around risk management objectives, policies (e.g. hedging) and exposure (e.g. price, credit, liquidity, cash flow risk) is contained in the financial statements on pages 254 to 270.

Environmental, employee and social policies

Policies relating to environmental matters, the Company's employees and social, community and human rights issues can be found on pages 38 to 69 of this Report.

Transactions with related parties

The Company and its related parties comprise members of the M&G plc Group, as well as the Group's joint ventures and associates and any entities controlled by those parties. Note 36 to the consolidated financial statements on pages 272 and 273 sets out details of related party transactions.

Directors' and executives' beneficial interests

Details of Directors' and executives' beneficial interests can be found in the Directors' Remuneration Report on page 139.

Directors' indemnities and insurance

The Company maintains Directors and Officers Liability insurance cover in respect of legal actions brought against its Directors and Officers. Pension Trustee Liability insurance is also in place to cover legal actions brought against pension trustees of the Group's three pension schemes managed for staff pensions. The policies include coverage for M&G plc and its subsidiaries. Qualifying third-party indemnity provisions are also available for the benefit of the Directors of the Company and certain other such persons, including certain Directors of the other companies within the Group. Qualifying pension scheme indemnity provisions are also in place for the benefit of certain pension trustee Directors within the Group. No amounts were paid under these insurance or indemnity provisions both of which remained in force throughout 2021.

Statement of disclosure of information to the auditor

Each Director of the Company confirms that, as far as each is aware, there is no relevant audit information of which the Company's auditor is unaware and that each of the Directors has taken all reasonable steps to ascertain any relevant audit information and to ensure the Company's auditor is aware of that information.

Going concern

The Group's business activities, together with the factors that may affect its future development and performance are stated in the Strategic Report. The Strategic Report also describes the Group's business model and key components of our strategy. The principal risks and uncertainties that the Group is exposed to and how the Group manages and mitigates them is set out on pages 72 to 78.

The Board undertook a comprehensive going concern assessment to satisfy themselves of the appropriateness of the use of the going concern assumptions in relation to these consolidated financial statements. As part of the assessment, the Board considered the liquidity projections of the Group, including the impact of applying specific liquidity stresses. The Board also considered the ability of the Group to access external funding sources and the management actions that could be used to manage liquidity.

As part of the assessment, the Board also gave particular attention to the solvency projections of the Group under a base scenario and its sensitivity to various individual economic stresses and certain stressed scenarios, which included a pessimistic COVID-19 scenario.

Based on the assessment undertaken, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Directors have acknowledged their responsibilities in the Statement of Directors' Responsibilities in relation to the financial statements for the year ended 31 December 2021.

Greenhouse gas emissions

Further details of our approach to the environment, including information in relation to greenhouse gas emissions, can be found on pages 38 to 57. This forms part of the ESG Report section of the Annual Report on pages 38 to 69.

Branches

The Group has branches in Belgium, France, Germany, Italy, Malta, the Netherlands, Poland, Spain, Sweden and the UK. More details of the extent of our international footprint can be found on page 3.

Research and development

The Group undertakes research and development activities in relation to longevity research and risk modelling as well as the impact of climate change on various asset classes.

Change of auditor

On 30 October 2020, the Board announced its intention to appoint PricewaterhouseCoopers LLP (PwC) as its external auditor for the year ending 31 December 2022. This followed a competitive tender process actively overseen by the Audit Committee, as referred to on page 116 and resulted in a recommendation which was approved by the Board.

Consequently, KPMG will resign as the Group's statutory auditor at the conclusion of the 2021 audit and the Board will resolve to appoint PwC to fill the vacancy. A resolution to appoint PwC as auditor will be recommended to the Company's shareholders for approval at the Annual General Meeting expected to take place on 25 May 2022. KPMG and PwC will be available at the 2022 Annual General Meeting to answer any questions.

Corporate governance statement

The Corporate Governance Statement on page 91 forms part of the Directors' Report. It sets out relevant information on the corporate governance practices of M&G plc, and how it has applied the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in July 2018. It also includes details of internal control and risk management systems and diversity policies as well as the discussion of issues raised, topics considered and feedback received during engagement with employees and how Directors have had regard to the need to foster the Company's business relationships with suppliers and customers.

Assessing and monitoring culture

Information on actions the Board has taken in relation to culture in 2021 can be found in the Strategic Report on pages 2 to 84 and in the Governance Report on pages 86 to 159.

Conflicts of interest

The Company has a Conflicts of Interest Policy and maintains a Conflicts of Interest Register. Mandatory training on conflicts for all M&G plc employees took place over 2021 and the Chief Risk & Compliance Officer reports to the Board and its Committees on conflicts as required.

Requirements of Listing Rule 9.8.4

Information to be included in the Annual Report and Accounts under Listing Rule 9.8.4, where applicable, can be found as follows:

Listing Rule	Description	Location
9.8.4(1)R	Interest capitalised	Not applicable
9.8.4(2)R	Publication of unaudited financial information	Supplementary Information page 301
9.8.4(4)R	Details of long-term incentive schemes required by Listing Rule 9.4.3	Directors' Remuneration Report page 119
9.8.4(5)R	Waiver of emoluments by a Director	Not applicable
9.8.4(6)R	Waiver of future emoluments by a Director	Not applicable
9.8.4(7)R	Non pre-emptive issues of equity for cash	Not applicable
9.8.4(8)R	Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	Not applicable
9.8.4(9)R	Parent participation in a placing by a listed subsidiary	Not applicable
9.8.4(10)R	Contracts of significance involving a Director	Not applicable
9.8.4(11)R	Provision of services by a controlling shareholder	Not applicable
9.8.4(12)R	Shareholder waivers of dividends	Dividend Information page 161
9.8.4(13)R	Shareholder waivers of future dividends	Dividend Information page 161
9.8.4(14)R	Agreements with controlling shareholders	Not applicable

Index to principal Directors' Report disclosures

Information required to be disclosed in the Directors' Report may be found in the following sections:

Information	Section in Annual Report	Page
Disclosure of information to auditor	Directors' Report	162
Directors in office during the year	Directors' Report	160
Corporate responsibility governance	ESG	63
Employment practices and engagement	ESG	97
Greenhouse gas emissions	ESG	50
Charitable donations	ESG	63
Assessing and monitoring culture	Strategic Report	64
Political donations and expenditure	Directors' Report	161
Remuneration Committee Report	Governance	119
Directors' interests in shares	Directors' Remuneration Report	139
Agreements for compensation for loss of office or employment on takeover	Directors' Remuneration Report	158
Details of qualifying third-party indemnity provisions	Directors' Report	162
Internal control and risk management	Risk management	70
Rules governing appointment and removal of Directors	Governance	103
Significant agreements impacted by a change of control	Directors' Report	161
Future developments of the business of the Company	Strategic Report	24
Post-balance sheet events	Note 39 of the financial statements	278
Rules governing changes to the Articles of Association	Shareholder Information	320
Structure of share capital, including changes during the year and restrictions on the transfer of securities, voting rights and significant shareholders	Directors' Report and Shareholder Information	160
Business review	Strategic Report	27
Changes in borrowings	Note 27 of the financial statements	239
Dividend details	Strategic Report	5
Financial instruments	Note 19 of the financial statements	228

In addition, the principal risks set out on pages 72 to 78, the additional unaudited financial information set out on pages 301 to 312 and the Shareholder Information section on page 320 are incorporated by reference into the Directors' Report.

Signed on behalf of the Board of Directors

Alan F Porter
General Counsel and Company Secretary
7 March 2022

The Directors are responsible for preparing the Annual Report and the consolidated and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare consolidated and Company financial statements for each financial year. Under that law they are required to prepare the consolidated financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that period.

In preparing each of the consolidated and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the consolidated financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

John Foley
Chief Executive
7 March 2022