M&G plc
Annual Report and Accounts 2024

Performance highlights

How we performed in 2024

Financial highlights[i]

KPM APM

Assets Under Management and Administration (AUMA)

£345.9bn

(2023: £343.5bn)

KPM APM

Net flows from open business

£1.9bn outflow

(2023: £1.7bn inflow)

KPM APM REM

Adjusted operating profit before tax

£837m

(2023: £797m)

KPM APM REM

Operating change in Contractual Service Margin (CSM)

£294m

(2023: £355m)

KPM

IFRS result after tax

£(347)m

(2023: £309m)

KPM APM REM

Operating capital generation

£933m

(2023: £996m)

KPM APM

Total capital generation

£1,108m

(2023: £358m)

KPM APM

Shareholder Solvency II coverage ratio

223%

(2023: 203%)

Non-financial highlights

REM

Female representation on the Group Executive Committee and direct reports

36%

(2023: 37%)

Find out more about our gender diversity on pages 41-43

REM

Ethnic diversity within the Group Executive Committee and direct reports

6.9%

(2023: 7.4%)

Find out more about our ethnic diversity on pages 41-43

REM

Net Promoter Score (Life)

+22

(2023: +15)

Find out more about our Net Promoter Score on page 15

REM

Employee sustainable engagement score

69.0

(2023: 70.7)

Find out more about our employee engagement on page 40

REM

Operational carbon emissions: Scope 1, 2 and selected scope 3[ii]

9,101 tCO_2e

(2023: 7,964 tCO_2e restated)

Find out more about our carbon emissions on page 76

i All financial measures are defined in Supplementary Information on page 341.

ii When reporting totals, market-based emissions are used. Note that the 2023 figure has been restated, see page 76 for further details.

Key

KPM	Key performance measure (defined in glossary)
APM	Alternative performance measure (defined in glossary)
REM	Linked to remuneration measures for Executive Directors

Contents

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A guide to using this report

For optimal experience, it is recommended that this document is viewed in Adobe Acrobat Reader. Interactive functionality may not work when viewed in a web browser or other PDF readers.

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M&G at a glance

Who we are

What we do

We are an internationally recognised active asset manager and an established life business, with a well capitalised With-Profits Fund. We use our strong investment capabilities to help our customers and clients invest for the long term.

Our purpose

To give everyone real confidence to put their money to work

Our strategic pillars

Maintain our financial strength

Ensuring our clients can depend on us, while rewarding shareholders.

Simplify our business

Becoming more nimble and efficient in how we work to best serve our customers.

Deliver profitable growth

Building on our strengths to better anticipate and address our clients' needs.

Find out more about our strategy on pages 10-11

Our values

Care

We act with care – treating clients and colleagues with the same level of respect that we would expect for ourselves. We also invest with care, making choices for the long term.

Integrity

We empower our colleagues to do the right thing, honouring our commitments to others and acting with conviction. Our business is built on trust and we don't take that lightly.

Find out more about our behaviours on page 40

Our international reach

39 Offices worldwide

6 Continents

Our size

£345.9bn Assets under management and administration

Who we serve

4.5m+ Individual customers

900+ Institutional clients

Chair's statement

Delivering for all our stakeholders

Throughout 2024 M&G continued to transform, innovate and deliver

I am proud of how M&G has continued to support our customers and clients during 2024, while delivering strong financial results for our shareholders and positively impacting our communities. This year saw progress across the whole of M&G as we continue to transform the business, including developing new innovative propositions such as the Value Share bulk purchase annuity and further globalising our investment capabilities.

This success comes from having a balanced and integrated business model, solid foundations, clear strategic direction, customer focus and an inclusive culture.

Whether it's new acquisitions to build our capability, increasing the profile of our brand, improving our culture, winning new investment management mandates or enhancing our customer and client offering, our results show the power of what can be achieved by all of our colleagues coming together to deliver on our purpose; to give everyone real confidence to put their money to work.

And we want to go further, by improving the way we support our clients and customers, transforming their experience and continuing to capitalise on opportunities to deliver new products and services to meet their needs. We are aiming to support more people in more places.

M&G's business model is based on investing for the long-term and we are well positioned to support economic growth and the transition to a sustainable economy. However, we recognise that we cannot do this alone. We therefore continue to engage actively with a range of stakeholders including Government, regulators, shareholders, trade associations and Non-Governmental Organisations (NGOs) to ensure we can deliver the best outcomes for our customers and clients.

I am privileged to work alongside a dedicated and talented management team led by Andrea, and I am continually grateful to my Board colleagues for their ongoing contributions and support. My personal priority remains to ensure we have a diverse set of skills and experiences on the Board to support the delivery of our strategy. I was delighted to welcome Elisabeth Stheeman and Paul Evans as independent Non-Executive Directors and to confirm Clare Thompson as Senior Independent Director.

Due to our strategic progress, the Board is today announcing a refresh of our dividend policy, with the declaration of a second interim dividend of 13.5 pence per share resulting in a total dividend of 20.1 pence per share for 2024. The Board's intention for the future is to maintain a progressive and sustainable dividend policy, reflecting the Group's expected business growth and long-term financial performance.

Finally, a special thanks also goes to everyone who has contributed to M&G's achievements in 2024. Delivering for our shareholders, customers and clients is only possible due to the dedication and skill of our 6,000 colleagues. I have confidence that with the strength of the business model and the expertise of our people, the Group will continue to grow and deliver for our shareholders, as well as continuing to best serve the interests of our customers, clients and communities.

Sir Edward Braham
Chair

> **"The Board's intention for the future is to maintain a progressive and sustainable dividend policy."**
>
> **Sir Edward Braham**
> Chair

Group Chief Executive Officer's statement

A year of transformation and growth

The strength of our business model underpins our progress over 2024

In 2024 we delivered meaningful progress across our three strategic pillars of financial strength, simplification and growth. Our balanced and integrated business model, based on gathering assets and investing for the long term remains a source of competitive advantage, underpinning progress across our business and enabling us to thrive together with our colleagues, customers, clients, shareholders and communities.

Financial strength

In September this year we announced an upgrade to our three year cumulative operating capital generation target for 2022 to 2024 to £2.7 billion reflecting our effective capital management. I am delighted that we exceeded this upgraded target by generating £2.75 billion over the three years and improved our Shareholder Solvency II coverage ratio to 223%. We also completed our deleveraging actions to reduce our debt by £461 million resulting in a lower Solvency II leverage ratio of 33%.

Given our confidence in the outlook of the business we are announcing a new three year cumulative operating capital generation target of £2.7 billion. This excludes the new business strain of the Life business to reflect our strategic growth plans over the period.

Simplification

We have continued to simplify our business to provide a better level of service to our customers and clients. This is reflected in the increase in our Life Net promoter score to +22 over 2024.

Dividend per share (ordinary)

20.1p

(2023: 19.7p)

The Board has agreed to pay a second interim dividend of 13.5p per share on 9 May 2025, meaning a total dividend of 20.1p per share for the year.

Find out more on page 236

In September, we announced our decision to focus and rationalise our Wealth strategy. Our new focus is to continue to grow the distribution of our own solutions through our restricted advice channel and independent advisers, and make our propositions more accessible on third party platforms. We have simplified our operating model by bringing together Wealth and Life under the leadership of Clive Bolton. Underpinning this decision is our ongoing drive to deliver improved client outcomes.

Over the course of the year we have moved at pace on our transformation efforts, delivering £188 million of savings in the first two years of the programme. Given this progress, we are upgrading our cost target, again, to £230 million by end of 2025.

> "Our balanced and integrated business model remains a source of competitive advantage."

Andrea Rossi
Group Chief Executive Officer

Group Chief Executive Officer's statement continued

> **"Through innovative propositions such as the Value Share BPA we can offer customers a compelling product range."**
>
> **Andrea Rossi**
> Group Chief Executive Officer

Growth

I am pleased with our adjusted operating profit, up 5% year-on-year, driven by a strong Asset Management result, which improved by 19%. We achieved this improvement in Asset Management adjusted operating profit while continuing to invest in internationalising the business and expanding our private markets capabilities. Through acquiring BauMont Real Estate Capital in 2024 and the agreement to purchase a 70% controlling stake of P Capital Partners at the start of 2025, we are making selective acquisitions that fit with our overall strategy of investing in areas with high growth potential for our asset management business.

We continued to deliver strong investment performance with 63% of our Wholesale funds ranked in the upper two performance quartiles over three years and 59% over five years as of 31 December 2024. In Institutional asset management, over 75% of funds by AUMA outperformed their benchmarks on a three and five year basis.

In Life, we continued to build our presence in the Bulk Purchase Annuity (BPA) market. We increased new business volumes for BPAs by 50% year-on-year, reached £0.9 billion of premiums, and helped to offset the run-off of the in-force book. Through propositions such as the innovative Value Share BPA and our Fixed Term Annuity recently launched at the start of 2025, we can offer customers a compelling product range combining guaranteed, smoothed and unsmoothed solutions.

We remain well positioned to address client needs and capitalise on key market dynamics to drive growth opportunities in a disciplined and controlled way.

To support our growth priority we have set a new financial target for the three years 2025-2027 to grow adjusted operating profit before tax by 5% or more on average per annum.

Empowering our colleagues and making a difference

We continue to build a workplace where everyone can flourish in a safe and inclusive environment. A particular focus has been the embedding of our new behaviours launched in 2024, including through a series of well-attended colleague-wide learning experiences offered throughout the year. We have also focused on how the Group is fostering opportunity in hiring practices, development pathways and increased diversity to enhance business performance. Our inclusive culture continues to make a positive impact in enabling our colleagues to deliver on our priorities and making a real difference to wider society through community initiatives. During 2024 we have also evolved our sustainability strategy to better align with what matters to us as a business, with a particular focus on our investment and social impact expertise.

Employee sustainable engagement score

69.0

(2023: 70.7)

Our colleague OneVoice surveys over 2024 highlighted that our culture is a strength, with colleagues treating one another with respect and dignity.

Find out more on page 40

After a successful year, I would like to say thank you to our M&G colleagues for all their hard work and dedication and to my leadership team who continue to drive the business forward. We welcomed Shawn Gamble, Group Chief Risk and Compliance Officer and Chris Cochrane, Chief Information and Technology Officer, to the Group Executive Committee (GEC), who are already making a significant contribution. I also want to thank Caroline Connellan, who left the business in 2024, and wish her the best for the future.

Outlook

As I look ahead to 2025, the environment we operate in remains challenging. Increased geopolitical uncertainty and market volatility continue to weigh on customer and client sentiment and pose a significant challenge to financial institutions across the globe. At M&G, we are confident that we can navigate this uncertain environment by leveraging the strength of our business model which we believe will remain a source of competitive advantage.

As we move into the next phase of our transformation we remain focused on delivering sustainable, profitable growth for our shareholders and attractive outcomes for our customers and clients.

Andrea Rossi
Group Chief Executive Officer

Our business model

Our balanced and integrated business model

What we do

Our business model is to gather assets and invest for the long-term to deliver attractive financial outcomes for our customers and clients, as well as superior returns for our shareholders.

We leverage our capital strength and investment expertise, allowing us to develop innovative savings and investment propositions that meet customer and client needs through our Asset Management and Life businesses.

We are an internationally recognised active asset manager with market-leading expertise in private assets, public fixed income, and multi-asset solutions, alongside our expanding range of sustainability-driven thematic equity products.

We are an established Life business with a strongly capitalised With-Profits Fund. With a heritage of over 170 years and a strong brand, through our advice business and distribution network, we're well-positioned to understand and meet the needs of customers and advisors. We have a long-standing track record of successfully managing a scaled balance sheet to provide security to our customers.

Our strong investment capabilities underpin all that we do.

Our business model continued

How we create value

Attract inflows and invest for the long term

We create value by attracting net client inflows across our business and leveraging our strong investment capabilities to invest for the long term.

How do we attract net inflows?

Through our expertise in Asset Management and Life solutions we develop innovative propositions to meet real needs of customers and clients, who can access these solutions through our wide distribution network. Underpinning this is our consistently strong investment performance.

How does this create value?

Flows into our business drive our earnings and long-term capital generation. Flows also allow us to scale the business.

Note: Diagram excludes corporate assets of £1.9bn (2023: £2.3bn), of which £0.9bn (2023: £1.0bn) is in Asset Management

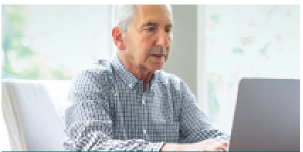
How do we invest for the long term?

Using the scale of the business including our well capitalised With-Profits Fund, combined with our expertise across public and private markets, we are able to make long-term investment decisions.

How does this create value?

By making investment decisions for the long-term, we can provide our customers and clients with guaranteed, smoothed and unsmoothed solutions. This also allows us as a business to support the transition to a sustainable economy.

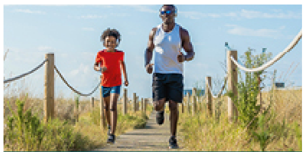
Working for everyone



Shareholders

Our strong balance sheet and the diversity of our earning streams support our dividends. Our strength across two businesses means we can deliver growth and attractive returns.

Find out more about our financial performance on pages 16-29



Customers and clients

Our model allows us to invest for the long-term and deliver attractive financial outcomes for our customers and clients. Our investment and insurance expertise combine to deliver best-in-class propositions.

Find out more about our customers and clients on pages 12-15

Colleagues

We are committed to ensuring our colleagues' working lives are engaging and fulfilling, in a safe, inclusive and diverse environment, so they can contribute to our success.

Find out more about our colleagues on pages 40-43

Society

Our long-term horizon allows us to invest in what society needs, including real estate, infrastructure and technology. Our Group sustainability framework is aligned with our purpose.

Find out more about our approach to sustainability on pages 30-33

Our business model continued

Our business model in action

40 Leadenhall development

The value of our business model is that we can use our financial strength and investment expertise together to develop long-term investment solutions, and deliver attractive financial outcomes.

Our recently completed office development project in the City of London, 40 Leadenhall demonstrates this in action.

Using capital from the With-Profits Fund, the Life business invested £875 million in the development in 2019 in a deal structured by M&G Real Estate, our specialist internationally recognised property manager.

M&G Real Estate have successfully managed the development through to completion, the largest office project to complete in London's Square Mile in 2024.

The 900,000 square foot development is over 90% committed and achieving above average rents. It showcases M&G's ability to deliver, invest for the long term and create attractive returns for customers and shareholders.

The building is also among the UK's first buildings to achieve the NABERS certification, an energy efficiency standard that measures how a building is designed to operate and how it performs in use.

Market and industry trends

Opportunities and challenges

We are well placed to support our customers and clients and deliver value for all our stakeholders

Client needs are continually changing in response to the macroeconomic environment

Economic uncertainty and geo-political tension globally continue to drive market volatility, creating unpredictable financial conditions for savers and investors.

Clients are increasingly demanding solutions that deliver reliable returns against the evolving macroeconomic back drop.

35%

Increase in market volatility in last 5 years (vs previous 10-year period)

Source: MSCI World Index

M&G positioning

Our business model, broad capabilities and expertise enables us to develop distinctive investment strategies that meet the evolving needs of our customers and clients.

Our differentiated offering combines Asset Management and Life capabilities, including guaranteed and smoothed solutions, helping our clients and customers manage market uncertainty.

Savings and advice gap highlights the need for a holistic range of savings solutions that can be tailored to meet client needs

Across most major financial markets with an increasingly ageing population, people are at risk of making insufficient financial preparations for their future including in retirement.

Savings and investment needs evolve throughout an individual's lifetime from building wealth through to, and in retirement. Therefore they need advice and the right savings solutions to help them secure their future.

34%

of European household wealth is held in low return currency and deposits

Source: Bruegel, April 2024

M&G positioning

We continue to expand our savings and investment proposition to offer a wider range of products that support our customers' needs throughout their lifetime as requirements change.

We are making our savings and retirement solutions more accessible by refining our distribution channels to enable customers to access the savings solutions that best meet their needs.

Financial sector funding is required to support growth and transition to a sustainable economy

Shortfalls in traditional sources of funding are creating opportunities for the financial sector including private assets and sustainable funds to fill this gap.

There is increasing recognition that private sector investment is critical to funding infrastructure, investment in the real economy, fuelling growth in private businesses and to support the significant investment required in transitioning to a more sustainable economy.

70%

of the $300tn investment required to meet net zero goals by 2050 is expected to come from private markets investment

Source: Goldman Sachs

M&G positioning

Our private markets business leverages our Life balance sheet to invest for the long term across infrastructure developments and private companies, with dedicated investment strategies focusing on sustainable and impact investments.

Our balanced and integrated business model enables us to optimise our capabilities to deliver investment in the real economy with sustainable outcomes.

Our strategy

Continued momentum to deliver our strategy

We have made progress in delivering our strategy, using the strength of our business to meet the needs of our stakeholders

Our purpose is to give everyone real confidence to put their money to work and the three pillars of our strategy are centred on ensuring we meet this clear purpose.

The strength of our business model is helping us to deliver our strategy. By combining our deep understanding of customer and client needs, compelling products and services, investment capabilities and expertise, and our growing international footprint, we are continuing to transform M&G. As we transform we are targeting good operational and financial performance, and attractive financial outcomes for our customers and clients, as well as superior returns for our shareholders.

We take a long-term approach to growth and value creation. This incorporates how we address environmental and social challenges through the investments we manage on behalf of our clients, as well as how we run our business operations. Over 2024 we have reviewed our sustainability strategy, drawing on the strengths of our business model and broad investment capabilities. The updated approach focuses on areas that are material to us and where we can make a positive contribution.

Our strategic pillars

Maintain our financial strength

Ensuring our clients can depend on us, while rewarding shareholders.

Simplify our business

Becoming more nimble and efficient in how we work to best serve our customers.

Deliver profitable growth

Building on our strengths to better anticipate and address our clients' needs.

Our strategy continued

Maintain our financial strength

Our financial strength gives our customers, clients and shareholders confidence that we are the right long-term partner for them. We help our customers and clients put their money to work and achieve their financial goals. For shareholders, we carefully allocate capital to invest in high-potential growth opportunities and reward them with attractive, dependable dividends.

Our Group priorities

- Proactively manage our financial position to create capacity to invest in growth.
- Maintain a disciplined approach to capital allocation.
- Build on the strength of our business model to grow and diversify revenue across our two businesses.

2024 Group highlights

- Exceeded our three-year cumulative operating capital generation target of £2.7 billion over 2022-2024.
- Completed deleveraging actions to reduce our debt by £461 million, reducing our leverage ratio by 2%.
- Announcement of new progressive and sustainable dividend policy, with the declaration of a second interim dividend of 13.5 pence per share resulting in a 2024 total dividend of 20.1 pence per share.

Simplify our business

We are transforming the way in which we operate, so that we can better serve our customers and clients in the UK and internationally and deliver our growth strategy more efficiently. We want to unlock M&G's potential by enabling our colleagues and business partners to work together more effectively and improve the way we engage with clients.

Our Group priorities

- Streamline our business model to enable us to work more effectively across the Group and deliver our growth priorities.
- Simplify and automate our processes to make it quicker and easier for our customers to do business with us.
- Continue to modernise our technology estate.

2024 Group highlights

- We delivered cost savings of £188 million by the end of 2024 and have raised our cost saving target under our transformation programme to £230 million by the end of 2025.
- We continued to evolve our business model, including the decision to combine Life and Wealth to improve operating effectiveness and make it easier for customers to do business with us.

Deliver profitable growth

Our business model gives us distinct yet complementary capabilities that work closely together to leverage the strengths of our Asset Management and Life businesses. This creates a competitive advantage as we develop solutions and deliver outcomes for our clients and advisers, and helps us unlock the growth potential of the combined M&G group.

Our Group priorities

- Continue to strengthen our presence in our target markets to engage more closely with our customers and better address their needs.
- Expand our range of investment solutions to meet a broader range of outcomes.
- Strengthen our distribution capabilities to enable more customers and advisers to access our solutions.

2024 Group highlights

- In Asset Management we have strengthened our international presence by building on our distribution channels and broadening our investment capabilities with over 56% of our third party AUMA from non-UK clients.
- In Life, we have written £0.9 billion in new Bulk Purchase Annuity (BPA) business in 2024 and as part of this we launched an innovative Value Share BPA proposition in the UK market - this allows pension trustees to insure member benefits while enabling corporate sponsors to share in the risk and reward.

For detailed updates on 2024 progress and key priorities for 2025 in our Asset Management and Life businesses see pages 12-15

For details on our approach to sustainability please see pages 30-33

Our businesses

Asset Management

We continue to expand our range of investment capabilities, providing solutions to meet the needs of our Life business and our third party clients

Business overview

We are an international asset manager focused on active management across public and private markets. Our business is underpinned by deep and broad investment expertise across both fund management and extensive in-house research capabilities.

Our Asset Management business manages £315.0 billion AUMA, which is over 90% of the Group total. £156.1 billion of this is managed on behalf of our largest client, our Life business, and £96.1 billion is managed on behalf of over 900 third-party institutional clients and £62.8 billion on behalf of our wholesale clients.

Our clients are at the heart of everything we do and we have a global network of investment and distribution teams, which enables us to be a local partner to our clients wherever they are in the world.

We offer a broad range of savings and investment solutions to help our clients navigate their investment needs.

We work closely with our Life business to build and deliver end-to-end investment solutions, ensuring a strong alignment of interest and a deep understanding of our clients' objectives. We offer these same solutions to our third-party clients enabling us to scale new strategies and attract third party flows.

We are leveraging this client insight to develop a suite of investment solutions for our target insurance clients across Europe.

Wholesale clients have access to a family of UK-domiciled mutual funds, as well as a similar range of Luxembourg funds for international clients. We also offer access to private assets through our European Long Term Investment Fund (ELTIF) and sub-advised solutions.

Asset Management

Joseph Pinto Asset Management CEO

For **Institutional** clients we provide investment propositions covering both private and public assets through a variety of formats, from pooled funds to segregated mandates.

We offer clients investment solutions across our two business areas:

Public Markets, managing £240.9 billion of assets, focused on public fixed income, active equity and sustainability focused funds. Within Public Markets, M&G is recognised as one of Europe's leading Fixed Income investors, managing £137.8 billion of assets.

Private Markets, managing £74.1 billion of assets, M&G is a leading player in Europe, with capabilities focusing on real estate, private credit and impact investment.

Sustainability and impact are key focus areas and we have a range of capabilities to meet our client demands including through responsAbility and our Catalyst strategy.

Expanding our public market capabilities through our Sustainable Bond Strategy

In October 2024, through our responsAbility business, we launched our Sustainable Solutions Bond Strategy, an SFDR Article 9 fund.

This strategy targets sustainable corporate bonds, addressing six areas: health, work & education, social inclusion, circular economy, environmental solutions, and climate action.

It aims to align investments with the UN Sustainable Development Goals and was designed following active engagement with institutional and wholesale investors.

This demonstrates how we can leverage the expertise of our UK investment team and responsAbility, to create a diversified portfolio of global investment-grade bonds driving positive change.

Our businesses continued

Progress against our strategy

The progress we have made in 2024 is aligned to our Group strategic objectives (as set out on pages 10-11) delivering growth in our international presence and expanding our capabilities to meet our client needs while strengthening our operating model.

Simplify our business

- **Continued to make progress in reducing the Asset Management Cost-to-Income ratio** from 79% in 2023 to 76% in 2024.
- **Strengthened our public and private markets leadership** teams with our three Chief Investment Officers now in place and a dedicated Chief Operating Officer model to support our leadership teams to grow our business efficiently.
- **Enhanced our global investment model** to enable us to more efficiently scale internationally, including streamlining our middle and back-office functions.

Deliver profitable growth

- **Continued to deliver consistent investment performance** with overall performance of 63% of wholesale funds continuing to be above median over 3 years.
- **Continued to strengthen our international presence**, with 56% of our £158.9 billion third-party AUMA from non-UK clients.
  - Built upon our distribution capabilities including strengthening our access to the Singapore wealth market and have been actively building our relationships in the Middle East.
  - Further globalised our investment capabilities, building on the success of our Asian equities franchise by launching Indian and Chinese equities and developing our Japanese Large Cap equities.
- **Broadened our capabilities in private markets** through the acquisition of BauMont Real Estate Capital to expand our origination capabilities in Europe while continuing to build upon our existing capabilities with success in structured credit.

Key priorities for 2025

Improve third party flows across our target markets in the UK and internationally and continue to improve client experience:

- **Build on our strong momentum in scaling our international franchise** by continuing to grow in Europe and targeting growth in Asia. Globalise our offering by developing our public fixed income platform and Asian Equities to broaden our client relationships.
- **Continuing to broaden our UK proposition and client base** aligning with structural market trends to deliver the right solutions for our clients, including developing run-on solutions for pension schemes, leveraging the capabilities of our Life business.
- **Expand our private asset capabilities** by growing our presence outside of the UK, taking a selective approach to bolt on acquisitions and partnerships. Continue to develop our capabilities through externalisation of existing strategies and launching new innovative products.
- **Enhance and improve our client experience** to ensure we deliver consistent, high-quality service as we scale internationally.

Expanding our private market origination capabilities in Europe

During 2024, M&G Real Estate acquired a majority stake in BauMont Real Estate Capital Limited, a European investment manager with €1.5 billion in assets and offices in London and Paris.

This acquisition, focusing on value-add strategies involving redevelopment or refurbishment, expands our client offerings beyond core real estate, providing our clients with the potential for higher returning opportunities. It aligns with our strategy to enhance our asset management capabilities in Europe and build on our private markets track record.

Our With-Profits Fund invested €200 million in BauMont's latest closed-ended fund - BauMont Real Estate II.

Our businesses continued

Life

We are repositioning the Life business to accelerate the current momentum and continue driving profitable growth

Business overview

We currently serve over 4.5 million customers in the savings and pensions market. Our customers are increasingly looking for support across a broad range of savings and investment needs and our four core markets are aligned to support them throughout this journey:

Individual Life & Pensions addresses the needs of UK retail clients for investment growth, smoothed returns and guaranteed income through a range of solutions, including our PruFund proposition, with £64.0 billion of AUMA.

International Life includes our savings businesses in Ireland and Poland, with a further focus on international diversification of our With-Profits Fund and broadening the distribution of our PruFund proposition to new markets.

Corporate Risk Solutions services our corporate clients, with a focus on scaling our presence in the UK market through Bulk Purchase Annuities (BPAs).

Advice provides holistic financial planning services to help retail customers plan and save for the future, with a national footprint of over 550 advisers, making us one of the largest advice businesses in the UK.

We continue to strengthen the partnership between the shareholder and the With-Profits Fund, by drawing on their respective capabilities and leveraging the strong capital position of the With-Profits Fund to launch new solutions and scale our existing business.

Life

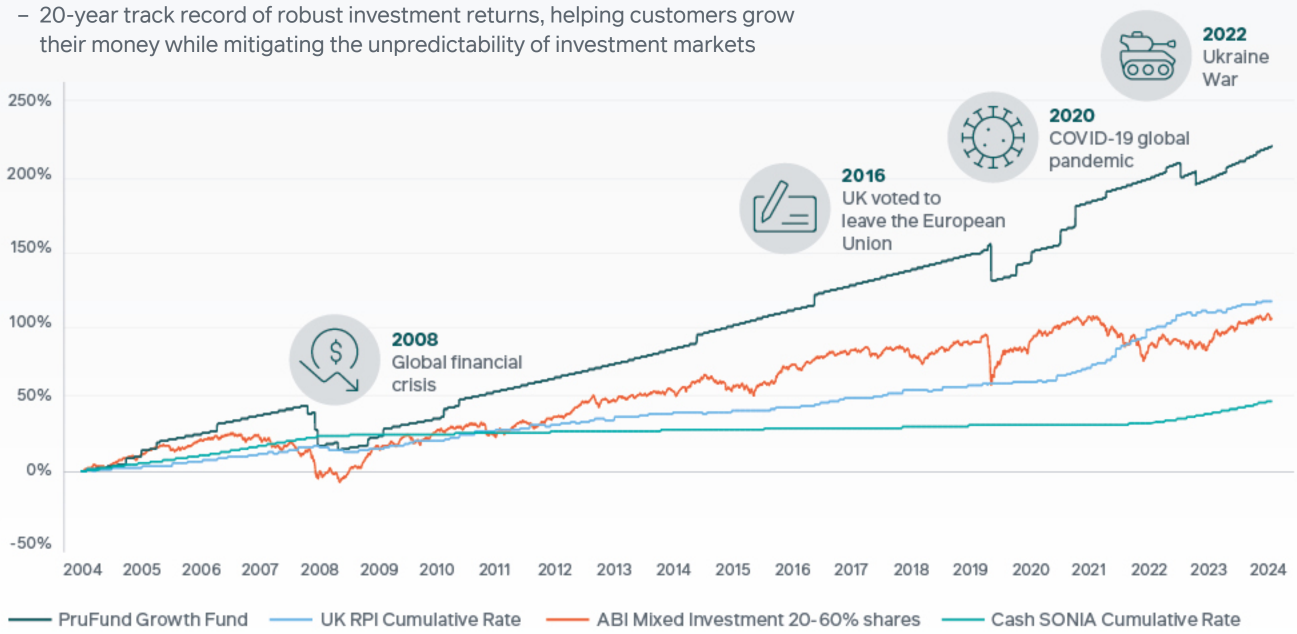
Clive Bolton Life CEO

This will allow us to reposition the With-Profits Fund to be the primary writer of new business, helping address customer needs, and diversifying our product suite while driving top-line growth and stable, fee-like earnings in the Life business.

We have a unique relationship with the Asset Management business and work closely together to meet client demands for smoothed income and multi-asset investment solutions. This relationship continues to provide strong investment returns for our customers - our PruFund proposition has had another year of resilient net performance, with our flagship PruFund Growth Fund returning 4.0% pa over three years, comfortably outperforming the ABI Mixed Investment 20-60% shares sector.

20 years of PruFund

- Truly diversified global multi-asset fund, providing clients with access to a wide range of investments, including private markets
- Established smoothing mechanism which balances short term market fluctuations, providing customers with stable, predictable returns
- 20-year track record of robust investment returns, helping customers grow their money while mitigating the unpredictability of investment markets



Our businesses continued

Progress against our strategy

In 2024 we have made real progress against our Group strategic objectives (as set out on pages 10-11). We have focused on repositioning for new business growth beyond PruFund, by developing new propositions, while evolving our business model:

Simplify our business

- We have aligned our Life business model across our four core markets, including integrating our Advice business. We have established leadership teams in each market with a clear focus on growth, facilitating easier interactions for both customers and advisers, and enhancing efficiency.
- We have continued to develop our Consumer Duty programme to deliver better outcomes for our customers. We recognise that delivering great outcomes and service is a constantly evolving process and we have refined our customer outcome management information and insights to identify and improve customer processes.

Deliver profitable growth

- **Individual Life & Pensions**: we are focused on adding annuity products and broadening our distribution network, including widening access to PruFund by launching the proposition on third party platforms.
- **International Life**: we continue to evolve our proposition and are exploring opportunities to internationalise PruFund in Europe, the Middle East and Asia.
- **Corporate Risk Solutions**: we have written £0.9 billion of new BPA business, focusing on selective cases where our capabilities in private assets can make a material difference to customers. As part of that, we also launched a 'first of its kind' Value Share BPA proposition in November 2024.
- **Advice**: we have generated £0.9 billion in PruFund gross inflows through our Advice business in the year.

Net Promoter Score

+22

(2023:+15)

Net Promoter Score (NPS) is a measure of the willingness of a company's clients to recommend its products or services to others. It is measured across a rolling six-month period. The Net Promoter Score for our Life business is one of the key non-financial performance measures impacting Director's remuneration.

Performance in 2024

We are pleased that the NPS score has improved year on year, demonstrating that by continuing to focus on simplification, stabilisation and excellent service, it makes it easier for customers to do business with us.

Key priorities for 2025

Continue to reposition our business for growth, generate flows and deliver sustainable capital generation:

- Take a targeted approach to developing our investment and annuity propositions to meet customer needs including continuing to grow BPA volumes and internationalising PruFund.
- Broaden the distribution of our recently launched Fixed Term Annuity product, underpinning our re-entry into the annuities market.
- Build on the partnership between the shareholder and the With-Profits Fund to deliver growth, with the With-Profits Fund writing the majority of new business, and the shareholder balance sheet continuing to selectively participate in attractive insurance risk.
- Continue to enhance our service model across each of our core markets including the automation of key processes to ensure we are well positioned to meet our growth ambitions and service our customers as we scale.

Launching our Value Share BPA

During 2024, we launched an innovative Value Share Bulk Purchase Annuity proposition, allowing trustees to insure member benefits while enabling corporate sponsors to share in the risk and reward.

Our first Value Share proposition was a £0.5 billion transaction insuring 3,200 members, aligning with M&G's growth ambitions in the UK pension de-risking market and showcases our ability to create innovative solutions for our clients' complex needs.

Since re-entering the market in September 2023, M&G has written £1.5 billion of total new bulk annuity business, building on its history as a founding member of the BPA market.

Business and financial review

Demonstrating our financial strength

Our results demonstrate further progress across our three strategic pillars despite challenges on flows

I am pleased to present our 2024 results which demonstrate further delivery on our strategy. My highlights for the year include reducing the leverage ratio to 33% and delivering cumulative operating capital generation of £2.75 billion since 2022, enabling us to beat our upgraded three year target of £2.7 billion.

Our transformation programme has continued to move at pace as we progress towards our objective of building a stronger, simpler and more efficient business. Across the whole business we have delivered cumulative cost savings of £188 million to date, and we have upgraded our three year cost saving target to £230 million savings by end 2025. But our simplification journey won't end there. Our Asset Management Cost to Income ratio improved to 76% from 79%, benefitting from both lower costs, as well as revenue growth. We remain committed to achieving a 70% Cost to Income ratio through further operational discipline and profitable growth.

AUMA and net client flows

Total AUMA has increased to £345.9 billion (2023: £343.5 billion), benefitting from the acquisitions of BauMont Real Estate Capital Limited in Asset Management and, in Life, a further stake in Continuum, alongside positive market movements.

Following the announcement during the year to combine our Life and Wealth segments and recognising the repositioning of the Life business to deliver growth, we have revised our flows key performance measure to Net flows from open business.

Net flows from open business, which primarily includes flows from asset management, PruFund, shareholder annuities and advice, were outflows of £1.9 billion (2023: £1.7 billion inflows).

Wholesale net flows were neutral (2023: £1.5 billion inflows) with strong investment performance helping to counter challenges seen in the market over 2024 primarily due to high yields. In Institutional, we experienced net outflows of £0.9 billion (2023: £0.7 billion), with continuing net inflows in our International channels, offset by UK net outflows. Now more than half of our third party assets are from clients outside of the UK.

In Life, PruFund net outflows of £0.9 billion (2023: £1.0 billion inflows) were also impacted by the high interest rate environment. Over the second half of 2024 we have started to see some positive momentum in PruFund flows. After writing three new BPA deals in the year, including our first Value Share BPA, a unique proposition, we have now written £1.5 billion of new annuity business since we re-entered the market in 2023.

Earnings

Despite the headwinds I set out in March last year, adjusted operating profit before tax (AOP) increased by 5% to £837 million (2023: £797 million) reflecting a significant 19% increase in AOP from Asset Management and a modest decrease in Life AOP. Looking forward we are now targeting AOP annual growth of 5% or more on average over the three years 2025-2027.

"Our cumulative operating capital generation since 1 January 2022 exceeded our upgraded target of £2.7 billion."

Kathryn McLeland
Chief Financial Officer

Business and financial review continued

Our 2024 IFRS result has been significantly impacted by the continued increase in yields over the year, with the unrealised fair value losses on the surplus assets in the annuity portfolio and the fair value losses on the interest rate hedging we have in place to protect our Solvency II capital position leading to a significant loss after tax attributable to equity of £347 million (2023: £309 million profit). The loss from mismatches arising on application of IFRS 17 increased to £333 million (2023: £41 million) driven by an reduction in the fair value of the non-profit annuities in the With-Profits Fund.

Operating Change in Contractual Service Margin (CSM) decreased to £294 million (2023: £355 million), benefitting from positive longevity assumption changes in shareholder annuities partly offset by the impact from lower expected rates of return and the rebuild of the prospective with-profits modelling in relation to the PruFund and traditional with-profits businesses. The CSM was also impacted by positive market movements leading to a 10% increase since the start of the year to £6.0 billion (2023: £5.5 billion).

Capital and liquidity

As at 31 December 2024, our shareholder Solvency II coverage ratio increased to 223% (2023: 203%) including the impact of deleveraging actions totaling £461 million taken during the year. These actions had the effect of reducing our leverage ratio to 33% (2023: 35%).

Operating capital generation for 2024 remained strong at £933 million (2023: £996 million), with an improved result from Asset Management partly offsetting a lower contribution from Life, meaning our cumulative operating capital generation since 1 January 2022 exceeded our upgraded target of £2.7 billion that we announced in our half year results.

> **"I am confident that we are well positioned to maintain our capital strength and deliver profitable growth over the long term."**
>
> **Kathryn McLeland**
> Chief Financial Officer

We are now targeting a further £2.7 billion cumulative operating capital generation (excluding new business strain) for the three years to 2027. Total capital generation of £1,108 million (2023: £358 million) benefited from an improved result from market movements and the impact of removing the eligible own funds restriction in place in 2023.

Dividend

We paid an interim ordinary dividend of £157 million equal to 6.6 pence per share on 18 October 2024. A second interim dividend, under our new progressive dividend policy, of £321 million equal to 13.5 pence per share will be paid on 9 May 2025, which means 20.1 pence per share of total dividends will be paid to shareholders in relation to 2024.

I am confident that we are well positioned to navigate the uncertain external environment and maintain our capital strength and deliver profitable growth over the long term, following the momentum seen in Asset Management over 2024 and the repositioning of the Life business, alongside the actions we are taking to simplify the business and increase efficiency.

Kathryn McLeland
Chief Financial Officer

Business and financial review continued

Financial highlights

We use a range of key performance measures to track how we are executing against our strategy

Assets under management and administration (AUMA)

KPM APM

£345.9bn

(2023: £343.5bn)

AUMA is a key indicator of our scale, and demonstrates our potential earnings from investment return and fee income.

Performance in 2024

AUMA increased by £2.4 billion, predominantly from favourable market movements.

Find out more on pages 19-20

Net flows from open business

KPM APM

£1.9bn outflow

(2023: £1.7bn inflow)

Net flows from open business indicate how our business grows, and how successful it is at retaining and attracting new clients.

Performance in 2024

International Institutional Asset Management and Bulk Purchase Annuity inflows partly offset PruFund and Wholesale Asset Management outflows driven by challenges in the market.

Find out more on pages 19-20

Adjusted operating profit before tax (AOP)

KPM APM REM

£837m

(2023: £797m)

AOP demonstrates our longer-term performance to equity holders, as it is less affected by short-term market volatility and non-recurring items than IFRS profit before tax.

Performance in 2024

AOP increased by 5% on 2023, driven by an increase in Asset Management and improvement in Corporate Centre with broadly stable performance in Life.

Find out more on pages 21-23

Operating change in Contractual Service Margin

KPM APM REM

£294m

(2023: £355m)

Includes changes from new business, interest accretion, experience changes and release of CSM but excludes the impact of short-term market movements, mismatches and restructuring costs.

Performance in 2024

Operating change in CSM decreased by £61m to £294m in 2024, due to reductions in with-profits partly offset by shareholder annuities which benefitted from assumption changes.

Find out more on pages 23-24

IFRS result after tax

KPM

£(347)m

(2023: £309m)

Profit/(loss) after tax demonstrates our financial performance to shareholders during the year on an IFRS basis.

Performance in 2024

Loss in 2024 driven by adverse short-term fluctuations in investment returns and an increased loss in the mismatch arising on application of IFRS 17.

Find out more on page 25

Operating capital generation

KPM APM REM

£933m

(2023: £996m)

Operating capital generation demonstrates the longer-term view of the movements in our surplus capital. It is less affected by short-term volatility than total capital generation.

Performance in 2024

Operating capital generation remains strong with lower expected returns partly offset by benefits from management actions.

Find out more on pages 26-27

Total capital generation

KPM APM

£1,108m

(2023: £358m)

Capital generation is an integral financial metric that measures the change in surplus capital during the period, before dividends and capital movements.

Performance in 2024

Capital generation has increased from 2023 reflecting a robust operating performance, improved market movements and removal of regulatory restriction.

Find out more on pages 26-27

Shareholder Solvency II coverage ratio

KPM APM

223%

(2023: 203%)

The shareholder view of the Solvency II coverage ratio provides a more relevant reflection of our capital strength than the regulatory Solvency II coverage ratio.

Performance in 2024

Strong operating capital generation and the impact from deleveraging activity during the year has contributed to an increase in solvency ratio.

Find out more on page 28

Dividend per share (ordinary)

KPM

20.1p

(2023: 19.7p)

Dividend per share is the return of value to shareholders for each share held.

Performance in 2024

The Board has agreed to pay a second interim dividend of 13.5p per share on 9 May 2025, meaning a total dividend of 20.1p per share.

Find out more on page 236

Key

KPM Key performance measure APM Alternative performance measure REM Linked to remuneration measures for Executive Directors

Our strategy: Maintain our financial strength Simplify our business Deliver profitable growth

Business and financial review continued

AUMA and net client flows

AUMA increased over the year with positive market movements offsetting net client outflows

Assets under management and administration (AUMA) increased by £2.4 billion to £345.9 billion (31 December 2023: £343.5 billion) as a result of favourable market movements which offset total net outflows of £9.5 billion (2023: £4.7 billion). The acquisition of a further stake in Continuum in March 2024 increased AUMA by £2.0 billion and a further £1.1 billion was a result of the acquisition of BauMont Real Estate Capital (BauMont) in October 2024.

Net flows from open business primarily includes flows from Asset Management, PruFund, Shareholder annuities and advice which have fallen to net outflows of £1.9 billion (2023: £1.7 billion inflows) mainly due to challenging market conditions. Net outflows from Shareholder annuities have improved following £0.9 billion of bulk purchase annuity (BPA) inflows.

The following table shows an analysis of AUMA and net client flows by segment:

	Net client flows For the year ended 31 December						AUMA[i] As at 31 December	
	Net flows from open business		Net flows other		Total net client flows			
	2024 £bn	2023 £bn	2024 £bn	2023 £bn	2024 £bn	2023 £bn	2024 £bn	2023 £bn
Institutional Asset Management[ii]	**(0.9)**	(0.7)	**—**	—	**(0.9)**	(0.7)	**96.1**	98.2
Wholesale Asset Management[ii]	**—**	1.5	**—**	—	**—**	1.5	**62.8**	55.0
Other Asset Management	**—**	—	**—**	—	**—**	—	**0.9**	1.0
Total Asset Management	**(0.9)**	0.8	**—**	—	**(0.9)**	0.8	**159.8**	154.2
With-profits: PruFund	**(0.9)**	1.0	**—**	—	**(0.9)**	1.0	**64.0**	61.2
With-profits: traditional	**—**	—	**(4.8)**	(4.2)	**(4.8)**	(4.2)	**61.6**	65.0
Shareholder annuities	**(0.2)**	(0.4)	**—**	—	**(0.2)**	(0.4)	**15.1**	15.8
Other Life[ii]	**0.1**	0.3	**(2.8)**	(2.2)	**(2.7)**	(1.9)	**44.4**	46.0
Total Life[iii, iv]	**(1.0)**	0.9	**(7.6)**	(6.4)	**(8.6)**	(5.5)	**185.1**	188.0
Corporate assets	**—**	—	**—**	—	**—**	—	**1.0**	1.3
Total	**(1.9)**	1.7	**(7.6)**	(6.4)	**(9.5)**	(4.7)	**345.9**	343.5

i £18.0 billion (31 December 2023: £14.1 billion) of total AUMA relates to assets under advice.

ii £5.7 billion AUMA relates to M&G Direct, transferred from Life to Asset Management and £2.1 billion Group Investment Linked Plan business transferred from Asset Management to Life. Both transfers took effect from 31 December 2024.

iii £156.1 billion of AUMA of Life is managed internally by the Group's Asset Management business (31 December 2023: £160.3 billion).

iv Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for 2023 are presented on the new segment basis. PruFund includes both UK and non-UK.

Asset Management

Asset Management remained resilient with net client outflows of £0.9 billion (2023: £0.8 billion net client inflow) reflecting net neutral flows in Wholesale despite challenging market conditions and an improvement in net client outflows in UK Institutional as we continue to grow the International business.

International Institutional Asset Management net client inflows were £2.9 billion (2023: £5.4 billion). A focus on strengthened performance for the international business, particularly in fixed income channels, attracted net client inflows but this was impacted by one-off larger redemptions in South Africa and Australia. The net client inflows in International were offset by net client outflows from Institutional Asset Management in the UK, which reduced to £3.8 billion compared to £6.1 billion in 2023, with ongoing de-risking in defined benefit corporate schemes driving continued outflows. Poorer performance in Real Estate across UK and International dampened flows with net outflows £0.5 billion (2023: £0.2 billion).

Institutional AUMA reduced £2.1 billion to £96.1 billion as at 31 December 2024. As part of the reorganisation of the business to two segments, £2.1 billion of Group Investment Linked Plan business transferred from Asset Management to Life, which combined with the net client outflows of £0.9 billion more than offset the increase of £1.1 billion AUMA from the acquisition of BauMont.

Our expertise in private assets, which offers private fixed income, alternatives, real estate and infrastructure equity offerings, is a key component of our Institutional investment capability, and represents a resilient, high-margin source of revenues. Our private assets under management increased modestly to £74.1 billion of AUMA as at 31 December 2024 (31 December 2023: £73.4 billion) strengthened by our acquisition of BauMont.

In Wholesale Asset Management, challenges seen in the market throughout 2024 are reflected in the net nil flows (2023: £1.5 billion net inflows). We continue to feel the impact of some clients adjusting their investment strategy to low risk alternatives, particularly in the UK. This has been offset by growth in our specialised Investment Solutions channel, which secured further mandates and net inflows during 2024.

Business and financial review continued

Our Wholesale funds performance continues to be strong, with 53%, 63% and 59% of our Wholesale funds ranked in the upper performance quartiles over one, three and five years as of 31 December 2024 (2023: 51%, 64% and 69% over one, three and five years).

Wholesale AUMA increased £7.8 billion to £62.8 billion as at 31 December 2024, benefitting from the transfer of M&G Direct business with AUMA of £5.7 billion at 31 December 2024 from Life as part of the reorganisation of the business. Wholesale AUMA also benefitted from market and other movements of £2.1 billion due, in particular, to stronger equity markets in the UK, US and Europe.

Life

As we reposition our Life business for continued growth, flows were bolstered by gross client inflows from bulk purchase annuity (BPA) transactions in 2024 of £0.9 billion (2023: £0.6 billion) including inflows from our first Value Share BPA transaction, which is unique in the market. However, total net client outflows from open business for Life were £1.0 billion (2023: £0.9 billion net client inflows) due to outflows from PruFund. Life net client flows from open business includes PruFund, Shareholder annuities and advice.

PruFund, our insurance-based smoothing solution offering a blend of public and private investments to clients, had net client outflows of £0.9 billion (2023: £1.0 billion net client inflows) with the continued higher interest rate environment contributing to the outflows as clients are attracted to cash and guaranteed solutions. Over the second half of 2024, we experienced improvements in both gross inflows and outflows to PruFund leading to a narrowing of net outflows.

Shareholder annuities net client outflows of £0.2 billion (2023: £0.4 billion) include the gross client inflows from BPAs offset by the expected outflows from annuities in payment of £1.1 billion (2023: £1.0 billion).

Other Life includes advice net inflows of £0.6 billion (2023: £0.7 billion) including £0.3 billion net inflows following the acquisition of a further stake in Continuum in March 2024.

Total net client flows from the Life business were £8.6 billion outflows (2023: £5.5 billion) with expected net outflows for our traditional with-profits business and other small closed books of business of £7.6 billion (2023: £6.4 billion) adding to the net client outflows from open business.

Total Life AUMA reduced £2.9 billion to £185.1 billion due to the net client outflows which were partly offset by positive market and other movements of £5.7 billion, including £2.0 billion following the acquisition of a further stake in Continuum.

Business and financial review continued

Earnings

Adjusted operating profit grows 5% with IFRS result impacted by high interest rates

Adjusted operating profit before tax

Adjusted operating profit before tax increased by 5% to £837 million for the year ended 31 December 2024 (2023: £797 million), an increase of 19% in Asset Management was partly offset by a small reduction in Life.

The following table shows an analysis of adjusted operating profit before tax by segment:

For the year ended 31 December	2024 £m	2023 £m
Asset Management	**289**	242
Revenue[i]	**1,008**	995
Costs	**(774)**	(791)
Performance fees	**35**	30
Investment income and minority interest	**20**	8
Life[ii]	**746**	755
With-profits: PruFund	**226**	236
With-profits: traditional	**222**	263
Shareholder annuities	**308**	331
Other Life	**(10)**	(75)
Corporate Centre[ii]	**(198)**	(200)
Adjusted operating profit before tax	**837**	797

i £324 million of the revenue is in respect of assets managed on behalf of Life (2023: £309 million).

ii Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. The comparatives for Life and Corporate Centre have been restated to reflect the revised segments and the adjustment of some advice-related costs.

Asset Management

Asset Management adjusted operating profit before tax increased to £289 million for the year ended 31 December 2024 (2023: £242 million) driven by the combination of a 1% increase in revenue to £1,008 million (2023: £995 million) and a 2% reduction in operating costs to £774 million (2023: £791 million). We are starting to see the impact of the actions to grow and simplify the Asset Management business as part of our strategy. Cost reductions from the delivery of initiatives that are part of our transformation programme more than offset the impact of inflation and demonstrate the continued focus on cost discipline. This is reflected in the improvement in the cost/income ratio for the Asset Management business to 76% (2023: 79%).

Revenue earned by Institutional Asset Management was £594 million (2023: £588 million). This increase primarily reflects higher fees earned on public fixed income investments driven by higher average AUMA across the year, partly offset by reductions in revenue from the Real Estate business as a result of lower property valuations. In Wholesale Asset Management, revenue increased to £414 million (2023: £407 million) due to higher AUMA.

The average fee margin for Asset Management of 32 bps for 2024 was marginally down from 33 bps for 2023. Average fee margins in the Institutional Asset Management business decreased to 38 bps for 2024 from 39 bps for 2023, while Wholesale Asset Management fee margins reduced to 56 bps in 2024 from 58 bps in 2023 mainly due to the concentration of new flows in lower margin funds.

Asset management adjusted operating profit before tax has also benefited from an increase in investment return of £12 million to £36 million (2023: £24 million) reflecting foreign exchange revaluation gains. Investment return relates to returns on seed investments, units held to hedge management incentive schemes, interest income on cash balances and any foreign exchange revaluation impacts.

Business and financial review continued

Life

Adjusted operating profit before tax from our Life business reduced by £9 million to £746 million (2023: £755 million) with decreases in with-profits and shareholder annuities, offset by an improvement in the result in Other Life.

With-profits: PruFund

The table below shows a further analysis of the adjusted operating profit before tax from PruFund:

	2024 £m	2023 £m
CSM release to adjusted operating profit	**221**	242
Expected return on excess assets[i]	**18**	33
Other	**(13)**	(39)
PruFund adjusted operating profit before tax	**226**	236

i Excess assets net of financial liabilities.

The Contractual Service Margin (CSM) for PruFund is primarily based on the expected value of future shareholder transfers. A decrease in the CSM amortisation rate, driven by strengthening of persistency assumptions at the end of 2023, results in profit being spread over a longer period and is the main driver of the reduction in the amount of CSM released to adjusted operating profit. The CSM release of £221 million (2023: £242 million) is 10.8% (2023: 11.6%) of the opening CSM attributable to the shareholder for this business.

The expected return on excess assets decreased by £15 million to £18 million (2023: £33 million). As the expected rate of return is set at the start of the reporting period, a rise in risk-free rates over 2023 and a reduction in the excess assets allocated to cash resulted in a higher expected rate of return in 2024 of 6.8% compared to 6.0% in 2023, which resulted in a £7 million increase in the expected return on shareholders' share of excess assets allocated to PruFund. However, this was more than offset by an increase of £22 million to £31 million (2023: £9 million) in the loss from the swap arrangement to monetise a proportion of future shareholder transfers entered into between the With-Profits Fund and the shareholder in 2023 due to the timing of the transaction.

The reduction of other losses by £26 million to £13 million (2023: £39 million) is primarily due to 2023 including a one off loss of £28 million at the date the swap arrangement between the With-Profits Fund and the shareholder was transacted due to the valuation difference between the real world valuation of the swap liability created relative to the IFRS 17 measurement basis.

With-profits: traditional

The table below shows a further analysis of the adjusted operating profit before tax from traditional with-profits business:

	2024 £m	2023 £m
CSM release to adjusted operating profit	**198**	238
Expected return on excess assets	**36**	35
Other	**(12)**	(10)
Traditional with-profits adjusted operating profit before tax	**222**	263

The CSM for traditional with-profits at the start of 2024 is lower than at the start of 2023, largely as a result of negative market movements over 2023. There has also been the reduction in the CSM amortisation rate for PruFund as outlined above. Both of these factors result in a reduction in the amount of CSM released to adjusted operating profit to £198 million (2023: £238 million). This represents 12.8% (2023: 14.0%) of the opening CSM attributable to the shareholder. The amortisation rate of the traditional with-profits business is greater than PruFund as this business is more mature and is running off faster.

The expected return on the shareholders' share of excess assets in traditional with-profits has increased by £1 million to £36 million (2023: £35 million). The expected rate of return is set at the same rate for all the With-Profits Fund excess assets and therefore, has increased for excess assets allocated to traditional with-profits in line with PruFund. The impact from the increase in expected rate of return to 6.8% largely offsets the impact from the slight reduction in excess assets allocated to the traditional with-profits business due to it being in structural run-off.

The other loss of £12 million (2023: £10 million) primarily relates to expense overruns on group pensions new business.

Business and financial review continued

Shareholder annuities

The table below shows a further analysis of the adjusted operating profit before tax from shareholder annuities:

	2024 £m	2023 £m
Expected return on excess assets	**147**	205
CSM release	**113**	96
Risk adjustment unwind	**21**	19
Asset trading and portfolio management actions	**—**	2
Experience variances	**2**	9
Other provisions and reserves	**25**	—
Shareholder annuities adjusted operating profit before tax	**308**	331

Shareholder annuities adjusted operating profit before tax has decreased by £23 million to £308 million (2023: £331 million). The recurring sources of earnings from the annuity book are primarily the returns on excess assets over and above the IFRS 17 insurance liabilities based on long-term expected investment returns and the release of the CSM.

The expected return on excess assets, has decreased by £58 million to £147 million as a result of a reduction in the expected rate of return and in the value of the excess assets. The expected rate of return is set at the start of the reporting period and reduced from 6.6% for 2023 to 5.6% for 2024, driven by a reduction in expected risk premium above the risk-free rate. The expected risk premium has reduced due to a move into more liquid assets in the annuity portfolio to support writing of BPAs.

The release of the CSM to adjusted operating profit for shareholder annuities was £113 million compared to £96 million in 2023, benefitting from a higher CSM. The CSM release is calculated based on the opening CSM adjusted for new business, interest accreted and assumption changes during the period. The main driver of the higher CSM arises from changes to our assumptions on future mortality improvements which contributed £244 million. The CSM released represents 7.6% of the 2024 CSM before amortisation (2023: 7.2%).

Other provisions and reserves of £25 million (2023: £nil) in 2024 relates to a change in persistency assumptions to reflect experience on the lifetime mortgages book. The experience shows an overall expected increase in early redemptions however the loss has been more than offset by a reduction in the value of the guarantee provided to protect against negative equity on this book, resulting in an overall gain of £25 million.

The credit quality of fixed income assets in the annuity portfolio remained strong in 2024. 99% of the debt securities held by the shareholder annuity portfolio are investment grade and only 18% are BBB. In addition, over 82% of the shareholder annuity portfolio is held in debt securities categorised either as Risk Free or Secured (including cash). The downgrade experience (defined as movements in BBB notching and, otherwise, letter downgrades) in 2024 has been relatively light, with less than 3% of bonds in the shareholder annuity portfolio subject to a downgrade, and overall a net upgrade in bonds has occurred in 2024.

Other Life

The improvement in Other Life of £65 million to £10 million loss (2023 £75 million loss) is primarily due to a number of differing one-off items in 2023 and 2024. These include the loss of £24 million in 2023 due to an increase in the provision in 2023 under an agreement to reimburse the With-Profits Fund for its contribution to the costs for growing the business written in Poland that did not repeat in 2024 and a £4 million benefit in 2024 following the exit of our digital wealth partnership with MoneyFarm at the end of 2023. Additionally, actions taken to improve profitability of our platform and advice businesses and the cost base in our service companies contributed to the reduced loss in 2024.

Corporate Centre

The loss in Corporate Centre has decreased by £2 million to £198 million (2023: £200 million) as a reduction in finance costs on subordinated debt, following repurchase and redemption of the subordinated notes in June and July 2024, was partly offset by a reduction in interest income and profit from our treasury operations. Underlying Head Office expenses remained broadly flat on 2023.

Operating change in Contractual Service Margin (CSM)

Operating change in CSM decreased to £294 million in the year ended 31 December 2024 (2023: £355 million). The reduction in contribution from with-profits is driven by a change in the value of projected future shareholder transfers and is partly offset by an increase in shareholder annuities, primarily due to a large benefit from longevity assumption changes. The CSM also benefitted from positive market movements leading to a 10% increase since the start of the year to £6.0 billion (2023: £5.5 billion).

The following table shows a breakdown of the operating change in CSM:

For the year ended 31 December	2024 £m	2023[i] £m
With-profits: PruFund	**99**	244
With-profits: traditional	**23**	67
Shareholder annuities	**172**	36
Other	**—**	8
Operating change in CSM	**294**	355

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for 2023 are presented on the new segment basis. PruFund UK and non-UK business were previously presented separately in 'Wealth' and 'Life' operating segments, respectively.

Business and financial review continued

With-profits: PruFund

The following table provides an analysis of the key drivers of the operating change in the CSM for PruFund:

For the year ended 31 December	2024 £m	2023 £m
Expected real-world return	**320**	339
Release of CSM to adjusted operating profit	**(221)**	(242)
New business	**71**	108
Assumption changes and variances	**(71)**	39
With-profits: PruFund operating change in CSM	**99**	244

The expected real-world return on the CSM for PruFund business more than offset the release of the CSM to adjusted operating profit, resulting in a net contribution to operating change in CSM of £99 million (2023: £97 million). The expected rate of return is determined at the start of the year and is applied to the Variable Fee[i]. The expected rate of return decreased to 8.2% for 2024 (2023: 8.5%), driven by our view of long-term excess returns on equities above risk-free rates falling. The impact of this on the expected real-world return is partly offset by the impact of the increase in the opening Variable Fee, reflecting the growth of the business over 2023.

PruFund new business contribution to the CSM reduced to £71 million (2023: £108 million), the decrease relative to 2023 mainly reflects the lower levels of new business consistent with the reduction in inflows for PruFund.

The loss from assumption changes and variances of £71 million (2023: £39 million gain) in 2024 is primarily a result of a reduction in projected future shareholder transfers, mainly due to a reduction in expected future investment return assumption changes following a full rebuild of our prospective with-profits modelling. The gain in 2023 was driven by a reduction in expected future investment management expenses on PruFund business.

With-profits: Traditional

The following table provides an analysis of the key drivers of the operating change in the CSM for traditional with-profits:

For the year ended 31 December	2024 £m	2023 £m
Expected real-world return	**272**	309
Release of CSM to adjusted operating profit	**(198)**	(238)
Assumption changes and variances	**(51)**	(4)
With-profits: traditional operating change in CSM	**23**	67

The expected real-world return more than offsets the release of the CSM to adjusted operating profit, resulting in a net contribution to operating CSM of £74 million (2023: £71 million). The expected rate of return decreased to 8.2% pa for 2024 (2023: 8.5% pa), for the same reasons as noted for PruFund. However, there was also a reduction in opening Variable Fee for traditional with-profits reflecting the structural run-off of the business. Both the reduction in expected rate of return and lower opening Variable Fee contributed to the fall in the expected real-world return to £272 million (2023: £309 million).

The loss from assumption changes and variances was £51 million (2023: £4 million) in 2024. Similar to PruFund this has been impacted by the full rebuild of our prospective with-profits modelling, largely explaining the movement. The impact is smaller than for PruFund as the traditional book is less sensitive to changes in future investment return. The 2023 loss was primarily due to negative persistency experience compared to our long term assumptions.

Shareholder annuities

The following table provides an analysis of the key drivers of the operating change in the CSM for shareholder annuities:

For the year ended 31 December	2024 £m	2023 £m
Interest accreted on the CSM	**37**	30
Release of CSM to adjusted operating profit	**(113)**	(96)
New business	**17**	42
Assumption changes and variances	**231**	60
Shareholder annuities operating change in CSM	**172**	36

The increase in the interest accreted on the CSM, new business contribution and the benefit from assumption changes have more than offset the release of the CSM to adjusted operating profit resulting in a net contribution to operating change in CSM of £172 million (2023: £36 million).

Assumption changes and variances have increased to £231 million (2023: £60 million) due to changes to our assumptions on future mortality improvements which contributed £244 million partly offset by an increase in short-term expense assumptions. In 2023, the impact from longevity assumption changes was lower and also benefitted from favourable experience variances.

The contribution from new business to the operating change in CSM includes the bulk purchase annuity transactions completed and other top-ups on existing business.

Interest accreted on the CSM is calculated based on the opening CSM including new business and assumption changes. The impact of assumption changes has led to a £7 million increase in interest accreted on the CSM. The interest rate is based on the forward curve 'locked in' at IFRS 17 transition date (1 January 2022) and has remained at 2.3%.

i The Variable Fee is the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. Further information is provided in Note 1.5.

Business and financial review continued

IFRS result after tax

The following table shows a reconciliation of adjusted operating profit before tax to IFRS result:

For the year ended 31 December	2024 £m	2023 £m
Adjusted operating profit before tax	**837**	797
Short-term fluctuations in investment returns	**(643)**	(171)
Mismatches arising on application of IFRS 17	**(333)**	(41)
Amortisation and impairment of intangible assets acquired in business combinations	**(115)**	(39)
Profit on disposal of business and corporate transactions	**11**	—
Restructuring costs and other[i]	**(106)**	(141)
IFRS (loss)/profit before tax and non-controlling interests attributable to equity holders	**(349)**	405
IFRS profit attributable to non-controlling interests	**17**	16
IFRS (loss)/profit before tax attributable to equity holders	**(332)**	421
Tax charge attributable to equity holders	**(15)**	(112)
IFRS (loss)/profit after tax attributable to equity holders	**(347)**	309

i Restructuring and other costs excluded from adjusted operating profit relate to transformation costs allocated to the shareholder. These differ to restructuring costs included in the analysis of administrative and other expenses in Note 7 which include costs allocated to the policyholder.

The IFRS result after tax attributable to equity holders for the year ended 31 December 2024 is a loss of £347 million (2023: £309 million profit). Adjusted operating profit before tax has been offset by losses on non-operating items predominately from short-term fluctuations in investment returns and an increased loss in the mismatches arising on application of IFRS 17.

Losses from short-term fluctuations in investment returns of £643 million (2023: £171 million) primarily comprise a £247 million loss (2023: £121 million loss) from the difference in actual and expected long-term investment return on surplus assets backing the shareholder annuity portfolio, which has increased due to a rise in yields during 2024 and a £227 million loss (2023: £4 million gain) on interest rate swaps purchased to protect the Solvency II capital position against falls in interest rates driven by rises in risk-free rates in 2024. There were also losses of £98 million (2023: £123 million loss) on hedging instruments held to protect the Solvency II capital position from falling equity markets, due to rises in equity values during the year.

Mismatches arising on application of IFRS 17 primarily relates to a mismatch which occurs in relation to non-profit annuity business in the With-Profits Fund generating a £239 million loss in 2024 (2023: £18 million loss). This mismatch increased in 2024 due to a reduction in the fair value of non-profit annuity business in the With-Profits Fund driven by a revised fair value calibration of the business to allow for the UK reforms to Solvency II and longevity assumption changes. Over the expected term of the contracts this mismatch is expected to slowly unwind as the profit on non-profit business in the With-Profits Fund is recognised. Additionally, the mismatch for annuities due to divergence between locked-in rate used to value the CSM and valuation discount rate of £89 million in 2024 (2023: £24 million) increased mainly due to a higher longevity assumption impact in 2024.

Amortisation and impairment of intangibles assets of £115 million (2023: £39 million) includes in 2024, £79 million impairment in relation to platform, advice and model portfolio service businesses following the refresh of our Wealth strategy and reassessment of growth forecasts in the current macro-economic environment, and £30 million impairment of responsAbility due to changes in forecast revenue synergies (see Note 13).

Profit on disposal of business and corporate transactions includes gains resulting from the repurchase of subordinated notes in June 2024 (see Note 26) of £29 million, partly offset by the increase in a provision for redress to customers in the platform business relating to matters which occurred prior to the Group's acquisition of the relevant business.

In the year ended 31 December 2024, restructuring costs and other of £106 million (2023: £141 million) mainly relates to £44 million in relation to actions taken to reduce our cost base and £21 million of investment spend in building out capacity in our Asset Management business.

The equity holders' tax charge for the year ended 31 December 2024 is £15 million (2023: £112 million tax charge) representing an effective tax rate of (4.5)% (2023: 26.6%). Excluding non-recurring items, the equity holders' effective tax rate is 12.0% (2023: 28.7%). The equity holders' effective tax rate of (4.5)% (2023: 26.6%) represents a tax charge on the equity holders' pre-tax loss. This rate diverges from the anticipated tax benefit at the UK statutory effective rate of 25.0% (2023: 23.5%), mainly due to the adverse effects of non-deductible expenses and differences in the taxation of the life insurance business.

Business and financial review continued

Capital and liquidity

Operating capital generation cumulative 3 year target of £2.7 billion exceeded and improved leverage ratio of 33%

Capital generation

Operating capital generation of £933 million (2023: £996 million) continues to be strong, taking cumulative operating capital generation since the start of 2022 to £2.75 billion, and enabling us to beat our three-year cumulative target of £2.7 billion. Total capital generation was £1,108 million for the year ended 31 December 2024 (2023: £358 million) with lower operating capital generation being more than offset by a much improved result from market movements and the impact of removing the eligible own funds restriction.

The following table shows an analysis of total capital generation:

For the year ended 31 December	2024 £m	2023 £m
Asset Management	**261**	246
Life	**616**	726
Corporate Centre	**(233)**	(220)
Underlying capital generation	**644**	752
Other operating capital generation	**289**	244
Operating capital generation	**933**	996
Market movements	**(59)**	(507)
Restructuring and other	**(135)**	49
Tax	**153**	36
Eligible own funds restriction	**216**	(216)
Total capital generation	**1,108**	358

Underlying capital generation

Underlying capital generation reduced in the year ended 31 December 2024 to £644 million (2023: £752 million), mainly due to a £170 million reduction in shareholder annuities which was partly offset by an improved result from Asset Management.

For the year ended 31 December	2024 £m	2023 £m
Asset Management	**261**	246
Life[i]	**616**	726
With-profits: PruFund	**239**	240
– In-force	**264**	261
– New business	**(25)**	(21)
With-profits: traditional	**190**	182
Shareholder annuities	**197**	367
Other life	**(10)**	(63)
Corporate Centre[i]	**(233)**	(220)
Underlying capital generation	**644**	752

i Previous operating segments ‘Life’ and ‘Wealth’ have been replaced with one new operating segment, ‘Life’. The comparatives for Life and Corporate Centre have been restated to reflect the revised segments and the adjustment of some advice-related costs.

In Asset Management, the impact of higher adjusted operating profit resulted in an improvement in own funds. This is partially offset by a reduction in the capital released in 2024.

The contribution to underlying capital generation from PruFund remained stable at £239 million (2023: £240 million). In-force business generated £264 million (2023: £261 million) reflecting the impact of reductions in the expected real-world return on shareholder transfers from 8.5% pa in 2023 to 8.2% pa in 2024, offset by the reduction in the impact from equity hedging following a decrease in exposure over 2023. New business strain from the PruFund business has increased to £25 million (2023: £21 million) due to a reduction in long-term risk free rates over 2023, which reduces the value of shareholder transfers, and more than offsets the reduction in new business strain from lower sales.

Traditional with-profits business generated underlying capital of £190 million, a slight increase on the prior year (2023: £182 million). The small improvement in underlying capital generation is driven by a fall in equity hedges over 2023, reflecting lower exposure to equity markets.

Underlying capital generation from shareholder annuities decreased to £197 million (2023: £367 million). A reduction in the surplus assets in the annuity portfolio, and a lower expected rate of return on the surplus assets, contributes £53 million of the reduction. A one-off reduction in underlying capital generation of £42 million in 2024 is due to the regulatory change at 31 December 2023 to remove a restriction that applied in relation to the transition from Solvency I to Solvency II. Underlying capital generation also includes the £64 million (2023: £12 million) capital strain of writing new bulk purchase annuities in 2024.

The negative contribution from Other Life has reduced in 2024 to £10 million from £63 million in 2023, mainly reflecting the movement in adjusted operating profit.

Corporate Centre negative contribution increased mainly due to higher costs.

Business and financial review continued

Operating capital generation

Operating capital generation decreased to £933 million (2023: £996 million). The reduction in underlying capital generation is partly offset by an improvement in other operating capital generation.

For the year ended 31 December	2024 £m	2023 £m
Underlying capital generation	**644**	752
Model improvements	**160**	126
Assumption changes	**163**	(10)
Management actions and other (incl. experience variances)	**(34)**	128
Other operating capital generation	**289**	244
Operating capital generation	**933**	996

Other operating capital generation has increased to £289 million (2023: £244 million) with model improvements and assumption change benefits offsetting reductions in management actions and experience variances.

Model improvements of £160 million (2023: £126 million) include the impact from the full rebuild of the prospective with-profits modelling which took place in 2024. This rebuild reduces future shareholder transfers offset by a larger reduction in capital backing the shareholder transfers. Overall, the rebuild reflects that fewer management actions are taken to protect the With-Profits Fund which means under the 1-in-200 scenario shareholder transfers remain higher, reducing capital requirements. This has no impact on policyholder protection. The model change benefit in 2023 was largely a reduction in operational risk capital.

Assumption changes of £163 million (2023: £10 million loss) reflect the positive impact from changes to longevity assumptions consistent with the benefit seen in adjusted operating profit, due to lower assumed level of future mortality improvements.

Management actions and other largely reflect the £43 million beneficial impact of changes to the strategic asset allocation of the With-Profits Fund and £62 million contribution from distribution of excess surplus from the with-profits inherited estate which increases future shareholder transfers. These benefits are more than offset by £54 million increase in capital requirements on future new business and £77 million unfavourable non-market experience variances (2023: £55 million loss from experience variance). Asset trading in the annuity portfolio contributed £11 million in 2024 (2023: £52 million contribution).

Total capital generation

Total capital generation was £1,108 million for the year ended 31 December 2024 (2023: £358 million).

Market movements over 2024 have resulted in a negative impact of £59 million (2023: negative £507 million). The main drivers of market movements include a loss on interest rate swaps, designed to protect the Solvency II capital position in a falling interest rate environment, of £227 million (2023: £4 million gain) and a loss on the value of surplus assets in the annuity portfolio of £307 million (2023: £93 million loss). These losses are partly offset by a gain of £142 million (2023: £321 million loss) arising from a rise in the present value of shareholder transfers less equity hedges, driven by the increase in interest rates, and gains on other assets. Additionally, the reduction in Solvency Capital Requirements and risk margin net of TMTP attributable to market movements is a benefit of £254 million compared to £146 million in 2023 driven by the increase in risk-free rates. Market movements in 2023 included a negative impact of £264 million in respect of the UK Government's consultation on ground rents, which had £nil impact in 2024.

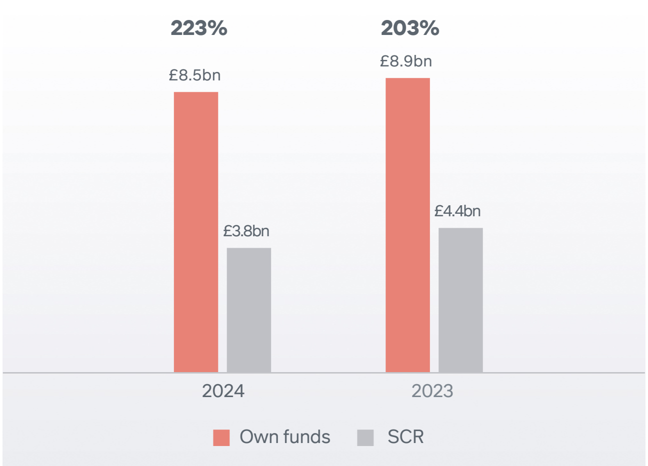
There are limits, prescribed by the regulator, on the amount of different types of own funds that can be used to demonstrate solvency. While the capital remains available to the Group, where the sum of capital classed as Tier 2 and Tier 3 exceeds 50% of the regulatory Group Solvency Capital Requirement (SCR), own funds must be restricted by this amount to determine eligible own funds. As at 31 December 2023 the restriction was £216 million which was released in the year ended 31 December 2024 following the subordinated debt deleveraging actions announced in June 2024.

Restructuring costs and other movements of £135 million (2023: £49 million) includes the impact on the capital position of restructuring costs which are relatively stable year on year. These are partly offset by the net benefits from the implementation of the Solvency UK reforms in the year which include the removal of the matching adjustment cap on sub-investment grade assets, applying the fundamental spread by notched credit rating in the capital calculation and the introduction of fundamental spread additions in the matching adjustment. These changes result in a £16 million capital benefit in 2024. In 2023, there was a £177 million benefit from the impact of the Solvency UK reforms, comprising a reduction in the risk margin and the removal of a restriction that applied in relation to transition from Solvency I to Solvency II.

Business and financial review continued

Capital position

Shareholder Solvency II surplus and ratio



The Group's shareholder Solvency II coverage ratio increased to 223% (31 December 2023: 203%). Shareholder Solvency II surplus increased to £4.7 billion as at 31 December 2024 (31 December 2023: £4.5 billion), with a reduction in the SCR offsetting a decrease in eligible own funds. Eligible own funds includes Present Value of future Shareholder Transfers (PVST) of £4.3 billion (31 December 2023: £4.0 billion). The increase in surplus reflects the total capital generation of £1,108 million, partly offset by negative capital movements of £924 million. These were mainly the payment of dividends to shareholders and the impact of subordinated debt deleveraging actions. The reduction in SCR is driven by model changes and rise in yields.

Our With-Profits Fund continues to have a substantial Solvency II surplus and a coverage ratio of 284% (2023: 403%). The fall in ratio reflects a distribution of excess surplus from the With-Profits inherited estate and an increase in the SCR. A component of the increase in SCR arises from a full rebuild of the prospective with-profits modelling.

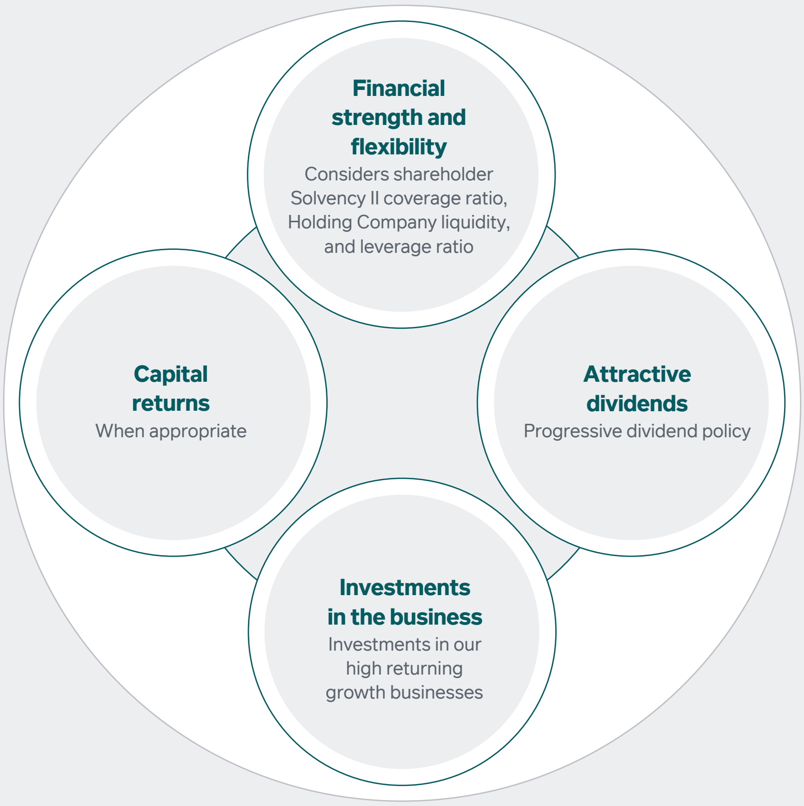
Reflecting the With-Profits Fund's strong solvency position, a decision was made to rationalise and simplify the number of protective management actions which may be taken in extreme stress scenarios to ensure that management are not unnecessarily constrained as regards the actions that they may take in extreme stress and thereby have appropriate freedom to act to protect the long-term interests of policyholders. This increases the capital requirements of the With-Profits Fund. The fund retains a substantial solvency buffer and there are no changes to policyholder outcomes.

The regulatory Solvency II coverage ratio of the Group as at 31 December 2024 is 168% (31 December 2023: 167%). This view of solvency combines the shareholder position and the With-Profits Fund, but excludes all surplus within the With-Profits Fund.

Capital Management Framework

The primary focus of our capital management framework is to maintain financial strength and reward shareholders with attractive returns. This is achieved through actively managing M&G's solvency position and the quality of capital held.

When deploying additional capital, we prioritise investments that can generate long-term sustainable earnings growth. Any investment is always measured against the financial attractiveness of capital returns, as well as our Risk Appetite Framework.



Business and financial review continued

Leverage Ratio

As at 31 December	2024 £m	2023 £m
Nominal value of subordinated debt	**2,788**	3,242
Shareholder Solvency II own funds	**8,525**	9,143
Leverage ratio	**33%**	35%

The leverage ratio is defined as the nominal value of debt as a percentage of the shareholder view of M&G plc's Solvency II available own funds, which excludes any eligible own funds restriction noted in the capital position section above. Our leverage ratio of 33% (31 December 2023: 35%) has decreased as a result of the deleveraging actions announced in June 2024.

The deleveraging actions comprised a repurchase of £161 million of 5.56% Sterling fixed rate subordinated notes for a consideration of £150 million on 19 June 2024 and, on 20 July 2024, the redemption of all £300m 3.875% Sterling fixed rate subordinated loan notes in issue, as described in Note 26.

Liquidity

The following table shows the movement in cash and liquid assets held by the Group's holding companies during the period:

For the year ended 31 December	2024 £m	2023 £m
Opening cash and liquid assets at the beginning of the period	**977**	986
Cash remittances from subsidiaries	**909**	725
Corporate costs	**(121)**	(129)
Interest paid on core structural borrowings	**(188)**	(189)
Debt repurchase and redemption[i]	**(450)**	—
Cash dividends paid to equity holders	**(468)**	(462)
Shares purchased by employee benefits trust	**(4)**	(5)
Acquisition of and capital injections into subsidiaries	**(22)**	(66)
Interest income on intercompany loans	**36**	42
Other	**61**	75
Closing cash and liquid assets at the end of the period[ii]	**730**	977

Cash remittances from subsidiaries have increased to £909 million compared to £725 million in 2023, reflecting the strong positions of both The Prudential Assurance Company Limited and M&G Group Limited. The increased remittances facilitated, in part, the payment of the repurchase and redemption of £450 million of subordinated notes as part of the deleveraging actions announced in June 2024, reflected in the reduced total cash and liquid assets balance of £730 million at the end of the year. Following these actions, we now expect to operate at the level of cash and liquid assets at 31 December 2024.

Other movements in cash and liquid assets held by the holding companies represent the dividends and payments that arise in the normal course of business, including the interest paid on structural borrowings of £188 million.

i On 19 June 2024 the Group completed a repurchase of £161 million of 5.56% sterling fixed rate subordinated notes for a consideration of £150 million. On 20 July 2024, the Group redeemed, at par, all £300m 3.875% sterling fixed rate subordinated loan notes. See note 26 for further information.

ii Closing cash and liquid assets at 31 December 2024 included a £705 million (2023: £940 million) inter-company loan asset with Prudential Capital plc, which acts as the Group's treasury function.

Our approach to sustainability

M&G's commitment to sustainability

We have reviewed our sustainability strategy, focusing on areas that are important to M&G and where we can have positive real-world impact

Since 1848, we've been supporting customers to navigate uncertainties and harness opportunities through our insurance products and wider investment capabilities.

As an asset manager and asset owner, our balanced and integrated business model helps us manage risk and opportunities on behalf of our customers and clients, investing for the longer term, with an active approach. This means identifying structural trends, conducting rigorous research, and staying innovative in the development of new products and services.

This focus on delivering for our customers and clients has never been more important than in 2024, a year defined by significant global events such as major elections, geopolitical conflicts, and the average global temperature reaching 1.5°C above pre-industrial levels for the first time.

As we look at our business, and how to adapt to a fast-moving external environment, we have four levers we use to manage sustainability risks and to drive positive change:

- Our investments
- Our community impact
- Our own operations and workforce
- Our advocacy and engagement

Over the last 12 months, we have continued to focus on our sustainability priorities of climate change and diversity and inclusion, and have used these levers to support the needs of our customers, clients, communities, colleagues and shareholders.

Our investments

As stewards of our customers' and clients' capital, we need to assess and manage a complex range of risks and opportunities. Through our broad capabilities, we continue to provide our customers and clients with access to a range of sustainable investment options. These include products with defined sustainability objectives across our public asset fund ranges, as well as through our private asset business, including our emerging markets impact manager responsAbility, whose investment strategies fall under three key themes – climate finance, financial inclusion and sustainable food. We also support early-stage innovation through Catalyst, our purpose-led private asset strategy, which invests in pioneering responsible enterprises. In 2024, the Catalyst team identified opportunities in a number of areas, including data centre cooling, low-carbon homes, and electric grid stability.

Over the year, we have also backed sustainable office developments and social housing. 40 Leadenhall, developed and managed by M&G's real estate business on behalf of our With-Profits Fund was among the UK's first buildings to target the NABERS certification, a reliable sustainability rating for a building's efficiency across energy, water and waste. As one of the largest alternative lenders to the social housing sector, we have nearly £5 billion invested on behalf of our customers and clients.

In 2024, we reviewed our approach to assessing and managing climate risks and opportunities through the development of our Group Climate Action Framework, which provides a consistent approach to the climate transition for our investment and stewardship activities, across our business. As part of this work, we have expanded our set of interim targets to include asset alignment and engagement indicators. For more information on our approach to climate, see pages 64-81.

Our community impact

Our community investment programmes focus on providing education and skills to increase financial confidence and revitalise communities to deliver local, sustainable development.

Through our work with The Talent Foundry, Age UK, and Junior Achievement, we have supported projects that give people essential skills to build their resilience and financial capability. Our work with Habitat for Humanity to turn unused spaces into homes and with the Tree Council, who create green spaces in urban schools, supports the regeneration of communities.

In total we committed £4.4 million through our community investment programmes in 2024 and look forward to continuing our support in 2025. For further details on our community investment, please see pages 60-63.

Our operations and workforce

Across our own operations we continued efforts to reduce operational emissions against our 2030 targets. While we have made significant progress on Scope 1 and 2 emissions and are on track to deliver on our commitment to achieve 100% renewable energy procurement, we have seen an increase in emissions related to business travel. Further information on our operational climate activities can be found on pages 74-76.

We remain committed to creating a diverse and inclusive workplace where people feel valued and included, and in doing so seek to inspire colleagues to do their best for our clients. We have achieved 36% women in senior leadership roles, against our target of 40% by the end of 2025. The percentage of colleagues in senior leadership from minority ethnic backgrounds remains broadly consistent at 6.9% and we acknowledge that we have a way to go to reach our target of 20% by the end of 2025. More information on D&I can be found on pages 41-43.

> **"We aim to use our strengths to manage our environmental impacts and contribute positively to the societies we serve."**
>
> **Kathy Ryan**
> Chief Sustainability Officer

Our approach to sustainability continued

Our advocacy and engagement

We understand the impact we can have through proactive engagement and advocating for sustainable business practices. In 2024, our asset manager continued to make progress on its climate, nature and social engagement programmes, reflecting our efforts to support our customers' financial goals, by considering how their investments affect – and are affected by – what's happening in our society and environment.

However, no single organisation, government, or individual can solve the challenges we face alone, and change is dependent on supportive public policy and regulatory frameworks. We recognise the complexity of these issues and the need to be agile in the evolving landscape. We remain focused on our partnerships and industry collaboration with our peers to support ambitious public policy to deliver the change we need.

Our new Group sustainability framework

In 2024, we undertook a review of our sustainability strategy to ensure we are focused on areas that are important to M&G and where we can have the most impact, resulting in the development of a new sustainability framework. We have grouped our activities under two themes – 'Resilient planet' and 'Resilient societies' - which include the work we do on climate, communities and people, with the addition of nature given its growing importance for our customers and clients and broader society.

Our approach to sustainability is aligned with our purpose – to give everyone real confidence to put their money to work – and supports our broader Group strategy, delivering profitable growth where we can capture new opportunities to meet evolving client needs.

The resilient planet theme is supported by two pillars – 'Financing the climate transition' and 'Developing our approach to nature'. Our work on financing the climate transition seeks to address the risks presented by climate change alongside capturing new opportunities to meet client needs. In 2025, we will use an updated Group Climate Action Framework and focus on the alignment of our portfolios with the transition to a low-carbon economy, including engagement where more progress is required. More details can be found on pages 65-71.

We also recognise the importance of addressing nature loss through the investments we own and manage, as well as measuring and reducing our operational impact. We are working to better understand our investment exposure to nature-related impacts, dependencies, risks and opportunities, and will share more detail on our approach in due course.

The resilient societies theme also comprises two pillars – 'Promoting financial confidence' and 'Building communities', both of which build on the work we already do as part of our investment and corporate activities. Improved financial confidence supports people to access finance and make better decisions – something we believe we can influence by helping close the investment and advice gap, as well as investing in financial inclusion initiatives. Building communities includes targeted social infrastructure investments such as affordable housing and our community investment programme.
We recognise we are in the early stages of tackling these issues, but believe we have an important role to play.

During 2025 we will start to track and measure progress against our new sustainability framework using an initial set of performance indicators. As we monitor these indicators, we will develop a set of internal and external targets for each of the pillars.

Group Sustainability Framework

Resilient planet

Financing the climate transition
Supporting real-economy decarbonisation by investing in solutions and managing risks through the transition

Developing our approach to nature
Understanding how our business interfaces with nature, to manage risks and meet emerging customer and client expectations

Resilient societies

Promoting financial confidence
Enabling informed decision-making, building trust and narrowing the advice gap

Building communities
Contributing to a more resilient society through social and community investments

Underpinned by responsible business practices

Sustainable operations
Strengthening operational goals

Corporate responsibility
Supporting the resilience and regeneration of communities

Diversity & inclusion
Continuing focus on gender and ethnicity representation

Human Rights
Ongoing commitment to support human rights

Developing our framework

When developing our sustainability framework, we first conducted a materiality assessment that involved evaluating the most relevant issues in terms of impacts on M&G as well as on wider stakeholders. In this initial phase, we carried out a holistic review of risks and opportunities, incorporating views from over 100 internal stakeholders, including our long-term sustainability goals as a business. The material and emerging topics identified were used as the basis for our framework, alongside comprehensive research, customer and client assessment, regulatory and policy development analysis and consideration of our existing sustainability strengths.

Our approach to sustainability continued

Resilient planet

Financing the climate transition

As a long-term investor, we can enable our customers and clients to transition their investments to a low-carbon economy by investing in businesses that are driving and innovating in sustainable products and services, and using our influence as active investors to encourage companies to align to net zero carbon business models. By developing our climate research and investment strategies, we can provide customers and clients with access to companies and assets that are profitably navigating the transition to a low-carbon economy, leveraging our diversified investment capabilities across public and private markets.

Our target to achieve net zero across our operations and investments by 2050 remains, but we have refocused our investment approach to climate to strengthen its ability to deliver real-world impact. Our updated Group Climate Action framework is built around three levers - grow, align and reallocate - which we will use to manage climate-related risks and opportunities on behalf of our clients. It is based on a more comprehensive assessment of transition alignment, including new interim targets, recognising the potential disconnect between portfolio decarbonisation and real-economy change.

The framework is focused on the investments we manage and administer, but we will continue to take action to decarbonise our direct operations and engage our supply chain. We will share more details when we publish our updated Group Climate Transition Plan.

Find out more on climate, including details of the Climate Action Framework on pages 65-73

Developing our approach to nature

Nature is deteriorating globally, and biodiversity declining faster than any time in human history. Changes to natural systems, which are interconnected - including forests, oceans and rivers, soil and nutrient cycles, climate and weather patterns - will increase nature-related risks. If left unmanaged, they could have disruptive consequences on asset valuations, and potentially the stability of financial markets.

While developing our approach to nature, we recognise the importance of addressing nature loss through our investments, where our main risks and opportunities reside, as well as to measure and reduce our own impacts and dependencies on nature through our operations.

Engagement is an important lever for us, with nature being one of our key top-down stewardship programmes as an asset manager. M&G Investments is a participant in Nature Action 100 (NA100), a global investor-led engagement initiative focused on supporting greater corporate ambition and action to reverse nature loss. It takes part in working groups for five companies, three of which are extending its work on Climate Action 100 (CA100).

Together with our peers and industry network, we are looking to continue to participate in the evolving dialogue on the challenges for investors to effectively take action on nature loss.

Solar power deployment

Last year, Candi Solar, a clean energy company specialising in distributed solar power solutions for commercial and industrial (C&I) clients in India and South Africa, secured additional debt funding from a climate fund part managed by our emerging markets impact manager responsAbility. Candi Solar has pioneered end-to-end customised solar solutions, from finance and engineering to performance management for the C&I market. The funding will be used to scale its renewable energy portfolio in these regions.

Regenerative agriculture

In 2024, our Catalyst strategy, backed by our With-Profits Fund, committed €150 million to the Regenerate European Sustainable Agriculture Fund managed by specialist climate impact investment managers, Regenerate Asset Management. The fund invests directly in agricultural businesses growing and supplying regenerative and climate-positive produce in Europe. Examples include a diversified Portuguese blueberry enterprise - Regen Blue - which Regenerate will help grow through a €40 million investment.

Our approach to sustainability continued

Resilient societies

Promoting financial confidence

Financial confidence refers to an individual's ability to understand, access and make informed decisions about their finances, and directly links to our purpose. Our aim is to promote financial confidence for all our clients and the communities we interact with.

As well as our community investment programme, where we partner with charities to provide people the skills and opportunities to build resilience and become financially secure, we are enabling existing and new clients to make informed financial decisions through our advice business. We are already working with our existing advisors through the M&G Wealth Advice Academy, our in-house financial advice qualification programme, as we seek to narrow the investment and advice gap.

We are also supporting financial confidence through the investing capabilities of our emerging market impact-focused manager responsAbility, offering dedicated investment products, such as the responsAbility Micro and Small-Medium Enterprise (SME) Finance Fund. Financial inclusion is one of responsAbility's key investment themes, with the ambition to deliver critical credit and savings services to households and small-and-medium enterprises traditionally without access to banking. For example, its portfolio company BRAC Tanzania provides microcredit programmes but also equips women with the essential tools to establish their own micro-enterprises, complemented by educational and skills training to aid their economic independence.

Gender smart investing

In June last year, M&G's Impact Financing Fund committed an additional US$30 million to the Global Gender Smart Fund (GGSF) – one of the world's largest gender-focused investment funds addressing the US$1.7 trillion gender gap in access to finance for women. The new investment brings our total commitment to US$120 million. The GGSF is partly managed by our impact manager responsAbility and invests in projects that widen access to financial services for underserved women in developing markets.

Building communities

Supporting the resilience and regeneration of communities can help growth and economic productivity and help alleviate disadvantage. Regeneration programmes can revitalise cities and communities, enhance connectivity, ensure security of vital resources, and drive local sustainable development.

We believe we can have a positive impact on communities as well as society more broadly, supporting long-term societal and economic well-being, through our investments in social infrastructure, our community investment programmes and by enhancing our business practices to ensure the respect for human rights.

We are supporting community resilience and regeneration through investment in social infrastructure to help unlock economic productivity and growth, and we also are supporting our local communities through our charity partnerships.

Our community investment programmes focus on providing education and skills to increase financial confidence and revitalising communities to deliver local, sustainable development. This is delivered with our charity partners and support from our colleagues, who volunteer their time to make a difference. Over the last twelve months they provided 12,031 hours as part of our commitment to give every colleague two volunteering days per year.

Find out more about our Community investment work on pages 60-63

Supporting social housing

During 2024, M&G Investments provided £60 million to The Jersey Homes Trust (JHT), the largest independent housing association in Jersey. The funding will allow JHT, a not-for-profit organisation, to refinance existing debt on more favourable terms, including access to long-term funding. M&G has been investing in social housing since the 1980s, and is now one of the largest alternative lenders to the sector, with an exposure of nearly £5 billion on behalf of our pension fund and insurance clients.

Section 172 Statement

How the Board fulfils its duties

Understanding the needs of our stakeholders is essential to help us fulfil our purpose and drive value creation over the longer term

The following pages provide more detail on how the Board has fulfilled its duties as set out in Section 172(1) (a) to (f) of the Companies Act 2006 (Section 172) and how it has engaged with and taken account of our stakeholders' interests over 2024. We have also described how the Board considers our key stakeholders and their views when making key decisions.

How the Board fulfils its Section 172 duties

Section 172 requires a company director 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. The following aspects demonstrate how the Board establishes a structure to help it fulfil the Section 172 duties.

Establishing our purpose, strategy, culture and values

The Board sets M&G's purpose, values, and strategy, and monitors our culture to ensure that these are aligned and this sets the tone for how we want to do business. Our culture and values inform our purpose, and are an essential underpin for our decision-making on strategy and what we want to achieve. Find out more on page 87.

Board skills and stewardship

Having a strong board is essential for successful stewardship at M&G. We seek to recruit and retain directors with diverse skills and expertise to govern decision-making. We develop our directors through a comprehensive induction process and engagement with management, training, and workshops. This process helps our directors to enhance their skills, so they can contribute to sound decision-making and are better placed to help shape proposals and provide constructive challenge. Find out more on page 96.

Board information

The Board has guidelines and training for colleagues to ensure that material prepared for the Board is of a high standard and considers aspects relevant for Section 172, including long-term impact and how key stakeholder interests have been considered. Directors are encouraged to provide feedback to paper preparers to further improve this process.

Board discussion and decision-making

As part of its discussions, the Board provides rigorous evaluation, assessment of risk and challenge to ensure decisions promote our long-term sustainable success and balance the needs and interests of our stakeholders. Key themes and issues relating to our stakeholders are considered when the Board has discussions, and they influence the Board's decision-making.

Section 172 Statement continued

Key decision 1

Life/Wealth strategy

Our transformation programme to support better outcomes for our customers continued into 2024. As part of this programme, the Board performed a strategic review of our Wealth business and determined that our competitive position in the wealth market was not sufficiently strong to ensure profitable growth without committing significant further resources. As a result, the Board agreed to focus and rationalise our Wealth strategy, combining the Life and Wealth businesses.

This approach will help us grow the distribution of our customer products and services through our restricted advice channel and independent advisers, and make our propositions more accessible on third party platforms.

Stakeholders considered

Customers, clients, colleagues, investors and regulators.

Decision-making process

Management recommended the proposal to rationalise the Wealth strategy and refocus the Wealth distribution arm in the Life business, focusing on restricted advice and distribution of life insurance products. This aims to increase sales of PruFund and annuities, with the additional flows benefitting the Asset Management business, including in private assets. This also ensures alignment to the strategy of accelerating growth in private assets.

The restructure makes it more convenient for our clients, and ensures that we continue to focus on customer outcomes, service and experience.

The Board discussed the impact on certain colleagues and the steps being taken, which included alternative roles being explored for individuals and outplacement support was offered. The Board stressed the importance of communication of this change to all stakeholders, including customers, colleagues and investors. Regulators were kept informed of the restructure, which included sharing a detailed plan and key messaging prior to announcing the strategy in the half year 2024 results in September 2024. The Board took into account feedback received on reducing barriers to execution, simplifying the business, and increasing speed of decision making, which our colleagues have said are important to them.

Key decision 2

Review of Group sustainability strategy

During the year, the Board reviewed the Group sustainability strategy and approved the new framework which groups our activities under two themes - 'Resilient planet' and 'Resilient societies'. Further information can be found on pages 30 to 33.

The approach to sustainability is aligned with the Group's purpose and supports our broader corporate strategy, delivering profitable growth where we can capture new opportunities to meet evolving client needs.

Stakeholders considered

Customers, clients, colleagues, investors and regulators.

Decision-making process

Sustainability has been considered by the Board throughout the year (see Our approach to sustainability section and the Corporate governance report on page 87). The framework was approved in September 2024, having been challenged by the Board at its strategy offsite in June and the Board meeting in July 2024.

The Board was actively involved in reviewing the strategy and framework, and challenged management on the priority themes as well as the importance of clear communication to colleagues and external stakeholders. The Board also challenged management to ensure that the overall sustainability strategy was sufficiently stretching and measurable. The Board discussed that there should be clear alignment to remuneration incentives once the framework is embedded. Clear articulation of the sustainability credentials to customers and clients was also considered by the Board, particularly with regard to those customers in the With-Profits Fund.

The framework is underpinned by the Group's responsible business practices, including diversity and inclusion, human rights, corporate responsibility and sustainable operations.

Section 172 Statement continued

Key decision 3

Capital allocation

The Board is responsible for capital allocation across M&G, including its Asset Management and Life businesses. The role of the Board includes balancing the needs of stakeholders when making decisions about the allocation of capital. This included the following in 2024:

Deleveraging actions

In June 2024, we announced a number of deleveraging actions totalling £450 million. This included the redemption of £300 million subordinated notes which were callable in July 2024.

Mergers & Acquisitions (M&A)

The Board reviewed and debated potential M&A activity across the Group during the year. In October, we acquired a majority stake in BauMont Real Estate Capital, a fund manager specialising in value-add investment strategies in Western Europe. Having identified value-add as a key target addition to our existing capabilities we conducted an extensive scan of potential opportunities which resulted in the selection of BauMont as the preferred target. BauMont's expertise is highly complementary to our existing team and benefits customers by having access to broader investment strategies.

Value Share Bulk Purchase Annuity (BPA)

Since agreeing to re-enter the BPA market, the Board reviewed the business case for a BPA deal to share value with the corporate sponsor, providing scheme members with the security of a buy-in while the Group shares the financial risk and upside with the corporate sponsor. This deal announced in November is believed to be the first of its kind in the market.

Transformation & change spend

During the year, we continued to deliver good momentum on our transformation programme initiated in 2023, which is focused on simplification and creates capacity to invest. This included migrating 80% of our heritage policies to a single, modern platform solution.

Stakeholders considered

Customers, clients, colleagues, investors, regulators, communities, charities, credit rating agencies.

Decision-making process

The Board considered its stakeholders throughout the year when discussing and approving capital allocation matters.

The deleveraging activities were discussed in depth with the Prudential Regulation Authority. The Board ensured that the activities would have minimal impact on our solvency position – remaining well above the target operating range – and protecting our customers from harm. The Board discussed the impact on credit rating, debt capacity and the impact to shareholders. The deleveraging activities that were undertaken in 2024 also demonstrate a continued focus on delivering across our three strategic pillars: financial strength, simplification and growth.

Our stakeholders
How we engage

Colleagues

M&G has over 6,000 permanent colleagues in 39 offices globally. Our colleagues are core to everything we do and fundamental to the success of the Group. The Board believes that ongoing engagement and two-way dialogue with colleagues is vital to ensuring that their interests and concerns are understood, and that we take appropriate action. An engaged workforce is the foundation to delivering for our other stakeholder groups.

Find out more about our colleagues on pages 40-43

How we engage

Direct dialogue with colleagues

During 2024, there were a number of formal sessions between Non-Executive Directors and colleagues from across the Group. The Non-Executive Directors attended sessions during the year, with colleagues across different geographies and seniority, and included colleagues from Asset Management, Asia, European offices, the Mumbai office, the offices in Scotland, the Corporate Functions, graduates, and colleague ambassadors. The purpose of these regular sessions is to give our Board members the opportunity to engage directly with colleagues, gain insights into M&G's culture and understand colleague views and interests.

Board site visit to Kildean

The Board visited the Kildean, Stirling office in September 2024 and held a variety of colleague events including a Town Hall with colleagues and breakout groups with NEDs and colleagues on topics including diversity, equity and inclusion, and customer listening.

Town Halls

There were Town Halls with Q&As held in both London and Kildean during the year which were attended by members of the Board.

Key themes, issues and matters arising from Board engagement with colleagues

- Positive feedback on people centric culture and workforce/people policies
- Need to remove barriers to execution including technology (and pace of decision-making)
- Hybrid working and return to office in the context of collaboration
- Balance of controlling costs and investing for growth
- Empowerment and desire for increased autonomy
- Importance of learning and development, career progression, and pastoral care, including for graduates
- Collaboration and prioritisation
- Entity Structures – Target Operating Model
- Communication

Actions and progress

The key themes and issues are taken into account when discussing as a Board and influence the Board's decision-making. Feedback on themes from Board conversations with colleagues are documented and shared for discussion with Non-Executive Directors and the Chief People Officer and, where appropriate, senior management.

The Board discussed with the Group CEO the key themes from its direct engagement with colleagues and emphasised to management the importance of growing internal talent, people culture, strengthening succession plans, and further improving the employee proposition. Themes and issues from colleague engagement feeds into the business plan process and allocation of spend.

The Board discussed and approved the actions being taken to improve accountability, which included the approach to performance and reward to ensure it improved objective setting for senior leaders and strengthened alignment with the purpose. The events for senior leaders held during the year were also designed to enhance collaboration, accountability and understanding of the strategic direction, as well removing barriers to execution.

Our stakeholders continued

Customers and clients

M&G distributes investments and savings products to a broad range of pension funds, insurance companies, wealth managers, financial advisers, and other distribution partners across 6 continents. We also offer an end-to-end distribution channel for savings products in the UK, through financial advisers and directly to individual customers and clients. We manage savings for approximately 4.5 million policyholders, across all age and wealth brackets.

Find out more about our customers and clients on pages 12-15.

How we engage

The Board receives management information reporting on client metrics, which are discussed with management. The Board considered clients and customers as part of the combination of the Life and Wealth operations.

The Group CEO regularly meets directly with customers and clients to understand their views, discuss ways to further enhance our relationships and product offerings, and provides feedback to the Board.

The Board's visit to the Kildean office in September 2024 included call listening sessions and briefings on other customer enhancement initiatives.

Engagement meetings are held to enable management to understand what matters to our clients and customers and to build strategic relationships with them. Management also engages regularly with our customers and clients on a day-to-day basis, in meetings, at roundtable events and conferences.

Key themes, issues and matters

The key themes and issues arising from engagement and dialogue with clients and customers included:

- Product offering
- Product innovation
- Investment returns
- Digitisation and digital transformation
- Client and customer outcomes
- Client experience and customer service

Actions and progress

The Board provided oversight of the programme of activity regarding Consumer Duty and the focus on delivering good customer outcomes.

The Board regularly reviews and discusses a range of management information to ensure we are delivering good customer outcomes, and in 2024 questioned management on proposed actions in response to client feedback and other matters, such as service and complaints.

The Board encourages management to improve how they measure feedback and client satisfaction, and it is incorporated into scorecards for remuneration purposes.

The Board and management regularly discuss and actively advocate for a customer mindset and consideration of the client in everything we do, together with the importance of ensuring that colleagues are spending time understanding their clients' and customers' priorities.

The Board and management discussed the ways M&G can execute on growth opportunities, including from a distribution standpoint, and the investment spend required in data and technologies across strategically important areas, including client experience.

Our stakeholders continued

Regulators

Maintaining an open and cooperative relationship with regulators and policymakers is critically important. We have a number of regulated entities, which are supervised at entity level. We engage with regulators at a Group and subsidiary level.

How we engage

The Chair, Group CEO and other Board and Executive Committee members meet regularly with the supervisory and other teams at the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

Representatives from the PRA attended the July 2024 Board meeting and representatives from the FCA attended the Board meeting in February 2025, to discuss business, customer and regulatory priorities.

Key themes and regulatory priorities

- Governance
- Consumer Duty
- Financial Crime
- Strategy
- Operational resilience
- Succession planning
- Risk and Control environment
- Sustainability Disclosure Requirements / Climate risks
- Outsourcing arrangements
- PAC's Operating Model Enhancement

Actions and progress

The Board believes that open and regular dialogue promotes transparency between the Group and its regulators and ensures that M&G is in a position to reflect the views of our regulators when setting strategy and the business plan. The outcomes of our ongoing engagement with our regulators influence the Group's priorities and focus for the year, including the key areas of focus and activity for the Board and its Committees.

The quantum of industry-wide regulatory driven change continues to impact our businesses and we remain focused on adapting to meet the expectations of our regulators. This includes establishing and delivering against our Group-wide programmes on Consumer Duty and Financial Crime.

One of the Board's main priorities is ensuring that the governance, leadership and culture at M&G is of requisite quality and facilitates good decision-making, problem solving, and the delivery of good client outcomes.

During the year, the Board's activities have included consideration of Sustainability risks and opportunities, the Group's compliance with the Consumer Duty regulation, and oversight of the ongoing Financial Crime programme, together with a range of matters and decisions relating to strategy and execution. Our Financial Crime programme strengthens and enhances processes and controls across all of our products and markets and the Board has engaged with our regulators on the progress of this programme.

During the year, the Risk Committee's activities have included reviewing a range of climate scenarios as part of the ORSA process, and review and challenge of matters relating to risk management, internal controls, operational resilience, financial crime and outsourcing. The Nomination and Governance Committee's activities included Board leadership and succession planning and Group Executive Committee succession planning.

The Board is also committed to engaging with its other stakeholders in order to ensure that we maintain positive relationships and take account of their views and interests. These include communities, charity partnerships, and suppliers.

Communities

Social responsibility is firmly embedded in M&G's operations around the world as an integral part of the way we do business. Our social purpose is to build inclusive and resilient communities through urban regeneration, economic empowerment and community building. We want to use our community investment to help break down the barriers that prevent people from living the life they want. Our framework for community engagement provides support at a strategic and local level.

Charity partnerships and donations

We work closely with our charity partners to develop strong, sustainable projects that meet local needs. We nurture spaces and places that help people and nature to thrive, giving people skills and opportunities to be financially secure, and building and strengthening relationships within and between communities. **Find out more about our community engagement on pages 60-63.**

Business partners

Our suppliers are critical to our business and the long-term success of the Group. We are committed to the principles of the Prompt Payment Code, and aim to treat suppliers fairly and consistently. The Chief Risk and Compliance Officer's (CRCO) report to the Risk Committee provides a regular assessment of key risks, including any issues regarding third party suppliers and outsourcers. The Board oversees the performance of business partners and suppliers through reporting from management and the Risk function. Day-to-day oversight is conducted by the operational teams and substantive issues are escalated to the Board through the regular management reporting.

Our colleagues

Creating a positive and diverse culture

We are focused on creating the right capabilities to empower our colleagues, enable business change and drive our business performance

What our colleagues mean to us

Our colleagues are critical to our success. Our people approach aligns with M&G's strategic goals while ensuring a safe, inclusive and productive workplace. We are focused on creating an exceptional place to work: a positive culture that inspires and supports our colleagues to do their best for our customers and clients.

Our people policies and processes are always evolving to support colleagues through their employment lifecycle to deliver our business strategy. Our five global people workstreams cover gender, ethnicity/nationality, life stages, disability/accessibility and LGBTQ+, and support our ambition of building a diverse culture.

Our people priorities

Our six key people priorities are aligned to our business strategy and help us to deliver growth:

1. Enable business change and simplification by ensuring that the people implications of change are well thought through and delivered with care and integrity.
2. Build an organisation that is fit for purpose and scalable, which supports growth by ensuring we have highly engaged people, in the right roles, aligned to deliver our business strategy.
3. Attract and develop the capability required to deliver our strategy, focusing on the development of our leaders and people managers and having a robust approach to talent management and succession planning.
4. Protect our licence to operate by continuing to deliver our core people services safely and effectively.
5. Drive diversity, well-being and inclusion by building on our strengths to drive further progress to help us meet our 2025 targets.
6. Build a high-performing culture by aligning colleagues behind our purpose, align goals and objectives to our strategic pillars, drive engagement, regularly listen to and act on colleague feedback.

Engaging with all employees to support growth

We conduct OneVoice surveys several times throughout the year to ensure that M&G colleagues have an active voice. This approach helps us understand how colleagues feel about working at M&G, and how we can continue to improve the experience we're creating for our customers, clients, stakeholders and each other.

In our November 2024 survey, we received just over 9,800 comments from more than 2,700 colleagues. Results highlighted that our sustainable engagement scores remain stable at 69.0 (2023: 70.7) and that our culture is a strength, with colleagues treating one another with respect and dignity.

During 2024, we improved our survey approach to provide people managers with deeper insights into our colleagues' experience, as well as how our policies and initiatives are working. We are making it simpler to understand feedback, such as improving 'action taking' and 'barriers to execution' - two of our biggest opportunities. Here, we are reducing bureaucracy by cutting unnecessary meetings and empowering colleagues to take decisions, which aligns with our strategic priority of simplification.

Colleagues still have an overriding desire to work flexibly and we recognise that a more prescriptive approach to when they could come into the office could result in lower engagement. We aim for colleagues and their managers to have an open and honest dialogue about working from home. The challenges we face are not unique to M&G and individual circumstances vary significantly. We recognise that capacity at M&G is a challenge and are continually looking at capacity and working patterns. We currently operate a booking system for working in the office.

For more on how we engage with our colleagues see page 37

The importance of learning and development

In January 2024, we launched our new purpose, so everyone at M&G can feel that they're clear, excited and energised by our sense of direction and understand the part they play in it. It's the common thread through everything we do so that we can work together to give everyone real confidence to put their money to work.

To meet our purpose, we need the right skills and capabilities. We aim to create an integrated approach to attracting, developing, accelerating and ultimately retaining talented people for our future success. We do this through building core behavioural, professional, leadership and management capabilities to drive high performance and foster a more inclusive culture.

Our behaviours

Our values of care and integrity underpin our behaviours, which guide how all our colleagues should act and interact with each other, customers, clients and stakeholders. Our behaviours are aligned with our culture and values, and help us to deliver our purpose and strategy:

Own it now: Putting your name on things with confidence to drive progress and results quickly.

Move it forward together: Forming cross-functional teams to seize the right opportunities and solve real problems.

Tell it like it is: Respectfully speaking up to create better ways forward - both direct and empathetic.

Our colleagues continued

Winning behaviours

We've also introduced Winning Behaviours, a learning experience for all colleagues to build belief and capability to shift our behaviours: Own it now, Move it forward together and Tell it like it is. Learner experiences have included live events with keynote speakers, immersive workshops, team sessions led by managers and on-demand digital resources.

Winning Behaviours demonstrates our commitment to supporting and upskilling colleagues. It's encouraging to see colleagues gaining a deeper understanding of our behaviours, their importance and how they contribute to growth at M&G, together with their feedback that the learning is helping apply these behaviours.

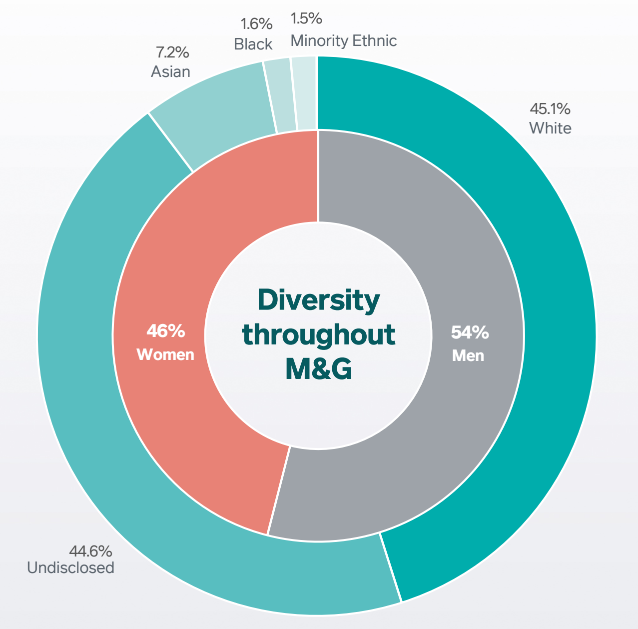
In 2024, we invested in our new simplified, personalised, one-stop shop for digital learning – available to all colleagues. We have started to create academies (communities of learners) and pathways to develop prioritised capabilities including AI, sustainability and data management - democratising access to learning and empowering colleagues to own their development.

A careful approach to how we work

Our Code of Conduct puts our values and behaviours into action every day, and aims to ensure we act in accordance with our policies and procedures, global laws and regulation. These standards underpin our strong reputation, giving everyone real confidence to put their money to work. Our values and behaviours allow us to build lasting relationships, based on trust, with our customers, clients, shareholders and regulators, and to deliver our ambitions for growth.

Our Whistleblowing Policy details whistleblower protections in place across M&G, so that anyone who speaks out feels safe and is confident in doing so. All reports are taken seriously, with qualifying reports independently and confidentiality investigated. All investigations are governed by our Speak Out programme.

For more on how we manage colleague related risk see page 51



Measuring D&I at M&G

Diversity in senior leadership: We are aiming to achieve 40% women and 20% ethnic diversity in senior leadership by the end of 2025. In 2024, women in senior leadership was 36% (2023: 37%) and ethnicity in senior leadership was 6.9% (2023: 7.4%).

Colleague inclusion index: This continues to be measured on a regular basis as part of the OneVoice survey, with an average score of 65.3 (2023: 66.7) across three surveys in 2024. It is based on two questions - 'Leaders at M&G value different perspectives' and 'I feel free to speak my mind without fear of negative consequences'. While we have seen changes in leadership and organisational structure across the year, we have broadly maintained our level of inclusion, reflecting that care and integrity remain core values at M&G.

Creating a balanced workplace

M&G has a duty to keep colleagues safe at work, and they also need to feel valued for who they are, included in their teams and feel that their contributions are welcomed and listened to. It's an important part of our culture.

We have a five-year Diversity and Inclusion (D&I) plan and governance model, which was launched in 2020, with targets to build a positive and balanced workplace. Our D&I initiatives cover the talent management lifecycle, from sourcing candidates through recruitment, development, career progression and succession.

Our people policies and strategies are constantly evolving to help colleagues balance work with personal life, responsibilities and commitments, while making sure we still do what is best for our clients. To help us narrow our gender and ethnicity pay gaps, retain a diverse workforce and reach our diversity targets, we are focused on creating an inclusive, flexible and family-friendly culture, with employee-related policies that support work-life balance and well-being for all colleagues.

Our five employee-led Diversity and Inclusion Networks are a source of support for all colleagues. Examples include Embrace (promoting racial, ethnic, social, faith and cultural diversity) and Enable (for anyone impacted by physical or mental health, caring responsibilities, neurodiversity and different abilities).

Reducing the gaps

We are committed to our target of 40% female representation in senior leadership by the end of 2025. Over the past year, we have made several leadership changes to best align M&G for future delivery and growth. While these changes have resulted in a 1% drop in the proportion of women to 36%, there is no overall decrease in the number of women in this group. Our diversity targets are part of our performance scorecard, and are tied to leadership performance compensation. Our scorecard includes both financial and non-financial metrics, with our progress regularly reviewed by M&G's Executive Committee, Board of Directors and Remuneration Committee.

We are signatories and on-going supporters of the UK HM Treasury Women in Finance Charter, as well as the Women in Finance Charter in Ireland, and the diversity charters in France, Italy, Sweden and Luxembourg, showing expanded support for this ambition internationally.

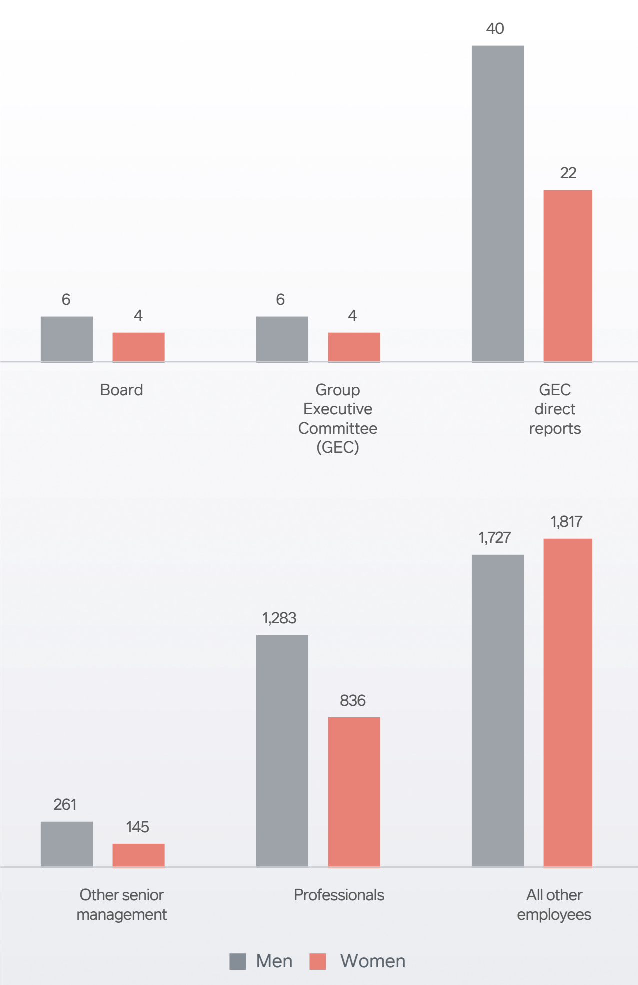
Our colleagues continued

Our mean gender pay gap across the business for 2024 continued to improve to 23.4% from 28.5% in 2023: this 5.1% movement is our single largest year-on-year improvement since we began reporting at Group level in 2020. It is due to the number of senior women that have been hired and the number of long-serving senior men that have left or retired from the business. Our average bonus gap improved to 64.7% from 66.6% in 2023.

The ethnicity pay gap shows the difference in the average pay and bonus between Black, Asian and minority ethnic colleagues and White colleagues across an organisation, irrespective of role and seniority. Increasing Black, Asian and minority ethnic representation in senior leadership is key to continuing to address our ethnicity pay gap.

To find out more about how we are delivering on our D&I targets see our gender and ethnicity pay gap report on our website

Employee profile gender diversity
Number of people



Accreditations

- LGBT Great gold standard for LGBT+ equality to 2025
- Social Mobility Employer Index Top 100 Employer 2024
- Disability Confident Leader – reaccredited January 2024
- National Equality Standard accreditation (reaccreditation 2023-2026)

Increasing diversity at M&G

We recognise that women and people from Black, Asian and minority ethnic backgrounds remain in the minority throughout UK financial services and at senior levels in our business. We are committed to developing female and minority ethnic talent at all levels to redress this imbalance. One of the aims of the Life Stages pillar of our diversity and inclusion (D&I) strategy is to enable talented colleagues to advance into higher-paying positions at M&G, and to build the skills and confidence required. We do this by addressing mitigating factors, for example increased carer responsibilities, which might otherwise cause our colleagues to leave M&G or take lower-paying roles.

We are proud to announce that M&G has successfully achieved re-accreditation for being a Disability Confident Leader, the highest level recognised under the Department for Work and Pensions Disability Confident Scheme. The Scheme supports employers to make the most of the talents disabled people bring to the workplace. Since the last accreditation, three years ago, we have remained committed to thinking differently about disability, welcoming people of all abilities and ensuring that everyone has the opportunity to fulfil their potential and realise their aspirations.

Employees who declare as LGBTQ+ has remained at 1%, while those at M&G who identify as a person with a disability is 2%.

In addition to our internal diversity-related targets, we use external benchmarks to monitor our progress against industry-wide goals. We are accredited with the National Equality Standard (NES) re-accreditation and our score of 145/175 puts us above comparable businesses in financial services and businesses across all sectors that are a similar size.

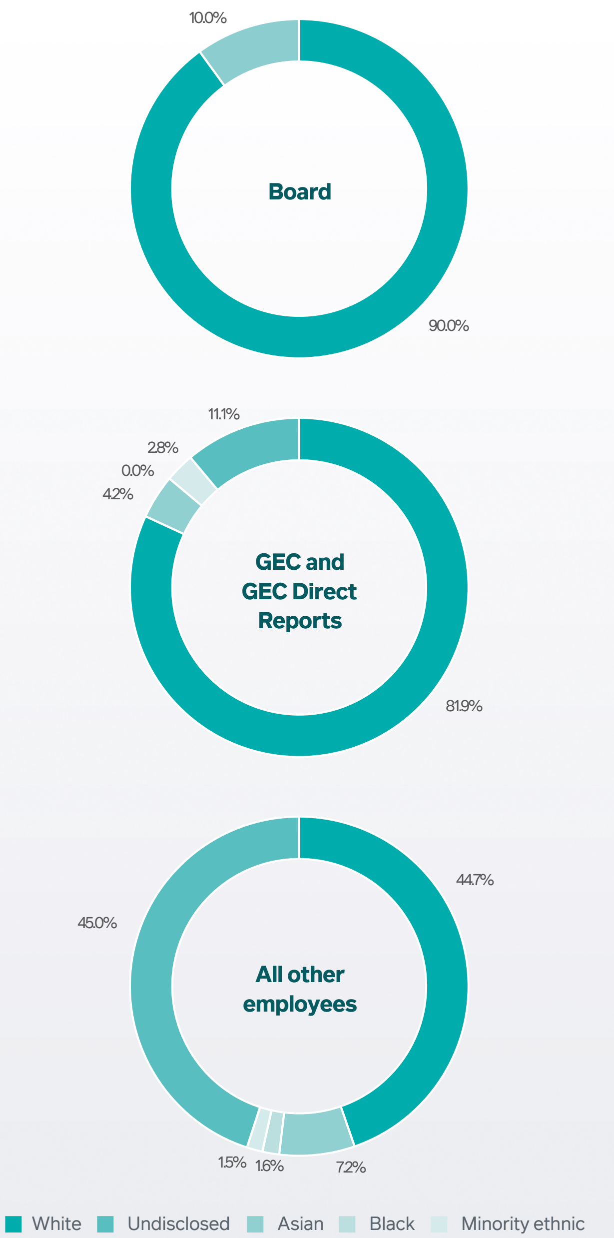
We encourage diversity in our talent pipeline and welcome applications regardless of age, gender/gender identity, sexual orientation, ethnicity/ nationality, disability or military service, as well as those who have taken career breaks.

By diversifying our candidate pool, we have better access to the breadth of talent in the market, while helping us to create a more balanced representation of genders and ethnicities at all levels of our business, including graduates, interns and apprentices.

Under the Companies Act 2006 (the Companies Act), we are required to report on the gender diversity of our employees, our 'senior managers' and our Board. The gender diversity of our employees and our Board is shown above. 'Senior managers' is defined by the Companies Act, as anyone who has responsibility for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company, and must include the number of persons of each sex who were the directors of the undertakings included in the consolidation. Where such persons hold multiple directorships across the Group they are only counted once. For this purpose, 'senior managers' includes our GEC members (excluding those on the Board), our GEC direct reports and our 'Other senior management' from the chart above. On this basis, we have 476 senior managers (306 men, 170 women).

Our colleagues continued

Employee profile ethnic diversity
%



We are committed to gender diversity at M&G with our target of 40% of women in senior leadership positions at M&G by the end of 2025. Due to structural changes to better align the business for growth, women now make up 36% of this group, a reduction of 1% since last year. We have appointed a number of senior women in 2024, including Shawn Gamble who has joined our executive committee as Chief Risk and Compliance Officer. Our target is part of our performance scorecard, and is tied to leadership performance compensation for the Group Executive Committee (GEC) and their direct reports. Our progress is regularly reviewed by M&G's GEC, Board of Directors and Remuneration Committee.

Additionally, we are showing positive improvement in building diversity in the broader talent pipeline with 56% of GEC direct reports (GEC-1) leadership teams (5 of 9) already having achieved or exceeded our 40% target and 61% of GEC-2 teams (33 of 54) achieving or exceeding 40%. Through continued commitment and focus, we aim to reach our goal of 40% women in senior leadership positions at M&G by the end of 2025.

Our ethnic diversity reporting includes a separate category of 'undisclosed'. To support our evolution to more granular reporting, we have taken a number of measures over the past two years to improve our data accuracy and enhance our definition of diversity, reporting capabilities and competitiveness in attracting a diverse talent pool.

Our ethnicity percentage for GEC and GEC direct reports has decreased slightly to 6.9% at the end of 2024 from 7.4% at the end of 2023. However this still represents an increase of almost 5% from our 2019 baseline of 2% (excluding undisclosed).

The Board remains fully committed to continuing to increase diversity at M&G by attracting the broadest range of leaders. We recognise that we need more time to achieve our ambitious target of 20% minority ethnic diversity within senior leadership by the end of 2025. We have several initiatives in place to enhance the overall ethnic diversity of our talent pipeline, including increasing our use of job boards targeting diverse candidates, such as Black Women in Asset Management and Black Professionals UK. We are also building our succession pipeline with a greater focus on the broader diversity of colleagues joining our early careers schemes, including interns, graduates and apprentices.

Early career hires in 2024

17
Apprentices
41% women – 42% Black, Asian or Minority ethnic

20
Graduates
55% women – 35%[i] Black, Asian or Minority ethnic

30
Interns
47% women – 50% Black, Asian or Minority ethnic

i 40% did not declare ethnicity at onboarding

Risk management

A simpler, stronger Risk and Compliance model

Our effective risk management approach protects our business as we deliver on our strategy

The external environment, driven by geopolitical events and continued economic uncertainty, underlines the importance of effective risk management. The Risk and Compliance function continues to support the business in the delivery of the strategy through oversight of informed risk taking while proactively managing the associated risks. We do so by applying our Risk Management Framework and the 'three lines of defence' model.

Risk management framework

As part of our business, we take on risk on behalf of our customers, clients and shareholders. We selectively take risks if they are adequately rewarded, and can be appropriately quantified and managed. In this way, we safeguard our ability to meet client commitments, comply with regulations and protect our reputation.

Our Risk Management Framework is designed to manage risk within agreed appetite levels, which are set by the Board, aligned to delivering our strategy and creating long-term value for customers, clients and shareholders.

Our comprehensive approach to risk management includes identifying, measuring, managing, monitoring and reporting current and emerging risks - the Risk Management Cycle – and is supported by our risk culture and strong risk governance.

Risk culture

The Board is responsible for instilling an appropriate risk culture and setting the tone from the top through establishing our purpose, behaviours and values. Working together with management, the Board oversees and promotes risk management by emphasising and embedding the importance of balancing risk with profitability and growth in decision-making. It also oversees key internal control processes and ensures compliance with regulatory requirements.

Our Risk Management Framework and internal control systems are based on the 'three lines of defence' model. First line business and support functions identify and manage risks and are overseen by the second line Risk and Compliance function. The second line is independent of the first line, defines the overall risk framework by which we manage risk and provides oversight, advice and challenge to the first line. The third line Internal Audit function is empowered by the Audit Committee to audit the design and operating effectiveness of our system of internal controls, including governance, risk management and control processes.

Our risk framework and 'three lines of defence' model

Board

Risk Committee

First line of defence (Business and support functions)

Risk identification and management:
- Identify, own, manage and report risks
- Own specific risk and compliance policies
- Execute Business Plan and strategy
- Establish and maintain controls
- Instil conduct requirements and individual monitoring
- Stress and scenario modelling
- Operate within systems and controls
- Ongoing self-assessment of control environment effectiveness

Second line of defence (Risk and compliance)

Oversight, advice and challenge:
- Own risk and compliance framework
- Stress and scenario setting, responsible for oversight
- Give proactive and reactive advice and guidance
- Monitor risk and compliance and assurance activities
- Report on risk and compliance
- Strategy and approach for regulatory engagement

Third line of defence (Internal Audit)

Independent assurance:
- Independent assurance of first and second lines of defence
- Independent thematic reviews
- Risk and controls assessment

Risk management continued

Our approach to risk culture requires colleagues to take personal responsibility for identifying, assessing, managing and reporting risk. In 2024 we launched our 'colleague behaviours for risk and compliance', articulating what good behaviour looks like from both the first and second lines, with the aim of achieving better outcomes and a more collaborative approach to risk management. Our colleagues are expected to work together to do the right thing for our customers, clients, wider stakeholders and our business. All colleagues have risk management accountabilities as part of their core objectives.

Governance

The Risk Committee is responsible for assisting the Board in overseeing risk.

The Audit Committee assists the Board in meeting its responsibilities for the integrity of our financial reporting, including the effectiveness of our Risk Management Framework and internal control systems.

The Remuneration Committee ensures that our compensation structures place appropriate weight on colleagues adopting our behaviours and risk culture to align with our long-term success.

Risk appetite and limits

The Board is responsible for the overall risk appetite of the Group. Risk appetite is the level and type of risk we are willing to accept in pursuing our business objectives. Our risk appetite statements and limits, specify our risk appetite and tolerance to take on risk. We have established aggregate risk appetite statements and limits for capital, liquidity and dividend volatility. Our capital risk appetite is supported by a solvency intervention ladder, which sets out management actions to consider or implement at different levels of regulatory solvency.

We assess our ability to stay within our risk appetite during the annual business planning process, and monitor and manage our actual position regularly throughout the year.

Prescribed indicators inform us whether a risk may move out of appetite and, together with limit utilisation where relevant, this is a core element of our risk reporting to our Board and Executive Risk Committees with appropriate management actions.

Risk and capital management

Our Group Own Risk and Solvency Assessment (ORSA) is built around risk management, strategy and business planning and capital management. It covers our processes and procedures to identify, measure, manage, monitor and report short-term and long-term risks and assess the adequacy of our solvency position.

The Group ORSA process is supported by subsidiary ORSA processes for our Solvency II entities and Internal Capital Adequacy and Risk Assessment (ICARA) processes for our investment firm entities.

Risk management for technology migrations

In 2024, the business has undertaken a series of technology migrations to simplify and optimise our technology estate as part of our previously announced transformation programme. Risk & Compliance perform a key role in the migrations through the provision of oversight and advice during the programme lifecycle.

We work with the business during the planning and testing phase and provide an independent assessment and opinion to relevant governance bodies as part of 'go/no-go' decision making.

The key focus areas of our assessment are:

- Technical readiness
- Testing and defect resolution
- Operational readiness and associated risk assessment
- Capacity and service performance
- Contingency

We may identify actions that are required to be implemented pre or post go-live. These actions will be owned by the business and tracked to closure.

Risk management and internal control effectiveness

The Risk and Audit Committees have considered the outcome of the annual assessment of risk management and internal control effectiveness for 2024. The assessment is performed for each business area by the first line, with an independent second line opinion. It is driven by Risk and Control Self Assessments (RCSAs) conducted over the year, along with consideration of issues; notifiable events; compliance with policy requirements; risk appetite assessment; and regulatory feedback.

The business area assessments are aggregated to provide a material subsidiary and an overall M&G plc group-wide assessment. Internal Audit also provide an independent assessment of the overall control environment.

The 2024 assessment recognises positive progress made across M&G plc in building on the risk and control foundations previously put in place, but also acknowledges that implementation work identified in prior years needs to continue into 2025. Management attention and an additional reporting cycle is therefore still required to further embed the framework, including driving further consistency in group-wide Key Control Assessments across the business. The nature of financial crime threats are evolving and there are continuing rigorous regulatory expectations. In 2024 a dedicated Financial Crime programme has been set up to strengthen, mature and optimise our financial crime framework, processes and controls, as well as implement an enhanced target operating model.

The Risk and Audit Committees at M&G plc Group and subsidiary level collectively monitor the timeliness with which outstanding actions and embedding plans are completed.

Risk management continued

Principal risks and uncertainties

1 Business environment and market forces

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
Changing customer and client preferences, together with economic and political conditions, could adversely impact our performance against our strategy. Economic factors may impact product demand and our ability to generate an appropriate return. Increased geopolitical risks and conflicts, and policy uncertainty, may impact our products, investments and operating model. Our reliance on PruFund for our inflows in our advice business and our intermediated channel for sales heighten our exposure to changing economic conditions and client preferences.	Our strategic planning is overseen by the Risk and Compliance function and the Board, and considers the potential impact of the wider business environment and economy. In 2024 we announced further operational simplification of the business with the merger of the Life and Wealth segments. Through this change we will better focus our efforts to serve the UK retail market, complement PruFund with life solutions, reduce duplication and improve efficiency. We have re-entered the BPA market with a number of transactions to support Defined Benefit Schemes with differentiated solutions. This strategy supports our growth and diversification from PruFund.	Our risk exposure to business environment and market forces is expected to increase as we build scale in selected markets, while managing risks arising from the ongoing geopolitical conflicts and uncertainty for the global economy and financial markets. The lead EU countries are experiencing political instability and economic slowdown, while US tariffs with respective retaliatory actions may impact global economic growth and possibly inflation. Within the UK market, there are ongoing fiscal and legislative risks. Legislative risks include potential changes in legislation resulting from the Government's stated intent to pursue leasehold reform, which could adversely impact our senior and junior notes backed by residual ground rents. The evolving asset management market places competitive pressure on fees, requiring continued focus on delivering good customer outcomes and assessing target markets.	Maintain our financial strength; Simplify our business; Deliver profitable growth	Increased

Key

Maintain our financial strength · Simplify our business · Deliver profitable growth

Risk management continued

2 Sustainability and ESG

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
A failure to address and embed sustainability considerations within our strategy, products, operating model, and communication approach could adversely impact on our financial performance, reputation and future growth. We consider and act upon a broad range of issues including those concerning greenwashing, climate and nature impact, diversity and inclusion, and corporate governance. We consider ESG Risk in terms of sustainability, or by how our business impacts on the planet and society. We also consider the impact of ESG factors on our organisation, and our ability to meet a range of key stakeholder expectations.	Our Group sustainability framework sets a clear group-wide direction across M&G's businesses. This is supported by M&G plc's ESG Risk Policy which sets out the key requirements for the management of ESG Risk on an ongoing basis, supporting the delivery of M&G plc's strategic plans and objectives, in a manner consistent with M&G plc's Risk Management Framework (RMF), Non-Financial Risk Appetite and Key Risk Indicators. We consider ESG risks in our key strategic decisions, regular risk reporting and Board risk assessment papers. We integrate climate change risk into our scenario analysis process, with both top down and bottom up considerations, over a range of time horizons.	The importance of ESG factors to the organisation is expected to continue as the physical impacts of climate change accelerate, nature risks become more prominent and new risks emerge. Regular assessment of ESG risk and review of the risk management activities will be required to identify any enhancements necessary to allow the business to manage these risks appropriately.		Neutral

3 Investment

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
A failure to deliver against fund mandate or client investment objectives (including sustained underperformance of funds), to maintain risk profiles that are consistent with our clients' expectations, or to ensure that fund liquidity profiles are appropriate may all lead to poor client outcomes and result in fund outflows. If these risks materialise for our funds or a range of funds, it may impact our profitability, reputation and growth plans.	Our fund managers are accountable for the performance of the funds they manage, and management of the risks within the funds. Independent Investment Risk and Performance teams oversee fund performance, fund liquidity and investment risks. Such activities feed into established oversight and escalation forums to identify, measure and oversee investment performance, investment risk and fund liquidity risks.	Our investment risk exposure is expected to increase due to ongoing geopolitical and economic instability in many parts of the world, including more recent US tariff actions. Such uncertainties increase investment risk which is driven by market targets, with investment performance measured against benchmarks and peers. Any unforeseen economic downturns or escalation in regional conflicts could result in repricing of markets. Exposures will be managed within our existing control environment.		Increased

Risk management continued

4 Credit

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
We are exposed to the risk that a counterparty to a financial instrument, banking transaction or reinsurance contract fails to discharge an obligation resulting in a financial loss to us. Our primary exposure to solvency is from the change in the value of invested assets and collateral arising from credit spread widening or credit rating downgrades. We also have exposure to credit risk through trading, banking or reinsurance activities related to the risk that the counterparty fails to meet their obligations.	Our Credit Risk Policy sets standards for assessing, measuring and managing credit risk, with oversight from a dedicated independent team in our Risk and Compliance function. We set and regularly review limits for individual counterparties, individual issuers, sectors and aggregate credit quality, and monitor exposures against these limits. Where appropriate, we seek to collateralise transactions to mitigate credit risk including derivatives, securities lending, reverse repurchase agreements and reinsurance transactions. We also manage and control reinsurance treaties to enable effective risk transfer in line with our Reinsurance Policy.	Our credit risk is impacted by our bulk purchase annuity growth as well as ongoing economic and geopolitical uncertainty that may trigger volatile markets. Negative market developments or industry events could impact our credit portfolio and counterparty exposures. Exposures will be managed within our existing control environment in line with our Credit Risk Policy.		Neutral

5 Market

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
We are exposed to the risk of loss or adverse change in the financial health of our business resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets, currencies, liabilities and financial instruments. Significant market fluctuations could have material adverse effects on our revenues and returns. Material falls in interest rates may increase the amount we need to set aside to meet our future obligations. Exchange rate movements could impact valuations, fee and investment income denominated in foreign currencies. Material increases in inflation may increase our cost base and the amount we need to set aside to meet future obligations, negatively impacting profitability.	Our market risk appetite is set and monitored to limit our exposure to key market risks, and we have prescribed limits on the seed capital provided for new funds. Where appropriate, and subject to risk limits and procedures, we use derivatives for risk reduction, to hedge equities, interest rates and currency risks, for example. We review regularly our hedging and investment strategies, including asset-liability matching, informed by stress testing. We have procedures to respond to significant market events and disruptions, bringing together colleagues from across M&G to provide enhanced monitoring and decision-making capability.	Our market risk exposure is expected to remain broadly unchanged over the near term as the run-off of risk from existing insurance business is offset by expected volumes of new business, particularly PruFund new business. The outlook however remains uncertain due to ongoing geopolitical conflicts and negative economic trends, including uncertain interest rate and inflation pathways. Our solvency buffers offer significant protection against market risks.		Neutral

Risk management continued

6 Corporate liquidity

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
We are exposed to the risk that we do not have, or are unable to generate, sufficient cash resources to meet our obligations, such as claims, creditors, debt interest and collateral calls, as they fall due.	Our liquidity risk appetite is set so that we maintain adequate liquid resources in the normal course of events and under a range of severe but plausible stress scenarios. Our liquidity position is regularly monitored and stress tested. Our businesses have detailed liquidity contingency funding plans in place to manage a liquidity crisis. Liquidity, cash and collateral are managed by the Group Treasury function, which holds liquid, high grade assets and has access to external funding.	Our corporate liquidity risk exposure is expected to remain stable. Corporate liquidity is driven by subsidiary dividend payments and intercompany settlement and is therefore dependent on the successful delivery of our Business Plan.		Neutral

7 Insurance

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
We are exposed to the risk of loss or of adverse change in the financial situation of our business, or that of our customers, resulting from changes in the level, trend, or volatility of mortality; longevity; morbidity; persistency; expense and margin pricing experience. We make assumptions regarding the life expectancy (longevity) of our customers, the frequency at which they lapse (persistency) and the level of expenses that may be incurred in running the business. These assumptions determine the amount we need to set aside to pay policyholders and cover our expenses. Unexpected changes to these assumptions could have a material adverse impact on both our profitability and solvency. Longevity risk is our most material insurance risk and mainly arises from our large annuity book.	We conduct annual reviews of longevity and other assumptions such as persistency and expenses, which are supported by detailed assessments of actual experience. We have a team of specialists undertaking longevity research. We perform regular stress and scenario testing to understand the size of our insurance risk exposures. We have undertaken longevity risk transfer transactions, where attractive financial terms are available from suitable market participants.	Our insurance risk exposure is expected to increase at a managed level over the near term due to our growth strategy. Exposures will be managed within our existing control environment, including appropriate controls in pricing and reserving processes. The uncertain economic outlook could also have implications for our insurance risk exposures, in particular expense and persistency risk.		Increased

Key

Maintain our financial strength Simplify our business Deliver profitable growth

Risk management continued

8 Operational

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
A material failure or operational disruption in the processes and controls supporting our activities, including that of our third-party suppliers or our technology, could result in poor client outcomes, reputational damage, increased costs and regulatory censure. Our dependence on technology means the unavailability of key hardware or software, inadequate information security arrangements and ineffective use of digital solutions could impact our ability to operate effectively. Additionally, serious failings in the delivery, or persistent under performance by our third-party suppliers, could impact our client service delivery.	Our Risk Management Framework defines our approach to managing operational risks and associated controls, including information technology, data and outsourcing arrangements. We have a Data Policy that sets out the principles and requirements on the use of data across the organisation. We apply business continuity and crisis management practices to manage Important Business Services and Critical Shared Services. Strategies are then designed, implemented, and tested to manage the risk of intolerable harm under 'Severe, but plausible' scenarios. We have an Information Technology Risk Policy in place to manage technology risks. We are enhancing the existing third-party risk management policy framework which incorporates the selection, on-boarding, ongoing management and termination of third parties. We recognize the potential risks of artificial intelligence (AI) and adopt it in a considered manner, supported by an AI framework, established governance, and mandatory training.	We have seen significant improvement in our control environment maturity over recent years. This includes a shift towards focusing more on the quality of assessments and reporting and how these are connected to provide confidence that we are in control of our risks as well as what has gone wrong. This gives us the strong foundations needed to further enhance our risk and control environment and ensure that operational risks introduced as a result of our growth strategy are appropriately managed.	Maintain our financial strength; Simplify our business	Neutral

Key

Maintain our financial strength   Simplify our business   Deliver profitable growth

Risk management continued

9 Change

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
Failure to deliver on our significant change programmes within cost and capacity constraints may impact our business model and ability to deliver against our Business Plan and strategy.	Our Group Executive Committee advises the Group CEO on prioritisation decisions to ensure focus is on activities that help to achieve our Business Plan, that they are delivered in a controlled fashion and support compliance with new regulatory requirements. The Change Delivery Board, chaired by a Group Executive Committee Member, monitors and reports on a suite of metrics measuring the delivery progress, costs and benefits of our transformation programmes. The Project Standard, to which all functions must follow and attest compliance, includes reporting and escalation of risks to management and the Board.	We continue to manage our change risk related to our previously announced transformation programme, however this will be more limited than in previous years reflecting the progression of the programme. Our change risk profile will be driven by the delivery against our strategic pillars and by regulatory change in 2025.		Neutral

10 People

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
The success of our operations is highly dependent on our ability to attract, retain and develop highly qualified people with the right mix of skills and behaviours, to support our positive culture and growth. As we continue to implement our strategy, our people risk is heightened in areas including our pay practices, workloads and morale, the conduct of colleagues or groups of colleagues, and industrial relations.	Our people approach is designed to align colleague objectives and remuneration to our business strategy and culture. It includes policies and standards for diversity and inclusion, employee relations, remuneration, talent, resourcing, performance and learning. Our management and Board receive regular reporting on key issues and developments, including succession planning, industrial relations, pay, culture and diversity. Key people metrics are measured and monitored and have remained stable through the period. We conduct colleague surveys to better understand their views and use the survey findings to improve their experience.	We expect the nature of our people risk to remain stable in 2025. The impacts on colleagues of our transformation programmes and our changes to hybrid working are being monitored and managed.		Neutral

Risk management continued

11 Regulatory

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
We are exposed to the risk from potential failure to meet regulatory requirements or to adequately consider regulatory expectations, standards or principles. We operate in a highly regulated environment, interact with regulators globally, and are subject to a number of regulatory initiatives due to changing regulatory norms. There are wide-ranging consequences of regulatory non-compliance, including client detriment, reputational damage, fines and restrictions on operations or products.	Accountability for compliance with regulatory and legal requirements sits with our management. Our Risk and Compliance function provides guidance to, and oversight of, the business in relation to regulatory compliance matters, including Financial Crime and carries out assurance activities to assess the adequacy of systems and controls designed to comply with regulations and legislation. We monitor regulatory developments and consultations and engage with government policy teams, industry bodies and regulators.	Our regulatory footprint will increase in complexity driven by both internal growth focused on new markets and products; and externally driven regulatory change. The evolving political and regulatory agenda may lead to further divergence of rules between the UK and Europe as the UK government pursues an agenda of international competitiveness. We remain focused on adapting to meet the evolving expectations of our regulators, including on consumer duty and operational resilience. We continue to invest in our teams across the first and second line to ensure that they continue to evolve and enable effective risk and internal control management and oversight.		Neutral

12 Reputational

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
Our reputation is the sum of our stakeholders' perceptions, which are shaped by the nature of their expectations and our ability to meet them. There is a risk that through our activities, behaviours or communications, we fail to meet stakeholder expectations and adversely impact trust and reputation in M&G or our brands. Failure to effectively manage reputational risk could result in poor stakeholder outcomes and impact our revenues and cost base, our ability to attract and retain the best staff and potential regulatory intervention or action.	Our Reputational Risk Management framework and dedicated Reputational Risk team monitor and report on reputational risks, using a suite of metrics to monitor stakeholder groups. Our Executive Reputational Risk Forum enables senior management to oversee reputational risk management across the company and manage group-wide considerations. We have embedded Reputational Risk Champions throughout our business. They perform an active role in identifying and monitoring key reputational risks and drivers.	Our reputational risks will continue to be driven by geopolitical uncertainty, sustainability, meeting the evolving needs of our customers, clients and distributors and ensuring we continue to meet the expectations of our regulators. Risks will be managed within our existing control environment including meeting the evolving expectations of our stakeholders on all material aspects of our business.		Neutral

Key

Maintain our financial strength | Simplify our business | Deliver profitable growth

Risk management continued

13 Conduct

Principal risk	Management and mitigation	Outlook	Strategic pillars	Change from last year
There is a risk that through the acts or omissions of individuals within M&G, we deliver poor outcomes for customers, clients, colleagues, or other stakeholders, or that we affect market integrity.	Observing the proper standards of conduct in all its forms is essential at M&G. Due to the broad nature of conduct risk, management is pervasive and reflected in policy and processes including but not limited to: our Code of Conduct and our Conflict of Interest, Market Abuse and Investment Communications Recording policies. Our Asset Management business has a Conduct Management Framework to provide a consistent process for conduct management and our Life and Asset Management businesses have a mature suite of customer outcome management information in place in support of Consumer Duty.	The FCA is undertaking a cross-sector review of Consumer Duty board reports from FCA regulated firms to identify, and share publicly, good practices and areas for improvement. This will afford an opportunity to further refine the now well-established Consumer Duty programme within M&G.		Neutral

Emerging risks

Emerging risks are potentially significant newly developing or evolving risks, generally characterised by a high degree of uncertainty - making them difficult to quantify.

An annual assessment process identifies our emerging risks, and assesses those that will be subject to management and monitoring. The assessment collates input from subject matter experts across our first and second lines of defence, as well as external perspectives.

We review the development of emerging risks during the year to update our assessment. We also review our preparedness should a risk emerge, incorporating any material developments since the annual assessment.

The emerging risks reviewed by the Executive Risk Committee and the Board Risk Committee during the year include the following:

- Political: Geopolitical conflicts, protectionism
- Economic: Global recession, stagflation
- Societal: Failure of critical infrastructure
- Technological: Artificial intelligence, cyber risk
- Legal: Legislation changes
- Environmental: Climate change

Sustainability at M&G

Non-financial and sustainability information statement

M&G's non-financial and sustainability information statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006

The table below sets out our approach towards the key matters from the legislation, with a guide to where further disclosures are located to help our stakeholders understand the impact of our activities. Our climate-related financial disclosures can be found in the 'Climate-related disclosures' section of the report, with a mapping of the section's contents to the requirements of section 414CB (2A) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) provided on page 64.

Our Group Governance Framework sets out the general principles by which we conduct our business and ourselves. It is supported by a suite of policies which define our approach to governance and internal controls and also help us meet regulatory requirements across the mandated non-financial reporting areas. These undergo an annual refresh and compliance exercise to ensure they remain relevant and appropriate. Similarly our investment-related policies are subject to review periodically as required.

Reporting requirements	Approach	Supporting disclosures in Annual Report
Environment	Scientific evidence indicates that climate change is one of the biggest threats to our planet. Financing the climate transition is a pillar of our new Group sustainability framework, alongside nature as an important but developing priority theme for us, recognising the scale of the global biodiversity crisis. Details of our approach can be found on page 32.	– Climate-related disclosures (incl. SECR) Pages 64-81
Our employees	We understand that exceptional people need the right environment in which to thrive. Our ambition is to create and sustain a safe, inclusive and diverse culture where our colleagues enjoy each day and feel inspired to do their best for our customers and clients, and the communities in which we operate.	– Our colleagues Pages 40-43
Social matters	We seek to positively contribute to the societies we serve by promoting financial confidence, enabling informed financial decision-making and access to finance, as well as through social investments, such as affordable housing, and our community investment programme. Our ambition is reflected in the 'Resilient societies' theme of the Group sustainability framework, with further information outlined on page 33.	– Our social commitment Pages 60-63
Human rights	As an organisation, we do not tolerate any form of slavery, servitude, forced or compulsory labour and human trafficking. Our influence also extends to the companies and assets in which we invest. More details on our approach can be found in our Modern Slavery Transparency Statement available on our website.	– Human rights Page 83
Anti-bribery and anti-corruption matters	Addressing financial crime is integral to protecting and stimulating economic growth as well as instilling confidence in consumers within the financial services sector. We are committed to preventing, detecting and where necessary, reporting instances of criminal conduct.	– Anti-bribery and anti-corruption Page 82 – Risk Committee Report Pages 110-111

For details on Business model see pages 6-8

For Non-Financial KPIs see Inside Front Cover

For details on Principal risks see pages 46-53

Sustainability at M&G continued

A selection of policies and documents that guide our approach to each of the key matters from the legislation and support delivery of related activity are summarised below. These comprise both policies under the Group Governance Framework umbrella, which regulate how our business operates, and policies and statements which frame our responsible business and investing approach. Additionally, the table presents which elements of the value chain may be considered for each policy or framework[i]. The value chain labels reflect the scope of application for each policy or standard. The 'Investments' label covers assets managed and administered through both our Asset Management and Life (primarily asset owner) segments, unless otherwise stated. Certain policies are internal standards and guidelines which are not published externally.

Policies, frameworks and statements guiding our approach	Reporting requirements					Value chain		
ESG Risk Policy	●		●	●		OPE	SUP	INV
Environment Policy	●	●				OPE	SUP	
People policies		●				OPE		
Employee Relations Policy		●				OPE		
Diversity and Inclusion Policy		●				OPE	SUP	
Community Investment Policy		●	●			OPE		
Whistleblowing Policy		●		●	●	OPE		
Health and Safety Policy		●				OPE	SUP	
Code of Conduct	●	●	●	●	●	OPE		
Regulatory Compliance Risk Policy		●				OPE		INV
Conflicts of Interest Policy		●				OPE	SUP	INV
Financial Crime Policy		●			●	OPE	SUP	INV
Modern Slavery Transparency Statement		●	●	●		OPE	SUP	INV
M&G Investments Voting Policy	●		●	●	●			INV
PAC Voting Standard	●		●	●	●			INV
M&G Investments ESG Integration and Sustainable Investing Policy[ii]	●		●	●	●			INV
PAC ESG Investment Policy	●		●	●	●			INV
Engagement policies (M&G Investments Engagement Policy and PAC Shareholder Engagement Policy)	●		●	●	●			INV
M&G plc's position on thermal coal, supported by M&G Investments Thermal Coal Investment Policy[ii] and PAC's thermal coal approach	●		●					INV

Key

OPE **Operations**
M&G's direct business operations

SUP **Supply chain**
M&G's procurement/supplier activities

INV **Investments**
Assets managed and administered through our Asset Management and Life (primarily asset owner) segments

i Application of policies and frameworks listed may vary for newly acquired businesses where integration with wider group frameworks is ongoing.

ii Policy scope excludes M&G Investments Southern Africa and responsAbility Investments AG.

Sustainability at M&G continued

Sustainability governance

Our governance framework establishes oversight of our sustainability-related risks and opportunities

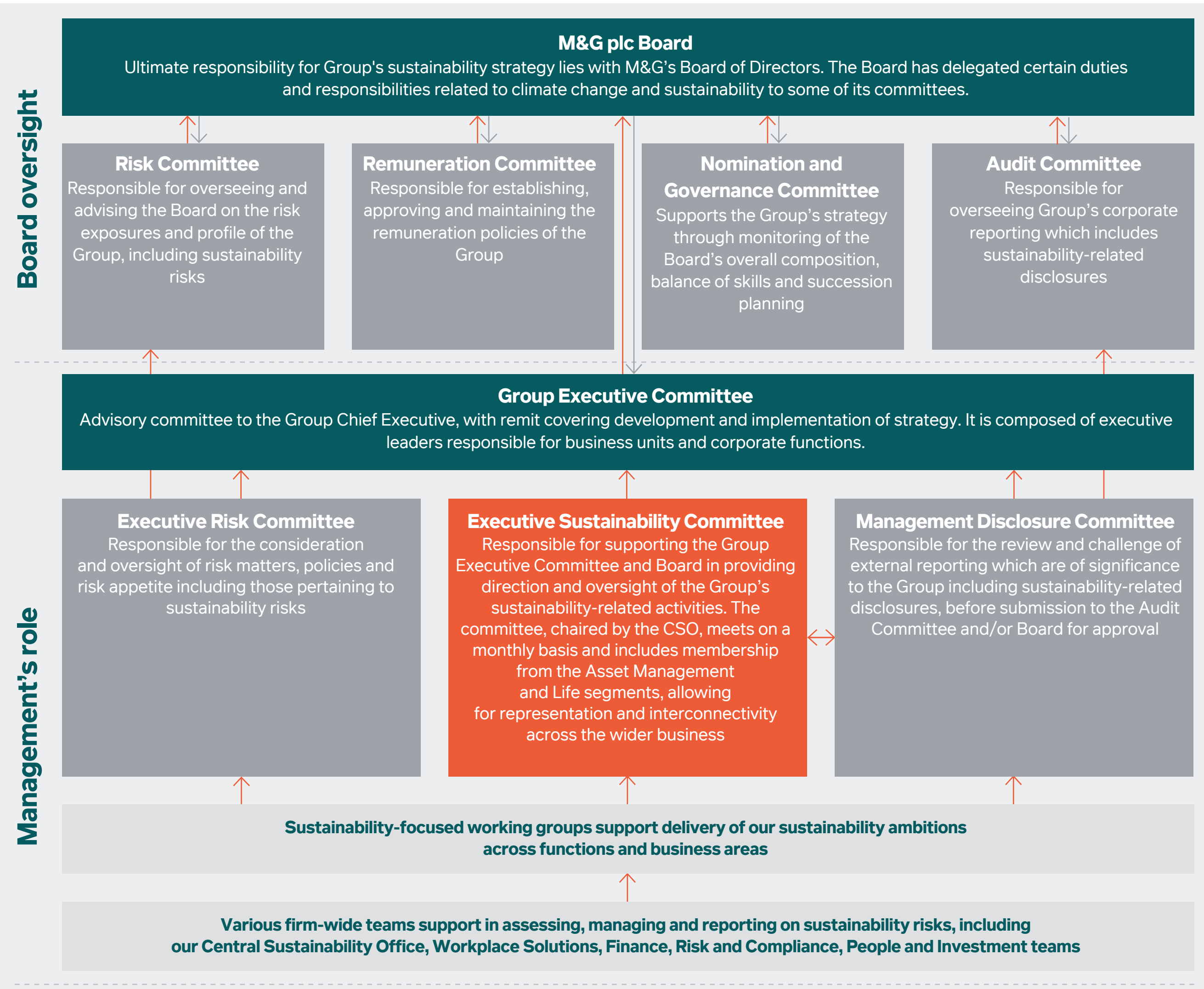
Our Chief Financial Officer (CFO) acts as executive sponsor for sustainability across the Group. Our Chief Sustainability Officer (CSO) supports the CFO by leading on sustainability strategy, policy, commitments and governance. The CSO also chairs the Executive Sustainability Committee, where updates on the strategy and other related topics are presented, as well as receiving updates on sustainability activity from the business units.

During the year, the CSO has led efforts to strengthen our Group-wide sustainability governance, including:

- Establishing thematic working groups to implement and oversee aspects of the Group sustainability strategy, manage associated risks, and enhance oversight of business unit activities.
- Updating our Sustainability Communications Framework, which covers oversight and governance requirements for sustainability-related communications across the Group.
- Commencing work on reviewing our sustainability governance model to support effective delivery against our strategy.

Consideration of sustainability within our investment activity is managed at the executive management level in our Asset Management and Life segments. This comprises oversight of investment strategy, adherence to responsible investment policies, progress against sustainability-related investment objectives, and climate strategy. Regulated entity boards and committees have accountability and oversight of sustainability for the investments and products within their remit (including the With-Profits Committee).

The diagram below presents a summary of the Group governance structure as it relates to sustainability. All terms of reference for our Board-level governance committees are available on our website.



Further details on climate-related governance arrangements can be found on page 73

Sustainability at M&G continued

The table below summarises a selection of sustainability-related topics presented to Board governance forums in 2024.

Board / Committee	Frequency of sustainability updates	Sustainability matters covered in the reporting year, inclusive of climate
Board	Updated formally at least annually	– Received a briefing regarding sustainability governance best practice covering board responsibilities and accountabilities – Reviewed and approved Group's updated sustainability framework (see more details on page 31) – Had oversight of ESG risk through the M&G plc business plan – Attended a workshop on the sustainability landscape across the industry, covering aspects such as positioning against peers and industry trends
Audit Committee	As required, in line with frequency of external reporting and emerging regulations	Reviewed Group-level TCFD and other external sustainability disclosures. Areas of focus included: – Environmental metrics methodology and judgements – Scope and progress of assurance work for non-financial metrics – Updates on the sustainability reporting landscape and upcoming regulation
Risk Committee	At least bi-annually	– ESG risk updates provided through the Top Risks report which includes status against risk appetite – The Chief Sustainability Officer provided an update on sustainability risk and related plans – Risk and Compliance updates on ESG risks through the Chief Risk and Compliance Officer reports at least bi-annually
Nomination and Governance Committee	Annually	– Continued consideration of sustainability as part of Board composition and skills matrix
Remuneration Committee	Annually	– Reviewed and approved performance assessment against the sustainability targets included in the incentive scorecard

Executive remuneration

Our Executive Directors' reward structure is linked to core performance management scorecards, which include sustainability-related metrics.

Our executive LTIP arrangements (the M&G Performance Share Plan) for 2024-2026 has an overall weighting to sustainability-related targets set at 25%, evenly divided between our operational emissions reductions, our gender diversity target, and ethnicity diversity target. This allocation has been set to 15% for the LTIP covering the 2025-2027 target period, reflecting the gender and ethnicity targets only. While the emissions-based measure will remain a part of the long-term executive remuneration plans until 2026, it has not been included for 2025-2027 period on the basis that good progress has been made on operational emissions, and that investment-related measures for future awards will be carefully considered during 2025 following the update to our sustainability strategy.

Objectives and remuneration structures are reviewed annually by the Remuneration Committee, including any sustainability-related targets.

Find out more in the Directors' Remuneration Report on pages 112-119

Risk management

Sustainability and ESG has been identified as a principal risk to our business. It has the potential to impact our business, including from a financial, operational, strategic and reputational perspective.

Our ESG Risk Policy sets out the key requirements for the management of ESG Risk on an ongoing basis, supporting the delivery of M&G plc's strategic plans and objectives. In particular, the key requirements of the policy relate to the identification, measurement, management, monitoring and reporting of ESG risk.

Our ESG risk governance is based on a Three Lines of Defence model, consistent with the wider Group risk management approach. The first line is responsible for the identification and management of risk on a day-to-day basis. The second line Risk and Compliance functions provide risk advice, oversight and challenge. The third line provides independent assurance over the design and effectiveness of internal controls, including those over sustainability-related policies and processes.

Find out more on Risk management on pages 44-45
and Climate risks on pages 71-72

Sustainability at M&G continued

Sustainability and investments

As an asset manager and owner we continue to strengthen our integration of sustainability, including stewardship and product development

Our Asset Management business manages a significant share of the assets of our Life business (see diagram below). This integrated business model supports alignment from a sustainability perspective, including commitments, policies and integration practices, and allows us to pursue opportunities using our asset management expertise, with the long-term capital of our asset owner. Both businesses continue to strengthen the integration of ESG considerations into their processes.

Asset Manager

During 2024, M&G Investments launched their updated ESG Integration & Sustainable Investment Policy – providing greater clarity and transparency on the approaches and resources in place to embed sustainability considerations into the investment process.

ESG integration

Given the breadth of asset classes we invest in, our investment managers tailor their approach to ESG integration taking into account the specific portfolio construction, research and investment processes used by each team. We seek to integrate ESG across all investments as far as we are able and where it is financially material. We are also applying a sustainable investing lens to portfolio construction in a number of our funds, offering a range of strategies which can cater for clients' financial objectives alongside their sustainability preferences.

Enhanced frameworks and tools

We have continued to develop and leverage sustainability frameworks to facilitate ESG integration and enable sustainable investment approaches across the suite of product categories offered in listed markets. Through a combination of qualitative and quantitative analysis, investment teams are equipped with in-depth, stock-specific insights relating to financially material ESG factors to enable better investment decision-making, and support execution against both financial and sustainability-related objectives.

Stewardship

The long-term success of a company is supported by effective investor stewardship, which in our view includes encouraging high standards of corporate governance as well as integration of sustainability considerations into a company's strategy. Our preference is to engage issuers rather than divest in order to support and, where possible, accelerate the transition on key ESG risks and improve their approach to meet customer and stakeholder expectations.

Climate change and nature remain key top-down engagement areas for us, and over 2024 we have continued to develop our approach to both (see more on page 32). We also have an active social engagement programme. In 2022, we published our expectations on board diversity, and communicated these to over 1,000 companies.

Since then, there has been clear improvement in our focus list, with more than two-thirds of these companies increasing female representation and just over half now fully meeting our minimum expectations. In 2025, we plan to broaden our social engagements to include additional aspects of human capital management. For detailed information on our asset manager engagement and voting activities see the annual M&G Investments Stewardship report, which is available on our website.

Evolving product offering

We have continued to work closely with our clients – engaging to understand their preferences and priorities and seeking to offer tailored solutions to meet their requirements.

Over 2024, we broadened our range of sustainable investing options. For example, we launched a sustainable bond strategy with our emerging markets impact manager responsAbility, the M&G (Lux) responsAbility Sustainable Solutions Bond Fund, classified as Article 9 under SFDR. This fund aims to drive positive change in six key areas: better health, better work & education, social inclusion, circular economy, environmental solutions and climate action. During the reporting period, we also closed our M&G Climate Solutions fund due to its small size. At the same time, we launched the M&G (Lux) Nature and Biodiversity Solutions Fund (Article 9 under SFDR), which focuses on delivering solutions to the challenges of biodiversity loss, climate change, and the degradation of nature.

Additionally, we continued to build out our Fixed Maturity Bond Fund range, with four funds launched in 2024. Classified as Article 8 under SFDR, these strategies seek to capture opportunities present in credit markets while being suitable for investors with sustainability preferences.

Note: Diagram excludes corporate assets of £1.9bn (2023: £2.3bn), of which £0.9bn (2023: £1.0bn) is in Asset Management.

Sustainability at M&G continued

Asset Owner

As an asset owner, we integrate sustainability considerations into key stages of our investment process. We aim to identify both sustainability risks and opportunities, in order to enhance investment returns for our customers. We consider the impact of sustainability considerations on risk and return in our strategic asset allocations, appoint investment managers who have the skill and expertise to manage and engage on investment mandates with sustainability criteria, and construct our mandates to reflect our view of risks and opportunities.

Strategic asset allocation

We integrate sustainability considerations into our strategic asset allocations by taking into account their effects on our risk and return assumptions. This is so that, when we allocate capital by asset class and investment jurisdiction, we have considered as many investment opportunities and risks as possible. For example, we carry out scenario analysis to better understand our exposure to physical climate risks via the real estate investments in our multi-asset portfolios.

Asset manager selection

From a sustainability perspective, we consider the purpose of manager selection to be to identify an investment manager that has the people, processes and expertise in place to meet the requirements specified in the investment mandate. To achieve this, our selection process includes a comprehensive assessment against sustainability-specific criteria, to enable an appropriate review of the managers' alignment with our purpose, values and priorities.

We perform investment due diligence to assess managers' ability to deliver the expected investment performance or outcome for a fund over the long term. This is informed by our bespoke Request for Proposal (RfP) process, which includes detailed ESG investment-led questions. In turn, this is supported by our ESG due diligence questionnaire, which aims to assess a manager's stance and approaches to key sustainability issues and integration, and their alignment with our ESG priorities and values.

Manager engagement

Once an investment manager has been selected and onboarded, the Manager Oversight team conducts ongoing due diligence reviews. This includes regular meetings and site visits, with sustainability issues being a standing agenda item at quarterly meetings.

At the issuer level, we have implemented a quarterly ESG screening process to give appropriate review of broader ESG issues and risks within our investment portfolios. This is characterised by reviewing our holdings, where look-through is available to us, and monitoring their exposures against ESG-specific areas. Where appropriate, we will engage with managers over any notable issues.

Although issuer engagements are executed by our asset managers, we hold them accountable for the interactions they have with investee companies, and engage with them to deliver our desired results.

Overall, we expect engagement processes and actions to be aligned with the PAC ESG Investment Policy, Shareholder Engagement Policy and Voting Standard, as well as the agreed-upon mandate. Should we feel that there is persistent misalignment, we will escalate our engagement.

Engagement process

Among other things, our engagement approach includes the following actions:

- **Annual letter of priorities:** we share an Annual Letter of ESG Priorities with our asset managers, which communicates our areas of ESG focus for the upcoming year, and outlines the support we will require from the asset managers in achieving our ESG ambitions and goals.
- **Effective monitoring and analysis:** our asset managers are expected to submit regular ESG due diligence, engagement and voting templates, where applicable, to provide an update on their stewardship activities and approach to sustainability. These are reviewed and assessed, with key takeaways escalated to appropriate governance forums and action taken where necessary.
- **Ad hoc engagement:** where engagement activities require further due diligence/escalation, changes have occurred within the managers' sustainability activities or priorities that are a cause for concern or in response to events, the ESG & Regulatory team will aim to discuss with managers and assess whether further action should be taken.

See more information in our annual PAC Stewardship report, which is available on our website.

Propositional development

Since we launched PruFund Planet in 2021, clients have been given the opportunity to access solutions that have environmental and societal objectives combined with the same smoothing mechanism and risk profiles as our other PruFund propositions, such as PruFund Growth. The PruFund Planet proposition is a family of five funds differentiated by risk level, with an investment strategy and manager selection that prioritises sustainability and positive impact.

We continue to use responsAbility's impact investing capabilities, expanding the number of strategies we invest in. We believe these allocations are both diversifying to our investment strategies and represent positive sustainability outcomes. In addition, our Catalyst investment strategy, backed by the With-Profits Fund, invests in early-stage assets that contribute to a sustainable economy with three key objectives: act to avoid harm, benefit stakeholders and contribute to solutions.

Our social commitment
Building better futures

Creating inclusive, resilient and sustainable communities

We believe that being a socially-sustainable business isn't just about responsible investing but demonstrating our commitment to the communities in which we operate as well. Our work with communities aligns with our updated sustainability strategy and underpins the Resilient societies theme of our new framework.

Through the pillars of our Resilient societies theme - 'Promoting financial confidence' and 'Building communities' - we are committed to building better futures. We do this through giving people the skills and opportunities to become financially secure and investing in essential needs for communities to have sustainable futures.

We support each of our offices to manage charitable activities using the framework in our Community Investment Policy to ensure a consistent, business wide approach. We also work closely with charity partners to develop strong, sustainable programmes to support their activities. Our community investment strategy and performance is reviewed by the Executive Committee annually.

M&G in the Community
Building better futures: creating inclusive and resilient communities

Financial confidence
Giving people skills and opportunities to become financially secure
FC

Building communities
Regenerating spaces and places that help people and nature to thrive
BC

Disaster and emergency response

Financial confidence

The Talent Foundry

FC

In 2024,
6,559
young people took part in a Skills for Life programme

M&G worked with the Talent Foundry to co-create a series of programmes under the Skills for Life banner. These provide young people with practical guidance on CV writing, interview techniques, and money management, equipping them to handle real-world financial responsibilities like budgeting and navigating student loans. For younger students, the Enterprise Challenge links maths to real-life scenarios, encouraging financial capability and teamwork.

In 2024, 6,559 young people took part in a Skills for Life programme, all attending schools with high levels of deprivation.

M&G volunteers play a pivotal role, and in 2024 colleagues donated 599 hours of support. This involved offering personalised CV reviews and mentorship that boost students' employability and provide valuable career insights that many young people from disadvantaged backgrounds do not typically have access to.

Our programmes help to equip young people in communities across the UK with the confidence, skills, and connections they need to pursue ambitious futures.

> **"The experience for the students to see a day in the life of working in the square mile was incredible. The professional volunteers were such a big part of this for the students.**
>
> **They really looked up to them, and the volunteers' input to projects and the students' ideas were genuinely fantastic. Every single student found it inspiring and I cannot praise the day more."**
>
> **Teacher**
> The Reach Free School

Our social commitment continued

Skills for Life

The Skills for Life programme is making a real difference for young people in Middlesbrough and Rochdale by building their confidence, skills, and awareness of career paths in a way that fills a crucial gap for these underserved communities. Through M&G's commitment to fostering resilient communities, this programme provides students with unique, practical experiences that help them feel prepared for the future.

Over four interactive sessions, students in Middlesbrough and Rochdale explore self-awareness, career options, and professional skills. Volunteers from local industries guide students in developing interview techniques, communication, and financial skills through engaging activities and personal stories. The impact of these experiences has been deeply positive: 98% of students now feel more confident about their futures and 97% see a clear pathway to an exciting career ahead.

Teachers in both regions have noticed significant improvements in student behaviour, attendance, and educational engagement. In Middlesbrough, several students even secured placements with the Police and Fire Cadets, an exciting step towards their career aspirations, and across both areas teachers report reductions in suspensions, with many citing the programme as being 'life changing'.

Age UK

FC

Since Building Resilience launched in 2020:

31,820

calls answered by Age UK's Advice Line

Now in its fifth year, M&G's sole support has enabled Age UK to help 7,810 older people, respond to 31,820 enquiries to Age UK's Advice Line, as well as distribute 7,000 'Looking after your money' information guides to help older people manage and protect their finances.

Age UK's Building Resilience programme aims to equip vulnerable, older people with the tools, skills and opportunities needed to build resilience at difficult stages of their lives. The holistic support offered includes in-depth information and advice, support and referrals to appropriate services through Age UK's Advice Line.

Jeanette, who is in her 70s, has several health issues after suffering a stroke a couple of years ago. She has been struggling with the rising living and energy costs which are a constant source of worry to her, especially as the cold weather can worsen her health.

> **"Without Age UK's support and advice I wouldn't have had a chance of getting Attendance Allowance. I never thought in a million years I'd get it. I've bought myself a mobility scooter which has changed everything."**
>
> **Jeanette**

Junior Achievement Europe

FC

In 2024, 10X Challenge supported

25,061

students across Europe

M&G's support of the 10X Challenge has enabled over 25,000 students to gain first-hand entrepreneurial experience as they created a business and entered competitions along the way.

The 10X Challenge enterprise programme and digital platform helps young people develop financial capability skills with a focus on investment and longer-term saving, and empowers teachers to be confident about teaching financial capability. It is run over four weeks and young people use a £/€10 pledge to get their business ideas off the ground. As a result of M&G's funding, 10X Challenge now engages students in schools across France, Germany, Italy, Poland, Spain and the UK.

> **"The best part of 10X is that I learnt how to make a business, made friends, gained confidence and now I have something to write on my future CV."**
>
> **Student**

> **"The best thing about taking part in 10X was watching the students' confidence grow, take more ownership and responsibility."**
>
> **Teacher**

Our social commitment continued

Building communities

Habitat for Humanity GB

BC

108

spaces repurposed in 10 countries over 4 years

M&G's partnership with Habitat for Humanity GB focuses on providing safe and decent housing globally by repurposing empty spaces into homes for vulnerable groups.

Through the Empty Spaces to Homes initiative, vacant properties have been transformed into homes that meet both social and environmental needs. This has been achieved by working with cities, municipalities and stakeholders across Europe. Since 2020, the programme has used data to understand the scale of the opportunity presented by empty buildings; and developed a coalition of experts to design a toolkit to share this knowledge more widely. Our partnership has delivered 108 repurposed spaces creating new homes across multiple countries including Poland, Germany, Ireland, and the UK.

“Nationally, there's a real crisis within the social housing sector. Habitat for Humanity's Empty Spaces to Home programme has been a game changer for Barking and Dagenham Council and for our care leavers.

It's allowed us to develop spaces which we have within the community, which are otherwise not being put to use at all... It can't be underestimated how much this project is helping to transform lives. It's allowing young people to have dignity, security and safety in their accommodation”

Andrew Borwick-Fox
Children's Care and Support Services Manager, London Borough of Barking and Dagenham

The Tree Council

BC

380,000

students in 1,030 schools and youth groups have taken part in The Tree Council's 'Young Tree Champions' programme since 2020

M&G's partnership with The Tree Council supports schools in urban areas with high levels of deprivation and nature-poor grounds. Over the last four years, we have helped towards greening 1,030 school communities, and this has enabled 380,000 students and teachers to take part in the programme.

The Young Tree Champions Programme is aligned with the National Curriculum and our support aims to give young people the skills and knowledge to help tackle the climate and ecological crises.

Alongside pupil workshops and teacher training, more than 56,000 trees have been planted in schools across the UK.

Redwood Park Academy Special School in Cosham, Portsmouth has been part of the Young Tree Champions programme since 2021.

Redwood Park transformed their grounds for nature through planting over 1000 trees, linking up a wildlife corridor, helping to shield the school from noise and air pollution, and transforming the diversity of plant species and invertebrates in the grounds.

The school continues to grow their ambitions and are looking to install a community tree nursery to gift on saplings to local schools and their community.

“We are super proud of what we have achieved, this project means a lot to me, the school, the community, and the nature with in it.”

Ed Bond
Lead Teacher at Redwood Park School

Supporting communities in times of crisis

We feel it is our responsibility to respond to emergencies and make a meaningful contribution in the most appropriate and prompt way and work with national and international charity partners to direct a targeted, humanitarian response.

In response to the flooding in Spain and Poland in 2024 we made emergency corporate donations to support the relief efforts. M&G's donation to the Spanish Red Cross helped to distribute basic aid including food, water, blankets, and hygiene kits, and provided first aid and psychosocial support. An emergency childcare team was sent to shelters, to support affected families. In Poland, our support of Habitat for Humanity helped to repair damaged homes, and provide essential items such as furniture and the equipment to dry out buildings.

Our social commitment continued

Colleague engagement

In 2024, 1,787 M&G colleagues dedicated 12,031 hours to supporting charities with activities from skills-based volunteering such as mentoring, to tree planting, beach cleaning and refurbishment of housing for vulnerable groups. Working together with community champions across our offices, we direct funding and volunteering through our local community grants, giving our colleagues ownership and the ability to choose where to focus their support.

Through their support of The Talent Foundry's Skills for Life programme, M&G volunteers provide professional insights and employability skills development. This helps schools to offer quality careers provisions to their students.

> **"It was so rewarding and an opportunity to take a step back and realise how important it is to ensure we're preparing the younger generations for work."**
>
> **Claire F**
> Volunteer

In our ongoing efforts to provide support to people transitioning into our Empty Space transformations, M&G supports Habitat for Humanity's Upcycling Workshop. With a focus on circular economy, by upcycling items destined for landfill we are diverting them and giving them a new lease of life, transforming them into high quality, repaired items. These items are used to furnish our Empty Spaces to Homes properties, helping create welcoming homes for those in need. M&G colleagues contributed 222 hours to upcycle furniture and combat furniture poverty in 2024.

M&G in the Community Fund

Our M&G in the Community Fund is an annual grant programme that supports local charities and projects. The Committee includes colleagues across M&G locations and, since its launch in September 2019, has awarded 489 charitable grants globally.

Charitable donations

We calculate our community investment spend using the Business for Societal Impact standard (B4SI). This includes cash donations to registered charitable organisations, as well as a cash equivalent for in-kind contributions. Our total community investment spend in 2024 was £4.4 million, of which £3.2 million was cash. The balance included in-kind donations prepared in accordance with B4SI guidelines. Furthermore, £169,116 was donated by our employees through our payroll giving scheme.

£4.4m [A]

Total community investment spend in 2024

12,031

Total volunteering hours in 2024

Building better futures

Every year we run a series of roadshows to showcase how our flagship Building Better Futures programme is making a difference in our communities.

The Mumbai Community team adopt villages in remote rural areas and work with several different charity partners to provide holistic, wraparound support to maximise the impact in a particular area. The 13 hamlets where the charities have been working for the last three years to bring about real change have impacted over 3,000 villagers and farmers in a remote rural area.

As a result of our partnership with the charities Vyakti Vikas Kendra India (VVKI), International Association for Human Values (IAHV) and Habitat for Humanity India, 6 schools in the Raipur area now have new classrooms and sanitation provided through M&G's commitment to building resilient communities. The washrooms are the most critical as that deters many girls from remaining at school. We have also helped build hygienic kitchen facilities so that all the children are guaranteed one hot meal a day. School attendance has doubled since the new classrooms, kitchens and sanitation were installed.

One of the remote rural villages suffers with flooding each year during the monsoon. This means that in the dry season there is a severe water shortage which impacts the agricultural irrigation, the water wells and prevents the villagers from producing a second harvest. The funding from M&G has enabled The TNS Foundation to dig out the plain to create a deeper river basin and trees have been planted to prevent soil erosion. The water pump (pictured) that was broken for the last two years has been fixed and improved so that it collects rainwater as well.

On top of this The TNS Foundation works with the farmers and the women to teach them about organic farming, improving the quality of the soil which has helped to ensure a second harvest and good quality crops.

> **"The impact of the improved farming techniques and water capture have been transformative to the lives of all those living in the villages."**
>
> **Deepti Kommera**
> Lead, Agricultural projects, The TNS Foundation

A PwC has provided independent limited assurance over the total community investment spend in 2024 (as indicated by A) in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board. The assurance statement can be found on our website.

Climate-related disclosures

TCFD compliance summary

The climate transition is a key pillar of our sustainability approach and we have continued to improve our assessment of what good looks like

At M&G, we manage climate impacts from three key perspectives: as an asset owner with long-term liabilities, an asset manager looking after both internal and external capital, and as an international business with operations across many locations. We recognise that climate change is a collective challenge and that progress is heavily dependent on ambitious public policy. We are committed to engaging with policymakers to support the development of effective policy, and at the same time we will continue to improve our assessment of climate-related risks and opportunities using our evolving frameworks and tools.

Our climate-related disclosures are prepared to be consistent with the four pillars and 11 recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD), per the table below, and take into account both the all-sector guidance and supplemental guidance for asset owners and asset managers.

Disclosure of our Scope 3 emission metrics are presented where availability of source data allows. We continue to gather data and refine our methodology for supply chain emissions with a view to being able to report on this category in the future.

For emissions relating to our investment portfolio (financed emissions), we have seen increased coverage in the year, mostly driven by the reclassification of some of our public assets. We expect further improvements as availability of data improves, and industry guidance extends to a broader range of asset classes such as private credit and asset-backed securities.

As climate is a consideration across a number of areas of the business, the table below provides details of where relevant disclosures can be found for each of the TCFD recommendations.

TCFD pillar and recommendations	Further information	CA 414CB (2A)
Governance		
Board's oversight of climate-related risks and opportunities	Sustainability governance – pages 56-57 Climate governance – page 73	(a)
Management's role in assessing and managing risks and opportunities	Sustainability governance – pages 56-57 Climate governance – page 73	(a)
Strategy		
Climate-related risks and opportunities the organisation has identified	Climate risk management – pages 71-72 Financing the climate transition – pages 67-70	(d)
The impact on the organisation's businesses, strategy and financial planning	Our approach to climate change – page 65 Climate risk management – pages 71-72 Climate governance – page 73 Financing the climate transition – pages 67-70	(e)
Resilience of the organisation's strategy, based on different climate-related scenarios	Climate risk management – pages 71-72 Forward-looking metrics – pages 80-81 Financial statements – from page 185 (Notes 1, 13, 15, 17, 31, 37)	(f)
Risk management		
Processes for identifying and assessing climate-related risks	Climate risk management – pages 71-72	(b)
Processes for managing climate-related risks	Climate risk management – pages 71-72 Risk management – pages 44-53	(b)
Integration of climate-related risks into the organisation's overall risk management	Risk management – pages 44-53 Sustainability governance – pages 56-57	(c)
Metrics and targets		
Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Climate change and our operations – pages 74-76 Climate metrics - investments – pages 77-79 Forward-looking metrics – pages 80-81	(h)
Greenhouse Gas (GHG) emissions	Greenhouse Gas Emissions Statement – page 76 Climate metrics - investments – pages 77-79	(h)
Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Our climate targets – page 66 Climate change and our operations – pages 74-76	(g)

Climate-related disclosures continued

Our approach to climate change

We recognise the urgency of the climate transition and have developed our action framework to strengthen issuer alignment with climate goals

At M&G, we recognise that the returns we provide to our clients are dependent on a stable environment and economy. Alongside many of our clients, we believe that climate change presents material financial risks to the investments we manage. We are committed to addressing these risks across our business. As part of this, we are supporting and advocating for an orderly transition to net zero, in line with the Paris Agreement.

The challenge is stark. 2024 has been confirmed as the first calendar year with the average global temperature 1.5°C above pre-industrial levels, and physical impacts of a hotter and more variable climate are intensifying across the world - underlining the urgent need for adaptation. Meanwhile, greenhouse gas emissions have continued to rise, making the Paris Agreement harder to achieve.

Through our wide investment capabilities we will seek to support our clients by helping them navigate such volatility and uncertainty. The path to net zero is unlikely to be straight. It will require unprecedented levels of innovation, as well as a more supportive public policy environment.

We have updated our climate approach across our asset manager and asset owner businesses, to focus on how we can support companies that are driving action, while also managing our exposure to transition risks. Often the companies needing to transform the most are involved in the energy system or industry and have higher emissions. To better capture actual transition efforts, we have expanded our interim climate targets to a more comprehensive set of indicators, strengthening the link to real-world change.

We will work to increase the share of issuers we invest in that are taking meaningful climate action in line with climate goals, rather than focusing narrowly on portfolio decarbonisation.

We have built our approach around three levers – grow, align and reallocate – focused on supporting companies across sectors and regions to identify transition risks and develop plans to manage them. This is the basis of the 'financing the climate transition' pillar in our updated Group sustainability framework.

Alongside our investment-related efforts, we remain committed to taking steps towards decarbonising our business operations, including engaging with our suppliers to encourage them to set science-based targets and take action.

Priorities for 2025

- Implement our Transition Assessment Framework and track progress against our asset alignment and engagement targets.
- Expand the Transition Assessment Framework across asset classes, covering sovereign bonds and infrastructure in the first instance, and private equity and private credit thereafter.
- Develop our Climate Solutions Investment Framework to enable us to better monitor our allocation to issuers providing solutions to climate change.
- Engage at market level with policymakers, standard setters and industries to promote the conditions for a successful energy transition.
- Continue to focus on driving energy efficiency and decarbonisation of our operational estate, as well as engage our supply chain on their climate transition plans.

Our climate action framework

Grow

Seeking to grow funds and assets that support climate goals by collaborating with our clients and working to develop innovative strategies and solutions across asset classes

Align

Engaging with high-emitting companies and assets to seek robust transition plans aligned with climate goals, in turn supporting the decarbonisation of the investments we manage

Reallocate

Monitoring the climate risk characteristics of assets, undertaking scenario analysis and, where engagement fails, considering reallocating away from those assets exposed to elevated risks

Find more information on pages 67-70

Decarbonise our operations and engage our supply chain

Find more information on pages 74-76

Climate-related disclosures continued

Our climate targets

We have updated our existing climate targets with additional metrics that reflect the actions we plan to take to support the climate transition. In addition to targeting a reduction in financed emissions by 2030 and 2050, we have developed a new 'asset alignment' target to track the proportion of assets that are supporting the climate transition and are articulating this through robust transition plans. We have also strengthened and aligned our engagement metrics and approach between our asset owner and asset manager businesses, to encourage companies to improve disclosures and develop transition plans.

We believe our asset alignment target, supported by a minimum engagement threshold, provides a comprehensive way of incentivising and tracking the decarbonisation of the assets we invest in. We will prioritise achieving asset alignment over our portfolio decarbonisation targets, as we believe this is more likely to support real-world climate action.

Our strengthened climate approach rests on our Transition Assessment Framework (TAF), which we use to assess corporate climate targets and transition plans. The framework is based on the Net Zero Investment Framework guidance developed by The Institutional Investors Group on Climate Change (IIGCC). It involves assessing several components of a company's transition plan, including whether they have set science-based targets, actions to deliver their targets and supporting investment. Companies are then assigned an overall level: net zero, aligned, aligning, committed, or not aligned with the goals of the Paris agreement.

For our asset alignment target, we believe including issuers' Scope 3 emissions in our transition assessment is important, to fully capture transition risks across the corporate value chain. However, methodologies and data for measuring Scope 3 are still evolving, and this could influence movements in this data. We will continue to develop our attribution analysis, and may have to recalculate and restate figures, including baselines, due to factors such as improved data coverage and quality.

Portfolio emissions targets remain important to establish the overall ambition of our climate objectives, and provide an indicator of progress. However, financed emissions can be volatile and require detailed analysis of the multiple drivers of change, as they may not relate to changes in absolute real-world emissions (eg market movements and portfolio activity).

Importantly, there are a range of challenges that may constrain our ability to deliver on our targets, notably uncertainty over government policy support. This is why public policy engagement and advocacy, to create the right incentive structures for the climate transition, is a key priority for us.

Viewed together, our expanded set of targets promotes a more balanced approach that aims to support companies innovating and reducing emissions in the real economy, and allow us to monitor both backward and forward-looking indicators of transition risk. As we develop our transition tools and metrics we may identify new approaches and targets that support our climate ambition.

Climate targets

Net zero by 2050 across our operations and investment portfolios

Supported by the following interim targets:

	Asset manager	Asset owner
Asset alignment (NEW)	– 50-70% of financed emissions (Scope 1, 2 and 3) are assessed to be 'net zero', 'aligned' or 'aligning' by 2030. The assets in scope are listed equity and corporate bonds managed by our asset manager on behalf of PAC, where PAC has sufficient investment control[i]. See page 80 for our assessment of asset alignment as at 31 December 2024.	
Engagement (UPDATED)	– For all listed equity and corporate bond assets, we aim to maintain at least 70% of financed emissions (Scope 1, 2 and 3) as either assessed to be 'net zero' or 'aligned', or subject to climate-related engagement[ii].	– For PAC listed equity and corporate bond assets[i], we aim to maintain at least 70% of financed emissions (Scope 1, 2 and 3) as either assessed to be 'net zero' or 'aligned', or subject to climate-related engagement[ii].
Portfolio decarbonisation[iv]	For assets managed by the Group's asset manager on behalf of PAC : – 50% reduction in emissions intensity (tCO_2e/\$m invested) for in-scope[i] listed equity and corporate bonds by 2030[iii] . – 36% reduction in emissions intensity ($kgCO_2/m^2$) for in-scope real estate assets by 2030[iii].	
Operational targets	– 46% reduction in Scope 1 and 2 (market-based) emissions from buildings by 2030[iii]. – 46% reduction in business travel emissions by 2030[iii]. – Engaging with suppliers to encourage them to set ambitious carbon reduction targets aligned with climate science, covering at least 67% of our operational supply chain emissions by 2030[iii].	

i Assets in scope at the end of 2024 covered £71bn. Investment control refers to where PAC is able to determine investment characteristics. In general, PAC does not expect to have investment control over collective vehicles where its assets are invested alongside those of third parties.

ii Includes direct climate-related engagements as well as engagements through collaborative initiatives where we are actively involved. For the asset owner target, it includes engagement by external managers where this aligns with PAC's stewardship priorities.

iii Target measured against 2019 baseline. The portfolio decarbonisation targets cover Scope 1 and 2 financed emissions.

iv These targets relate to those set under the Net Zero Asset Managers initiative and Net Zero Asset Owner Alliance, respectively. PAC previously disclosed an interim target on portfolio decarbonisation for defined sectors. Following the introduction of the new asset alignment target, PAC is reviewing the appropriateness of its sectoral decarbonisation targets.

Climate-related disclosures continued

Financing the climate transition – Grow

Grow

We are working to increase the proportion of assets we manage that support the achievement of climate goals. By increasing the share of funds and assets that are aligned to a credible net zero pathway or providing climate solutions, we can support companies and assets that are doing the hard work of delivering decarbonisation in the real economy. Over time, we will also aim to increase the scope of our climate goals, for example, as data quality, technical guidance and product variety improves, to include investments managed in commingled funds, as well as across more asset classes.

We're doing this by:

Developing our climate alignment toolbox

We are developing a range of metrics and methodologies to assess the alignment of assets and companies with climate goals. Our Transition Assessment Framework (TAF) is one of these tools. The TAF is designed to assign portfolio companies an 'alignment level' based on the robustness and ambition of their GHG emissions targets and transition plans. The TAF can be used to track the proportion of a fund's assets that have a transition plan consistent with climate goals.

In parallel, we have been developing our Climate Solutions Investment Framework (CSIF), to strengthen our ability to identify companies that are providing solutions to climate change. We have also developed an emissions glide-path tool to model different carbon pathway alignment methodologies. These tools can be used in combination to design a range of portfolio alignment strategies, to support the climate targets we have set.

Strengthening data tools to support fund-level assessment of climate alignment

We develop tools to enable investment teams and our asset management clients to monitor and understand the climate characteristics of their investments. A key example is our asset manager's Portfolio Assessment Tool, which models the historic and current climate characteristics of investment portfolios and of issuers in different asset classes.

Working with our clients to increase the proportion of assets managed in line with climate goals

As well as aligning our own investments, many of our asset management clients are committed to aligning their portfolios with net zero. We seek to engage with them to understand their needs and provide options for how they can meet their objectives using our climate alignment toolbox. Where our institutional clients have opted to align investments with climate goals, we can develop climate metrics and may work with them to set an interim target, such as an asset alignment target using our TAF tool or a decarbonisation goal.

Offering clients innovative strategies and products with better climate outcomes

We also work with existing and prospective asset management clients to develop new methodologies and investment strategies that enable them to increase their allocation to companies and assets that are profitably navigating the net zero transition. We have developed a range of strategies that support climate goals across asset classes (eg our 'Sustain Paris Aligned Funds' and responsAbility's 'Transition to Net Zero Fund').

Many of our Life customers also want their investments to address some of the world's pressing environmental and social issues, including climate change, while providing potential for returns like any other investment product. We created the PruFund Planet range of funds to help them do this. The sustainability-focused goals of PruFund Planet mean that some of the sub-funds invested in have an objective to support climate mitigation and adaptation.

These strategies and products across the Asset Management and Life business allow us to invest in opportunities that support the climate transition, including private assets, where there is greater scope for direct impact.

Climate-related disclosures continued

Financing the climate transition – Align

Align

Many issuers and assets need to improve their preparedness for the transition and increasing physical risks. We engage with high-emitting companies to encourage them to set credible decarbonisation targets and to adopt and implement robust transition plans. By linking our transition assessments and engagement programme, we can increase the alignment of the investments we manage with climate goals and deliver on our interim targets. We'll also work with stakeholders across society to create the right enabling environment for climate action.

We're doing this by:

Engaging with individual assets and companies

Across public markets, we have established an engagement threshold target to ensure 70% of in-scope financed emissions (see page 66 for more detail) are either the subject of direct or collective engagement, or assessed to be 'net zero' or 'aligned' with a net zero pathway using our Transition Assessment Framework. By engaging with companies that account for the largest proportion of our financed carbon emissions – to set science-based climate targets, develop robust transition plans and reduce their emissions – we support delivery of our interim asset alignment target.

Our engagement programme follows a six-stage process, outlined in the diagram below. For our private assets business, engagement is important too. Climate disclosures are generally less mature among private companies. We are focused on encouraging improved climate-related disclosures, to help us track decarbonisation efforts and better understand risk exposures. We are also exploring use of our public markets assessment tools, like the Transition Assessment Framework, to strengthen our approach.

Climate stewardship: Engagement and voting

To structure and support the development of our engagement agendas with the most material portfolio companies and assets, we leverage the Transition Assessment Framework. By linking this framework, which we use to assess both issuer and portfolio alignment, and our stewardship efforts we strengthen the connection between engagement and the transition alignment of the assets and companies we invest in.

Where companies fail to meet our expectations, or are slow to show progress, we may seek to escalate engagement in line with our Engagement Policy. Our Voting Policy sets out our approach to using our vote when inadequate disclosures have been made.

Investment manager engagement and monitoring

As an asset owner, we set clear expectations of investment managers (both internal and external), communicating annual priorities and meeting on a quarterly or bi-annual basis. We are strengthening the link between Transition Assessment Framework milestones set for companies with manager engagement priorities and will more closely monitor voting and shareholder resolution activities of our managers.

Our ESG scorecard informs our manager due diligence and selection process. We review the scorecard as part of our manager selection process to ensure it reflects updates to our climate strategy as well as other ESG priorities. It aims to capture the information needed to determine whether a manager can contribute positively to meeting the asset owners' climate goals and targets.

In addition to direct engagement with managers, we are active participants in the asset manager engagement working group of the NZAOA, recognising the value of a common set of expectations for managers from their clients, and the power of a unified and collective voice of asset owners that have shared ambitions in relation to managing risks from the climate transition.

Collaborative engagement

Collaboration is critical to accelerate the transition. M&G Investments are active participants in the Climate Action 100+ (CA100+) initiative, which targets the world's major corporate GHG emitters, as well as the broader Net Zero Engagement Initiative (NZEI) which includes companies that are heavy users of fossil fuels.

We are co-leads on three CA100+ engagements, currently covering investee companies in the mining, chemicals and energy sectors. We also sit on the IIGCC Corporate Programme Advisory Group, and are active members of a number of additional company-specific working groups.

Engaging with policymakers

We recognise that individual companies cannot deliver net zero alone. The right real-economy policy environment is needed to create incentive structures to accelerate decarbonisation and investment in climate solutions. Achieving this policy environment will require collaboration between the public and private sector, to remove barriers and develop shared solutions as effectively as possible.

Engagement programme

1. Research and objective setting
2. Initiation of requests
3. Recognition of requests
4. Commitment to act
5. Interim progress review
6. Resolution or escalation

Climate-related disclosures continued

We therefore seek to engage with policymakers and regulators across a number of jurisdictions, to provide our view on how to do this effectively. We work with our peers through groups such as the NZAOA and the IIGCC's European Policy Working Group to raise our views with policymakers.

Strengthening assessment methodologies and influencing industry

We work with industry peers, data providers and industry forums to address gaps in transition metrics and sector-specific methodologies, particularly in carbon-intensive industries where decarbonisation pathways are complex to assess.

For example, through CA100+ we have been working with companies and investors to develop a Net Zero Standard for evaluating mining company transition plans, while our work with NZAOA aims to help develop positions on portfolio transition metrics and climate solutions investments.

Hot 100 engagement programme

Although our climate stewardship approach is evolving we have continued our asset manager 'Hot 100' engagement programme, which was established in 2020 and covers listed equity and corporate bond issuers. This focus list of high-emitting companies is updated annually to reflect changing holdings, and last year assets managed by M&G Investments Southern Africa were included for the first time. As part of the 2024 refresh, 48 new issuers were added, 10 of which are from South Africa. By the end of the year, we had either assessed as Paris aligned, or started the engagement process with, 58 of the Hot 100, representing 73% of the financed carbon emissions of this group of issuers.

To date, the Hot 100 list has been based on Scope 1 and 2 emissions, but we are planning to incorporate Scope 3 data into our assessments. This more comprehensive approach will enable us to more accurately measure and manage a broader spectrum of emissions associated with our investments and therefore improve alignment with climate goals.

Public policy advocacy

M&G continues to engage constructively and responsibly with UK and international policymakers on a wide range of public policy topics. Throughout 2024, our climate advocacy involved contributing to the Transition Finance Market Review Call for Evidence, which is an independent market-led review commissioned by the HM Treasury in the UK and the Department for Energy Security and Net Zero and hosted by the City of London Corporation.

We continue to call on policymakers to create a comprehensive policy framework that provides long term clarity for investors and market participants. Such a framework would contain, among other things:

- Ambitious, and mandatory, high quality disclosure requirements for both public and private companies, creating long-term clarity for investors' decision-making
- Proper incentivisation of climate solutions (ensuring critical technologies reach competitive commercialisation quicker)
- Support for credible transition activities
- Meaningful prudential regulation reform and
- Broader policy action to capture nature and biodiversity loss

We also recognise that closing the climate financing gap requires direct deployment of capital towards solutions, and we have worked with UK policymakers on ways to increase institutional investors' allocation to private assets. M&G was a co-founding signatory of the Mansion House Compact, which is a voluntary industry-led initiative aiming to secure better financial outcomes for Defined Contribution (DC) savers by increasing pension investment into unlisted equities.

Climate-related disclosures continued

Financing the climate transition – Reallocate

Reallocate

There are uncertainties in the transition to net zero that may create risk to the investments we manage on behalf of clients. While we seek to enhance the ways we monitor and manage climate risks, we may consider using reallocation as a measure of last resort. Where engagement fails to achieve meaningful progress within a defined timeframe, we may reallocate away from assets that present elevated climate risks. By doing this we can manage our exposure to climate risk and support delivery of our interim targets. We also know that some investee products and services are incompatible with the Paris Agreement goals. This is the guiding principle behind our approach to thermal coal.

We're doing this by:

Applying climate-sensitive sector screening and exclusions

We believe companies operating in, or dependent on, climate-sensitive sectors such as coal, oil and natural gas should develop transition plans that ensure they are resilient to climate-related financial risks. We are seeking to enhance how we monitor and assess the risk exposure of issuers in such sectors. We believe some companies are inherently exposed to elevated levels of climate risk. A notable example is thermal coal, which the International Energy Agency (IEA) has stressed must be phased out globally by 2040 at the latest to achieve net zero by 2050. Accordingly, we have established a Group position on thermal coal, including a time-bound approach to phaseout as detailed in our asset manager Thermal Coal Investment Policy (see more information on our website).

Given that our clients and customers' expectations are varied and dynamic, any decision to divest or allocate away from a company or asset due to its climate risk profile will be informed by and undertaken in the best interest of our customers, in line with our fiduciary duties. For further information on how we integrate ESG into our investment processes, relevant policies for PAC and M&G Investments can be found in the responsible investing sections on our website.

Planet+ fund range baseline exclusions

For certain fund ranges, including our Planet+ fund range, as well as for some regulatory regimes, we apply additional sector baseline exclusions that restrict investments in Arctic oil and oil sands activities. Companies that derive business equal to or more than 10% of total revenues from the unconventional extraction of oil and gas (defined as oil sands and Arctic drilling) are excluded.

Assessing physical and transition risks using scenario analysis

Scenario analysis is a forward-looking assessment tool we use to evaluate the resilience of our equities, corporate and sovereign debt, real estate, infrastructure, and private markets portfolios under a range of climate scenarios. While subject to assumptions and limitations – given the uncertainty and complexity of transition and physical climate impacts – this analysis helps us to assess portfolio and asset-level risks and opportunities as well as the resilience of our balance sheet and business planning.

For more information on our bottom-up climate scenario analysis see page 81

Climate-related disclosures continued

Climate risk management

Climate-related risks can affect M&G through two key channels

The investments we manage

Transition and physical risks can impact the assets we invest in on behalf of our clients, as well as those on our balance sheet. We are improving our management of these risks through new frameworks and indicators, while recognising that no single approach or metric captures the complexities and uncertainties brought by climate change.

More details can be found in Financing the climate transition on pages 67-70

Our own operations

We are exposed to transition and physical risks in our operations and through our supply chain, both of which could have an impact on our offices and business continuity. We monitor and manage our operational emissions footprint, including engagement with our suppliers.

More details can be found in Climate change and our operations on pages 74-76

Identification and assessment

We combine a range of approaches to help us identify climate-related risks, informed by academic research, industry-shared learning, and best practice guides.

Scenario analysis is one of the tools employed to assess our forward-looking exposure to climate-related risks across our investments, solvency, business planning and corporate estate. Following a review of climate scenario approaches across the Group, a working group has been set up in 2024 to support a more consistent approach across functions, and to monitor developments in the climate scenario landscape.

Our investment desks have access to quantitative data tools, such as our ESG Scorecard, to enable measurement and assessment of climate risk.

Monitoring and management

From an investment perspective, our first-line risk management approach is implemented by integrating ESG considerations into our processes, for example through our thermal coal policies and Transition Assessment Framework. Our frameworks and quantitative tools provide the investment teams with data to assess climate risk factors.

We also manage risk through our stewardship activities, engaging with companies to push for progress on transition plans. In cases where we do not see sufficient progress, we may consider divestment where necessary.

We also manage climate risk for our operations, for example through active engagement with our supply chain.

Reporting

Internal reporting on risk exposure is primarily coordinated via the Executive Sustainability Committee, and the Executive and Board Risk Committees, with reporting and escalation to the Group Executive Committee and Board as required.

The Executive Sustainability Committee receives regular updates on climate-related work streams from each of the business areas.

Updates on current ESG risk, including climate considerations, and assessment of key risks against appetite, are periodically communicated to the Executive and Board Risk Committees by the business via Top Risks reports, and by the Risk and Compliance function via the Chief Risk and Compliance Officer's report.

Climate resilience and our balance sheet

Scenario analysis is an important tool when assessing the wide-ranging financial impacts that could emerge from the physical and transition risks associated with climate change. We use our in-house climate modelling expertise in a number of forward-looking processes, including our Own Risk and Solvency Assessment (ORSA), asset owner strategic asset allocation and in our business planning.

As part of our annual ORSA we have explored the potential financial impacts of physical and transition risks on our balance sheet across a range of different climate scenarios. The scenarios use the most up to date Network for Greening the Financial System (NGFS) scenarios as a basis (phase 4 at the time of our most recent analysis), with additional inputs taken from the 2015 Burke et al. study on the effects of temperature on economic production, the Emergency Events Database, and the Notre Dame Global Adaptation Index to support the modelling of physical risk.

Our latest ORSA explored the impact of three different transition pathways (based on the NGFS's 'Net Zero 2050', 'Fragmented World', 'Sudden Wake-up Call' pathways) and a 'Current Policies' pathway over both the short term, broadly consistent with our business planning horizon, and longer term (30+ years). The newly-introduced 'Sudden Wake-up Call' scenario assumes a major climate event triggers an abrupt policy change, and sets off shock waves through the economy and financial system. This scenario was also added to the stress tests used for our business plan.

The results of our latest modelling indicate that a 'Hot House' ('Current Policies') scenario continues to have the most significant impact on our balance sheet, while a disorderly transition is more adverse than an orderly scenario. With the likelihood of an orderly transition appearing to be falling, due to the gap between global action and Paris-aligned pathways, we have continued to strengthen our focus on disorderly outcomes. We recognise that the scenarios we have considered represent only four potential outcomes from an extremely wide and uncertain spectrum and that actual impacts may be significantly different given the number of assumptions required. Overall, our business remains resilient under the range of climate scenarios considered, particularly given the management actions available (such as those outlined on pages 67-70).

We also carry out bottom-up scenario analysis on public and private assets. This analysis is performed to help our investment teams identify and manage specific transition and physical risk exposures.

Find out more on our bottom-up scenario analysis on page 81

Climate-related disclosures continued

Climate risk management

Transition and physical impacts

We take a holistic view of climate risks across a range of timeframes (short term: <3 years (consistent with our business planning cycle); medium term: 3-10 years; long term: 10+ years).

Both transition and physical risks have the potential to impact the value of the assets we manage on our clients' behalf (find out more about our investment scenario analysis on page 81), which directly influences our revenue and the value of assets held on our balance sheet. The main categories of these risks are illustrated in the table below and are applicable across our different legal entities and business areas.

We understand that climate-related risks can overlap and interact, creating compound and cascading impacts, and that the precise timing and sequence is hard to predict. Given this uncertainty, the transition and physical risks outlined below have potential to arise over a range of timeframes. We believe that both transition and physical risks may start to materialise over the short term, with the likelihood and potential impact of the risks rising, and continuing to increase over time.

Risk name	Risk description	Physical/ transitional	Time horizon	Description of impact
Policy and legal	Carbon pricing, climate regulation and restrictions on carbon intensive activities. Increased climate litigation (eg due to greenwashing, or failure to meet targets).	Transitional	**Short** (1 to 3 years) **Medium** (3 to 10 years) **Long** (10+ years)	Asset repricing impacting profitability Ability to attract and retain customers, clients and colleagues Costs associated with adapting to policy change or legal action
Technology	Renewable energy, cleaner transport and other low-emission products and services replacing carbon-intensive technologies, causing obsolescence and potential stranding of assets.	Transitional	**Short** (1 to 3 years) **Medium** (3 to 10 years) **Long** (10+ years)	Asset repricing impacting profitability Ability to attract and retain customers and clients
Market	Changes in consumer and investor preferences (eg avoidance of carbon intensive products and assets) and related pressure on input/raw material prices.	Transitional	**Short** (1 to 3 years) **Medium** (3 to 10 years) **Long** (10+ years)	Asset repricing impacting profitability Demand for M&G's products and services Ability to attract and retain customers and clients
Reputation	Damage to company's standing among customers, clients, shareholders and other stakeholders (eg from greenwashing, or failure to meet climate targets or regulatory requirements).	Transitional	**Short** (1 to 3 years) **Medium** (3 to 10 years) **Long** (10+ years)	Financial impact of fines Demand for M&G's products and services Ability to attract and retain customers, clients and colleagues
Acute physical	Increased frequency and severity of extreme weather (eg storms, wildfires and heatwaves).	Physical	**Short** (1 to 3 years) **Medium** (3 to 10 years) **Long** (10+ years)	Asset repricing impacting profitability Operational and supply chain disruption
Chronic physical	Longer-term shifts in climate patterns (eg sea level rise and changes in precipitation patterns) and associated impacts on food and water security, human health, damage to assets, increased insurance premiums and geopolitical risk.	Physical	**Medium** (3 to 10 years) **Long** (10+ years)	Asset repricing impacting profitability Operational and supply chain disruption

The climate transition presents major long-term investment opportunities across countries and asset classes, including private markets where we have strong capabilities. Our business model and balance sheet allow us to allocate long-term capital to climate solutions. Investing in these solutions allows us to offer innovative strategies and products to our customers and clients (see page 67). We have not defined such opportunities with specific time horizons or impacts for inclusion in the table above. We will share more details when we publish our updated Group Climate Transition Plan.

Climate-related disclosures continued

Climate governance

Governance of climate risks and opportunities follows our overall sustainability governance model. Further details of how the Board and subcommittees discharge their responsibilities in relation to sustainability (including climate) are set out in the sustainability governance section of the strategic report (pages 56-57).

A key part of effective governance is having clear and decision-useful reporting of climate information, to enable us to assess climate-related risks and opportunities, meet regulatory requirements, as well as monitor progress against our targets and commitments. The Executive Sustainability Committee (ESC) oversees implementation of the Group's sustainability strategy, including climate-related matters and delivery and progress against related targets. The ESC receives monthly updates from business units on ongoing sustainability activity.

Review of climate scenarios

We have seen increasing levels of attention being given to the scenarios used by organisations to model climate risks. In response, approaches to climate scenario modelling were discussed by the ESC during the year, including:

- Analysis of the external environment on climate change, covering themes such as the limitations of industry climate change models and developing market trends. This was aimed at informing our work on the climate transition across the business.
- A deep dive assessment on climate scenario analysis used by different parts of the business, focused on evolving and harmonising our approach and assumptions. The review led to the creation of a working group with responsibility for further developing and overseeing the Group's climate change scenario framework.

The Board is responsible for approving the Business Plan annually. Where we have a reasonable estimate of the income or expenditure related to our climate actions, and these are expected to materialise over the plan period (three years), we capture it in our business planning process. For example, change programme spend and anticipated growth in sustainability-focused fund propositions are captured in the plan.

In addition, the business plan is subject to stress and scenario testing, evaluating the estimated impact of climate and economic impacts. In 2024, we introduced a new 'Sudden Wake-up Call' scenario, where a major climate event leads to large economic disruption over a short-term horizon, followed by a move to an accelerated transition path. The results of this stress test indicated that, although solvency and liquidity would be negatively impacted across the Group, the business remains resilient under this scenario.

Find out more on sustainability governance on pages 56-57

Climate-related disclosures continued

Climate change and our operations

Operational targets

We continue to focus on reducing the carbon emissions related to our own operations as a corporate and to improving our energy efficiency. Our near-term operational carbon reduction targets are:

- Reducing Scope 1 and 2 (market-based) carbon emissions (tCO_2e) from our buildings by 46% by 2030 from our 2019 baseline.
- Reduce business travel carbon emissions (tCO_2e) by 46% by 2030 from our 2019 baseline.
- Engage with suppliers to encourage them to set carbon reduction targets aligned with climate science, with an aim to cover a minimum of 67% of our Scope 3 supply-chain emissions by 2030 (excluding investments).

We have also committed to purchasing 100% renewable electricity across our operational estate by the end of 2025.

Building environmental management

We continue to look for ways to improve the environmental performance of our offices. Our newly formed Buildings Decarbonisation Working Group is set up to look at opportunities to improve office energy use and utilise tools created to help us quantify the suitability of projects to take forward.

Other actions taken in 2024 include:

- Undertaking operational environmental assessment for selected offices internationally to assess opportunities for improvement and knowledge sharing
- Switching to a fully electric kitchen in the restaurant of our London office, by removing gas-fired cooking infrastructure
- Integrating environmental considerations into the office acquisition and leasing process, including assessment of physical climate scenario analysis findings for our corporate estate
- Further rationalisation of our UK offices to reflect how our colleagues are using the offices

We operate an environmental management system (EMS) certified to the internationally recognised ISO 14001 standard for five out of our nine UK offices, which covers 56% of our total Group floor area at the end of 2024.

Our other international office locations – while not in the formal scope of the certification – align with the principles of our EMS through adherence to the requirements of our Environment Policy.

Supply chain engagement

Our upstream supply chain carbon emissions form a large part of the corporate operations footprint. Each year we engage with suppliers in our value chain to share our sustainability ambition and to better understand their carbon footprint, its impact on our scope 3 emissions, and their ambition and approach to managing carbon emissions. In 2024, we assessed carbon emissions data and progress against carbon reduction targets for more than 150 of our suppliers.

The gathering of this data allows us to segment suppliers according to maturity in carbon management, so we can tailor our engagement approach and gain a greater understanding of our own risk. Approved and committed science based targets cover 43% (2023: 58%) of our calculated supply chain emissions[i]. The reduction from 2023 relates to changes in spend across our supply chain and changes in commitments from some suppliers. We continue to review the supply chain data and aim to provide more detail in future disclosures.

Renewable energy

As part of our ongoing global RE100 target to reduce Scope 2 emissions, we have purchased high-quality REGO-backed (Renewable Energy Guarantees of Origin) renewable energy across our UK estate, where we have ownership of utilities contracts.

Across our remaining offices, we obtain energy from certified renewable energy contracts and on-site renewables. Where direct renewable energy is not available we purchase energy attribute certificates (EACs). In 2024, 99% of our electricity use was provided by renewable energy; 1% onsite generation, 88% via procurement and 10% via EACs.

Enforcement actions

No fines or regulatory actions have occurred during the year for environmental incidents.

Electrifying our office restaurants

In our continued efforts to reduce the amount of fossil fuels used across our corporate operations, we have now removed gas from our UK office restaurants.

Our Kildean colleague restaurant was designed to be fully electric when we moved in, and in 2024 we replaced our London head office restaurant kitchen equipment with electric only devices, potentially saving 60 tCO_2e per annum (based on 2023 consumption).

i Our supply chain emissions are calculated on a cash paid basis and include our UK and Ireland operations.

Climate-related disclosures continued

Progress against our interim targets

87%	21%	43%
2030 Target: 46%	2030 Target: 46%	2030 Target: 67%
Buildings Scope 1 and 2 reduction from baseline	Scope 1, 2, and 3 reported business travel reduction from baseline	Supply chain emissions from suppliers with validated or committed SBTs

Progress against targets

For our corporate operations carbon reduction targets we measure progress against our Scope 1 and 2 building emissions, and across our business travel emissions, using 2019 as the baseline year.

At the end of 2024:

- Scope 1 and 2 market-based emissions from our buildings of 428 tCO_2e (2023: 446 tCO_2e) have reduced by 87% from our baseline.
- Scope 1, 2 and 3 emissions relating to business travel by air, rail, car, transport fuels and other emissions of 8,503 tCO_2e represents a 21% reduction from our baseline as we have continued to utilise virtual collaboration and encourage the use of more sustainable modes of travel where possible. However these emissions have increased by 15% from 2023 (7,397 tCO_2e) primarily due to increased air travel to India as we grow our operations in Mumbai. Consistent with our ongoing business transformation activity and strategy to grow our international presence, we will review our business travel target during 2025.
- 43% of supply chain emissions are covered by suppliers with either validated or committed science-based targets (SBTs). This reduction from 2023 (58%) relates to changes in spend across our supply chain and changes in commitments from some suppliers.

Performance in the year

Our year-on-year performance compares 2024 with the 2023 results as detailed in our GHG Emissions Statement on page 76.

In 2024, our total Scope 1 and 2 market-based GHG emissions were 622 tCO_2e^A, which is a 12% reduction from 2023 (703 tCO_2e). In 2024, we reduced our total energy consumption by 12% compared to 2023. Savings have been achieved through the continued rationalisation of occupied space, as well as actions such as the removal of gas in the restaurant kitchen of our London office.

Waste emissions were 20 tCO_2e (316 tonnes[A] of waste) in 2024. We have restated emissions from waste for 2023 from 53 tCO2e to 21 tCO2e due to the incorrect treatment in the calculation of emissions associated with one of our waste streams. Despite an increase in offices reporting waste from 16 to 19, covering 80% of our total floorspace (2023: 69%), our emissions associated with waste have remained stable. In 2024 our UK operational recycling rate was 66% (2023: 67%).

Water emissions reduced in 2024 to 2 tCO_2e (15,458m^3)[A] from 7 tCO_2e (37,592m^3) in 2023. The reported reduction in water consumption is attributed to improved maintenance at our Reading office that reduced water wastage, and improvement in water data quality for our UK head office. In 2024, 28 offices (80% of our total floorspace) provided water data.

Land and air travel emissions have increased in 2024, to 8,310 tCO_2e from 7,139 tCO_2e in 2023 for Scope 3. The increase is primarily driven by an increase in air travel emissions following the growth of our operations in Mumbai.

Car travel emissions have decreased from 309 tCO_2e in 2023 to 235 tCO_2e in 2024, with 194 tCO_2e relating to Scope 1 and 2 and 41 tCO_2e associated with Scope 3. In 2024 the proportion of electric vehicles in our business fleet has increased to 33%, (2023: 19%) with efforts ongoing to increase this to 100%, alongside continuation of colleague engagement to increase adoption.

Approach to carbon credits

We continue to focus our efforts on reducing the emissions from our corporate operations, while recognising the importance of the voluntary market to provide finance to projects to avoid, reduce and store carbon from the atmosphere.

In 2024, we took the opportunity to review and update our Carbon Credit Principles for sourcing carbon credits. Amendments to our internal guidance have focused on strengthening the evidence requirements for assessing additionality, permanence and leakage.

Over the year, we purchased Pending Issuance Units (PIUs) supporting peatland (Scaliscro Peatland Restoration) and woodland restoration (Trossachs Highland Afforestation) projects in Scotland, which should sequester carbon for years to come as new biomass grows. Additionally, we purchased and retired credits from the Orb Solar project in India. Our carbon credit purchases are not used to offset emissions in our GHG calculations, and should be viewed more as contributions to climate action.

Metrics indicated by [A] have been subject to external independent limited assurance by PricewaterhouseCoopers LLP (PwC).

Climate-related disclosures continued

Climate metrics – operations

Greenhouse Gas Emissions Statement

We have compiled our global greenhouse gas (GHG) emissions statement in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

GHG emissions are broken down into three scopes; we have included full reporting for Scope 1 & 2, and selected Scope 3 reporting as best practice. Scope 1 emissions are our direct emissions from the combustion of fuel, fugitive emissions and company-owned vehicles. Scope 2 emissions cover our indirect emissions from the purchase of electricity (including use of company electrical vehicles), heating and cooling. We have reported our Scope 2 emissions using both the location and market-based methods in line with the GHG Protocol Scope 2 Guidance. Our Scope 3 footprint currently includes business travel (category 6) booked through our travel providers, car travel in colleague-owned cars (category 6), water consumption (category 1), waste generation (category 5) from occupied properties (where data is available) and emissions from sub-leased property (category 13), where data is available. We do not currently report Investments (category 15) as part of this statement, but have reported financed emissions separately on pages 77-79.

Please refer to our Environmental Metrics Basis of Reporting 2024 (Basis of Reporting) for further detail on our methodology. Data is presented gross of any carbon credits. Selected metrics reported for 2024 (as indicated by [A]) have been subject to external independent limited assurance by PricewaterhouseCoopers LLP (PwC). For the results of that limited assurance, see PwC's independent limited assurance report and our Basis of Reporting available on our website.

		2024		2023		2019 baseline	
		UK	Total	UK	Total	UK	Total
Scope 1 (tCO_2e)	Natural gas, oil (generators), vehicle fleet, refrigerants	**307**	**543**[A]	446	595	1,936	2,187
Scope 2 (tCO_2e) Location-based	Electricity, purchased heat and steam	**1,407**	**2,944**[A]	1,592	3,023	4,213	5,948
Scope 2 (tCO_2e) Market-based	Electricity, purchased heat and steam	**15**	**79**[A]	25	108	105	1,976
Scope 1&2 (tCO_2e)	Total using market-based emissions	**322**	**622**[A]	471	703	2,041	4,163
	tCO_2e per FTE[i] (Scope 1 & 2)		**0.09**[A]		0.10		0.74
Energy	EAC volumes (MWh)	**44**	**1,084**	—	1,073	—	—
	Energy use (MWh)	**8,460**	**11,515**[A]	9,850	13,017	25,745	29,490

		2024	2023 (restated)	2019
Selected Scope 3 (tCO_2e)	Air travel	**8,191**	7,018	9,764
	Land travel	**119**	121	128
	Water (global where available data)	**2**	7	11
	Waste (global where available data)	**20**	21	19
	Emissions from sub-leased property (market-based)	**147**	94	—
	Total selected Scope 3	**8,479**[A]	7,261	9,922
Global Scope 1, 2 and selected Scope 3 (tCO_2e)		**9,101**[A]	7,964	14,085

Reporting period:	1 January 2024 to 31 December 2024
Baseline year:	2019
Consolidation boundary:	Operational control as defined by the Greenhouse Gas Protocol is where the Group has authority to introduce and implement its operating policies at the operations.
Accounting methodology:	Our GHG emissions and energy consumption are prepared in line with The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Further details on our calculation methodology, including emission factors used can be found in our Basis of Reporting which is available on our website.
Data restatements:	We have restated emissions from waste for 2023 from 53 tCO_2e to 21 tCO_2e due to the incorrect treatment in the calculation of emissions associated with one of our waste streams.

i FTE refers to full-time equivalent colleagues.

Climate-related disclosures continued

Climate metrics – investments

Across our investment portfolios we produce a range of metrics to identify and assess climate-related risks and opportunities. This includes absolute emissions metrics as well as intensity-based indicators that enable comparison across different issuers and portfolios. In addition to backward-looking data, which indicate the current emissions profile of an asset or portfolio, we also use forward-looking metrics to assess transition alignment and potential impacts on asset values over time.

The metrics used across our internal and external reporting are financed carbon emissions (FCE), carbon footprint, and weighted average carbon intensity (WACI). For example, we assess FCE change at portfolio level to monitor our overall portfolio emissions exposure, while we monitor carbon footprint (a measure of emissions intensity based on the ratio of company emissions to their enterprise value including cash (EVIC)) to assess progress against our asset manager and asset owner interim targets. WACI is used to understand our portfolio exposure to carbon-intensive issuers. We monitor Scope 3 emissions as a proxy for risk exposure to inform targeted actions, such as engaging companies on transition plans, however we acknowledge that disclosure of this category remains poor, which makes it less reliable for decision-making.

In preparing our financed emissions metrics we consider the Partnership for Carbon Accounting Financials (PCAF) principles. We report data quality scores for our FCE metrics – covering listed equity and corporate bonds with both a known and unknown use of proceeds and sovereign debt emissions. The score is based on PCAF methodology and ranges from one to five, where one represents the highest data quality and five is the lowest. Details on definitions of metrics reported and limitations of data used can be found on page 358, with more information provided in our Environmental Metrics Basis of Reporting 2024 (Basis of Reporting) available on our website.

In our analysis, 'coverage' refers to the proportion of in-scope AUMA for which we have sufficient environmental, financial, or other data required in the calculation of a given metric. Externally managed mandates in which we invest are not included. Metrics reported in this section are calculated for M&G plc, subject to asset classes included and coverage within these groups.

Our Basis of Reporting, available on our website, sets out our policy on restatements. Details on any restatements and the impact on the previously presented metrics are set out in the relevant section below. All figures presented reflect the annual emissions calculated with reference to in-scope AUMA of each asset class as at 31 December for each year.

Selected metrics reported for 2024 (as indicated by [A]) have been subject to external independent limited assurance by PricewaterhouseCoopers LLP (PwC). PwC's independent limited assurance report is available on our website.

Public assets (Listed equity and corporate bonds)

The table below presents emissions metrics relating to listed equity and corporate bonds managed by our asset management business, including on behalf of our asset owner. Corporate bonds with a known use of proceeds are presented separately.

	2024	2024 Coverage	2023 Restated[i]	2023 Restated Coverage[i]	2023 (previously presented)	2023 Coverage (previously presented)
AUMA in-scope for metrics presented (£bn)	**152.6**[A]	**N/A**	153.4	N/A	178.7	N/A
FCE – Scope 1 & 2 ($ktCO_2e$)	**11,899**[A]	**96%**	14,765	95%	15,758	87%
Data quality score – Scope 1 & 2	**2.1**[A]	**N/A**	2.2	N/A	2.2	N/A
FCE – Scope 3 ($ktCO_2e$)	**82,179**	**96%**	78,628	91%	83,490	84%
Data quality score – Scope 3	**2.4**	**N/A**	2.2	N/A	2.2	N/A
Carbon footprint – Scope 1 & 2 (tCO_2e/£m invested)	**81**[A]	**96%**	101	95%	101	87%
Carbon footprint – Scope 3 (tCO_2e/£m invested)	**562**	**96%**	562	91%	558	84%
WACI – Scope 1 & 2 (tCO_2e/£m sales)	**160**[A]	**92%**	188	93%	187	83%
WACI – Scope 3 (tCO_2e/£m sales)	**937**	**92%**	1,097	92%	1,088	83%

i A granular review of asset classification has resulted in a change of in-scope AUMA (see below for details).

Analysis of 2024 compared with restated 2023 metrics

For 2024, we have seen a reduction in Scope 1 & 2 emissions metrics in part due to the continued reduction of our holdings in a high-emission intensity issuer in our M&G Investments Southern Africa (MGSA) portfolio. Other contributing factors to the decrease include reductions in reported emissions for some high-emissions intensity issuers and improvements in underlying data.

The increase in Scope 3 FCE includes a combination of higher coverage and increased emissions for some large contributors to this emissions category. We expect Scope 3 emissions to fluctuate in the near-term, reflecting volatility from evolving methodologies and improvements in measurement data, as well as from companies reporting across more Scope 3 categories.

The portfolios managed by our MGSA business continue to make up a significant proportion of our FCE at 2,492 $ktCO_2e$ (2023: 3,073 $ktCO_2e$) for Scope 1 & 2 and 8,946 $ktCO_2e$ (2023: 10,310 $ktCO_2e$) for Scope 3.

Climate-related disclosures continued

Restatement of 2023 metrics previously presented

We have undertaken a review of our approach to asset classification in order to more closely align to PCAF guidance. This review led to the removal of some assets from what had previously been included in the scope of our reporting for listed equity and corporate bonds. As a result of this change, we have restated the 2023 metrics previously presented. The change in asset classification has resulted in a reduction in the value of assets in-scope (14%), however the impact on our reported emissions is smaller (6%) as the majority of assets removed did not have emissions data coverage. Of the assets removed from scope, we have presented green, social and sustainability bonds (where there is a known use of proceeds) as a separate asset class this year – the emissions relating to these can be found below. Further details are set out in our Basis of Reporting, available on our website.

Green, social and sustainability bonds

The table below presents emissions metrics relating to our listed corporate bonds where there is a known use of proceeds, covering green, social and sustainability bonds.

	2024	2024 Coverage	2023	2023 Coverage
AUMA in-scope for metrics presented (£bn)	**9.1**	**N/A**	7.8	N/A
FCE – Scope 1 & 2 ($ktCO_2e$)	**225**	**96%**	318	89%
Data quality score – Scope 1 & 2	**2.2**	**N/A**	2.4	N/A
FCE – Scope 3 ($ktCO_2e$)	**1,792**	**95%**	2,129	82%
Data quality score – Scope 3	**2.4**	**N/A**	2.3	N/A
Carbon footprint – Scope 1 & 2 (tCO_2e/£m invested)	**26**	**96%**	46	89%
Carbon footprint – Scope 3 (tCO_2e/£m invested)	**207**	**95%**	333	82%

Analysis of 2024 compared with 2023 metrics

This asset class has been separated from listed equity and corporate bonds and presented separately here for the first time as explained above. For 2024, despite an increase in both AUMA and coverage, we have seen a reduction in Scope 1 & 2 and Scope 3 emissions driven by reduced exposures to some higher emitting holdings.

Sovereign debt

In the table below, we have included financed domestic production and consumption emissions, and their respective weighted average intensities, showing both including and excluding Land Use, Land Use Change and Forestry (LULUCF).

	2024[i]			2023		
	incl. LULUCF	excl. LULUCF	Coverage	incl. LULUCF	excl. LULUCF	Coverage
AUMA in-scope for metrics presented (£bn)	**41.3**[A]	**41.3**[A]	**N/A**	40.1	40.1	N/A
Financed sovereign production emissions - Scope 1 ($ktCO_2e$)	**11,379**[A]	**11,064**[A]	**99.5%**	11,123	10,705	99.6%
Data quality score – production emissions	**1.9**[A]	**1.9**[A]	**N/A**	1.9	1.9	N/A
Financed sovereign consumption emissions - Scope 1,2,3 ($ktCO_2e$)	**11,939**[A]	**11,629**[A]	**99.5%**	10,601	10,390	95.2%
Data quality score – consumption emissions	**4.0**[A]	**4.0**[A]	**N/A**	4.0	4.0	N/A
Weighted average sovereign production intensity - Scope 1 (tCO_2e/ PPP-adj. GDP (USDm))	**0.2**[A]	**0.2**[A]	**99.5%**	0.2	0.2	99.6%
Weighted average sovereign consumption intensity - Scope 1,2,3 (tCO_2e/ Capita)	**10.4**[A]	**10.6**[A]	**99.5%**	9.8	10.1	95.2%

Analysis of 2024 compared with 2023 metrics

We have updated our process for collecting sovereign debt emissions data this year, sourcing data from a third-party data vendor in place of manual sourcing across publicly available data undertaken previously. The impact of this change on production emissions is negligible, however where the new data source is applied to consumption emissions for 2023, the recalculated output increases by 10% to 11,667 $ktCO_2e$ (including LULUCF) driven primarily by the increased coverage provided by the new data source. Other smaller impacts come from more recent data being available, and different estimation methodologies being used by the data vendor compared to those sourced for 2023 outputs.

In 2024, once the change in process is considered, sovereign emissions increased largely in line with the increase of in-scope AUMA. The increase in in-scope AUMA is largely driven by increased exposure to US sovereign debt.

Similar to listed equity and corporate bonds, our MGSA portfolios make up a significant proportion of our sovereign FCE at 2,065 $ktCO_2e$ (2023: 2,199 $ktCO_2e$) for production emissions and 1,719 $ktCO_2e$ (2023: 1,656 $ktCO_2e$) for consumption emissions (both including LULUCF).

i Selected metrics reported for 2024 (as indicated by [A]) have been subject to external independent limited assurance by PricewaterhouseCoopers LLP (PwC). PwC's independent limited assurance report is available on our website.

Climate-related disclosures continued

Private assets (M&G Real Estate and Infracapital)

For private assets, we currently present emissions metrics for our commercial real estate assets managed by M&G Real Estate, and assets held within our private infrastructure investment business, Infracapital.

	2024	2024 Coverage	2023 Restated[i]	2023 Restated Coverage	2023 (previously presented)	2023 Coverage (previously presented)
Real Estate – AUMA in-scope for metrics presented (£bn)	**32.5**	**N/A**	31.7	N/A	31.7	N/A
Real Estate – FCE Scope 1 & 2 (ktCO_2e)	**106**	**80.4%**	112	84.7%	93	84.7%
Real Estate – FCE Scope 3 (ktCO_2e)	**484**	**80.4%**	487	84.7%	584	84.7%
Real Estate – Carbon footprint Scope 1 & 2 (tCO_2e/£m)	**4.1**	**80.4%**	4.2	84.7%	3.5	84.7%
Real Estate – Carbon footprint Scope 3 (tCO_2e/£m)	**18.5**	**80.4%**	18.2	84.7%	21.8	84.7%
Infracapital – AUMA in-scope for metrics presented (£bn)	**4.4**	**N/A**			4.4	N/A
Infracapital – FCE Scope 1 & 2 (ktCO_2e)	**466**	**99.9%**			652	91.7%
Infracapital – FCE Scope 3 (ktCO_2e)	**71**	**79.7%**			14	72.2%
Infracapital – Carbon footprint Scope 1 & 2 (tCO_2e/£m)	**105**	**99.9%**			162	91.7%
Infracapital – Carbon footprint Scope 3 (tCO_2e/£m)	**20**	**79.7%**			4.4	72.2%

Analysis of 2024 compared with 2023 metrics

Our real estate assets recorded a decrease in Scope 1 & 2 emissions of 5% compared to restated 2023 figures, primarily due to a decrease in coverage, but supported by energy efficiencies implemented by M&G Real Estate's property managers. Scope 3 emissions have remained stable compared to restated 2023 emissions.

Infracapital emissions data is based on numbers reported directly from the underlying investee companies[ii]. The decrease in Scope 1 & 2 FCE is mainly reflective of the sale of some high emitting assets. Scope 3 emissions have increased as investee company reporting becomes more mature.

i We have restated 2023 outputs for real estate to reflect actual emissions data obtained after the reporting period where estimated data had been used in the 2023 calculations.

ii This emissions data has not been externally audited.

Climate-related disclosures continued

Portfolio alignment

Portfolio alignment

Backward-looking data is important to assess decarbonisation progress and investment exposures, but analysis of portfolio alignment and future scenarios is necessary to gauge the credibility of transition plans and how companies and assets are likely to fare in a world of growing climate-related risks and opportunities. In this section we present the following metrics:

- **Asset alignment**: this metric is based on our Transition Assessment Framework and captures several components of a company's transition plan, including whether they have set science-based targets, actions to deliver their targets and supporting investment.
- **Implied temperature rise** (ITR): this metric is an attempt to estimate the temperature trajectory an issuer or portfolio is on, providing a simple measure of alignment with the Paris Agreement goals.

Transition Assessment Framework (public assets)

This year, we have calculated a new 'asset alignment' metric, which shows the percentage of public asset financed emissions (all GHG scopes) that we have assessed to be 'not aligned', 'committed', 'aligning' or 'aligned' with climate goals based on our Transition Assessment Framework (TAF).

The proportion of financed emissions from issuers that are 'aligning', 'aligned' or 'net zero' under the TAF is a new interim target for in-scope assets (see page 66 for further details). We are targeting a range of 50-70% by 2030.

At the end of 2024, 39.8% of financed carbon emissions associated with in-scope assets (£71 billion) were either aligning or aligned. No issuer assessed has reached net zero emissions.

	2024
Not aligned (%)	46.2
Committed (%)	14.0
Aligning and aligned (%)	39.8

Implied temperature rise (public assets)

As part of our forward-looking analysis, we also calculate the implied temperature rise (ITR) for each public market issuer where data is available (covering 95% of in-scope listed equities and corporate debt as at 31 December 2024). ITR is an intuitive way to assess transition alignment, within and between investment portfolios, by translating each issuers emissions trajectory into a temperature increase which can be weighted and aggregated. In simple terms, it shows what the global temperature rise could be if the whole economy followed the same emissions pathway (carbon budget over or undershoot) as the issuer or portfolio analysed.

ITRs are inherently limited and we recognise the following:

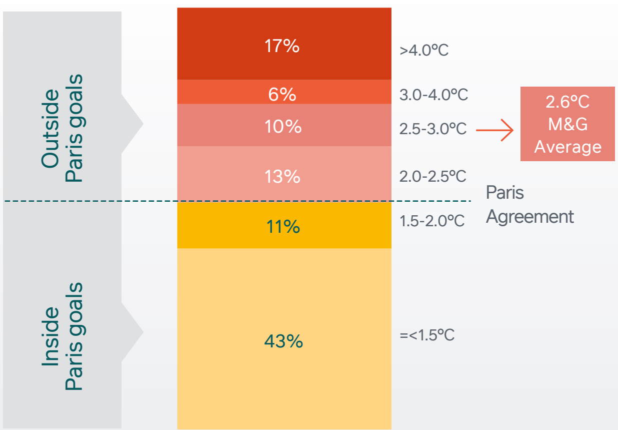
- There is no commonly accepted approach to temperature alignment calculations, which makes comparisons across different model outputs problematic.
- The methodology we have used allocates a carbon budget to each company, and compares that company's progress and expected future emissions against that budget.
- The calculation is sensitive to sector emissions assumptions.
- It is based on carbon intensity (emissions per unit of revenue for each investee), and on projections of future emissions which are subject to significant uncertainties.
- The portfolio ITR is calculated as the weighted average of individual company ITRs (based on market value).
- ITR by its nature is a point-in-time metric and therefore does not account for likely changes to our portfolios.

We do not use ITR in isolation, due to the limitations mentioned, but believe it provides a useful indication of alignment when viewed in conjunction with other information.

The chart below shows the composition of our ITR exposure (by market value), with issuers aligned to a broad range of temperature outcomes. While the proportion aligned to below 1.5°C has increased to 43% (2023: 38%), 46% of modelled assets still exceed 2°C based on the underlying issuers' transition pathways. The weighted average warming potential across modelled issuers (listed equities and corporate debt) is 2.6°C, which represents an increase from our average temperature alignment in 2023 (2.5°C).

While the average across our modelled assets is higher than the Paris Agreement goals, this is consistent with the broader economy and therefore not surprising at this stage in the climate transition.

Implied temperature rise



* The weighted average warming potential across investees modelled is 2.6°C (2023: 2.5°C)

Fossil fuel and EU Taxonomy-aligned assets

We monitor metrics that track fossil fuel and EU taxonomy-aligned exposures to assess climate transition risks and opportunities. The fossil fuel exposure data is relevant from an engagement and voting perspective, as it captures many of the target companies in our climate stewardship programme. These metrics can be found in our Sustainability Annex available on our website.

Climate-related disclosures continued

Scenario analysis

Scenario analysis is a type of forward-looking assessment we use to assess the resilience of our listed equity, listed corporate debt (with known and unknown use of proceeds), sovereign debt, real estate and infrastructure portfolios to different future climate scenarios. We conduct the following assessments, using models that have sufficient coverage across key funds and our largest issuers:

- **Climate-adjusted value** (CaV): this metric is equivalent to value at risk (VaR), but is calculated on a bottom-up basis, by assessing the impact of different climate scenarios on a company's financial position and market valuation. The adjusted value is calculated separately for physical and transition risks as part of the scenario model we use across our public portfolios (Aladdin Climate).
- **Private asset climate hazard exposure:** this data shows potential physical climate risk impacts across private fixed assets, covering real estate and infrastructure. Physical risk exposures assessed include climate-related natural disasters, such as storms, flooding and wildfires.

Methodology and limitations

The scenario modelling outputs we produce are based on a bottom-up approach, starting at the company and asset level, but we also carry out top-down scenario analysis as part of our balance sheet stress tests (see page 71).

Asset-level analysis can help our investment teams identify and monitor specific transition and physical risk exposures, to inform investment decisions and improve the quality of engagement with issuers. In this analysis, the scope of assets included for public and private asset portfolios are the same as those in our backward-looking metrics unless otherwise stated.

We rely on data modelling partners to provide us with portfolio, sector, and asset-level output data, including projected future GHG emission, emissions intensity, physical climate damages, energy demand and technological capabilities. The data points are then aggregated to calculate the climate-adjusted valuation.

As with any model, the results are heavily influenced by the assumptions made, which significantly influence the outputs. We recognise that the climate models are based on simplified scenarios, and can't capture the full complexity and dynamics of natural and economic systems. The results are not predictive, but rather help us explore a range of potential outcomes.

It should also be noted that the data underpinning climate-scenario modelling is reported by companies at a lag relative to financial data. We have used up-to-date information where available. However, for a subset of our analysis, the GHG emissions used in the scenario modelling represents data from prior years.

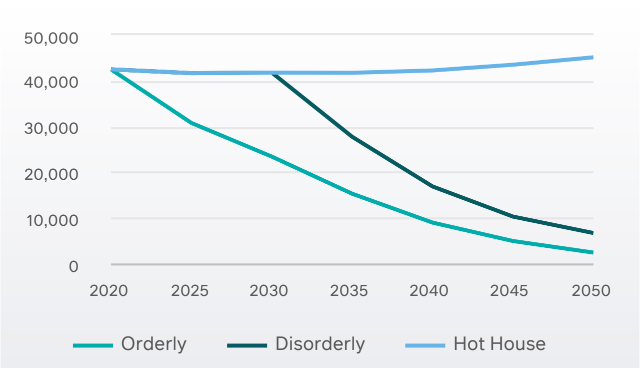
Our scenario modelling outputs should be considered in the context of the limitations described above, as well as additional detail on limitations described on pages 357-358.

Public assets

As part of our forward-looking analysis we use Aladdin Climate to model our public asset portfolios (equities, corporate debt and sovereign debt) against the financial impact of climate change based on three Network for Greening the Financial System (NGFS) scenarios:

- An orderly scenario, predicting a temperature rise below 2°C by 2100 as a result of immediate climate action.
- A disorderly scenario, in which climate action is delayed until 2030, and the temperature rise is kept below 2°C.
- A hot house scenario, which predicts an average temperature change of over 3°C by 2100, assuming only current policies are implemented.

Scenario global emission trajectories
Million tons of CO_2e/year



Source: Network for Greening the Financial System (NGFS) - Phase 3

This analysis provides estimates of the financial impact on all issuers modelled, including on asset valuations. Our analysis shows that our exposure to energy and materials sectors where valuation impacts are higher is relatively small, but we have more sizeable exposure to industrials. We continue to focus our climate-related stewardship on high-emitting issuers, notably through our asset manager Hot 100 engagement programme. Further details on the outputs from this analysis, which are considered as part of our risk management processes (see pages 71-72), can be found on page 356.

Private assets

For the real estate and infrastructure asset modelling, we continue to use the global insurance broker and risk adviser Marsh to assess our real estate and infrastructure exposure to physical climate risk. Our output is limited to Representative Concentration Pathway (RCP) 2.6 and 8.5 only, as produced by the IPCC. These conceptually align to the public asset orderly and hot house scenarios.

The output of this model is limited to the identification of risk level, with the results for assets that have been classified as at high risk from climate-related hazards being presented on page 357. The analysis shows that this still represents a relatively small share of assets across the period covered for the two business areas.

Responsible business practices

Anti-bribery and anti-corruption

We aim to operate with the highest levels of integrity in the way we conduct business and have a no tolerance approach to bribery and corruption given its adverse impact on society and undermining of economic development. Risk management and control failures could lead to criminal prosecution, fines or reprimands and/or cause significant damage to M&G's reputation.

Annual mandatory training and contractual clauses help to make employees (and associated persons) aware of their obligations under relevant anti-financial crime laws and regulations, including the UK Bribery Act 2010.

Adherence to policies

Our approach to management of financial crime risk is articulated in our Financial Crime Policy and related standards. Together, the policy and standards are designed to manage M&G's obligations under applicable laws and regulations.

We require all our employees across the globe, including persons that conduct activity on our behalf (associated persons), to adhere to our Financial Crime Policy and standards, which include anti-bribery and anti-corruption controls, and to carry out their duties with openness and transparency.

Any wrongdoing by M&G, its employees or its other associated persons will be reported as necessary to law enforcement and our regulators, in accordance with applicable law and under policy. In addition, our Gifts and Hospitality Standard and associated controls that we operate helps to ensure dealings with external parties are managed effectively, limiting the risks of improper conduct.

Our Financial Crime Policy and standards are underpinned by legislative and regulatory obligations as well as industry guidance issued by bodies such as the UK's Joint Money Laundering Steering Group. They require us to apply Enhanced Due Diligence to relationships involving Politically Exposed Persons (PEPs) and other high-risk clients and for such relationships to be approved by senior management.

Investments

As an investor, we manage financial crime risks for the investments that we make. For example, known corrupt practices by governments, entities or people, may mean an investment target is also subject to economic sanctions by applicable regimes. Such target investments are excluded from our investment universe through our sanctions compliance.

Our investment teams consider governance factors in their investment analysis and decision-making, as far as we are able and where it is financially material, including factors such as issuer exposure to bribery and corruption risk. For funds and mandates applying an exclusion based on global norms (e.g. the UN Global Compact Principles, which include anti-corruption and anti-bribery considerations), our Global Norms Committee decides whether we consider companies to be responsible for severe, repeated and/or systemic breaches of norms (as identified through data providers and/or internal research). The Global Norms Committee, which consists of representatives from across our business, including our asset manager and asset owner, discusses cases to determine if exclusion, engagement or monitoring is the most suitable course of action.

Responsible business practices
Human rights

We are committed to supporting human rights and we strive to uphold the UN Guiding Principles on Business and Human Rights, the global standard of conduct that both governments and companies are expected to meet. M&G is a signatory to the UN Global Compact, and both our asset manager and owner are signatories to the Principles for Responsible Investment. Both these initiatives set standards and guidance to manage human rights issues.

In 2024, M&G improved our ranking in the Churches, Charities and Local Authorities (CCLA) Modern Slavery benchmark, going from fourth to second tier (one being the highest tier out of five in total).

Employees

Our values of care and integrity underpin our approach to human rights in the workplace. We believe that everyone should be treated with respect and we seek to empower our employees to do the right thing. With over 6,000 employees in six continents, our policies, including our Code of Conduct, reiterate our commitment to respect, non-discrimination, health and safety and freedom of association.

In the UK, we have a recognition agreement with the trade union, UNITE. The trade union negotiates with management on a number of areas including annual salary pots, principles around its fair distribution and other terms and conditions of employment.

Our Code of Conduct mandates employees to uphold our core values and behaviours. The 'Speak Out' whistleblowing programme allows confidential reporting of misconduct and wrongdoing. M&G's mandatory e-learning training on modern slavery requires all staff to take the session annually, and, in doing so, underscores the importance of risk awareness among our employees.

Supply chain

Supply chains have inherent human rights risks. According to the Global Slavery Index, G20 countries together import US$468 billion worth of goods at risk of forced labour per annum.

We assess suppliers with potential exposure to modern slavery based on whether they fall into a high-risk procurement category such as cleaning suppliers, goods not for resale, office equipment and facilities management. For suppliers identified as high-risk, we then endeavour to understand their approach to managing modern slavery risks through a questionnaire. This looks at whether suppliers have appropriate systems in place, for example policies, training and other relevant controls. We then make recommendations to these suppliers to help strengthen their management practices. In 2024, we have been progressively closing off actions arising from the questionnaire, to confirm suppliers are responsibly addressing exposure to risk. We always first seek to work with suppliers to address any identified gaps, prioritising issues based on their severity, rather than simply exiting from a relationship, as we recognise this is a more responsible approach.

Investments

With £345.9 billion of assets under management and administration, our influence extends far beyond our direct operations or those of our supply chains. We seek to integrate ESG across all investments where possible and financially material.

Human rights (including modern slavery) is considered within our sustainability research, particularly in sectors where risk of involvement is material. To support this, we also endeavour to screen holdings to identify high-risk companies in relation to modern slavery, using internal and external expertise and data such as the Corporate Human Rights Benchmark. In 2024, PAC engaged with underlying managers who held names flagged under this screening and M&G Investments conducted 23 engagements with 21 companies to address modern slavery and human rights concerns. If material human rights issues are identified, including modern slavery, this could also be considered under the global norms exclusion process, as outlined on the previous page.

Viability statement

In accordance with Section 31 of the UK Corporate Governance Code, the Board has undertaken a comprehensive and robust assessment of the prospects and viability of the Group.

Process for assessing long-term prospects

The Group's long-term prospects are primarily assessed through the strategic and financial planning process. Due to the long dated nature of our products, the Board considers the sustainability and resilience of the strategy and business model, as detailed on pages 10-11 and pages 6-7, over a longer time horizon. This includes the consideration of longer term themes such as technology, digitalisation, growing need for savings products and climate change which are pertinent to the Group.

The Board have also considered the output of the financial planning process reflected in the Business Plan which covers the period to December 2027. The Business Plan was approved by the Board in March 2025, following a rigorous review and challenge process.

The Business Plan contains detailed financial forecasts, including the related risks and mitigating actions over the planning period. The forecasts have been prepared based on the business model that management is deploying to deliver against our key strategic pillars, as explained on pages 10-11. The Business Plan covers all the key measures that underpin our Financial Management Framework, which includes metrics on capital, liquidity, debt and earnings.

The Business Plan considers the implications of current and emerging risks and the resulting uncertainties that these present to the achievement of the Business Plan, including the principal risks and uncertainties to which the Group is exposed, as discussed on pages 46-53. We assess these risks and uncertainties through stress and scenario testing as discussed below.

Progress against the Business Plan will be monitored regularly by the Board.

The Board also considered and reviewed the results of the annual Own Risk and Solvency Assessment (ORSA), which is an integral part of our risk management process. The process assists the Board to assess the resilience of the Group's solvency position to various risk and stress scenarios. The Board confirms that it has carried out a robust assessment of the Group's emerging and principal risks.

Period for assessing viability

The Board considers that the three-year period to December 2027 is appropriate for assessing viability. This aligns with the business planning horizon and as such, reflects the period over which key strategic initiatives will be delivered, principal risks will be managed and results will be monitored.

Assessment of viability

The Board assessed the financial and operational impact of the Group's principal risks on the ability to deliver the Business Plan. The Board reviews the principal risks to ensure that they reflect current market conditions and any changes to the Group risk profile.

As part of the strategic and financial planning process, we considered the resilience of our financial position to various combined risk scenarios.

The combined scenarios are developed by the Risk and Resilience team, with input from the Investment Office and Finance. The process is overseen by the Group Risk Committee.

The Business Plan was subjected to the following combined risk scenarios based on plausible pathways for the global economy in the context of technological developments and geopolitical uncertainty, and the resultant impact on investment performance and consumer behaviour:

- Optimistic (Productivity Boom) – AI developments help to spark a productivity boom, raising potential growth of the economy without raising inflationary pressure.
- Severe Pessimistic (Geo-Political Escalation) – Further escalations in one of the main regions of conflict leads to direct escalation between major economic blocs, disrupting trade and leading to a spike in prices of key commodities and heightened risk aversion in capital markets.
- Stagflation (Trade War) – Major economies escalate protectionist policies, driving a further supply shock high inflation, forcing central banks to remain restrictive in policy setting. The elevated nature of inflation and tight credit conditions leads to demand destruction in the real economy and a recession.

The stated scenarios were translated into impacts on various macroeconomic indicators to determine how delivery of the Business Plan is affected.

In addition, as part of its ORSA, the Group undertook reverse stress testing to determine scenarios that would result in the shareholder solvency coverage ratio falling below 100%.

The derived scenarios indicated that the Group had the ability to withstand severe events while still meeting its capital requirements and maintaining sufficient headroom to maintain viability over the projection period.

Climate risk is considered by the Board as part of its strategic oversight. It features in the assumptions and modelling performed for our Business Plan and is also assessed as part of our ORSA.

We continue to refine our climate-related scenario testing approach and to assess appropriate management actions that could mitigate the impacts of climate-related risks.

For the purpose of the ORSA, the following scenarios were assessed:

- Net zero 2050 – Global warming limited to 1.5°C by the end of the century through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050.
- Fragmented World – Assumes a delayed and divergent climate policy response among countries globally, leading to high physical and transition risks. Countries with net zero targets achieve them only partially (80% of the target), while other countries follow current policies.
- Current Policies - Only currently implemented policies are preserved, leading to high physical risks. Warming exceeds 2.9°C by 2100.
- Sudden Wake-Up Call - A major climate event leads to large economic disruption over a short-term horizon followed by a move to an accelerated transition path.

The results of the stress and scenario testing demonstrated that due to the comprehensive risk management process in place and the broad range of mitigating actions available, such as access to immediate liquidity funding and the ability to reduce dividends, the Group is able to withstand the impact in each case with regards to meeting all liabilities as they fall due.

Statement of viability

Based on the results of the procedures outlined above, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2027.

Basis of preparation

The Strategic Report presented in our Annual Report and Accounts for the year ended 31 December 2024 has been prepared in accordance with the Companies Act 2006 and the Disclosure and Transparency Rules (DTR) issued by the FCA. In accordance with Section 414C of the Companies Act 2006, DTR 4.1.8 and DTR 4.1.9, the Group is required to provide a fair, balanced and understandable review of the business, including key performance indicators to the extent necessary, and a description of the principal risks and uncertainties facing the Group.

The risk management section of the Strategic Report describes the principal risks and uncertainties on pages 46-53.

In preparing this Strategic Report we have considered the Guidance on the Strategic Report as issued by the Financial Reporting Council in June 2022.

In addition the Board has also considered the guidelines with respect to alternative performance measures (APMs) as issued by the European Securities and Markets Authority (ESMA) in October 2015 and the guidance on APMs included in the thematic review published by the Financial Reporting Council titled IFRS 17 'Insurance Contracts' Disclosures in the First Year of Application in September 2024.

Our Board believes that the APMs identified within the Strategic Report are useful for management and investors in assessing the performance of the business during the year, in conjunction with the relevant IFRS results included within the Group's consolidated financial statements.

Approved by the Board of Directors and signed on their behalf by

Andrea Rossi
Group Chief Executive Officer
18 March 2025

Governance

Chair's introduction to governance

Governance that supports our business

The Board is responsible for our long-term sustainable success, generating stakeholder value and achieving the Group's objectives

As Chair of the Board I am pleased to present the key areas of governance on which the Board has focused over 2024. We have complied with the UK Corporate Governance Code throughout the financial year. The table on the next page sets out examples of how the Board has done this for each Principle and signposts to where you can find more information.

Governance and strategy

The Board is responsible for M&G's long-term sustainable success, generating value for shareholders and contributing to wider society.

During 2024 the Board oversaw a strategic review of the Wealth segment and concluded that the competitive position in the wealth market was not sufficiently strong enough to ensure profitable growth without committing significant resources. As a result, the Board resolved to refocus and rationalise our Wealth strategy, combining the Life and Wealth operations to continue to build on our financial strength while driving simplification and efficiencies that benefit our clients, and deliver growth. I believe that our revised approach will set M&G up to achieve our strategic goals and deliver for our customers.

Culture

Having the right culture at M&G is fundamental to our strategy and the Board is committed to ensuring that our colleagues are engaged in creating the right work environment and a positive culture. The Board continued to monitor and review the actions taken to embed the new purpose approved in 2023, together with the values and behaviours aligned to our strategy and business plan.

The Board monitors culture in a number of ways and receives regular updates on people and culture, as well as insights from regular colleague surveys. We also draw on regular formal and informal sessions with colleagues to gain deeper insights into our culture. The purpose of the sessions is for Board members to have the opportunity to directly engage with, and listen to, colleagues from different cross sections of the business and to ensure we are reflecting feedback into planning and decision-making.

The Board and I strongly believe in the value of culture and demonstrating the right tone from the top, and key to our success is maintaining our positive culture.

Stakeholders

The Board takes active steps to understand the interests, needs and concerns of other key stakeholders. Ongoing engagement and active listening are vital to ensuring that stakeholder views are properly understood and appropriately represented. In particular, the Board regularly discusses and advocates for a client-focused mindset and delivery of good customer outcomes.

Board evaluation review

The Board reflects on its performance and effectiveness annually. This year, our evaluation was internally facilitated by the Senior Independent Director and the General Counsel and Company Secretary. The review included a detailed questionnaire and sought the views of Directors on a number of topics including Board composition and dynamics, stakeholders and culture, strategic and operational oversight, Board support, management and focus of meetings, risk management and internal controls, and the performance of the Board and individual directors.

Key themes were used to develop an action plan, which was reviewed and endorsed by the Board. The Board will continue to track the actions through 2025 and progress will be reviewed at Board meetings through the year.

More information about the Board evaluation and action plan is on pages 99 and 100.

Board composition and succession planning

Board composition and succession planning was a key area of focus for the Nomination and Governance Committee during 2024, helping us ensure we have the appropriate balance of the desired skills, experience, independence and knowledge.

As Chair, I consider each Director's individual contribution to the Board, together with feedback and insights from the 2024 Board effectiveness review, to confirm that all Directors are discharging their roles effectively. The Nomination and Governance Committee keeps the skills required by the Board under review as part of succession planning.

Appointments to the Board during the year included Elisabeth Stheeman and Paul Evans as Non-Executive Directors. Clare Thompson was formally appointed to the Senior Independent Director ('SID') position having been acting SID since May 2023.

Sustainability

During the year the Board approved our refreshed Group sustainability strategy, which seeks to support two themes - Resilient planet and Resilient societies – as part of a new sustainability framework. The refreshed strategy builds on our current capabilities and progress made through existing targets, business activities and partnerships. We believe that the new framework is aligned to our purpose and will support the businesses' plans to drive growth while meeting evolving sustainability regulations and client expectations.

Our climate targets have been described interchangeably as 'commitments', 'targets' and 'aims' in past reporting. To avoid ambiguity in climate reporting from this year, we have adopted a more consistent approach, labelling all targets in our climate strategy as 'targets'. This change in terminology does not necessarily reflect a change in the underlying nature of the target.

Chair's introduction to governance continued

Diversity

The Board is fully committed to leveraging the benefits of diversity of thought and life experience in our discussions. We have committed to and are currently achieving the gender and ethnic diversity targets contained in FCA Listing Rule 6.6.6 (9). I am pleased that 50% of the senior Board positions (Chair, Group CEO, SID and CFO) are held by a woman, the gender diversity on the Board is 40%, an increase from the prior year figure of 37.5% and, the Board continues to meet the requirement of at least one of its members to be from an ethnic minority.

AGM

The Board would like to thank our shareholders who participated in our AGM in 2024. The Board continues to view the AGM as a key point in our governance calendar. It is an opportunity to listen to views from our shareholders and for shareholders to meet and ask questions of our Board members, including Committee Chairs. We look forward to welcoming you again in 2025.

Finally, I would like to thank our colleagues for all of their hard work during 2024 and the commitment they have shown to deliver for our stakeholders.

Sir Edward Braham
Chair

UK Corporate Governance Code

The Company has complied with the principles of the UK Corporate Governance Code (the Code) throughout the financial year ended 31 December 2024 and to the date of this report, and complied with all provisions of the Code.

The table below sets out examples of how the Board has done this for each principle, enabling our shareholders to evaluate our Code compliance. We have also signposted to different parts of the Annual Report where you can find more information.

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

Code Principle	Read More
Board leadership and company purpose	
Long-term value and sustainability	Page 92
Culture	Page 92
Shareholder engagement	Page 92
Other stakeholder engagement	Pages 92-93
Conflicts of interest	Page 103
Role of the Chair	Page 94
Division of responsibilities	
Non-Executive Directors	Page 94
Independence	Page 96
Composition, succession and evaluation	
Appointments and succession planning	Page 96
Skills, experience and knowledge	Pages 89-91
Length of service	Pages 89-91
Evaluation	Pages 99-100
Diversity	Page 96
Audit, risk and internal control	
Audit Committee	Pages 104-109
Integrity of Financial Statements	Pages 104-109
Fair, balanced and understandable	Page 105
Internal controls and risk management	Page 106
External auditor	Page 107
Principal and emerging risks	Pages 46-53
Remuneration	
Policies and processes	Pages 120-128
Alignment with purpose, values and long-term strategy	Pages 112-119
Independent judgement and discretion	Pages 120-128

Board of Directors

Experienced leadership

We have a diverse Board, with a balance of skills, experience and specific strengths, providing different perspectives in Board decision making

Sir Edward Braham

Chair

N – Chair

Appointment: 14 March 2022

Relevant skills and experience

Sir Edward Braham joined as Chair in March 2022. Edward was previously the Senior Partner of Freshfields, the global law firm, and before that, Global Head of its Corporate practice. While the 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.

Other appointments

- TheCityUK (Chair of International Trade and Investment Group)
- HM Treasury (Non-Executive member of the Board)
- Lord Mayor's Appeal Advisory Board (Chair)
- Modern Slavery and Human Trafficking Commission (Commissioner)
- Charities Aid Foundation (Trustee and Chair-elect)

Clare Thompson

Senior Independent Director

A – Chair R R N

Appointment: 7 May 2019

Relevant skills and experience

Clare Thompson is an experienced Non-Executive Director with a deep understanding of the insurance sector and extensive financial services and audit experience.

Clare spent 23 years as lead audit partner in major financial services groups at PwC, predominantly in the insurance and investment sectors. Since stepping down from her executive career, Clare has held several non-executive directorships. Her previous non-executive director roles include Direct Line Group and The British United Provident Association Limited (Bupa).

Clare is Chair of Investment Funds Direct Limited. Also Clare is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments

- Financial Reporting Council (Non-Executive Director/Senior Independent Director)

Andrea Rossi

Group Chief Executive Officer

Appointment: 10 October 2022

Relevant skills and experience

Andrea Rossi was appointed Group Chief Executive Officer in October 2022. He has more than 25 years of experience in financial services, in particular in the global asset management and insurance sectors. He was CEO of AXA Investment Managers and a member of the AXA Group Executive Committee for six years. Before that Andrea spent five years as CEO of AXA's Italian Insurance business. He also held a number of senior roles across AXA's insurance businesses in France, the Mediterranean and Middle East regions.

Before joining M&G, Andrea was a Senior Adviser to the Boston Consulting Group on Insurance and Asset Management within the firm's Financial Institutions practice.

Andrea graduated from INSEAD with an MBA in 1994, and holds an MsC in Economics and Commerce from the University of Rome, 'La Sapienza'.

Other appointments

- REsustain (Non-Executive Director)
- ARRM Capital Limited (Director)

Kathryn McLeland

Chief Financial Officer

Appointment: 3 May 2022

Relevant skills and experience

Kathryn McLeland was appointed as Chief Financial Officer in May 2022. She is responsible for managing the financial resources of the Group, aligning Group-wide business and transformation priorities, and ensuring robust governance and compliance with regulatory requirements. Kathryn joined M&G from Barclays PLC, where she was Group Treasurer from 2018. She held several senior roles at Barclays since joining there in 2001, including Head of Equity Investor Relations and Head of Investor Relations. Previously, Kathryn held investment banking roles at Merrill Lynch and Salomon Brothers International. Kathryn served as a member on the FCA Listing Authority Advisory Panel.

Other appointments

- None

Key

R Risk Committee A Audit Committee R Remuneration Committee N Nomination and Governance Committee

Clive Adamson

Independent Non-Executive Director

R – Chair A N

Appointment: 22 March 2019

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. As well as his Board role, he is Chair at Ashmore Group PLC and holds a number of Board positions within the J.P. Morgan Chase Group. Until January 2025, Clive was a Non-Executive Director and Chair of the PAC Risk Committee. He was previously a Non-Executive Director and Chair of the Risk Committee at Virgin Money and a Senior Adviser at McKinsey & Co.

Other appointments

- Ashmore Group plc (Chair)
- J.P. Morgan Europe Limited (Chair & Audit Chair)
- J.P. Morgan Securities Plc (Non- Executive Director & Audit Chair)
- Nutmeg Savings and Investment Limited (Chair)

Clare Chapman

Independent Non-Executive Director

R – Chair N

Appointment: 15 March 2021

Relevant skills and experience

Clare Chapman is 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 includes 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, covering West and Central Europe, and Quaker Oats in Chicago and London. She also has experience in the Asian market.

Clare's previous non-executive experience includes chairing the remuneration committees at Kingfisher, G4S and Heidrick & Struggles International. She was also a Trustee at Reconciliation Leaders Network.

Other appointments

- ACAS (Chair)
- The Purposeful Company (Co-Chair and Steering Group Member)

Paul Evans

Independent Non-Executive Director

A R R

Appointment: 1 October 2024

Relevant skills and experience

Paul is an experienced senior business leader in financial services, with deep experience in life insurance. He brings international experience of regulated risk management and governance frameworks. He is currently Chair of Allianz Holdings plc and Non-Executive Director and Chair of the Audit Committee of Bupa. He spent 17 years at AXA in a variety of senior roles in life insurance, wealth management and asset management, including as Group CEO of AXA's Global Life, Savings and Health businesses with responsibility for global asset management. Prior to joining AXA, Paul spent 13 years with PwC as a Chartered Accountant.

Other appointments

- Allianz Holdings plc (Chair)
- Bupa (Non-Executive Director and Chair of Audit)

Dev Sanyal

Independent Non-Executive Director

A R

Appointment: 16 May 2022

Relevant skills and experience

Dev Sanyal is the CEO of VARO Energy Group, a Swiss-based diversified energy company. He has been in this position since 1 January 2022. Until 2021, Dev was a member of bp's Group Executive committee for over a decade. His 32-year career at bp included heading the Gas and Low Carbon Energy business globally; Chief Executive, Alternative Energy; as well as being responsible for bp's Europe and Asia regions. Prior to that, he was Group Treasurer and Chairman, bp Investment Management; Chief Executive Air bp International and Chief Executive, bp Eastern Mediterranean. Dev was also an independent Non-Executive Director of Man Group between 2013 and 2022.

Other appointments

- VARO Energy Group (Chief Executive Officer)
- Centre for European Reform (Member of Advisory Board)
- Tufts University, The Fletcher School of Law and Diplomacy (Member of Advisory Board)

Elisabeth Stheeman

Independent Non-Executive Director

A R

Appointment: 1 August 2024

Relevant skills and experience

Elisabeth has over 30 years' executive experience in global blue chip organisations across a range of different sectors, including banking, real estate, private equity and investment management. She served on the Bank of England's Financial Policy Committee until February 2024 and the Bank of England's Financial Market Infrastructure Board until December 2023. Prior to this, Elisabeth was the Global Chief Operating Officer for LaSalle Investment Management and prior to that worked at Morgan Stanley for almost 25 years across a variety of sectors including Real Estate and the Financial Institutions Group.

Other appointments

- The Edinburgh Investment Trust plc (Chair)
- W. P. Carey Inc, (Non-Executive Director)
- Deloitte's North & South Europe Board (Member)
- Deloitte UK Oversight Board (Member)
- Deloitte's Audit Governance Board (Member)
- Asian Infrastructure Investment Bank (External Member of the Audit and Risk Committee)

Board of Directors continued

Massimo Tosato

Independent Non-Executive Director

R

Appointment: 1 April 2020

Relevant skills and experience

Massimo Tosato has 40 years' experience as an investment banking and international asset management entrepreneur and senior manager. Massimo's career has included 21 years at Schroders, where he was Chief Executive of Schroder Investment Management Limited and Executive Vice Chairman of Schroders plc. He has also held non-executive Board positions at Pictet Asset Management Holding (Geneva) until March 2020, Nutmeg, Banca Nazionale del Lavoro, and served as Vice President of the European Fund and Asset Management Association. He was on the Board of Overseers of Columbia Business School in New York until June 2022. Massimo served as an Advisory Board member of Trilantic Europe Capital Partners LLP until January 2022.

Other appointments

- Banca Investis SpA (Non-Executive Chair)
- Axyon AI (Member of Advisory Committee)
- TheCityUK (Co-Chair of the Anglo Italian Financial Services Dialogue)
- Trinity investments (Advisor)
- Delbycrest Limited (Non-Executive Director)
- Montpelier Investimenti srl (Sole Director)
- Tenuta Villa Pinciana società agricola simplice (Co-Managing Partner)

Charlotte Heiss

General Counsel and Company Secretary

Appointment: 5 June 2023

Relevant skills and experience

Charlotte Heiss has over 20 years' experience advising a number of blue-chip companies across a range of sectors on legal and governance matters. She joined from The Very Group, where she was Group General Counsel and Company Secretary, responsible for the oversight of corporate governance and ESG, as well as legal, risk and compliance. Prior to that, she spent 11 years at RSA Insurance Group, including five years as Group General Counsel and Company Secretary leading a global legal and company secretarial team. She started her career at Linklaters.

Other appointments

- Trustee, Family Action

Key

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

Board diversity

The FCA Listing Rule 6.6.6 (9) sets out a number of requirements for Board diversity based on the following targets:

- At least 40% of M&G's Board are women (including those self-identifying as a woman).
- At least one of the senior board positions (Chair, Chief Executive Officer (CEO), Senior Independent Director (SID) or Chief Financial Officer (CFO)) is a woman (including those self-identifying as a woman).
- At least one member of the Board is from a non-white ethnic minority background (as referenced in categories recommended by the Office for National Statistics (ONS)).

The Board continues to meet the requirement for at least one of its members to be from an ethnic minority. Currently, 50% of the senior Board positions (Chair, CEO, SID and CFO) are held by a woman and gender diversity on the Board is 40%. M&G therefore met the 40% target as at 31 December 2024. See page 103 for further details.

Gender	Number of our Board members	Percentage of our Board	Number of senior positions on our Board[i]	Number in executive management	Percentage of executive management
Men	6	60	2	6	60
Women	4	40	2	4	40
Ethnic Group					
White British	6	60	2	6	60
Other white (including minority-white groups)	3	30	2	3	30
Mixed/multiple ethnic groups	—	—	—	—	—
Asian - Asian British	1	10	—	—	—
Not specified/prefer not to say	—	—	—	1	10

All data in graphs and tables are as at 31 December 2024. Data relating to the gender and ethnic diversity of the Board was collected by way of a questionnaire. This questionnaire asked Board members individually to disclose their gender identity and ethnic background, on a voluntary self-reporting basis, by selecting options aligned with those in the left-hand columns of the table above (and therefore included the option not to specify an answer). M&G employees (including executive management) are encouraged to confirm their gender and ethnicity at the onboarding stage, on a voluntary self-reporting basis, by selecting options (which include the option not to specify an answer). Data relating to the gender and ethnic diversity of executive management was sourced from this existing data, which is held within M&G's secure HR system.

i Chair, CEO, SID and CFO.

Corporate Governance Report

Board leadership and company purpose

Board responsibilities

The M&G Board is collectively responsible for our long-term, sustainable success, the delivery of sustainable value to our stakeholders, and contributing to wider society.

The responsibilities of the Board include:

- providing leadership, setting the strategy and maintaining high standards of governance
- leading the development of our culture, values and behaviours
- providing oversight of the execution of our strategy and holding management to account for financial and business performance
- ensuring the necessary resources are in place for the Group to be able to meet its objectives and measure performance against these
- being responsible for ensuring there is a framework of prudent and effective controls, which enable risk to be assessed and managed
- ensuring that its responsibilities to shareholders and stakeholders are met, including through effective engagement and dialogue with key stakeholders, particularly shareholders, customers, colleagues and the regulators.

Culture, values and behaviours

The Board understands the importance of culture and setting the tone of the organisation from the top and embedding it throughout M&G. During the year, the Board received updates from management on the progress being made to embed the new purpose statement and behaviours. Our purpose is aligned with our culture and strategy, and positions us to achieve against our strategic pillars: profitable growth, simplification, and financial strength targets.

The Board has approved the approach to culture measurement, which includes consideration of a culture insights report at least twice a year, and a culture dashboard as a primary method for monitoring culture.

Additionally, the Board assesses culture when reviewing and discussing the outputs and themes from regular colleague surveys. The culture dashboard includes colleague and culture insights on a range of matters including: safe; respectful; inclusive; client-centric, accountable; and one team.

In 2024, the Board considered and endorsed the actions proposed by management to further improve culture, which included:

- additional actions to embed the strategic drivers and priorities across M&G
- continued work to address barriers to execution to ensure the delivery of good customer outcomes
- ensuring that support and clear communication are provided during any transformation projects.

Stakeholder engagement

The Board seeks to understand the interests, needs and concerns of shareholders and other key stakeholders (including customers, colleagues, and regulators) to enable M&G to pursue long-term sustainable success.

For more information on how we engage with our stakeholders as well as how the Board has discharged its duties under Section 172 of the Companies Act, see pages 34-39 of the Strategic Report.

Shareholder engagement

We believe that regular, ongoing engagement with key stakeholders and, in particular, our shareholders is central to good corporate governance. Our Investor Relations (IR) team, reporting to our Chief Financial Officer, is responsible for managing institutional shareholder engagement and ensuring it is effective and comprehensive.

Throughout 2024, management regularly met and engaged with shareholders as part of results roadshows, at investor conferences and at sell-side analyst events.

We held a mix of in-person and virtual meetings to maximise investor engagement, encourage the participation of overseas investors and manage time efficiently. Across 2024, we held over 164 engagements with institutional equity and debt investors, primarily from the UK. We achieved broad coverage of our existing register, meeting with over 43% of our active shareholder base.

The Chair, Senior Independent Director and Chairs of each Board Committee are always available to engage with major investors, typically to discuss corporate governance matters.

In 2024, the Chair engaged with shareholders on matters including sustainability, remuneration and Board composition, as well as performance against the Group's strategy. The Chair of the Remuneration Committee consulted with major shareholders and proxy voting agencies to understand their views on the proposed approach for our Remuneration Policy and key executive remuneration decisions.

Further details and the outcome of this engagement are included within the Directors' Remuneration Report from page 112.

The Board receives a report on investor relations matters at least quarterly, including feedback from investors, market expectations of financial performance and updates on share register composition. Our Corporate Brokers also provide the Board with advice on market sentiment, input on market communications and share register analysis.

In addition to information on strategic, financial, and operational performance, the Group engages with shareholders and relevant shareholder advisory agencies on sustainability matters. The Group produces regular sustainability reporting detailing our approach. This can be found on our website.

Board leadership and company purpose continued

Our AGM provides the opportunity for all shareholders to meet and to put questions to the Board. We were delighted to host a hybrid AGM in 2024. We encourage shareholders to use virtual meeting technology to ask questions 'live' and to pre-register questions in advance. The virtual meeting technology enables shareholders to vote on AGM resolutions 'live' in the meeting.

Recognising that joining our full year and half year results conference calls is not always possible, we ensure that recordings of these presentations are accessible to all shareholders via our website. We provide additional dedicated services to our retail shareholders via the Group Secretariat team and our registrar, Equiniti.

Workforce engagement

The Board believes that having a diverse team of colleagues makes us more dynamic, fosters innovation and boosts performance. The Board continues to support senior leadership goals for ethnic and gender diversity. The Board regularly tracks progress against these through diversity and inclusion (D&I) reporting.

Information on D&I can be found in Our Colleagues section on pages 40-43

To comply with the provision of the Code relating to workforce engagement, the Board has determined it would have collective responsibility for employee engagement. The Board believes that Non-Executive Directors' regular meetings with colleagues across different geographies and seniority, supplemented by colleague surveys and culture insight reporting, are effective.

These methods facilitate meaningful, two-way dialogue between the Board and colleagues to gain insights into culture, and to understand colleague views and interests. It also inputs into the Board's decision-making process by ensuring meaningful engagement on how feedback is considered and acted upon.

Engagement during 2024 included seven sessions between Non-Executive Directors and colleagues, together with various sessions with colleagues as part of the Board's site visit to Kildean, Stirling in September 2024 and a Town Hall in London in June 2024. The engagement sessions in Kildean between the Board and colleagues included: a community roadshow; a people manager session; a talent session; and a customer call centre session where the Non-Executive Directors were able to listen in to live customer calls. The Board also held a Townhall with colleagues hosted by the Group CEO and General Counsel and Company Secretary.

Feedback on themes from direct engagement sessions between the Board and colleagues are documented and shared with the Non-Executive Directors and the Chief People Officer, to ensure appropriate follow-up and action as applicable. Management regularly reports to the Board on a range of people matters, topics and themes, which the Board takes into account when making decisions.

Further information on colleague engagement is in the stakeholder engagement section on page 37.

Corporate Governance Report

Division of responsibilities

Our governance structure is designed to support 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, and is responsible to shareholders for creating and delivering sustainable shareholder value.

Board

The Board is specifically responsible for a range of matters, which include:

- approving M&G's strategic aims and objectives
- setting our purpose, standards, and culture
- approving the annual Group's financial budgets and business plan
- approval of effective risk management and internal control processes
- taking strategic decisions
- the approval of specific matters.

The matters that require Board approval are contained in a Schedule of Matters Reserved for the Board.

Chair, Group CEO and Non-Executive Directors

In discharging its responsibilities, the Board is supported by management and ensures a clear division of responsibilities between the Chair, the Group Chief Executive Officer, the Senior Independent Director and the Non-Executive Directors.

Day-to-day management of M&G is delegated to the Group Chief Executive Officer. The division of responsibilities between the roles of the Chair, Chief Executive Officer and Senior Independent Director are documented in accordance with the principles and provisions of the Code.

The role of the Non-Executive Directors includes providing constructive challenge, strategic guidance, offering specialist advice, and holding management to account.

During the year, the Chair of the Board engaged with Directors between Board meetings to discuss business and strategic issues. The Chair and the Non-Executive Directors met regularly during the year without the Executive Directors being present.

The Board spent significant time getting to know the new members of the Board and executive management team.

Comprehensive papers, comprising an agenda and formal reports and briefing papers are sent to Directors in advance of each Board and Committee meeting.

Board Committees

The Board delegates specific responsibilities to Board Committees, which operate within clearly defined terms of reference approved by the Board. In compliance with the Code, the Board has established an Audit Committee, a Nomination and Governance Committee and a Remuneration Committee. We have also established a separate Risk Committee.

The Terms of Reference for each Board Committee are reviewed and approved annually by the Board and are available to view on our website.

The Committee Chairs are responsible for reporting to the Board on the Committees' activities and do so following each Committee meeting.

Chairs' Forum

The Chairs' Forum is composed of the Chairs of M&G Group Limited (MGG), The Prudential Assurance Company Limited (PAC) and the Group Chair, with the Group CEO being invited to meetings as needed. This provides an opportunity to engage on common themes, matters of escalation, and other topics of interest. During the year, this included: strategic matters; Board effectiveness and succession planning; customer outcomes; people and culture; regulatory matters; sustainability; and financial performance and business plan.

Subsidiaries

Independent Non-Executive Directors are appointed to the Boards of MGG and PAC relating to the Asset Management and Life businesses respectively.

MGG and PAC both have a Board of Directors led by an independent Chair, and Audit and Risk Committees, composed entirely of independent Non-Executive Directors. During the year, the Board of the Company and the Boards of these material subsidiaries had a full day meeting discussing strategic topics and priorities.

The Life business also has a With-Profits Committee, which is composed of independent non-executives, and an Independent Governance Committee, which is composed of a majority of independent non-executives.

The Nomination and Governance Committee provides oversight of the governance arrangements for the material subsidiaries.

Executive governance

There is an executive governance framework, which includes details of how the members of the Group Executive Committee discharge their duties and regulatory responsibilities, make decisions in adherence with the Delegated Authority framework, and how the management committees, in their business or function, support their decision-making and governance processes.

The members of the Group Executive Committee are:

- Group Chief Executive Officer
- Chief Financial Officer
- M&G Asset Management Chief Executive Officer
- M&G Life Chief Executive Officer
- Corporate Affairs Director
- Chief Risk and Compliance Officer
- Chief Strategy and Transformation Officer
- General Counsel and Company Secretary
- Chief People Officer
- Chief Information Technology Officer

The Chief Auditor is an invitee to all Group Executive Committee meetings.

Division of responsibilities continued

M&G plc Board

The Board sets the purpose, strategic direction, and risk appetite for the Group and is the ultimate decision-making body for matters of Group-wide strategic, financial, regulatory or reputational significance. The matters that are reserved for the Board's decision include business strategy and culture, financial reporting and controls, Board and Committee appointments, capital expenditure and any major acquisitions, mergers or disposals, communications with shareholders and other stakeholders, risk management and internal control matters, and the appointment and removal of the Company Secretary. The Matters Reserved for the Board can be found on our website.

The Board has established the following committees to assist in fulfilling its oversight responsibilities:

Audit Committee

- Financial reporting: monitoring the integrity of the consolidated financial statements, related announcements and other financial information provided to shareholders and other stakeholders.
- Reviewing the framework of internal control and risk management systems.
- Reviewing and approving the internal and external audit plans.
- Approving the whistleblowing procedures and policy.
- Sustainability reporting oversight and the development of assurance approach in relation to this reporting.

Risk Committee

- Advising the Board on M&G's overall risk appetite, risk tolerances and risk strategy.
- Reviewing the Risk Management framework and advising the Board on its overall effectiveness.
- Providing input to the Audit Committee's review of effectiveness of the internal control framework.
- Reviewing the Group Own Risk and Solvency Assessment (ORSA) and overseeing the Internal Capital Adequacy and Risk Assessment (ICARA) and ORSA processes in our subsidiaries.
- In conjunction with the Audit Committee, ensuring compliance with regulatory requirements and advising the Remuneration Committee on risk and control issues that may impact remuneration.

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 and identified staff for all 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.

Nomination and Governance Committee

- Monitoring the balance of skills, knowledge, experience, and diversity of the Board.
- Making recommendations of new appointments to the Board.
- Overseeing Board and Executive succession planning.
- When considering Board composition and succession planning, reviewing the gender and ethnic diversity on the Board.
- Reviewing the governance framework for the Group including approving any policies on internal governance.

Delegated authorities

The Board has delegated the day-to-day running of the Group to the Group Chief Executive Officer. The Executive Directors make and implement operational decisions to run the business on a day-to-day basis. To support the Group Chief Executive Officer in discharging his responsibilities, he is supported by the Group Executive Committee.

Group Executive Committee

The Group Executive 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.

Corporate Governance Report

Composition, succession and evaluation

We have a well-established corporate governance structure to oversee how we run our business

Board composition and diversity

The Board has 10 Directors: a Non-Executive Chair, a Senior Independent Non-Executive Director, six Non-Executive Directors, and two Executive Directors (Group Chief Executive Officer and Chief Financial Officer).

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 Board Committees.

Four of the Directors are women, one of the Directors is from a minority ethnic background; and two senior positions are held by women (Senior Independent Director and Group Chief Financial Officer).

The Nomination and Governance Committee regularly reviews the Board's composition to ensure there is a diverse mix of skills, knowledge and experience. During the year, this Committee also reviewed the Board composition, tenure, mix of skills and diversity on a number of principal subsidiary boards.

You can find further details on diversity and inclusion, including statistical data on gender and ethnic diversity, in our Colleagues section on pages 40-43.

Time commitment

The Nomination and Governance Committee at least annually considers the time commitment required of the Non-Executive Directors to ensure that they have sufficient time to meet their board responsibilities, together with reviewing their external appointments, potential or actual conflicts of interest, and assessing their independence.

Board independence

The Board has evaluated the independence of all the Non-Executive Directors.

In assessing each Director, the Board considers whether there are relationships or circumstances which are likely to affect or could appear to affect a Director's judgement.

The Board has concluded that each of the Non-Executive Directors are independent in character and judgement. The Chair was independent on appointment. In line with the Code, at least half the Board, excluding the Chair, are independent Non-Executive Directors. All Directors are subject to annual re-election at the Company's AGM.

Succession planning

The Nomination and Governance Committee is responsible for succession planning and for making recommendations to the Board regarding Board composition. During the year, this Committee reviewed and discussed Board composition and succession planning, and executive succession planning. You can find further details on succession planning in the Nomination and Governance Committee report, which starts on page 102.

Directors are appointed by the Board and then put forward for election or re-election by shareholders at the AGM.

All Non-Executive Directors are appointed for initial terms of three years and the appointment 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. Find out more about the remuneration of the Non-Executive Directors on page 128.

Directors' inductions, training, and development

All new Board members have a structured induction programme on appointment, which includes an overview of our business areas and functions.

At each Board meeting, the Directors receive regular updates on market and industry activities, and legal and regulatory changes relevant to M&G. The Board holds an annual strategy offsite.

During 2024, the Board received training and/or undertook deep dives on the following areas: sustainability within asset management; artificial intelligence; brand; crisis management; talent and succession; and the client and adviser experience.

The Audit Committee undertook a deep dive on Solvency II, as well as a joint deep-dive with the Risk Committee on information technology risk and controls.

All Board members are invited to participate in all sessions, regardless of Committee membership. Where appropriate, we extend invitations to relevant training sessions to Non-Executive Directors on our subsidiary boards.

Information to the Board

Board members receive formal papers in advance of each Board or Committee meeting, which provides them with the opportunity to review and challenge, and facilitates more informed decisions on the issues under consideration. The Chair and Company Secretary oversee an ongoing programme to ensure Board and Committee papers are of high quality and meet internal standards and requirements. In addition to formal Board meetings, the Chair maintains regular contact throughout the year with the Group Chief Executive Officer, 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 the year. Directors may also take independent professional advice at M&G's expense, if required.

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

Composition, succession and evaluation continued

Board and Committee attendance

The table below shows the number of scheduled Board and Board Committee meetings attended by each individual Director compared to the total number of meetings each Director was eligible to attend.

Total scheduled meetings	Board 6	Audit Committee 7	Risk Committee 6	Remuneration Committee 6	Nomination & Governance Committee 2
Clive Adamson	6/6	6/7	6/6	—	2/2
Sir Edward Braham	6/6	—	—	—	2/2
Clare Chapman	6/6	—	—	6/6	2/2
Paul Evans	2/2	1/2	2/2	1/1	—
Kathryn McLeland	6/6	—	—	—	—
Andrea Rossi	6/6	—	—	—	—
Dev Sanyal	6/6	7/7	6/6	—	—
Elisabeth Stheeman	3/3	2/2	2/2	—	—
Clare Thompson	6/6	7/7	6/6	6/6	2/2
Massimo Tosato	6/6	—	—	6/6	—

Board

There were six scheduled Board meetings held during the year, plus two joint meetings with the Audit Committee to consider our full-year and half-year results, and four short ad hoc Board meetings.

Audit Committee

There were seven scheduled Audit Committee meetings held during the year. There were also two joint meetings with the Board, and two joint meetings with the Risk Committee.

Risk Committee

There were six scheduled Risk Committee meetings held during the year. There were also two joint meetings held with the Audit Committee.

Remuneration Committee

There were six scheduled Remuneration Committee meetings and three ad hoc meetings during the year.

Nomination and Governance Committee

There were two scheduled Nomination and Governance Committee meetings held during the year.

How the Board spends its time

The Chair and Company Secretary ensure that the Board balances its agenda to cover all statutory and regulatory duties, as well as dedicating sufficient time to consider matters relating to strategy, execution, financial performance and planning, people and culture, key stakeholders, risk management and governance matters. In 2024, the agenda was weighted between regular items and specific focus areas. Our typical Board agenda allows time for:

Strategy and execution	Finance, investor relations and capital	Business matters and stakeholders	Risk, governance and regulatory
Approval of the strategy and business plan, and oversight of progress against targets, strategic objectives, investment projects and transactions, as well as approvals needed from the Board under M&G's delegated authority framework.	Review and challenge of financial performance and forecasts, together with capital and operational expenditure, capital matters, capital allocation and investment, and investor relations.	Discussion and debate on reports from Group CEO and business CEOs on strategy and execution, and key projects and programmes. Oversight of matters relating to people and culture, customers, shareholders and regulators.	Approval of Risk Appetite Statements, consideration of matters relating to risk management and internal and control. Approval of Group Governance Framework and Delegated Authority and Approval Limits.

Composition, succession and evaluation continued

The Board's year

At each Board meeting, there is a wide-ranging report from the Group Chief Executive Officer and from the Chief Financial Officer on the Group's financial performance, together with reports and/or updates from the Chairs of the material subsidiary boards and from the Committee Chairs.

During the year, the key matters considered by the Board included the following:

Key Board activities and areas of focus throughout the year	
Area of focus	**Key discussions, considerations and activities**
Customers and clients	– Customer matters, including deep dives on client and adviser experience and as part of the Board strategy offsite in Kildean. – Consideration of customer outcomes when discussing papers on strategy and business proposals. – Regular updates on customer metrics, client servicing, and key customer initiatives. – Approved the Consumer Duty Annual Report.
Strategy, execution and sustainability	– Regular updates on progress against the strategic objectives, capital expenditure and investment projects, and key projects and programmes. – Reviewed progress against our purpose, together with the behaviours and strategic drivers aligned to the Group strategy and Business Plan. – Approved strategic direction for the Asset Management and Life businesses, including the rationalisation of the Wealth business. – Approved the Business Plan, and the half-year and full-year results. – Regular updates in relation to achieving the stated targets, customer matters, people and culture, and transformation. – Annual Board strategy day at which the Group's strategy was considered and debated. – Approved the Group sustainability strategy. – Reviewed and approved the Modern Slavery statement.
People and culture	– Received regular updates on employee culture and discussed culture dashboard and insights. – Regular updates on diversity and inclusion and gender balance against targets. – Discussed the direct engagement with colleagues across the Group including during the Board site visit to Kildean, the conversations between Non-Executive Directors and colleagues as well as Town Hall meetings. – Received and discussed reports on executive talent and succession planning. – Discussed the results of the employee opinion survey 'OneVoice'. The Board endorsed the actions proposed by management in response to the feedback from the workforce.
Finance, investor relations and capital	– Reviewed and approved a detailed assessment of the Group's financial performance for the year. – Approved the annual budget and three-year strategic plan, with particular focus on capital allocation and strategic priorities. – Received updates from the Investor Relations team on views from shareholders on all aspects of the business. – Approved the Annual Report and Accounts. Approved the dividends paid to shareholders during the year. – Approved the deleveraging actions totalling £450m, including the redemption of £300m subordinated notes.
Risk management and internal controls	– Regular updates from the Chief Risk & Compliance Officer on key risk management and internal control matters, and discussion of key risks and, where applicable, risk reduction activities. – Reviewed and approved of the Group's Risk Appetite Statements and the Policy Governance Framework, which sets the requirements for all policies within the Group. – Updates on technology and operational resilience. – Updates at each Board meeting from the Chairs of the Risk and Audit Committees on matters considered by these Committees.
Governance and regulatory	– The Company Secretary and Chief Risk & Compliance Officer provide regular regulatory trends, policy guidelines and governance updates. – Undertook direct engagement with representatives from the FCA and PRA; both regulators attended a Board meeting during the year to discuss regulatory priorities. – Board changes during the year, including the appointments of Elisabeth Stheeman and Paul Evans to the Board in August and October 2024, respectively.

Composition, succession and evaluation continued

2024 Board Performance Review

Background

In line with the UK Corporate Governance Code, a Board Performance Review is undertaken annually. An externally facilitated review is carried out at least every three years. The 2023 Performance Review was facilitated externally by Dr Tracy Long of Boardroom Review, the resulting actions can be found on page 100.

In 2024, the Board carried out an internally facilitated Performance Review, facilitated by the Senior Independent Director and the General Counsel and Company Secretary.

Process

The 2024 Performance Review was undertaken internally and included a review of the Board, its Committees, the Chair and individual directors. The Review included a detailed questionnaire and sought the views of Directors on a number of topics, including Board composition and dynamics, stakeholders and culture, strategic and operational oversight, Board support, management and focus of meetings, risk management and internal controls, and the performance of the Board and individual Directors. The Senior Independent Director also undertook a review of the performance of the Chair, meeting each Director to obtain their feedback. Separately, the Chair met each Director individually to discuss their performance.

Summary of 2024 review findings

The key findings and proposed actions were presented to the Board in December 2024, which prompted an open and constructive debate on the insights and findings, and actions were agreed.

The Board continued to make good progress since the previous performance review. Directors were positive about the improvements made to the composition of the Board and improved meeting management and a stronger focus on the key issues affecting the Company. There was better engagement observed between the Board and management on strategy and key decisions.

Key themes emerging from the Board discussion were used to develop a number of agreed action points, which are summarised below.

The review found that the Board and its Committees are performing effectively and that the Board has the appropriate skills, experience and knowledge to ensure that the Board and its Committees are able to discharge their duties effectively.

Themes	Overview of actions
1. Board and Committee decisions Ensure past decisions are reviewed.	– Continue to embed the process for reviewing the effectiveness of past decisions and capturing the lessons learned within the Schedule of Business.
2. Strategy and execution Ensure that products and innovation are being considered effectively and at the appropriate organisational level.	– Continue to embed the division of responsibilities between key decision-making boards and committees. – Greater insights on competitors, products and innovation and improve the flow of information from material subsidiaries.
3. Board and Committee information Further improve the metrics and information relating to key topics.	– Continue to focus on improving management information relating to matters including data and digital, sustainability and greater insight on customer, clients and external perspectives.

The Board is fully committed to making the improvements identified. The work will continue through 2025 and progress will be updated in next year's Annual Report.

Composition, succession and evaluation continued

2023 review progress

In our last Annual Report, we set out feedback from our 2023 Performance Review and the actions we planned to take over to 2024 to enhance performance. A summary of the 2023 action points and progress made in 2024 is set out in the table below.

Themes and summary actions	Progress achieved in 2024
1. Board and Committee composition and diversity Ensure composition of the Boards and Committees remain appropriate for the business.	– The Board has been strengthened in the year by the appointments of Elisabeth Stheeman and Paul Evans. Key appointments have also been made on subsidiary Boards.
2. Board, Committee and Management responsibilities Validate division of responsibilities to ensure the optimum fora for key topics and potential to reduce unnecessary duplication. Continue to focus on Board paper quality and improved planning and phasing of meetings.	– A revised delegation of authority for the Group CEO, updated matters reserved for the Board and division of responsibilities were approved by the Board. – During 2024, the Boards reviewed the division of responsibility between the Company and the material subsidiary companies in the Group to ensure that matters were being considered by the right Board or Committee. – Implemented a consistent approach for categorising Board and Committee papers. Progress has been made on further improving the timeliness, quality and length of papers.
3. People and culture Further improve talent development and performance management, which should facilitate attracting a diverse range of people to join M&G and improving internal succession.	– Winning Behaviours have been embedded throughout the year. Enhanced Board reporting on people matters have been implemented, including deep dives on talent and succession. – People matters were considered as part of strategic topics, including the rationalisation of our Wealth strategy, M&A activity, sustainability strategy, and talent and succession planning held with business CEOs. – Town Halls were held in London and Kildean during the year involving the non-executive directors and colleagues. – Chris Cochrane was appointed to the Group Executive Committee in September 2024, having joined M&G in 2018.

Corporate Governance Report

Audit, risk and internal controls

The Board is responsible for ensuring the Group's risk management framework and internal control system is maintained and remains effective.

Our internal control systems ensure the quality and integrity of our internal and external financial and sustainability reporting, as well as operational, legal and regulatory compliance. It prescribes the extent of the principal risks we are willing to take as part of our strategy.

The internal control systems are designed to facilitate management of the Group and its businesses within the Board's risk appetite, rather than eliminate the risk of failure to achieve our objectives, and can only provide reasonable, but not absolute, assurance against material misstatements.

M&G currently operates the 'three lines of defence' model to govern its approach to risk management. In the three lines of defence model, the first line is responsible for the ownership and day-to-day management of risks and is overseen by the second line Risk and Compliance function. The second line is independent of the first line, and provides oversight, advice and challenge. The third line Internal Audit function is empowered by the Audit Committee to audit the design and operating effectiveness of our system of internal controls, including governance, risk management and control processes.

The Board remains committed to instilling an appropriate risk culture and operating within a strong internal control system, with a view to continuously maturing, embedding, and enhancing risk management throughout the Group. The Board delegates some of its responsibilities to the Audit Committee and Risk Committee. The Chairs of these committees each sit on both committees to ensure that issues relevant to both committees are appropriately managed.

The Board is responsible for setting the Group's risk appetite and tolerance, following recommendation from the Risk Committee. Details on our Risk Management Framework, risk appetite and limits, principal risks and uncertainties, and emerging risks are in the Risk Management section on pages 44-53.

The Audit Committee regularly works alongside the Risk Committee to monitor the adequacy and effectiveness of our internal control systems and risk management systems. The Audit Committee reports regularly to the Board on its activities. Details on the Audit Committee's activities in 2024 are on pages 104-109.

The Risk Committee assists the Board in fulfilling its responsibilities by advising on risk strategy and overseeing the development, implementation, and maintenance of the Group's Risk Management Framework and the Group Risk Appetite statements. The Risk Committee reports regularly to the Board on its activities. Further details on the activities of the Risk Committee can be found on pages 110-111.

The Remuneration Committee ensures that our compensation structures place appropriate weighting on colleagues adopting our behaviours and risk culture to deliver the Group's strategy and achieve the objectives to deliver long-term, sustainable success for the Group. Further details on the activities of the Remuneration Committee can be found on pages 112-119.

Remuneration

The Board has established a Remuneration Committee composed of independent Non-Executive Directors. Details of its responsibilities, activities, and areas of focus are set out in the Committee report on pages 112-119.

The Remuneration Committee has determined that our Remuneration Policies and practices are designed to support M&G's strategy and promote the Group's long-term sustainable success.

Remuneration for executives is aligned to M&G's purpose and values, and is clearly linked to the successful delivery of M&G's strategy.

Details regarding remuneration policies and practices, together with the procedure for developing policy on executive, senior management, and workforce remuneration is in the Directors' Remuneration Report, which starts on page 112.

Nomination and Governance Committee Report

Nomination and Governance Committee Report

Nomination and Governance Committee composition

- Sir Edward Braham (Chair)
- Clive Adamson
- Clare Chapman
- Clare Thompson

Priorities for 2025

- **Continue to keep Executive Committee succession planning under review**
- **Ensure that the balance of skills, knowledge and experience on the Board is appropriate to lead the Group**
- **Refresh Group Governance Framework and subsidiary governance policies**

Dear Shareholder

As Committee Chair, I am pleased to report on the key activities undertaken by the Committee in 2024. Key matters we discussed throughout the year included Board and Committee composition, Executive Committee succession planning, Diversity & Inclusion goals, and oversight of the Board composition of material subsidiaries.

Committee purpose and responsibilities

The Nomination and Governance Committee is responsible for monitoring the balance of skills, knowledge and experience, as well as the diversity of the Board. It is also responsible for making recommendations of new appointments to the Board and overseeing Board and senior management succession planning.

Further details can be found in the Committee's terms of reference, which are reviewed annually and available on our website.

Board composition, succession planning and performance

The Committee's primary responsibilities are to ensure that Board composition is appropriate and to keep succession planning of both Board and Senior Management roles under ongoing review. The Committee refreshed its Skills Map for the Board during 2024 and to incorporate the skills and experience added to the Board through its appointments of Elisabeth Stheeman and Paul Evans. Our Skills Map enables us to objectively identify and track the skills required on the Board, and to plan for emergency and longer-term succession.

The 2024 Skills Map review demonstrated the Board has a strong blend of skills overall. The highest aggregated scores were Strategy, M&A, Regulatory, UK Listed Company, Change & Transformation, Risk Management, People and Finance. Areas identified for potential further strengthening were Technology, Digitisation and Data. The appointments of Ms Stheeman and Mr Evans during the year further enhanced the Life and Asset Management experience on the Board.

Executive Directors – skills mapping and succession

The Committee reviews the skills of the Executive Directors and succession plans for these positions on an ongoing basis. This process helps to ensure that there are potential internal candidates for succession, who are suitably qualified and experienced and there is a diverse talent pipeline.

Executive succession planning was a key focus of the Committee during the year. The Board recognises the importance of ensuring that the business has the appropriate people in senior roles to build a strong and diverse senior management pipeline for the longer term. The Committee received updates on the succession planning for the wider senior executive group twice during the year, with deep dives of Life and Wealth businesses and the Finance function in February 2024 and a deep dive of the Asset Management business during February 2025. There will be a continued focus during 2025 on the internal succession pipeline by enhancing the current talent programme to develop future leaders ready for advancement.

Appointment process

The Committee has a duty to consider, and recommend to the Board the appointment of any new member of the M&G plc Board.

The appointment of a new Director begins with the identification of a vacancy or skills gap, together with consideration of the current gender and ethnic diversity on the Board as a whole. The Committee assesses any skills required, including the evolving needs of the Board. The Committee then works with HR to produce a clear role specification to focus recruitment activities.

Areas of focus in 2024

- Executive Committee succession planning.
- Ensuring that the balance of skills, knowledge and experience on the Board is appropriate to lead the Group.
- Providing oversight of work to meet our diversity and inclusion goals and the targets that we have set to measure progress.

Nomination and Governance Committee Report continued

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. These are both essential criteria for the selection of Board members, since the Board aim to set the right tone from the top in how we go about our work and how our Directors represent and promote M&G's culture.

During 2024, MWM was engaged to undertake an external search to identify an additional independent Non-Executive Director (iNED) candidate for the Board. MWM has no connection with M&G or our individual directors. A short list of candidates were considered by the Committee and candidates were put forward for interview, with the preferred candidate, Elisabeth Stheeman identified and recommended to the Board for appointment.

MWM actively continued their search for an iNED with deep UK Life Insurance experience to be appointed to the Board. As with Ms Stheeman, a shortlist of candidates were considered by the Committee and candidates were put forward for interview, with the preferred candidate, Paul Evans, identified and recommended to the Board for appointment.

The Committee had previously confirmed that additional Life, Asset Management and diversity considerations should be factored in for future appointments. The skills and experience in all of these areas has been enhanced by the appointments of Ms Stheeman and Mr Evans.

In April 2024, the Board also formally appointed Clare Thompson to the Senior Independent Director (SID) position. Ms Thompson had been the acting SID since May 2023.

Induction process

Structured and tailored induction programmes are prepared and, amongst other matters, cover: meeting key members of the executive management team and the external and internal auditors; an overview of the financial and business plan; stakeholder engagement; organisation structure and all relevant policies, procedures and other governance material. Both Ms Stheeman and Mr Evans had tailored induction plans, which were undertaken on announcement of their appointment.

Board independence and conflicts

The Committee takes into account the independence criteria set out in the UK Corporate Governance Code as part of the selection process for Non-Executive Directors.

The Committee, at least annually, assesses the independence of each Non-Executive Director to ensure that they can continue to fulfil their roles on the Board and provide independent challenge to the Executive Directors. In February 2025, the Committee reviewed each Non-Executive, taking into account tenure, external roles and potential conflicts of interest. The Committee determined that all Non-Executive Directors were free from any relationship or circumstances that could affect, or appear to affect, their independent judgement and therefore all Non-Executives could properly be recommended for election and re-election at our 2025 AGM as independent Board members.

In line with the Code, over half of our Board members, excluding the Chair, are independent Non-Executive Directors.

The Committee reviews potential conflicts for Non-Executive Directors on their appointment, at least annually, and in advance of taking on any additional external appointment. The Committee is supported in this by the Risk and Compliance team.

Time commitment

The Committee maintains oversight of Non-Executive Directors' time commitments, to ensure that each has sufficient time to dedicate to their role in order to discharge their responsibilities effectively. The Committee at least annually considers the number and nature of the Non-Executive Directors' external commitments and how this impacts the time required for their Board and Committee responsibilities. The Committee is satisfied that each of the Non-Executive Directors has sufficient time to undertake their role at M&G plc.

Board effectiveness

The process, results and agreed areas of focus of the 2024 Board and Committee effectiveness review are described on page 99.

Diversity & inclusion and gender balance

When considering Board composition and succession the Committee specifically reviewed the gender and ethnic diversity on the Board. The Board has committed and is currently achieving all gender and ethnic diversity targets contained in FCA Listing Rule 6.6.6 (9). At present, 50% of the senior Board positions (Chair, Group CEO, SID and CFO) are held by a woman, the gender diversity on the Board is 40%, an increase from the prior year figure of 37.5% and the Board continues to meet the requirement of at least one of its members to be from an ethnic minority. The Board also considers gender diversity on the boards of its material subsidiaries and reviewed the progress against the Group's diversity commitments for all colleagues at half year and full year.

Governance of material subsidiaries

The Committee provides oversight of the governance arrangements of its material subsidiaries in the Asset Management and Life businesses. During the year, the boards of key subsidiaries took part in a skills assessment to identify the current blend of skills, knowledge and experience and to recognise potential areas where they might be enhanced. Both material subsidiary boards appointed iNEDs throughout the year and Committee members had input into the appointment processes.

The Committee considers the current blend of skills, knowledge and experience on the material subsidiary boards is appropriate in relation to the current business priorities and prospective strategic initiatives. The Committee will continue to evaluate the boards of the key subsidiaries to ensure that the composition of the boards and changes to them, continue to comply with regulatory requirements and that appropriate succession plans are in place.

Sir Edward Braham
Committee Chair

Role and responsibilities of the Nomination and Governance 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, long-term success and future viability. The Committee is also responsible for elements of diversity and inclusion leadership.

The Nomination and Governance Committee's terms of reference www.mandg.com

Membership and meeting attendance page 97

Audit Committee Report

Audit Committee composition

Clare Thompson (Chair)

Clive Adamson

Paul Evans

Dev Sanyal

Elisabeth Stheeman

Priorities for 2025

- **With the Risk Committee, monitor and oversee planned enhancements to the control environment**
- **Preparation for the implementation of changes to the UK Corporate Governance Code**
- **Ongoing development of sustainability reporting including preparations for new requirements expected to be announced**

Dear Shareholder

I am pleased to present the Audit Committee Report, which outlines the key themes we focused on during the year.

Our 2024 agenda focused on financial reporting, with an increasing spotlight on sustainability reporting as the regulatory landscape continues to develop in this area. We also continued to focus on our finance transformation plan, which we monitor alongside our business as usual activities.

The Committee has continued to focus on the overall control environment and this also encompassed the oversight controls over financial reporting processes performed by third parties. The Committee engaged with management throughout the year on changes to the Financial Reporting Council's Corporate Governance Code, particularly with regard to material controls.

We held a number of 'deep-dive' sessions during the year, including on Information Technology key controls and Solvency II assumptions and judgements. We also received updates on changes related to the Finance function, including offshoring, tax strategy and updates on the tax environment.

We continued to spend time with PwC during their third year of audit, and we ensured that we met with PwC privately without management present. We also held private sessions with the Chief Auditor without management present.

Finally, I would like to welcome Elisabeth Stheeman and Paul Evans who joined the Committee in August and October 2024, respectively. I would also like to extend my thanks to the Committee members for their support and dedication over the year.

Clare Thompson
Committee Chair

Areas of focus in 2024

- **IFRS 17:** Reviewing and recommending to the Board the full-year 2023 results, the first full-year results produced under IFRS 17, and embedding the associated new financial reporting processes.
- **External financial reporting**: Reviewing and recommending to the Board other external financial reporting, including half-year results, Solvency II Pillar III reporting, and approving the associated methodology and assumptions for each.
- **Regulatory reporting:** Reviewing and approving the 2023 Annual Report and Accounts, which included our TCFD reporting.
- **Internal controls**: Oversight of the control environment, particularly in relation to financial reporting.

Composition and Schedule

The Board considers all Committee members are independent and that the Chair has recent and relevant experience. The Committee's overall experience of financial reporting and accounting matters has been further strengthened during the year through updated membership. Details of Committee members' relevant skills and experience are on pages 89-91.

In 2024, there were seven scheduled Audit Committee meetings held during the year. There were also two joint meetings with the Risk Committee and two joint meetings with the Board to consider our full-year and half-year results.

The Chief Auditor and PwC are standing attendees at all Audit Committee meetings.

The Audit and Risk Committees continue to work closely together, and the cross-membership principles that we follow ensure that members of both committees receive information in the most efficient way. We also receive regular updates from The Prudential Assurance Company Limited (PAC) and M&G Group Limited (M&GG) Audit Committees.

Audit Committee Report continued

Role and responsibilities of the Audit Committee

The Committee's responsibilities include, but are not limited to, reviewing and monitoring:

- The integrity of the Group's financial statements, climate-related and non-financial disclosures, and related announcements and other financial information provided to shareholders.
- The assurance processes to verify the financial and non-financial information included in the Group's Annual Report and Accounts (ARA) and half-year report.
- The effectiveness of the Group's internal controls and risk management systems.
- The effectiveness and objectivity of the internal and external audit processes and auditors.
- The effectiveness of the Group's whistleblowing procedures.
- The effectiveness of processes for compliance with laws, regulations and ethical codes of practice.

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

Membership and meeting attendance
page 97

Annual evaluation of Audit Committee performance

The process and results of the 2024 Board and Committee effectiveness review are described on page 99 together with this year's results and agreed areas of focus. An update on progress on the actions identified in last year's review is provided on page 100.

Financial Reporting 2024

The Audit Committee reviewed the full-year 2024 consolidated and Company financial statements.

The review included:

Fair, balanced and understandable

In assessing whether the 2024 Annual Report and Accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess M&G's position, we gave regard to whether:

- Information in the Strategic Report, in particular the Business and Financial Review, represents a fair reflection of M&G's performance during the year.
- Significant issues identified in this report, including key areas of judgement and estimation, as well as any other significant issues disclosed within narrative reporting, are consistent with the financial statements.
- Alternative Performance Measures (APMs) have been given equal prominence to the statutory measures, there is a clear description of their calculation and an explanation of their use and relevance.
- The treatment and classification of items within the APMs, particularly whether items are considered to be operating, is in line with the defined methodology and is appropriately disclosed. This includes the rationale for the classification of insurance related balances following the implementation of IFRS 17.
- The identified key performance measures reflect those used by management to manage, monitor and assess the results of the business, linking to the strategy.
- Key messages are clear, consistent and easily understood, without the use of excessive jargon.

Going concern and viability statements

In early 2025, we reviewed the going concern assessment undertaken by management for the purposes of the 2024 consolidated financial statements.

This included assessing M&G plc's solvency, including its sensitivity to various economic stresses across various plausible scenarios including: a baseline scenario (current market conditions), an optimistic scenario (productivity boom), a severe pessimistic scenario (geo-political escalation), and a stagflation scenario (economic stagnation combined with high inflation resulting from a trade war). The liquidity projections under these scenarios, including the impact of applying specific liquidity stresses, and the ability to access funding sources was assessed. Based on the review, we concluded that the going concern assumption remains appropriate.

In addition, we considered the associated assessment of longer-term viability to support the Viability Statement. This involved consideration of the strategic and financial planning process alongside an assessment of M&G plc's key strategic priorities, business model and forecasting undertaken as part of the business planning process.

The Board challenged the assumptions underpinning the plan, including the impact of various severe, but plausible stresses and scenarios on the ability to deliver the business plan, and concluded that the positions were both reasonable and supportable. Based on this determination, the Committee concluded that three years was the most appropriate period for longer-term viability in line with the business plan.

Sustainability reporting

We have a responsibility to review, and challenge as appropriate, any sustainability or climate-related reporting in material public documents, including but not limited to, climate-related financial disclosures required by the UK Listing Rules.

As in previous years we received regular updates during 2024 on our planned sustainability reporting, and have challenged, reviewed and approved these accordingly, including the Task Force on Climate-related Financial Disclosures (TCFD); within the Annual Report and Accounts; and our Sustainability Accounting Standards Board (SASB) disclosures.

We apply the same level of rigour to the review and challenge of sustainability disclosures as we do to the review of external financial reporting.

In relation to climate reporting in this Annual Report and Accounts, the Committee also considered the following matters and judgements in the year:

- The classification of assets, particularly in respect of Equities and Corporate Debt, in the climate metrics disclosure tables on pages 77-79 in line with Partnership for Carbon Accounting Finance (PCAF) guidance and the subsequent restatement of prior year metrics.

Audit Committee Report continued

- Scenario analysis disclosure – our scenario analysis for public assets is based on Network for Greening the Financial Systems scenarios, and for real estate and infrastructure assets based on pathways produced by the Intergovernmental Panel on Climate Change (IPCC). We recognise the significant limitations of forward-looking climate scenario analysis but judge them appropriate for continued disclosure while thinking in this area develops along with appropriate and transparent caveats. We have moved the detailed output of this analysis to the supplementary information section this year rather than including in the Strategic Report.

In relation to the mandatory TCFD reporting included in this Annual Report and Accounts, we have also reviewed and approved the Environmental Metrics Basis of Reporting (Basis of Reporting) published on our website, which has been updated in the year for the methodology updates set out above.

Our sustainability reporting continues to improve as our Group-wide approach has developed and data becomes more accurate and accessible. We recognise however that there is work to do, and we continue to be reliant upon the accuracy and availability of data received from third-party data providers. We will continue to work with management as we look to develop clear, transparent and accurate disclosures compliant with International Sustainability Standards Board requirements in the future.

Audit and Corporate Governance Reform

An updated version of the UK Corporate Governance Code (the Code) was published in January 2024. Most of the changes made to the Code apply to reporting for financial years starting on or after 1 January 2025. However, the most significant changes relate to internal controls and these will apply to reporting years starting on or after 1 January 2026.

The Committee continues to engage with management on any changes required to our processes and procedures in light of the updates to the UK Corporate Governance Code and any further reforms.

Internal controls

The Committee has a responsibility, in conjunction with the Risk Committee, to review the adequacy and effectiveness of our Risk Management Framework and internal control systems. During the year the Committee carried out a ‘deep-dive’ on information technology risk and controls and has continued to support and provide oversight to management’s embedding of the control environment.

We receive regular reports from Risk and Compliance, and from Internal Audit, 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 Key Control Assessments performed by the first Line of Defence and independent second Line of Defence testing of Key Controls including over Financial Close and Reporting Processes.

Read more about the annual assessment of risk management and internal controls on page 45.

Whistleblowing policy and framework

We are committed to a safe workplace where all colleagues can speak out and report concerns of wrongdoing in complete confidence, without fear of retaliation.

The Whistleblowers’ Champion, who is also Chair of the Committee, provides governance and oversight of our Speak Out programme, which supports our Whistleblowing policy.

Reporting to the Committee on the effectiveness and robustness of the Whistleblowing programme occurs twice a year, with discussion on any programme enhancements including planned communications and awareness. Individual cases are not discussed with the Committee. Regular meetings are also held between management, including the Group CEO, and the Whistleblowers’ Champion.

We are satisfied that our whistleblowing policies and procedures remain robust and adequate.

Internal Audit

The Committee has responsibility for overseeing the work of Internal Audit, including the independence and effectiveness of the function.

We approved the Internal Audit Charter, setting a clear purpose for Internal Audit of helping the Board and Executive Management protect the assets, reputation, and sustainability of M&G plc by providing independent and objective assurance on the effectiveness of M&G’s systems of internal control.

The Committee approved the Internal Audit risk-based plan, developed in the context of M&G plc strategy and the Group-wide coordinated assurance plan. We received regular progress updates relating to the outcome of plan delivery, key control weaknesses, emerging themes, management’s progress in resolving issues identified, and an annual evaluation of the overall control environment and risk and control culture. The plan was updated accordingly during the period to respond to the Group’s evolving risk profile and assurance requirements.

Key areas of Internal Audit’s work reported to the Committee during the year included:

- third-party oversight including material outsourcing
- major change/improvement programme
- IT and operational resilience
- financial crime risk management
- FCA’s Consumer Duty regulation
- IT and data security
- data privacy risk management
- Solvency II compliance
- enterprise risk management framework
- sustainability reporting
- international entity regulatory compliance.

Audit Committee Report continued

We conducted an annual review of the Internal Audit function to assess its effectiveness, based on regular internal audit reporting, private sessions with the Chief Audit Officer and the outcome of the Internal Audit Quality Assurance Improvement Programme. The Committee is satisfied with the effectiveness of the Internal Audit function, its independence, and the appropriateness of its resources.

External Audit

Oversight and engagement of external auditor

PwC has been M&G's external auditor since 1 January 2022, following a competitive tender process in 2020. The audit is being led for the third year by audit partner Mark Pugh.

We provide clear guidance to PwC on our expectations and hold meetings with PwC, without the presence of management, to allow the audit team to raise any concerns and remain independent and objective. The external audit plan was reviewed and approved by the Committee before the start of the 2024 year-end process.

M&G 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 2024.

The Committee has considered the Audit Committees and the External Audit: Minimum Standard published by the FRC in May 2023, and confirm compliance with this Standard.

External auditor effectiveness

Each year, together with senior management, we assess the external auditor's performance, monitor their independence, objectivity, and the effectiveness of the audit process.

In line with the latest FRC guidance, this year's review comprised:

- a survey of key internal stakeholders who interacted with PwC across the Group functions and material subsidiaries, seeking feedback on the effectiveness and efficiency of the external auditor
- feedback from key external stakeholders who interacted with PwC as part of the audit process
- consideration of the challenge provided by the auditors and the management response.

Our assessment was carried out in April 2024 and considered feedback from key internal and external stakeholders on:

- quality of resource
- overall plan and approach
- execution of the audit
- quality of communications received
- appropriate level of challenge on management's methodology and assumptions, key accounting policy judgements and exercised professional scepticism.

Based on the feedback received, it was concluded that PwC provided an effective, quality audit for M&G plc and its subsidiaries, with an appropriate level of challenge.

PwC also provided regular updates to the Committee throughout the year on their Audit Quality Indicators:

- senior team involvement – Partner to Manager
- team continuity
- management deliverables
- audit progress milestones.

A shareholder resolution was recommended to reappoint PwC as external auditors at the Annual General Meeting in May 2024. A further review of effectiveness will be carried out in April 2025, and on an annual basis thereafter.

Auditor independence policy

Our Auditor Independence Policy is reviewed at least annually and was last reviewed in December 2024.

The main purpose of this policy is to ensure that M&G and the external auditor comply with regulations and ethical standards, for example, that they are not engaged in any non-audit services that are not permitted, 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 before any engagement.

Fees paid to the auditor

Total fees paid to PwC during the year ended 31 December 2024 amounted to £19.7 million, of which £3.4 million related to non-audit services. This compares to £22.3 million paid in 2023, of which £3.0 million related to non-audit services.

The main reason for the year-on-year reduction is that the fees for the year ended 31 December 2023 included an amount of £4.3 million in relation to additional audit work as a result of first time adoption of IFRS 17. A breakdown of fees paid to PwC is in Note 9 of the consolidated financial statements.

In line with the Auditor Independence Policy, all non-audit services were approved by the Committee. We were satisfied that, considering the fees paid and services provided under the policy, the objectivity and independence of PwC was safeguarded.

Audit Committee Report continued

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 have 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 contracts and defined benefit pension liabilities	We reviewed the key assumptions and judgements presented by management in the estimation and valuation of the Group's insurance contracts and defined benefit pension liabilities. The key assumptions reviewed were: – Policyholder mortality, maintenance expenses and valuation rate of interest (including selection of reference portfolio and allowance for credit risk) used in the estimation of insurance contract liabilities for annuities. – Allowance for maintenance expenses, persistency, assumed future investment returns on the backing assets, policyholders' share of historic and future surpluses, and the illiquidity premium in setting the discount rate used in the estimation of insurance contract liabilities for with-profits policies. – The risk adjustment included when measuring insurance contract liabilities. The assessment of the risk adjustment requires assumptions about the compensation that the Group requires for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk, the most significant of which is the assumed rates of the policyholder mortality for annuity contracts. – Mortality, inflation rates and discount rates used in the estimation of the Group's defined benefit pension liabilities. We considered the rationale provided by management for the assumptions used and reviewed any benchmarking provided. We also challenged the appropriateness of management's credit assumptions given current market conditions. We were satisfied that the assumptions adopted by management were appropriate. Further information on key assumptions can be found in Notes 24 and 32 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 consolidated statement of financial position, 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, equity release mortgages, private credit (which includes securitised notes backed by residential ground rents) and investments in private equity vehicles. Specifically, in relation to the notes backed by residential ground rents, we considered the impact on assumptions of the UK Government Draft Leasehold and Commonhold Reform Bill, from which potential future legislation may potentially restrict future income. 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 the current macroeconomic environment and climate-related risk on relevant asset classes. Further information on key assumptions can be found in Note 31 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 the Group's cash-generating units. 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. Appropriate challenge was provided to management, particularly around growth rates, discount rates and terminal profit margins. We considered the results of the work performed and agreed with management's assessment that the responsAbility Investments AG cash-generating unit was impaired by £30m, the M&G Wealth platform business was impaired by £25m, and other Wealth businesses were impaired by £51m. Further information on key assumptions can be found in Note 13 of the consolidated financial statements.

Audit Committee Report continued

Critical estimate/ Key judgement	How the Committee addressed the issue
Valuation of intangibles acquired at acquisition	We reviewed the value of the IFA relationship intangible recorded as a result of the acquisition of My Continuum Financial Limited. We considered the key assumptions used to determine the value at initial recognition including the discount rate and future attrition projection. Based on the review, we were satisfied that the value of the intangible recorded at the acquisition date was appropriate. Further information on intangible assets can be found in Note 13 of the consolidated financial statements.
Specific accounting judgements applied in accounting for insurance contracts	Applying IFRS 17 requires the application of judgement in respect of the following areas: – The judgement with respect to whether contracts issued by M&G plc contain significant insurance risk, unless a specific exemption applies (eg equity release mortgages). – Judgement in respect of certain investment contracts which provide an additional benefit in addition to guaranteed benefits to determine whether they meet the criteria to be considered as discretionary participation features. – Judgement required at a contract level as to whether they meet the conditions for having direct participation features and consequently require the use of the Variable Fee Approach to measure the CSM. – Judgement required to define underlying items for with-profits contracts that reflect the mutualisation between contracts and how to split underlying items between current and future policyholders. – Judgement required to determine the amount of surplus that should be divided between current and future with-profits policyholders as well as with the Group and the amount of surplus attributable solely to the Group. – Judgement required in determining the relative weighting for the purposes of deriving coverage units where a contract provides both insurance and investment services. As part of the review of IFRS 17 methodology, we review and challenge the judgements made by management in applying IFRS 17. Further information can be found on the accounting policies at Note 1.5.2 and on the accounting treatment, at Note 24 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 exercised to determine the extent to which future taxable profits are expected to emerge and the corresponding period over which unused tax credits and unused tax losses will be utilised for recognition of deferred tax asset. 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 (M&G REH) and Prudential Financial Services Limited (PFSL) in the financial statements	Management performed an impairment assessment at the year end in relation to the Company's investment in M&G REH, which in turn is the holding company for M&G plc's main regulated entities, including MGG and PAC. As a result, the recoverable amount of M&G REH 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 a discounted cash flow assessment, which was derived from management's expectations of profits in respect of MGG and application of a discounted dividend model 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 no impairment should be recognised. Further information is disclosed at Note A to the M&G plc Company financials. Management performed an impairment assessment in relation to the Company's investment in Prudential Financial Services Limited (PFSL), which in turn is the holding company for service and advice entities within the Group. We considered the results of the work performed and agreed with management's assessment that an impairment of £115m be recognised in relation to the Company's investment in (PFSL) during the year ended 31 December 2024 (2023: £nil). The impairment relates to a group restructuring transaction, with related dividend income recognised in the Company's income statement.

Risk Committee Report

Risk Committee Report

Risk Committee composition

- Clive Adamson (Chair)
- Paul Evans
- Dev Sanyal
- Elisabeth Stheeman
- Clare Thompson

Priorities for 2025

- **Continued oversight of the Financial Crime Programme to strengthen, mature and optimise our framework, processes and controls**
- **With the Audit Committee monitor and oversee planned enhancements to the control environment**
- **Monitoring of the embedding of the UK operational resilience regulation and Digital Operational Resilience Act (DORA), including oversight of the risks relating to our third party and outsource providers**

Dear Shareholder

I am pleased to present the Risk Committee Report, which outlines our activities and work during the year.

The economic and geopolitical uncertainty during the year continued to require our close attention. As a result, we increased our oversight of non-financial and financial risks, through risk scenario assessments, deep dives and by reviewing a range of stress and scenario testing results through the Group ORSA. The output of these tests feed into the Viability Statement on page 84.

Oversight of financial crime risks is a top priority for us, and we received regular updates in respect of our Group-wide programme to strengthen, mature and optimise our framework, processes and controls as well as implement an enhanced target operating model.

We received regular updates from our business units and functions on the key risks that they face and emerging risks that they are seeking to manage. We also received Group-wide risk updates, including sessions on Consumer Duty compliance, financial crime, concentration risk, and operational resilience.

We continue to monitor and oversee the M&G transformation programme, including the execution and operating model impact risks associated with this change. This continues to aid our understanding of the impact on the overall risk profile, and we have been closely monitoring how these are managed over the remainder of the programme, with regular updates.

We continue to work closely with the Audit and Remuneration Committees. Our cross-membership principles ensure we manage conflicts and all Non-Executive Directors have the right information provided in the most efficient way.

During 2024, I served as Chair of the Risk Committee of PAC which allowed me a wider oversight of Group risk issues. I have now stepped down from the PAC Board and welcome Alastair Barbour as my successor as Chair of the PAC Risk Committee.

I would like to welcome Elisabeth Stheeman and Paul Evans who joined the Committee in August and October 2024, respectively. I would also like to welcome Shawn Gamble who joins M&G as Group Chief Risk and Compliance Officer from January 2025 and would like to thank Louise Gelling, who served in this position on an interim basis over 2024.

Clive Adamson
Committee Chair

Areas of focus in 2024

- Oversight of risks related to the execution of M&G's business strategy
- Monitoring implementation of new UK operational resilience regulation
- Oversight of the group-wide Financial Crime programme to strengthen our processes and controls
- Monitoring our top risks, including third-party and sustainability risks

Composition and Schedule

Details of Committee members' relevant skills and experience are on pages 89-91.

In 2024, there were six scheduled Risk Committee meetings. In addition, we held two joint meetings with the Audit Committee.

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 our meetings. Our CRCO provides written reports to us covering key risk matters and compliance reporting, and is available to the Committee for consultation regarding any agenda item.

Risk Committee Report continued

Review of current and emerging risks

We are responsible for reviewing the Risk Management Framework, detailed on page 44, together with a list of M&G'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's emerging and principal risks.

Risk appetite, tolerance, profile and strategy

We reviewed regular reports from the CRCO, including updates on the risk profile, key risks and issues facing M&G, emerging risks, our capital and liquidity position against appetite and our control environment. We also received regular reports from our subsidiary Board Risk Committees.

We regularly reviewed and provided advice to the Board on how the assessment and analysis of the top financial and non-financial risks facing M&G were being managed. We were also provided with 'deep-dive' reviews and presentations from executives on key risks under their management, including third-party risk, impact of the transformation programme, financial crime and conflicts of interest. We also received regular updates on business change activities and key programmes.

Sustainability risk remained a key area of focus. We reviewed the required scenarios, including climate change scenarios, on a full balance sheet basis as part of the ORSA and recommended to the Board a range of economic scenarios for business planning purposes.

Risk Management Framework and internal controls

We approved changes to the Risk Management Framework and the risk policies as part of our annual review. We also recommended updates to M&G's risk appetite and individual risk limits to the Board for approval.

Risk models and measures

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

Regulatory matters

We reviewed M&G's 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, privacy and data protection, and market abuse.

Annual evaluation of Risk Committee performance

The process and results of the 2024 Board and Committee effectiveness review are described on page 99, along with this year's results and agreed areas of focus.

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 the Group's overall risk appetite, risk tolerances and risk strategy.
- Reviewing the Group's Risk Management Framework (RMF) and advising the Board on its overall effectiveness.
- Approving the Group's risk and compliance policies and/or recommending to the Board approval of these policies.
- Reviewing current and potential future risks and the mitigation strategies for these.
- In conjunction with the Audit Committee reviewing the effectiveness of financial and non-financial controls across the Group's internal control framework.
- Reviewing the effectiveness of internal models including stress testing.
- Reviewing the ORSA and, in conjunction with the Audit Committee as required, 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.
- Receiving information, via its regular risk, compliance, regulatory and other reporting on entities that are subsidiaries of the Company and form part of the Group. The Committee is not the risk committee for those entities but has responsibility for oversight of any issues escalated to it by Group subsidiaries.

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

Membership and meeting attendance
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Directors' Remuneration Report

Directors' Remuneration Report

Remuneration Committee[i]

- Clare Chapman (Chair)
- Paul Evans
- Clare Thompson
- Massimo Tosato

Priorities for 2025

- **Further incentive scorecard alignment to strategy for 2026 including customer, risk and sustainability metrics**
- **Ensure incentives reinforce continuous improvement in the control environment**
- **Design remuneration solutions to support strategic cost and simplification initiatives**
- **Assess workforce engagement with reward schemes and the implications of increasing transparency**

Areas of focus in 2024

- Review of the Directors' Remuneration Policy in relation to executive packages and shareholding requirements
- Incentive scorecard review for alignment to strategy, growth and long-term value creation
- Remuneration aspects of transformation and change to support the achievement of strategic objectives
- Assessment of scheme outcomes for alignment with performance and stakeholders and to ensure fairness across the wider workforce

Dear Shareholder

On behalf of the Board and its Remuneration Committee, I am pleased to present the Directors' Remuneration Report (DRR) for the year ended 31 December 2024. Included are our decisions in respect of remuneration outcomes for the 2024 financial year, a review of the Directors' Remuneration Policy (DRP) and our proposed implementation of the new DRP in 2025.

I would firstly like to thank shareholders for their valuable engagement during a consultation on our proposed changes to the DRP. The Committee engaged with 30 of our largest shareholders, representing c. 70% of share ownership, and also with proxy advisory bodies and regulators. We received valuable feedback from the majority of our top shareholders, which was broadly supportive of the proposals as well as suggestions for further refinement and improvement. I have summarised the feedback we received and our final proposals for the new DRP and 2025 implementation below.

Directors' Remuneration Policy Review

In 2024, the Committee has continued its ongoing assessment of the effectiveness of remuneration arrangements and their overall alignment to our purpose and strategy. Our objectives in this review have been to ensure that our remuneration structure and performance measures are fully aligned to our strategic priorities and the delivery of longer-term future performance and value creation, and that the Executive Directors are properly incentivised to lead our growth ambitions in the coming years.

Following the successful completion of the first phase of our new strategy announced in 2023, the business is transforming at pace in challenging market conditions. Our 2024 results and strategy update demonstrate the continued progress we are making across all strategic pillars. This is a strategic pivot and critical point in our transformation journey, therefore a key priority of the Committee is to ensure that we incentivise and retain our executive team for the next phase of growth. The focus of the Committee's review has therefore been to ensure that remuneration packages and performance measures are designed to achieve M&G's ambitions and drive the continued delivery of longer-term shareholder value, recognising that any additional remuneration opportunity should be dependent on that future performance. It is in this context that the Committee has determined two primary updates:

- **Executive Director package review** - an increase in Long-Term Incentive Plan (LTIP) opportunity and shareholding requirement, which require amendments to the DRP and are presented for a binding shareholder vote at the 2025 AGM; and

i Louise Fowler is a standing attendee as a representative of the Prudential Assurance Company (PAC) Board.

Directors' Remuneration Report continued

- **Incentive plan scorecard review** - focus on the Short-Term and Long-Term Incentive financial scorecard measures, which are presented in Remuneration at a glance and the statement of implementation of the remuneration policy in 2025, and are subject to an advisory shareholder vote at the 2025 AGM.

The proposed updates to the Executive Director packages for 2025 are as follows:

- **an increase in LTIP opportunity** from 250% to 375% of salary for the Group CEO, and from 225% to 275% for the CFO;
- **an increase in shareholding requirement** from 300% to 375% for the Group CEO and from 250% to 275% for the CFO); and
- **vesting of deferred awards changing** from three-year cliff vesting to three-year pro-rata vesting in 3 equal tranches from 2025 Short Term Incentive awards granted in early 2026, to align with a policy change across our workforce reflecting market practice across many of our peers.

Base salary and STI opportunity will remain unchanged.

The Committee was mindful that M&G operates within a competitive sector and attracting and retaining executives with the requisite knowledge and experience of asset management and insurance is very challenging. Peer group market data has been carefully considered to ensure that market positioning is appropriate in light of the Executive Directors' experience, performance and strong contribution in role, and taking into account M&G's size, complexity and strategic ambition. The Committee will be mindful of the impact on total remuneration when considering future salary reviews as a result of the package rebalancing and intended market positioning.

The proposals have been carefully structured to ensure that any increase in overall remuneration will only be realised if long-term performance objectives are delivered over time, with higher shareholding requirements to further enhance long-term shareholder alignment. Full details of our approach to determining these proposals is provided from page 117.

2025 Incentive Scorecard Review

The proposed incentive scorecard changes for 2025 have been focused on further alignment with our purpose and strategy. Increased alignment to our growth ambitions and external strategic targets was the primary objective for the Committee with two principal changes:

- a Net Client Flows measure will be introduced to the financial section of the Short-Term Incentive (STI) scorecard; and
- an Adjusted Operating Profit Growth measure will be introduced to the financial section of the LTIP scorecard alongside the Operating Capital Generation measure.

These changes will provide an improved balance between value and growth measures in the financial element of the scorecards (with the non-financial elements continuing to focus on customer, colleagues, risk and sustainability) and embed alignment of the Executive Directors' remuneration outcomes to our longer-term strategic targets through the LTIP scorecard:

- 3-year Operating Capital Generation target of £2.7bn aligned to our strategic target with significant outperformance stretch in the performance range; and
- average growth in adjusted operating profit of 4-8% per annum over 3 years, with a midpoint/target outcome positioned in excess of our strategic objective to grow by 5% or more over the period with further stretch in the performance range.

We have also continued to refine the non-financial measures in the LTIP scorecard reducing the weighting for sustainability in 2025, as it will only incorporate diversity measures. Given the significant progress made in respect of own emissions, with the 2024-26 LTIP scorecard already aligned to achieving the external reduction target three years early, the Committee considered it more appropriate to remove this metric for 2025 and focus the scorecard on other measures. Refinement of our sustainability strategy is due to be completed during 2025 and the Committee will therefore review sustainability measures again for 2026 once the wider strategic review is complete.

Full details of the 2025 incentive scorecard changes and new measures are provided in Remuneration at a glance and the implementation report for 2025.

Engagement with stakeholders

We were very pleased to be able to engage with the majority of our largest shareholders, proxy advisory bodies and regulators during the consultation.

Shareholder questions and feedback primarily focused on the strategic rationale, timing and benchmark methodology/positioning for the package review proposals. The proposed increase to shareholding requirements was welcomed, with very clear feedback from some shareholders and proxy advisers that a minimum shareholding requirement must be at least as high as the annual LTIP opportunity.

Our proposal to introduce Adjusted Operating Profit growth as an additional financial measure to the LTIP scorecard, aligned with our strategic growth objectives, was well received by shareholders. We subsequently proposed to introduce Net Client Flows from open business as a new STI financial measure after the initial consultation, as an additional growth metric.

Our rationale to revise our use of sustainability measures aligned with shareholder feedback on their expectations for the structure of non-financial measures. Feedback generally reinforced shareholder expectations that measures should provide genuine strategic alignment, with meaningful weighting to impact behaviours and have stretching targets. We received some further observations on the overlap of measures between the scorecards. The Committee reviewed the STI and LTIP metrics against our Key Performance Indicators over both the short and long term, seeking to reduce overlap where appropriate. The Committee will keep this under review.

Further details of the consultation process, feedback and how we have reflected this in our final proposals is provided on pages 119 and 134.

Performance delivered in 2024

In 2024, we have continued to deliver progress on our strategy, focused on financial strength, simplification, and profitable growth. There have been significant achievements, including the upgrade and achievement of our 3-year operating capital generation target, a reduction in debt and leverage ratio, further upgrades to our cost saving target with improvements

Directors' Remuneration Report continued

in the Asset Management cost-income ratio and achievement of 5% growth in Adjusted Operating Profit.

Our capital position remains strong with our shareholder Solvency II ratio increasing 20 ppts to 223%, maintaining strong momentum from the previous year to outperform our three-year cumulative operating capital generation target for the 2022-24 LTIP award and our strategic external target to achieve £2.7 billion by the end of 2024, which was upgraded from the original target of £2.5 billion in September.

With the continuation of our dividend policy in 2024, shareholders realised a total return of 33.5% for the 3-year period from 1 January 2022, above the median of the 2022 LTIP peer group of FTSE 100 financial services companies.

2024 Short-term Incentive Plan

The performance measures driving the outcome of the 2024 Short-Term Incentive (STI) scorecard are summarised below.

Financial performance in 2024

Since 2023, when we moved to a new basis of accounting for insurance contracts (IFRS 17), we have adopted an STI profit measure taking account of operating change in contractual service margin (CSM). Operating change in contractual service margin gives a view of economic value generated by including the impact of new business written and management actions taken in the period. By adding the two metrics together, executive remuneration is better linked to strategic actions in the performance period in which they have been made. To align with our strategic decision to re-enter the de-risking market, our operating capital generation measure was refined to exclude capital strain on writing new business, which aligns with our 3-year strategic target.

AOP plus operating change in CSM of £1,131 million was above target in 2024 due to a higher AOP plus operating change in CSM from the shareholder annuities in the Life business and higher than expected AOP from Other Life, following actions taken to reduce costs.

Operating Capital Generation (excluding new business strain) of £1,090 million was above the maximum. Performance in 2024 was driven by higher than planned operating capital generation from both the Asset Management and Life businesses.

Non-financial performance in 2024

Non-financial measures focus on our customers and colleagues, and ensuring we operate within an effective risk and controls environment. The non-financial elements of our scorecards ensure there is an appropriate balance between performance and how it is delivered, which is critical for M&G's long-term success, sustainable shareholder value creation and aligning with our purpose and the principles of the Consumer Duty. Progress was made towards a number of our stretching measures and an outcome just above target was achieved for the non-financial section overall. The Committee was pleased to observe stable or improving year-on-year trends across the non-financial measures.

Our customer metrics include:

- Our Life Net Promoter Score (NPS), which was +22 for 2024, a +5 improvement on prior year and above the maximum of the performance range (the 2023 measure included additional customer groups so is not directly comparable to the 2024 outcome);
- With-Profits Fund investment performance, which outperformed the benchmark demonstrating the benefit to policyholders of the strength and diversification of the Fund's investment approach; and
- Asset Management investment performance, which is measured on a rolling quarterly average basis over one and three years. 77.3% of institutional funds outperformed their investment benchmark/objective to deliver a maximum outcome. 48.3% of wholesale funds outperformed their investment benchmark/objective, which was broadly consistent with the previous two years, just below the threshold of the performance range.

Employee engagement is the degree to which employees invest themselves to drive positive organisational outcomes. Colleague inclusion continues to be measured on a regular basis. We measure this in our OneVoice survey, asking colleagues how happy they are at work and if they would recommend M&G as a great place to work. The scorecard target and performance is based on an average of the three surveys conducted in 2024. Taking into account the level of change across the Group in 2024, the relatively stable average outcome of 69.0 (2023: 70.7), which is at the threshold of the performance range, was a pleasing outcome and demonstrates the stretching nature of the target.

As part of our annual assessment of risk management and internal control effectiveness, the positive trend of minimising the number of overdue high and very high assurance issues continued in 2024, with the outcome of 2.2% being above target, albeit a slightly higher percentage outcome than 2023 performance. At 82.1%, the proportion of self-identified issues was at target (this measure incorporated new methodology for the 2024 performance period).

A downward risk adjustment of 2.5% has been applied to the STI outcome to reflect that, while positive progress has been made building on the risk and control framework foundations previously put in place, additional implementation work continues to be needed to further embed the framework.

As a result of this performance and independent risk assessment, the 2024 STI delivered an outcome of 68.10% of maximum opportunity for the Executive Directors (compared to an outcome of 79.9% in 2023).

Directors' Remuneration Report continued

Category	Measure	Performance	Vesting (Max)
Financial Measures	– Adjusted operating profit plus operating change in CSM – Operating Capital Generation excluding new business strain	£1,131m – above target £1,090m – above maximum	48.58% (60%)
Customer Outcomes	– Life – Net Promoter Score – With-Profits Fund (versus benchmark) – Wholesale (% of funds above benchmark) – Institutional (% of funds above benchmark)	22 – above maximum 4.3% – above maximum 48.3% – below threshold 77.3% – above maximum	15.00% (20%)
Colleague Measures	– Sustainable engagement index score	69.0 – at threshold	0.00% (10%)
Risk & Controls	– % high/very high assurance issues overdue – Proportion self-identified high/very high issues of total	2.2% – above target 82.1% – at target	6.27% (10%)
Scorecard outcome			69.85%
Risk Adjustment (2.5% of the scorecard outcome)			(1.75)%
Final Outcome			**68.10%**

2022 Long-Term Incentive Plan

The 2022 LTIP award was granted in April 2022 with performance measures covering the period 2022 to 2024 and has an overall outcome of 62% of maximum.

Category	Measure	Performance	Vesting (Max)
Financial Measures	– Cumulative operating capital generation including new business strain	£2,749m – above target	43.0% (50%)
	– Relative total shareholder return ranking	53rd percentile – above threshold	8.5% (25%)
Non-Financial Measures	– Risk and Conduct	30% – see below	3.0% (10%)
	– Diversity (Gender)	36% – at threshold	0.0% (7.5%)
	– Climate – own emissions reduction	35% – above maximum	7.5% (7.5%)
Scorecard outcome			**62.0%**

The primary measure was cumulative operating capital generation including new business strain, which was above the target and in excess of our upgraded 3-year strategic target of £2.7 billion by the end of 2024 primarily due to higher than expected yields at the start of 2023 and higher contribution than planned from actions taken to manage capital.

25% of the scorecard was based on our total shareholder return relative to a peer group of FTSE 100 financial services companies (excluding investment trusts), with threshold performance set at the median of the peer group and maximum performance at the upper quartile. Performance was at the 53rd percentile of the peer group with a return of 33.5% for the three-year period compared to the peer group median of 23.8%. Our share price was broadly flat over the period, with an above median total shareholder return achieved, driven by our dividend policy which continued to be at the high end of FTSE 100 levels.

Performance against the non-financial measures in the scorecard was as follows:

- For Risk and Conduct, the Committee, taking input from the Risk Committee, considered a range of factors in determining the outcome of the qualitative Risk and Conduct measure. They observed that over the three-year period the business had generally operated within risk appetite and policy limits, and in particular, policy compliance was maintained at a high level. It was observed that there had been incremental improvements in the control environment in each of the three years of the performance period and that, while implementation work identified in prior years needs to continue into 2025, the positive progress was acknowledged. Taking consideration of all of these factors the Committee concluded that an outcome of 30% was appropriate.
- We currently have 36% women in senior leadership, which is a slight decrease on our year-end 2023 position of 37%, at the threshold of the performance range with zero vesting. The number of women in the leadership category remained steady, with performance driven by business realignment and changes in the Group Executive Committee. We remain committed to achieving our target of 40% female representation in senior leadership by the end of 2025, which is reflected in the target for the 2023-25 LTIP scorecard.
- Own emissions reduced by 35% from the 2019 baseline. An upward trend in business travel continued in 2024. Scope 3 business travel accounts for 91% of reported emissions, resulting in a 14% increase in total reported emissions versus 2023. The outcome still exceeds the progress required (on a straight-line basis) to achieve our near-term target of a 46% reduction by 2030, resulting in a maximum outcome for the 2022 LTIP measure. We remain committed to taking steps towards achieving the near-term target with the objective reflected in the target for the 2024-26 LTIP scorecard, three years ahead of schedule. This measure has been removed from the 2025 LTIP in light of the significant progress made and target set in the 2024 LTIP award. Climate-related measures will be subject to review in 2025 following the update to our sustainability strategy.

Consideration of pay and conditions across the wider workforce

The Committee takes great care to consider the pay and conditions of the wider workforce with a focus on fairness of remuneration outcomes. From 2023 a remuneration-based question has been included in the all-colleague OneVoice survey to give the Committee additional insight. Workforce remuneration 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 2024 year-end decision making included:

- **2025 salary increases:** The actual salary spend increase across the UK workforce in 2025 has been 3%, with higher increases towards more junior roles and a more limited budget available for senior management and executives for whom increases applied by exception only;
- **2024 STI outcomes:** The average STI outcome for wider workforce colleagues, which was 2% lower than it had been in 2023; and
- **2024 Total Remuneration outcome:** The Chief Executive Total Remuneration Ratio, which was 24:1 at median in 2024 (compared to 28:1 in 2023 and 77:1 in 2022).

The decrease in the ratio between 2023 and 2024 is primarily a consequence of the decrease in the Group CEO STI outcome relative to the average change across the wider workforce. The Committee was satisfied that the decisions taken in respect of remuneration outcomes were fair and reasonable when compared to the wider workforce experience over the period.

The Committee noted that outputs such as the Group Chief Executive Officer pay ratio would continue to be subject to some volatility over a period where there have been changes to the Executive Directors and transformation activity impacts the demographics of our wider workforce.

Diversity and inclusion is a responsible business practice which underpins our new Group Sustainability Framework. We are proud to have been one of the first companies in our industry to publish an ethnicity in leadership target and voluntarily publish ethnicity pay gap data.

We believe that transparency is key to driving real change, which is why we report our ethnicity pay gap in the same way that we report our gender pay gap data. See our Gender and Ethnicity Pay Gap Report on our website for more detail.

Both gender and ethnicity are again included in the 2025 LTIP scorecard with stretching targets underpinning our commitment to increase representation in leadership roles. For more information on diversity and inclusion please refer to the Colleagues section of this report from pages 40-43.

Other areas of focus in 2024

Other areas of focus for the Committee during 2024 included items related to transformation and change to support our strategic objectives, and consideration of performance outcomes for the incentive schemes to ensure that these were fair across different colleague populations and were appropriate taking consideration of all relevant aspects of performance across the group.

Implementation in 2025

The Committee approved no salary increase for the Group Chief Executive Officer and Chief Financial Officer in 2025. This was consistent with the approach taken for the senior leadership team and was below the wider workforce salary spend of 3% .

There is no change to STI opportunity in 2025. As explained earlier, we are proposing to increase the LTIP opportunity and shareholding requirements for the Executive Directors from 2025, subject to approval of the new DRP at the AGM. Further details on these proposed changes are provided from page 117. Changes to the incentive plan metrics for 2025 are covered in Remuneration at a glance and the implementation report for 2025.

Looking forward

During 2025 we will undertake a further review of the incentive scorecards for 2026 considering strategic alignment and the balance of value and growth measures across the scorecards. As our updated sustainability strategy is embedded, we will assess whether any changes are required to the incentive plans to retain appropriate alignment. We will also consider if further refinement of customer and risk measures is required to improve alignment of incentives to our purpose, values and behaviours.

As we look forward to 2025, the Committee will be focused on:

- Further incentive scorecard alignment to strategy for 2026 including customer, risk and sustainability metrics.
- Ensure incentives reinforce continuous improvement in the control environment.
- Design remuneration solutions to support strategic cost and simplification initiatives.
- Assess workforce engagement with reward schemes and the implications of increasing transparency.

I would again like to thank shareholders for their engagement during the consultation and look forward to your support for our revised Directors' Remuneration Policy and 2024 Directors' Remuneration Report.

Clare Chapman
Remuneration 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 and identified staff for all 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.mandg.com

Membership and meeting attendance
page 97

Directors' Remuneration Report continued

Our review of the Directors' Remuneration Policy

Context for our Directors' Remuneration Policy review

As outlined in the Chair's opening statement, the Committee has undertaken a review of our remuneration structure and performance measures to ensure they are fully aligned to our strategic priorities and the delivery of long-term future performance and value creation. The proposed Policy changes are designed to ensure that the Executive Directors are properly incentivised to lead our growth ambitions.

Following the successful completion of the first phase of our new strategy announced in 2023, the business is transforming at pace in challenging market conditions with our insurance and asset management business segments both well positioned for sustainable growth. This is a critical point in our transformation journey at which the Committee believes these off-cycle policy changes are required to reinforce alignment to the delivery of growth in the next phase of the strategy.

The focus of the Committee's review has therefore been to ensure that remuneration packages and performance measures are designed to achieve M&G's ambitions and drive the continued delivery of long-term shareholder value, recognising that any additional remuneration opportunity should be dependent on that future performance over time. It is in this context that the Committee has determined two primary proposals:

- **Executive Director package review** - an increase in LTIP opportunity and shareholding requirement, which require amendments to the DRP and are presented for a binding shareholder vote at the 2025 AGM; and
- **Incentive plan scorecard review** - with focus on the STI and LTIP financial scorecard measures and further refinement of non-financial measures. All changes are within the parameters defined in the DRP for incentive scorecard structures, so have not required the Committee to propose any changes to the DRP. Full details are presented in Remuneration at a glance and the 2025 implementation sections of the DRR which is subject to an advisory shareholder vote at the 2025 AGM.

The Committee was mindful that M&G operates within a competitive sector and attracting and retaining executives with the requisite knowledge and experience of asset management and insurance is very challenging. As part of the review, peer market data has been carefully considered to ensure that market positioning is appropriate in light of the Executive Directors' experience, performance and strong contribution in role, taking into account M&G's size, complexity, and strategic ambition. The proposals have been carefully structured to ensure that any increase in overall remuneration will only be realised if long-term performance objectives are delivered over time, with higher shareholding requirements to further enhance long-term shareholder alignment.

The focus on incentive opportunity rather than fixed pay also rebalances the package towards variable remuneration, which is more commensurate with asset management peers and aligned to our long-term strategic objective to grow the proportion of Group profits contributed by the Asset Management business. We would note that the proposed LTIP opportunity for the Group CEO remains below the exceptional limit of 400% of salary that was removed from the DRP in 2023. No increase to base salary for 2025 is proposed.

The proposed package changes for the Executive Directors for 2025 are summarised in the following tables:

Directors' Remuneration Policy – summary of changes for 2025

Fixed Remuneration	Andrea Rossi, Group CEO	Kathryn McLeland, CFO
Salary - no change	£910,000 (0% increase)	£603,000 (0% increase)
	Base salaries will next be subject to the standard annual review process in 2026	
Pension - no change	Aligned with wider workforce – 13% of salary	
Benefits - no change	No change in provision	
Variable Remuneration		
Short-Term Incentive (STI) – no change	Maximum: 250% of salary (2024: 250% of salary)	Maximum: 225% of salary (2024: 225% of salary)
	50% of awards are deferred in shares over three years[i]	
Long-Term Incentive (LTIP) – increased opportunity	Maximum: 375% of salary (2024: 250% of salary)	Maximum: 275% of salary (2024: 225% of salary)
	LTIPs are awarded over M&G plc shares, subject to stretching performance targets over a three-year performance period and additional two-year holding period	
Shareholding Requirement		
Shareholding Requirement – increased requirement	375% of salary (2024: 300% of salary)	275% of salary (2024: 250% of salary)
	The requirement must be achieved within five years of appointment and maintained for two years post-employment with M&G	

i In line with a policy change for the wider workforce and in alignment with market practice across many of our peers, vesting of deferred awards is changing from three-year cliff vesting to three-year pro-rata vesting in three equal tranches from the 2025 performance year (for deferred STI awards granted in 2026).

The impact of these changes on the Executive Directors' packages (excluding pension and benefits) is illustrated below at target package level:

Directors' Remuneration Report continued

The overall impact on target and maximum package (excluding pension and benefits) and shareholding requirement on a % change basis is further illustrated below:

UK £'000	Names	Total target compensation	Total maximum compensation	Shareholding requirement
Group CEO (New)	Andrea Rossi	3,860	6,598	375%
Group CEO (Current)		3,256	5,460	300%
% Change		**18.6%**	**20.8%**	**25.0%**
CFO (New)	Kathryn McLeland	2,163	3,619	275%
CFO (Current)		2,003	3,318	250%
% Change		**8.0%**	**9.1%**	**10.0%**

In considering the current packages and developing these proposals, the Committee has taken benchmarking data into account to ensure the proposals are appropriate and proportionate from an external market perspective. We have updated our benchmarking peer group to include the most aligned UK and European peer companies in terms of business scope, recruitment and retention risk (e.g. excluding wealth managers and wider investment firms)*. At this point in the strategy some refinement of the peer group was considered appropriate in the context of our priority to grow our European business, with the Committee acknowledging that a broader international peer group for benchmarking purposes may become more relevant over time.

Remuneration benchmarking peer group

Asset Managers		Life Insurers
– Aberdeen	– Man Group	– Aviva
– Amundi	– Ninety One	– Just Group
– DWS	– Schroders	– Legal & General
– Jupiter		– Phoenix

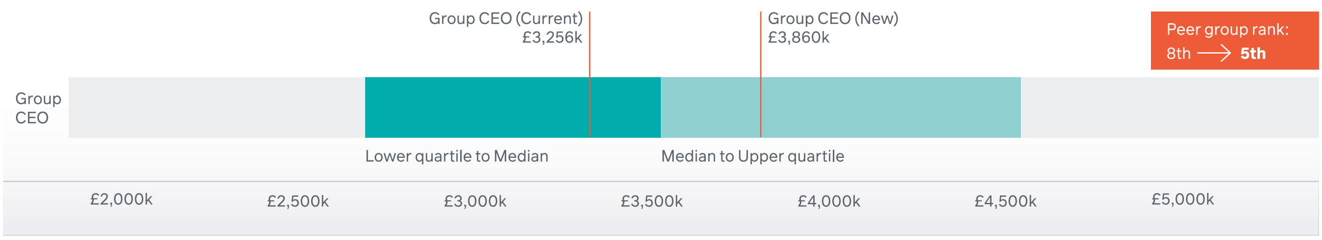
* *Relevant wealth managers and wider investment firms are still represented in our TSR peer group for the purpose of the LTIP, for which a broader set of peers is considered appropriate for performance measurement.*

The quartile benchmark levels for the peer group are presented below with the market position of current and proposed total target remuneration for the Executive Directors. On a market capitalisation basis, M&G is positioned around median within the peer group. The proposed changes will position the total remuneration packages at or just above the median of the benchmark, below the largest companies in the peer group, but generally above companies of commensurate or smaller market cap with simpler asset management or life business structures. The Committee considered this market positioning to be appropriate given the size and complexity of our business, particularly when coupled with the increased weighting and dependency on long-term future performance and an increased shareholding requirement, which is above median compared to the market:

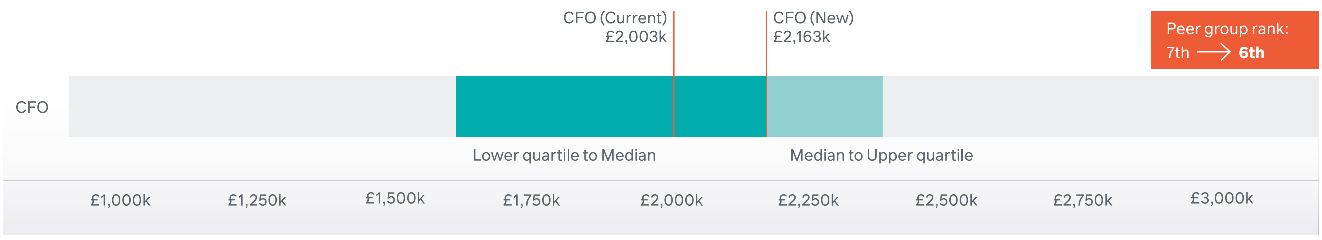
Directors' Remuneration Report continued

Total target compensation against our peer group

Andrea Rossi
Group Chief Executive Officer



Kathryn McLeland
Chief Financial Officer



Note: Peer group data is based on disclosure available as at the end of 2024, excluding pension and benefits..

In actual terms the proposals move the Group CEO from c. 40th percentile to c. 60th percentile and the CFO from c. 40th percentile to c. 50th percentile, with similar ranking within the peer groups.

The shareholding requirement is proposed to increase for both Executive Directors by a higher percentage than their respective package increases, ensuring that the requirement remains at least as high as the LTIP award opportunity and further embeds long-term alignment to shareholder value creation and shareholders' interests. The requirement continues to extend for two years post-employment and is expected to be achieved within five years of their respective appointment dates.

The final proposed change is in respect of the vesting profile of deferred STI awards, which are currently subject to three-year cliff vesting. A shift in STI deferral policy from three-year cliff to three-year pro-rata vesting (in 3 equal instalments on the 1st, 2nd and 3rd anniversaries of the grant) is being implemented across our workforce to better align our package structures with peers in our sector. The Committee proposes to align the Executive Directors with this Policy change from 2025. Given the requirement for Executive Directors to build up and maintain their shareholding requirement within five years of appointment, the Committee is comfortable that this change is broadly neutral for the current and any future Executive Directors.

Consideration of shareholder views on the Policy

The Committee engaged with 30 of our largest shareholders, representing c. 70% of share ownership, proxy advisory bodies and regulators. We received valuable feedback from the majority of our top shareholders and all advisory bodies. Shareholder questions and feedback primarily focused on the strategic rationale, timing and benchmark methodology/positioning for the package review proposals. Our rationale and supporting evidence was generally considered robust and there was a request for transparent disclosure explaining the strategic rationale for the changes, our approach to benchmarking and the implications of the proposals on our market position, and why the Committee considers this to be appropriate at this time.

The proposed increase to shareholding requirements was welcomed, however we received very clear feedback from some shareholders and proxy advisers that a minimum shareholding requirement must be at least as high as the annual LTIP opportunity which the Committee has fully implemented.

The rationale for the rebalancing of the package was acknowledged and, while base salary should remain competitive, certain shareholders highlighted that we should be mindful of the overall increased opportunity of the total package in future salary review processes.

The Committee carefully reflected on all feedback received in finalising our proposals. In our disclosures we have sought to be as transparent as possible on our rationale for the proposals, benchmarking methodology and the market positioning of the revised packages. We acknowledge the feedback on monitoring base salary prudently in light of the rebalancing of the packages. No salary increases have been applied in 2025 and this will be carefully considered in future annual reviews.

Shareholder views were also sought on the incentive scorecard review. The feedback on this topic is summarised in Remuneration at a glance with full details of the changes to the 2025 scorecards on page 134.

Directors' Remuneration Policy

Remuneration Policy for Executive Directors

Key principles of the Remuneration Policy for Executive Directors

The Remuneration Policy, which will take effect from the April 2025 AGM subject to shareholder approval, has been designed to align with and support our purpose and strategic priorities of financial strength, simplification and growth, resulting in the creation of shareholder value and positive customer outcomes within an inclusive and engaging culture for our colleagues. The proposed changes are summarised below, followed by the full Policy with updates highlighted.

In determining this Policy, the Committee has followed a fully informed and independent decision-making process, receiving input from shareholders, proxy advisers and the Company's independent remuneration consultants, with conflicts of interest managed by ensuring that no individuals participated in the consideration of decisions impacting their own remuneration. The Committee comprises independent Non-Executive Directors who do not participate in the Company's incentive plans.

The proposed changes to the Directors' Remuneration Policy, which are explained in detail in the previous section of the report, are as follows:

- An increase to the Long-Term Incentive Plan limit from 250% to 375% of base salary;
- An increase to the shareholding requirement from 300% to 375% for Andrea Rossi, Group Chief Executive Officer and from 250% to 275% for Kathryn McLeland, Chief Financial Officer; and
- Vesting of deferred awards under the Short-Term Incentive Plan changing from three-year cliff vesting to three-year pro-rata vesting in 3 equal tranches, to align with a policy change across our workforce to reflect market practice across many of our peers (noting that the previous policy wording gave sufficient flexibility to implement this change and has therefore only been subject to a minor amendment).

In addition, a minor change has been made to the Policy wording to remove the requirement for our Executive Directors to disclose external fees. All external appointments and fees remain subject to approval of the Board.

All changes to the Policy have been highlighted in bold italics for ease of reference.

Directors' Remuneration Policy continued

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 but not limited to: – Company and individual performance; – the scope/size of the roles and the skills and experience of the Executive Directors; – increases among the general workforce and affordability; and – benchmarking information for other firms of a similar size and scope to M&G plc.	There are no prescribed maximum salary levels, but any increase will normally 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.
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. Benefits currently provided to Executive Directors include but are not limited to: – 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 Company may cover reasonable legal costs and certain relocation expenses in accordance with the Company's relocation policy.	Cover levels are defined within the terms of each benefit with maximum opportunity dependent on the terms of the insurer and individual circumstances.	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. The approach to pension arrangements for the Executive Directors is in line with the wider workforce.	13% of base salary per annum.	There are no performance measures for pension contributions.

Directors' Remuneration Policy continued

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, targets 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 may be subject to a discretionary downward risk adjustment taking consideration of an annual report from the Risk Committee, including factors such as 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 normally be deferred over three years into an award over M&G shares under the Deferred Incentive Plan. The rate of deferral may be adjusted upwards and a post-vesting holding period may be applied 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. 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, 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 - see 'Malus and clawback' for further details.	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 normally 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 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.

Directors' Remuneration Policy continued

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 the 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 may be subject to a discretionary downward risk adjustment taking consideration of a report from the Risk Committee, including factors such as 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 LTIP 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 - see 'Malus and clawback' for further details.	***LTIP awards are subject to a limit of 375% of base salary in respect of any financial year.***	The performance conditions may comprise a combination of financial (including TSR) and non-financial measures, with financial measures normally 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 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 and/or targets 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.

Directors' Remuneration Policy continued

Malus and clawback

All STI and LTIP awards 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;
- reasonable evidence of individual misconduct or material error;
- breach of an applicable law, regulation or code of practice and/or failure by the individual to meet standards of fitness and propriety;
- actions or responsibility for conduct leading to significant loss(es) and/or reputational harm to the company or any Group Member;
- material downturn in financial performance; or
- corporate failure.

Malus can be applied to an alternative unvested award to satisfy a clawback event on a vested/released award. The periods that malus and clawback apply may be extended if required to meet regulatory requirements.

Legacy arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office, including the exercise of any discretions available to it in connection with such payments (notwithstanding that they are not in line with this policy), where the terms of payment:

- came into effect before this policy was approved and implemented (including where such payments are in line with a previously approved policy); and
- were agreed at a time when the individual was not a Director of the Company and, in the opinion of the Committee, the payment is not in consideration for the individual becoming a Director.

Details of any such payments will be set out in the applicable Annual Report on remuneration 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. Any use of discretion and how it was exercised will be disclosed, where relevant, in the Annual report on remuneration. 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;
- 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 or aligned with shareholder and/or wider stakeholder experience;
- 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 and targets 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.

Directors' Remuneration Policy continued

Performance measures

Performance measures and targets for the STI and LTIP will 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 clients;
- ensuring alignment with the Company's strategy, purpose and values;
- 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;
- aligning with the long-term sustainable success of the Company and value creation for shareholders; and
- ensuring alignment with our objectives relating to environmental, social and governance factors.

Shareholding requirement

Executive Director	Shareholding requirement
Group Chief Executive Officer	***375% of base salary***
Chief Financial Officer	***275% of base salary***

The purpose of the shareholding requirement is to align executives with the long-term interests of the Company, clients and shareholders through a requirement to hold shares both during and post-employment.

Executive Directors must normally attain the shareholding requirement and maintain this level of holding within five years 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[i].

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.

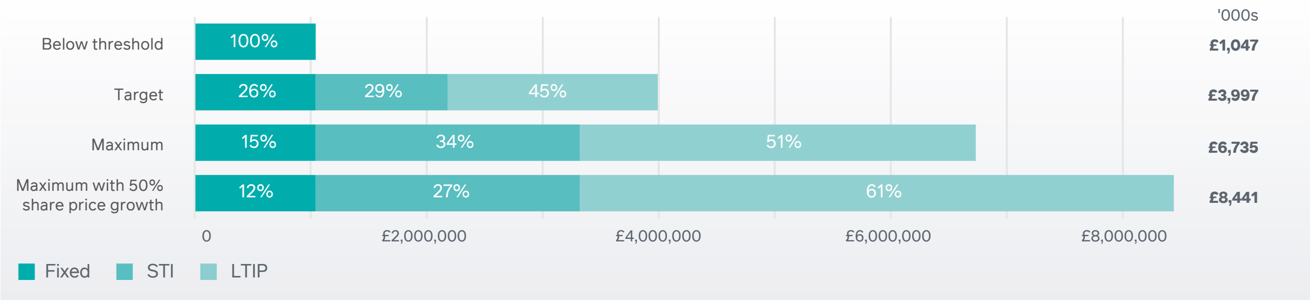
Scenario charts

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. The LTIP and 50% of the STI award are delivered in shares to maintain close alignment with shareholders. The table to the right illustrates the potential earnings of each Executive Director in four performance scenarios:

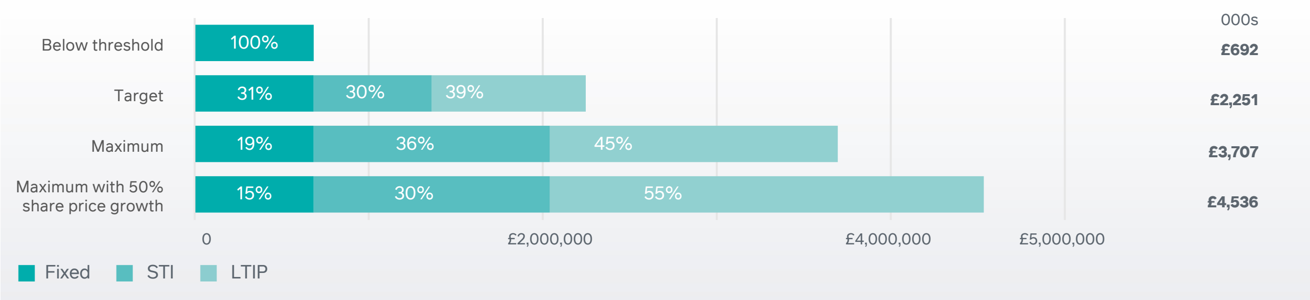
i Policy wording requiring our Executive Directors to disclose external fees has been removed. All external appointments and fees remain subject to approval of the Board.

Directors' Remuneration Policy continued

Group Chief Executive Officer - Andrea Rossi



Chief Financial Officer - Kathryn McLeland



The performance scenarios incorporate the following assumptions:

Fixed remuneration	Comprising the 2025 base salary, benefits (based on the annualised 2024 single figure for the Group Chief Executive Officer and 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 shares granted under the LTIP 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, and will be determined on the principle of delivering remuneration that is proportionate and not more than what is necessary to recruit and secure talented individuals with the requisite levels of skills and experience, ensuring that the cost to secure the right candidate is appropriate. 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, performance conditions and malus/clawback provisions) to ensure that the cost to secure the right candidate is appropriate. As buyout awards may cover multiple years of awards from a previous employer, the grant value is 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.

The fees and benefits to be paid to a new Non-Executive Director will be determined in accordance with the terms described in the Remuneration Policy for Non-Executive Directors.

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.

Directors' Remuneration Policy continued

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 the relevant incentive plans, relevant regulatory requirements 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.
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.

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).

Directors' Remuneration Policy continued

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.
Benefits	The Chair is eligible to receive private medical insurance. – The Chair and Non-Executive Directors are not eligible to participate in the Company's pension or incentive arrangements. – Benefits may be provided in specific circumstances to the Non-Executive Directors that are immaterial in nature and value, up to a maximum value of £1,000. – Reasonable expenses 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 normally 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. – Non-Executive Director: 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.

Remuneration arrangements throughout the Company

The Committee has taken careful consideration of remuneration arrangements for employees across the Company in determining the Remuneration Policy and its implementation, and considers carefully the impact of Board or management decisions on pay on the wider employee population. Formal consultation with employees has not taken place on the development of the Policy, but insight into arrangements and conditions for the wider workforce is achieved through a combination of management and employee feedback and an engagement plan of formal and informal activities.

A Remuneration Policy is in place for establishing standards for the design and operation of remuneration across the Company, which has consistent principles to the Directors' Remuneration Policy. Pension and benefit programmes are in place for all employees. Pension entitlement is aligned with that for the Executive Directors. The majority of benefits are also aligned.

All employees are eligible for an STI award annually, determined through a combination of Company and personal performance and subject to risk adjustment. LTI awards are used for senior management roles across the Company. Employees are eligible to participate in all-employee share schemes and discounted products on the same terms as the Executive Directors. The Remuneration Committee received information on remuneration across the Company, including average salary increases, the design and outcomes of incentive plans and the Group Chief Executive Officer pay ratio, when determining the proposed changes and implementation of the Remuneration Policy for Executive Directors.

Consideration of shareholder views on the Policy

The Committee engaged with 30 of our largest shareholders, representing c. 70% of share ownership, proxy advisory bodies and regulators. We received valuable feedback from the majority of our top shareholders and all advisory bodies. The Committee carefully reflected on all feedback received in finalising our proposals. Full details of the feedback received is provided on page 119.

Remuneration at a glance

This section provides an overview of the Directors' Remuneration Policy, the remuneration outcomes for 2024 and implementation decisions for 2025. Through our implementation and operation of the Policy we ensure alignment to the following principles:

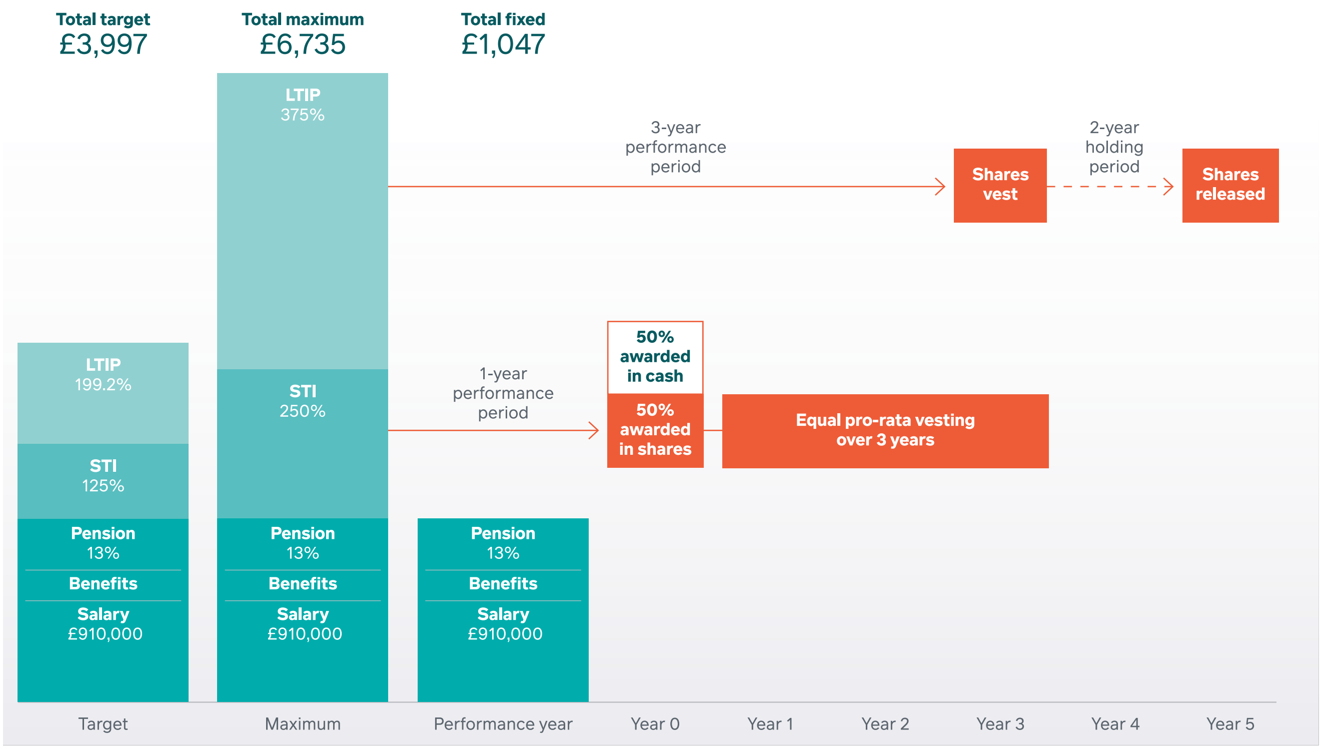
Key principles underpinning our Directors' Remuneration Policy	
Sustainable, long term success of the Group and robust risk framework	– Clear alignment with the long-term interests of the Company through a significant proportion of executive packages being delivered in shares for three to five years and through our shareholding requirement policy, which includes a requirement to hold shares for two years post-employment. – Remuneration appropriately balanced, recognising short and long-term performance. – Financial and non-financial incentive measures that are focused on indicators of sustainable performance that position the company strongly for continued success. – A robust and rigorous risk review of remuneration outcomes to ensure that these properly reflect overall Company performance from a financial, key stakeholder, conduct and reputational perspective, and within an effective risk management framework and culture.
High performing talent	– Ensuring clarity of our remuneration packages which are appropriately positioned relative to the scope and complexity of the roles and relevant market benchmarks, and designed to reflect and recognise performance.
Positive, safe and collaborative environment aligned to our purpose, values and culture	– Key focus on positive customer outcomes and quality of customer engagement. – Strong alignment with our ambitious diversity targets and objectives to maintain a positive and engaging culture that provides equality of opportunity for all current and prospective colleagues. – Promoting a positive culture in which the 'how' as well as the 'what' is recognised and valued, with a focus on colleagues and customers and demonstrable alignment between behaviours and remuneration outcomes.
Predictability and alignment with stakeholders	– Strong alignment of our executives with the experience of shareholders through the delivery of a significant proportion of remuneration in shares, with vesting and holding periods over five years and a robust shareholding requirement policy. – Incentive plan measures aligned to customer outcomes and long-term sustainability measures that reflect and recognise the Company's wider role and impact.
Simple and transparent	– Remuneration plans and programmes that are simple to understand and provide clear linkage to performance set in line with business strategy.
Compliant and focused on best practice	– Arrangements are fully compliant with all applicable regulatory and legal requirements and reviewed on a continuous basis to align with best practice as this continues to evolve.

Remuneration at a glance continued

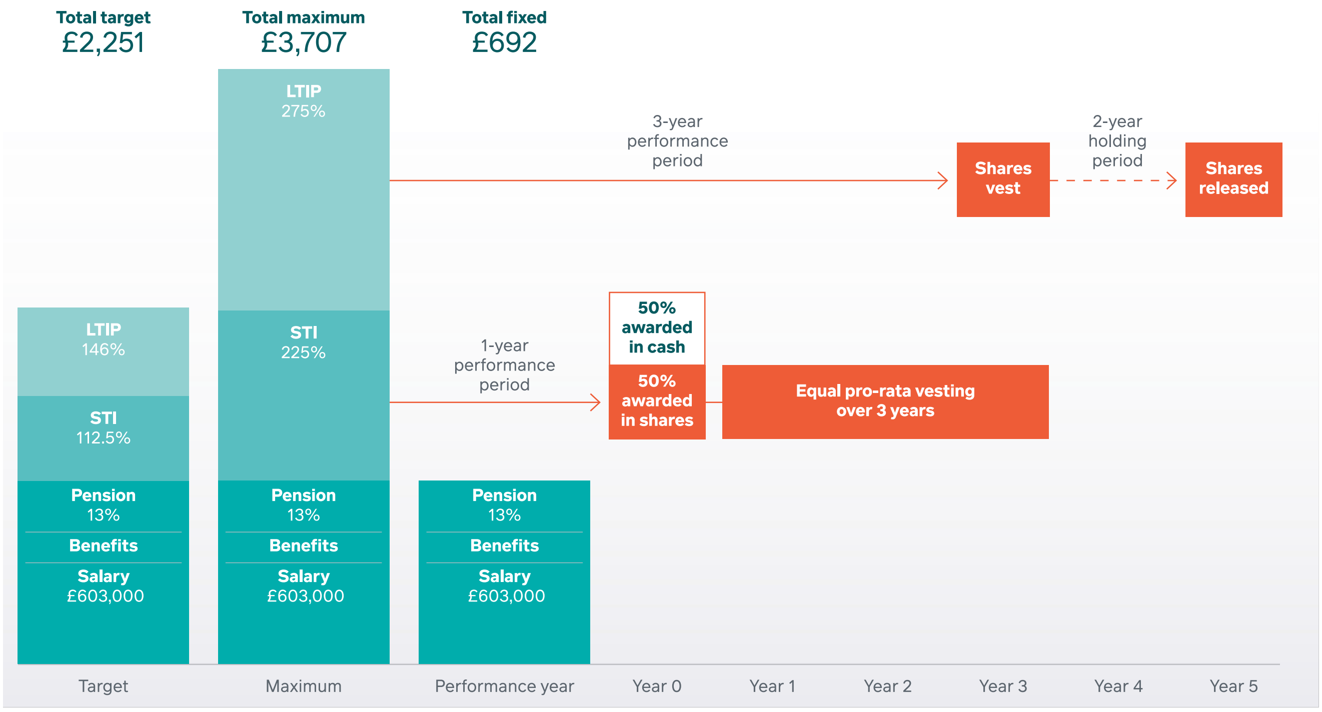
Overview of the Directors' Remuneration Policy

The following chart shows the operation of the key elements of our Directors' Remuneration Policy. Summary details of the Policy are provided in the next section (total amounts in £'000). The charts detail the remuneration arrangements proposed for our Group Chief Executive Officer, Andrea Rossi, and our Chief Financial Officer, Kathryn McLeland. The target and maximum LTIP opportunities are subject to approval at the April 2025 AGM.

Andrea Rossi
Group Chief Executive Officer



Kathryn McLeland
Chief Financial Officer



Remuneration at a glance continued

Summary of the Directors' Remuneration Policy and 2025 implementation

References to the policy in this section and the detailed implementation section of the report align with the Remuneration Policy being submitted for approval at the 2025 AGM.

Remuneration element and time horizon	Policy summary	2025 Implementation

Base Pay

Operation

Normally reviewed annually with any increases usually taking 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.

2025 Implementation

	Effective 1 April 2025 £	Effective 1 April 2024 £	% increase
Andrea Rossi	910,000	910,000	0%
Kathryn McLeland	603,000	603,000	0%
Wider workforce 2025 (UK annual review spend)			3%

Benefits

Operation

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

Opportunity

Cover levels are defined within the terms of each benefit with maximum opportunity dependent on the terms of the insurer and individual circumstances.

Performance

There are no performance measures that apply to the provision of benefits.

2025 Implementation

Benefits provision includes but is not limited to:

- Life, disability and critical illness insurance
- Private health insurance (including partner and dependants) and annual health assessment
- Eligibility to participate in the Company Sharesave and Share Incentive Plan (SIP)

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 that apply to the provision of pension participation or cash in lieu.

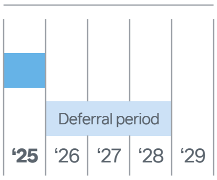
2025 Implementation

	Contribution 2025	Contribution 2024
Andrea Rossi	13%	13%
Kathryn McLeland	13%	13%

Remuneration at a glance continued

Remuneration element and time horizon	Policy summary	2025 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 will normally be deferred into shares with equal pro-rata vesting over a three-year 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. Threshold, target and maximum performance levels are established for each award.

Performance

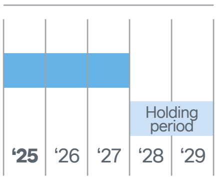
Performance scorecards comprise a combination of financial and non-financial measures aligned to the Company's strategic objectives and financial goals. Financial measures will normally comprise at least 50% of the scorecard.

2025 Implementation

Financial measures comprise 60% and non-financial measures 40% of the 2025 STI scorecard, which can be found on page 149. There are no changes to target and maximum STI opportunity as a percentage of base salary for 2025:

	Target STI % 2025	Maximum STI % 2025
Andrea Rossi	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 an additional holding period of two years. Performance outcomes may be subject to a discretionary downward risk adjustment. Malus and clawback provisions apply to the award during the vesting and holding periods.

Opportunity

Subject to approval at the 2025 AGM, up to a maximum of 375% of base salary, subject to performance. Threshold, target and maximum performance levels are established for each award.

Performance

Performance scorecards may comprise a combination of financial and non-financial measures aligned to the Company's strategic objectives and financial goals. Financial measures (including TSR) will normally comprise a minimum of 75% of the scorecard.

2025 Implementation

Financial measures (including TSR) for 2025 will have an 85% financial weighting and 15% non-financial weighting with sustainability measures aligned to diversity. The scorecard can be found on page 150.

The maximum LTIP awards for our Executive Directors in 2025 are as set out in the table below, subject to approval from shareholders at the 2025 AGM:

	Maximum LTIP % 2025	Maximum LTIP % 2024
Andrea Rossi	375%	250%
Kathryn McLeland	275%	225%

Remuneration at a glance continued

Shareholding requirements

The Group Chief Executive Officer and Chief Financial Officer must attain a shareholding requirement, currently set at 300% and 250% of base salary but due to increase subject to shareholder approval at the 2025 AGM to 375% and 275% respectively, within five years of their appointment. 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 Andrea Rossi and Kathryn McLeland are shown in the table below as at 31 December 2024, set against the current shareholding guideline. Having joined the Board in 2022, both are currently in compliance with the shareholding policy.

Name	Guidelines	Shares as a % of salary
Andrea Rossi	300% of base salary	100%
Kathryn McLeland	250% of base salary	125%

2024 Performance outcomes

The performance scorecard outcome for the 2024 STI was the same for both Executive Directors at 69.85%. A downward risk adjustment of 2.5% has been applied to the STI outcome to reflect that, while positive progress has been made building on the risk and control framework foundations previously put in place, further implementation work continues to be needed to further embed the framework. The impact of this leads to an effective outcome of 68.1% of maximum opportunity.

Kathryn McLeland has awards vesting under the 2022 LTIP. Performance against the scorecard measures is set out below with a vesting outcome of 62%. Further detail is provided on page 140. Andrea Rossi does not have awards vesting under the 2022 LTIP, as the first award under the M&G plc LTIP was granted to him in 2023 and is due to vest in 2026.

The component and total outcomes of the scorecards were as follows, including comparison to prior year, where applicable.

2024 STI – % of maximum opportunity

		Financial Measures	Non-financial Measures	STI scorecard Outcome	Outcome post 2.5% downward risk adjustment
Andrea Rossi	2024	81.0%	53.2%	69.85%	68.10%
Andrea Rossi	2023	98.6%	51.9%	79.9%	N/A
Kathryn McLeland	2024	81.0%	53.2%	69.85%	68.10%
Kathryn McLeland	2023	98.6%	51.9%	79.9%	N/A

2022 LTI – % of maximum opportunity

		Financial Measure (excl. TSR)	TSR	Sustainability (Diversity & Climate)	Risk & Conduct	Outcome
Kathryn McLeland	2024	86.0%	33.8%	50.0%	30.0%	62.0%

Neither Executive Director had LTIP awards vesting in 2024 and Andrea Rossi has no LTIP awards due to vest in 2025.

Remuneration outcomes

The Executive Directors' 2024 single figure earnings are summarised below:

		Fixed Remuneration £'000	STI £'000	LTIP £'000	Total (incl. 'Other') £'000
Andrea Rossi	2024	1,037	1,549	—	2,586
Andrea Rossi	2023	998	1,748	—	2,745
Kathryn McLeland	2024	685	924	999	2,608
Kathryn McLeland	2023	663	1,043	—	1,706

- Fixed remuneration includes salary, benefits and pension.
- The employer pension entitlement is delivered fully in the form of a cash in lieu allowance for both Executive Directors.
- STI includes both the cash and deferred elements of the STI awarded for the 2024 performance year.
- LTIP for Kathryn McLeland denotes the estimated vesting proceeds from the award granted in 2022 for the performance period ending 31 December 2024.
- Additional details of the single figure methodology and incentive plan scorecards can be found in the Annual Report on Remuneration section from page 138.

Remuneration at a glance continued

Rationale for measures and link to strategy

The Committee has continued its review of the alignment of incentives to purpose and strategy during 2024. In 2023 we completed the first stage as part of the triennial policy review, which had a key focus on incentive scorecard simplification and commencing alignment to our refreshed strategy. We also refined the financial measures later in the year to ensure they properly reflected management delivery and shareholder value creation under IFRS 17 accounting standards and our strategic decision to re-enter the defined benefit pension de-risking market.

In 2024 the Committee has undertaken a further review of the scorecards for alignment to strategy and performance outcomes that will deliver long-term growth and shareholder value. We will continue to keep the alignment of incentives under review and shareholders should therefore expect further refinements in the performance measures that the Committee may determine for future performance periods.

A consultation with our largest shareholders has been conducted seeking feedback on our provisional proposals for the scorecards. A summary of the feedback is provided below and was duly considered in helping us to finalise the proposals.

What is changing in the 2025 STI

The Committee is satisfied that the updates made to the STI scorecard in 2023 have been effective and remain appropriate. However, following our consultation exercise, we will introduce a third financial measure – Net client flows from open business – to the scorecard which is directly aligned with our strategic growth ambitions.

The weighting and mix of non-financial measures is unchanged, however we have refined the customer and risk measures to ensure they continue to drive the intended outcomes and behaviours. The summary table below illustrates the changes with further details of the measures provided in the next section:

	2024 STI Scorecard	2025 STI Scorecard
Financial	**30%** - Operating capital generation excluding new business strain (OCG excluding NBS) **30%** - AOP and Operating change in CSM (AOP + CSM)	**25%** - OCG excluding NBS **25%** - AOP + CSM **10%** - Net client flows from open business
Non-financial	**40%** - Customer, Colleagues and Risk	**40%** - Customer, Colleagues and Risk

What is changing in the 2025 LTIP

The primary change is an increase in the financial weighting in the scorecard to accommodate the addition of one further financial measure aligned to growth – a three-year Group Adjusted Operating Profit growth measure. Combined with the existing capital generation measure, the addition of an AOP growth measure embeds alignment to the targets underpinning the next phase of the strategic objectives for financial strength, simplification and growth:

- Three-year operating capital generation (excluding new business strain) target of £2.7bn, aligned to our strategic target with significant outperformance stretch in the performance range; and
- Average growth in adjusted operating profit of 4-8% per annum over three years with a midpoint/target in excess of our strategic objective to grow by 5% or more on average over the period, with further stretch in the performance range.

An update to our sustainability strategy is ongoing and scheduled to be completed and communicated in 2025. Given the significant progress already made towards our mid-term own emissions reduction target, we have removed this measure from the scorecard in 2025. Sustainability will therefore comprise diversity measures only in 2025 and, in light of this, we are applying a lower sustainability weighting of 15%. The Committee will review sustainability measures for 2026 as the updated sustainability strategy is embedded.

Finally, we have made small amendments to the TSR peer group, removing the two least aligned companies from the current FTSE peers, and replacing them with more aligned European peers. The inclusion of these new peers is considered appropriate on the basis that they provide materially better alignment to M&G's business scope and our strategic objective to grow our Asset Management business in Europe. We have included further detail on the updated TSR peer group on page 136.

The summary table below illustrates the changes with further details of the measures provided in the next section:

	2024 LTIP Scorecard	2025 LTIP Scorecard
Financial	**50%** - Cumulative OCG excluding NBS	**40%** - Cumulative OCG excluding NBS **20%** - Adjusted operating profit growth
TSR	**25%** - Relative TSR against bespoke peer group (TSR)	**25%** - Relative TSR against bespoke peer group (TSR)
Non-financial	**25%** - Sustainability (Gender, Ethnicity and Own Emissions)	**15%** - Sustainability (Gender and Ethnicity)

Remuneration at a glance continued

Our incentive scorecards continue to retain an appropriate balance between performance and how it is delivered, which is critical for M&G's long-term success and sustainable shareholder value creation. Key aspects of non-financial performance include risk management effectiveness, customer experience and outcomes, conduct, culture and diversity, demonstrating alignment with our stakeholders:

Customers	Customer outcome measures embedded in the STI scorecard
Colleagues	Colleague engagement is an established measure in the STI scorecard and Diversity is in our LTIP scorecard
Communities	Diversity measures embedded in the LTIP scorecard
Shareholders	Alignment to the shareholder experience via: – The relative TSR component within the LTIP scorecard – Focus on capital generation which underpins our ability to pay a dividend – Deferral into shares of a significant proportion of annual STI awards with vesting over three years – Share ownership and post-vesting holding requirements for our senior executives

Consideration of shareholder views

Our proposal to introduce an additional financial measure to the LTIP aligned with our strategic growth objectives was well received by major shareholders. The proposal to down-weight sustainability in the scorecard for 2025, with a further review to be undertaken during 2025 in light of the updated sustainability strategy, was also supported. We also received very clear feedback that non-financial measures should only be included if relevant to strategy and the creation of shareholder value, with transparent and stretching targets, which the Committee fully supports.

We also received additional feedback emphasising the importance of having measures that were dependent on delivering growth across all segments of the Group and clearly lead to the creation of shareholder value; continued mixed views on the use of TSR; requirement for all measures to have sufficient weighting to have a meaningful impact on behaviours and outcomes; the extent of overlap in the financial measures across the STI and LTIP scorecards; the need for LTIP targets to be genuinely stretching; and support for the Committee's intention to incorporate a growth measure into the STI scorecard in 2026.

The feedback received has been taken into account in the final scorecards recommended for implementation in 2025. We have adhered to the principles of ensuring that all measures are fully aligned to our strategy, growth ambitions and external targets with stretching performance ranges.

The Committee acknowledges the feedback in respect of the overlap in certain financial measures across the scorecards. The changes we are proposing will reduce the extent of this overlap, as the introduction of growth measures result in a lower weighting for Operating capital generation in both scorecards. The new LTIP profit measure is also differentiated from the STI profit measure, which includes operating change in contractual service margin. Operating capital generation remains a critical KPM for the business and shareholders, for which it is important to set targets and measure performance both annually and over the longer term. We believe that the scorecards retain an appropriate balance of value and growth measures. We are, however, committed to reviewing this annually in order to ensure continued effectiveness.

Performance measures

The 2025 scorecards remain in accordance with the policy, which defines that 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. All measures have transparent, quantifiable targets and performance ranges.

The definitions of the financial measures are provided on page 152.

Remuneration at a glance continued

The performance conditions and weightings for 2025 are illustrated in the following tables:

STI

Financial	**60%**
Operating capital generation excluding NBS	25%
Adjusted operating profit before tax plus operating change in CSM	25%
Net client flows from open business	10%
Non-financial	**40%**
Customers	20%
Colleagues	10%
Risk and controls	10%

LTIP

Financial	**85%**
Cumulative operating capital generation excluding NBS	40%
Adjusted operating profit growth	20%
Relative total shareholder return	25%
Non-financial	**15%**
Diversity (Gender)	7.5%
Diversity (Ethnicity)	7.5%

2025 Financial measures

The financial measures in our incentive scorecards are based on the Group's Alternative Performance Measures, which are aligned with M&G's long-term performance, external financial targets and shareholder experience.

Operating Capital Generation excluding new business strain (STI and LTIP)

Operating capital generation (defined on page 152) is an alternative performance measure which demonstrates the longer-term view of the movements in our capital surplus. Operating capital generation is aligned to our external targets and is reflective of performance that is within management's control to deliver. The Committee decided to adopt an adjusted metric that excludes new business strain in order to ensure the measurement of current management's performance is not impacted by the regulatory requirement to hold additional capital against new business written. New business strain is a component of underlying capital generation in the Life segment.

Adjusted operating profit before tax (STI and LTIP)

Adjusted operating profit before tax (defined on page 152) 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 profit before tax.

For the short-term incentive this is combined with operating change in contractual service margin (see below) to create a measure aligned to growth and management actions.

For the long-term incentive the measure is defined as the average growth achieved over the three-year performance period.

Operating change in contractual service margin (CSM) (STI)

The Committee previously decided to add the operating change in contractual service margin, our IFRS 17 related alternative performance measure for the Life segment (defined on page 152) to adjusted operating profit before tax, to ensure that the incentive recognises growth and management actions in the period in which they were taken.

Net client flows from open business (STI)

Net flows from open business is a key performance measure, which consists of net client flows from Asset Management, PruFund, Shareholder annuities, and the elements of Other Life which are open to new business. It excludes net flows from our Traditional with-profits business, platform and certain elements of Other Life closed to new business. See page 152 for the full definition.

Relative total shareholder return (LTIP)

A long-term measure, which ensures direct alignment of remuneration outcomes to shareholder experience relative to a peer group. Our peer group comprises selected FTSE 350 and European peers based on comparable size, business scope and geography. This approach ensures close alignment to M&G's core business activities of asset management and life and geographic coverage. The peer group has been updated, replacing Hargreaves Lansdown and 3i Group with Amundi and DWS. The peer group therefore now comprises:

– Amundi – Aberdeen – Ashmore – Aviva – DWS – ICG – Jupiter – Just Group – Legal & General – Man Group
– Ninety One – Phoenix Group – Quilter – Rathbone – Schroders – St James's Place

Remuneration at a glance continued

2025 Non-financial measures

Across our STI and LTIP we have non-financial measures aligned with our purpose, strategy and culture. These measures ensure that there is an appropriate balance between our performance and how that performance has been delivered. The following updates have been applied to non-financial measures in 2025:

- Life customer measures: an adviser satisfaction measure is being added alongside the customer Net Promoter Score (NPS) measure to give broader coverage of customer outcomes. Adviser satisfaction is indicative of whether the business is providing good service and outcomes for customers;
- Risk measures: the measure for self-identified issues is being replaced with a new measure monitoring the percentage of high/very high issues reopened at high/very high by assurance providers. Self-identified issues will continue to be monitored as a broader control environment indicator, but given sustained performance levels and strong management focus it was not considered necessary to retain this measure within the STI scorecard. The new measure is another key indicator of the control environment providing additional focus on the quality of closure of high/very high issues.
- Sustainability measures: given the significant progress already made towards our mid-term own emissions reduction target, we have removed this measure from the scorecard in 2025. Sustainability will therefore comprise diversity measures only with a lower weighting of 15%. The utilisation of climate measures for future awards will be reviewed during 2025 following the update to the sustainability strategy.

Customer measures (STI)

Customer measures are key to the successful execution of our strategy, and to understanding and delivering good customer outcomes. We include the following measures:

- Life customers: (a) two measures aligned to addressing and improving our customer net promoter and advisor satisfaction scores; and (b) With-Profits Fund investment performance relative to benchmark.
- Investment management customers: (a) investment performance of wholesale funds; and (b) investment performance of institutional funds, relative to benchmarks and objectives.

Colleague and risk measures (STI)

- Colleague measure: aligned to the sustainable engagement outcome from an average of the colleague OneVoice surveys, aligned with embedding our culture and supporting a safe, respectful and inclusive environment for colleagues.
- Risk and control environment measures: aligned with our commitment to operate within an embedded risk culture and strong risk governance framework.

Sustainability measures (LTIP)

Sustainability measures aligned to our strategy and external commitments for diversity.

- Diversity (gender) – aligned to our external commitment to achieve 40% gender representation from the end of 2025 onwards, with additional stretch in the target; and
- Diversity (ethnicity) – target aligned to our external commitment to achieve and maintain 20% ethnicity representation from the end of 2025 onwards.

Find out more about our scorecard measures on pages 149 and 150

Link to strategy and purpose

The financial measures used for remuneration are primary indicators of M&G's long-term performance and how we are delivering against our strategic pillars of financial strength, simplification and growth. Total shareholder return aligns with our performance in delivering value to shareholders through improvements in our financial performance and outlook, driven by the execution across our three strategic pillars and how we serve our customers. Non-financial measures ensure there is appropriate balance with how we deliver performance and underpin our purpose to give everyone real confidence to put their money to work:

	Our strategic pillars			
Metric	Maintain our financial strength	Simplify our business	Deliver profitable growth	Purpose
Operating capital generation excluding NBS	◉	◉	◉	
Adjusted operating profit before tax	◉	◉	◉	
Operating change in CSM	◉	◉	◉	
Net client flows from open business	◉	◉	◉	
Relative total shareholder return	◉	◉	◉	◉
Customer measures			◉	◉
Colleague and risk measures	◉			◉
Sustainability measures				◉

Find out more about our strategy on pages 10-11

Annual Report on Remuneration

Annual Report on Remuneration

Single figure remuneration

In this section

Single figure total remuneration table (Audited)

The following table provides the 2024 single figure remuneration for the Executive Directors, with prior year for comparison where applicable.

Year	Executive Director	Base Salary £'000	Benefits £'000	Pension £'000	Total fixed remuneration £'000	STI £'000	LTIP £'000	Total variable remuneration £'000	Total £'000
2024	Andrea Rossi	901	19	117	1,037	1,549	—	1,549	2,586
2023	Andrea Rossi	875	9	114	998	1,748	—	1,748	2,745
2024	Kathryn McLeland	597	10	78	685	924	999	1,923	2,608
2023	Kathryn McLeland	580	8	76	663	1,043	—	1,043	1,706

Notes to the single figure table

- Fixed remuneration includes salary, benefits and pension.
- The employer pension entitlement is delivered fully in the form of a cash in lieu allowance for both Executive Directors.
- STI includes both the cash and deferred elements of the STI awarded.
- The LTIP for Kathryn McLeland denotes the estimated vesting proceeds from an award granted in 2022 for the performance period ending 31 December 2024. This is subject to an additional two-year holding period.
- Andrea Rossi does not have awards vesting under the 2022 LTIP, as the first award under the M&G plc LTIP was granted to him in 2023 and is due to vest in 2026.
- The price used to calculate the value of the vesting M&G plc shares for the 2022 LTIP in respect to Kathryn McLeland is £1.9976 using an average of the closing price for the final three months of 2024. The actual share price and vesting value will be determined upon vesting and disclosed in the 2025 Annual Report on Remuneration.

Single figure remuneration – Base salary

A 4% salary increase was awarded to both Andrea Rossi and Kathryn McLeland, taking effect in April 2024. This was the first increase to apply since their respective appointments in 2022, and was below the wider workforce increase for 2024 of 4.6%.

Single figure remuneration – Benefits (Audited)

Benefits include the total value of all benefits provided in respect of the year ended 31 December 2024. For both Executive Directors these comprise life, disability and critical illness insurance, private medical cover, eligibility for health assessments, and the gross taxable value of expenses relating to travel.

	Andrea Rossi		Kathryn McLeland	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Healthcare and insurances	12	9	9	8
Travel	7	—	1	—
Total	19	9	10	8

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 employer pension entitlement is delivered fully in the form of a cash in lieu allowance for both Executive Directors. The contribution rate and delivery options are in line with other colleagues who participate in the Company's defined contribution pension plan. Executive Directors do not accrue benefits under any legacy company defined benefit pension plans.

Annual Report on Remuneration continued

Single figure remuneration – Short-Term Incentive (Audited)

For the purpose of determining the 2024 STI outcome, the Remuneration Committee assessed the performance of the Company and the individuals by reference to the 2024 STI scorecard, which included a combination of financial and non-financial measures, as follows:

2024 Executive Director STI scorecard outcome

	2024 STI Scorecard	Weighting	Threshold 0%	Target 50%	Maximum 100%	Actual	Outcome % of maximum	Weighted Outcome % of maximum
Financial	Adjusted operating profit before tax plus operating change in contractual service margin (CSM)	30%	928	1,092	1,256	1,131	61.9%	18.58%
Financial	Operating capital generation, excluding new business strain (£m)	30%	742	873	1,004	1,090	100%	30.0%
Non-financial	Customer: Life - Net Promoter Score	5%	17	18	21	22	100%	5.0%
Non-financial	Customer: With-Profits Fund investment performance over benchmark (three-year)	5%	0%	1%	3%	4.3%	100%	5.0%
Non-financial	Customer: Investment performance of Wholesale Funds relative to benchmark (one and three-year)	5%	50%	60%	70%	48.3%	0%	0 %
Non-financial	Customer: Investment performance of Institutional Funds relative to benchmark (one and three-year)	5%	50%	60%	70%	77.3%	100%	5.0%
Non-financial	Colleague: sustainable engagement index	10%	69	72	75	69.0	0%	0%
Non-financial	Risk and Controls: % high/very high issues overdue (average over the year)	5%	10%	5%	0%	2.2%	78.0%	3.9%
Non-financial	Risk and Controls: % self-identified of total issues raised	5%	75%	82.5%	90%	82.1%	47.3%	2.37%
	Scorecard outcome	100%						69.85%
	Risk adjustment (2.5% of the scorecard outcome)							(1.75%)
	Final outcome							**68.10%**

Definitions

Definitions and further details of the above measures can be found on pages 152-153.

Consideration of risk

A downward risk adjustment of 2.5% has been applied to the STI outcome to reflect that, while positive progress has been made building on the risk and control framework foundations previously put in place, further implementation work continues to be needed to further embed the framework. The impact of this leads to an effective outcome of 68.1% of maximum opportunity.

Consideration of individual performance

The Committee considered individual performance of the Executive Directors and concluded that the formulaic outcome of the STI scorecard, including the downward adjustment as described above, was appropriate in the context of their personal contribution over the performance period.

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 Group Chief Executive Officer and Chief Financial Officer roles remained unchanged at 250% of base salary and 225% of base salary respectively. The STI amounts in the single figure table reflect awards to be delivered in 2025 in respect of 2024 performance, inclusive of both cash and deferred elements, as follows:

Executive Director	Maximum STI Opportunity £'000	Total STI Outcome £'000	Cash STI £'000	Deferred STI £'000
Andrea Rossi	2,275	1,549	774.5	774.5
Kathryn McLeland	1,357	924	462	462

Annual Report on Remuneration continued

Single figure remuneration – LTIP vesting in year (Audited)

The LTIP award granted to Kathryn McLeland in 2022 under the M&G Performance Share Plan will vest on the basis of performance measured at the end of 2024. Andrea Rossi has no LTIP awards vesting in respect to the 2024 performance year.

2022 LTIP Scorecard

	Weighting	Measure	Period	Threshold	Target	Maximum	Actual	Outcome % of maximum	Weighted outcome % of maximum
Vesting				0%	50%	100%			
Capital	50%	Cumulative operating capital generation (£m)	1/1/22–31/12/24	2,108	2,480	2,852	2,749	86%	43%
Diversity	7.5%	Gender - % of women at the senior leadership level		36%	38%	40%	36%	0%	0%
Climate	7.5%	Own operations carbon emissions reduction		18.4%	21%	23.6%	35%	100%	7.5%
Risk & Conduct	10%	Qualitative assessment					30%	30%	3%
Vesting				25%		100%			
Relative TSR	25%	Percentile ranking relative to peer group	1/1/22–31/12/24	50th p'cile		75th p'cile	53rd	33.8%	8.5%
Performance outcome									**62%**

Notes to the 2022 LTIP scorecard

Cumulative operating capital generation

See the definitions table on page 152.

Sustainability measures of Diversity and Climate

Details of these measures are set out on page 153.

Risk and Conduct

The Committee considered a range of factors in determining the outcome of the qualitative Risk and Conduct measure. They observed that over the three-year period the business had generally operated within risk appetite and policy limits, and in particular, policy compliance was maintained at a high level. It was observed that there had been incremental improvements in the control environment in each of the three years of the performance period and that, while implementation work identified in 2024 needs to continue into 2025, the positive progress was acknowledged. Taking consideration of all of these factors, the Committee concluded that an outcome of 30% was appropriate.

Relative Total Shareholder Return (TSR) outcome

For the 2022 LTIP M&G plc TSR was measured against a peer group constituted of FTSE 100 Financial Services companies excluding investment trusts. The starting point for TSR was based on a 30-calendar day average of M&G plc and peer group companies preceding the performance period. The end point was based on an average of the last 30-calendar days of the performance period.

Vesting of 2022 LTIP award

The table below shows the following information for the 2022 awards granted under the M&G Performance Share Plan that are due to vest in 2025:

- the original grant value of the award 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 2024, £1.9976; and
- the vesting value attributable to the accrual of share price growth and dividend equivalents over the performance period. This has been calculated as the difference between the grant value, which was made at a share price of £2.027, adjusted for the performance outcome and the estimated vesting value. As the grant price was higher than the estimated vesting price, the value attributable to share price growth is negative.

	Grant Value £	Performance outcome	Shares under award at vesting	Shares vesting	Estimated value of shares vesting £	Value attributable to share price movement £	Value attributable to dividend equivalents £
Kathryn McLeland	1,305,000	62%	806,549	500,060	998,921	(11,736)	201,557

Andrea Rossi has no LTIP awards due to vest in 2025.

Annual Report on Remuneration continued

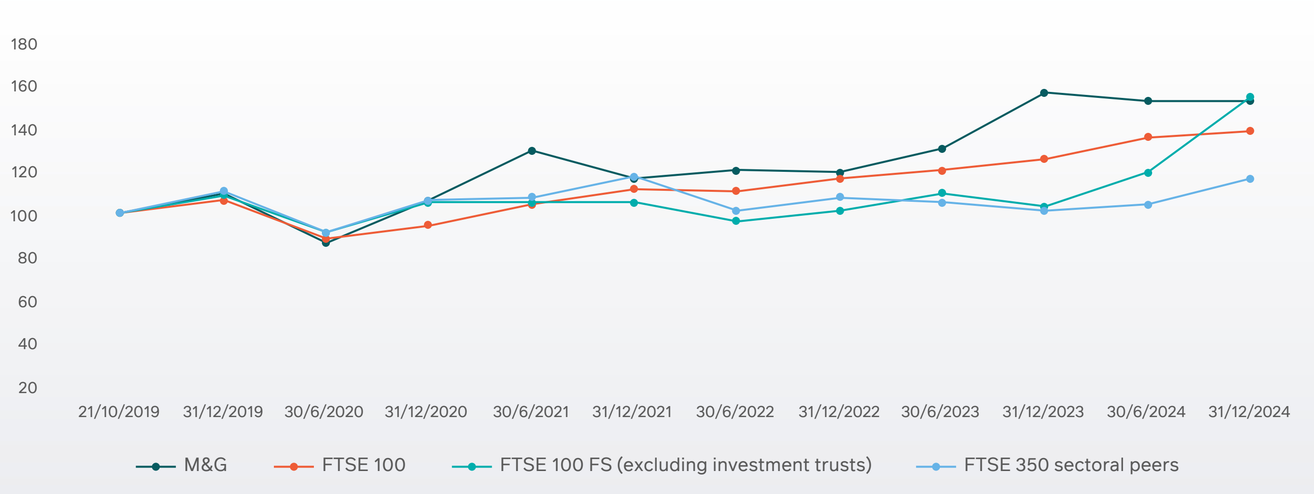
Consideration of risk

The Committee received an independent review of the control environment and key risk and compliance matters from the Chief Risk and Compliance Officer, as well as input from the Risk Committee and the subsidiary Risk Committees for PAC and MGG. The Committee noted positive progress has been made across M&G plc during 2024 in building on the risk and control framework foundations previously put in place. They acknowledged that implementation work identified in 2024 needs to continue into 2025, including consistency of Group-wide Key Control Assessments across the business. The review framework considers the management of individual risks (for example conflicts of interest risk) and risk outcomes, such as customer outcomes, with specific output received in respect of notifiable event impacts; compliance with Group policy requirements; risk appetite assessment; and regulatory feedback. Taking into consideration all information from the report, the Committee considered it appropriate to make a downward risk adjustment of 2.5% to the formulaic outcome of the 2024 STI, and no risk-related adjustment to the vesting of the 2022 LTIP.

Total shareholder return performance graph and Group Chief Executive Officer pay

The performance graph shows the Total Shareholder Return of M&G plc compared to the index constituents of the FTSE 100, FTSE 100 financial services companies (excluding investment trusts), and a peer group of FTSE 350 sectoral firms aligned to the Group's core business activities (asset management and life) for the period beginning October 2019 and ending in December 2024. The comparator performance data selected reflects M&G plc's membership of the FTSE 100 index. The FTSE 100 financial services sector (excluding investment trusts) is used to measure relative TSR performance in the 2022 LTIP scorecard, and a bespoke FTSE 350 sectoral peer group is selected for LTIP awards granted in 2023 and 2024, being more closely aligned to M&G's core business activities and geographic coverage.

Total shareholder return performance graph



The following table sets out a breakdown of Chief Executive remuneration for the performance years 2019 to 2024 inclusive.

	2019 John Foley	2020 John Foley	2021 John Foley	2022 John Foley/ Andrea Rossi	2023 Andrea Rossi	2024 Andrea Rossi
Total remuneration (£'000)	3,281	4,036	4,597	6,990	2,745	**2,586**
STI as % of maximum	64.3%	59.4%	70.15%	50.6%	79.9%	**68.1%**
LTIP as % of maximum	63.5%	59.6%	52.6%	85.5%	N/A	**N/A**

Andrea Rossi does not have an LTIP award vesting in respect to 2024 (the final vesting outcome of the 2022 LTIP is 62% of maximum as set out on page 140 of this report).

Annual Report on Remuneration continued

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

The total remuneration for the full year ended 31 December 2024 for the Chair and each Non-Executive Director is detailed below:

	Fees for 2024 £'000	Benefits for 2024 £'000	2024 Total £'000	Fees for 2023 £'000	Benefits for 2023 £'000	2023 Total £'000
Sir Edward Braham	525.0	0.3	525.3	525.0	—	525.0
Clive Adamson	254.8	7.2	262.0	252.5	1.3	253.8
Clare Chapman	117.3	16.4	133.7	115.0	2.6	117.6
Paul Evans	32.4	3.3	35.7	—	—	—
Dev Sanyal	112.3	21.5	133.8	110.0	28.4	138.4
Elisabeth Stheeman	46.3	0.4	46.7	—	—	—
Clare Thompson	217.3	0.7	218.0	203.2	—	203.2
Massimo Tosato	344.8	26.3	371.1	342.5	26.6	369.1

Notes to the table:

- Benefit values comprise the gross taxable value of expenses relating to travel, including international travel to and from the UK, accommodation and other expenses incurred while undertaking duties as Non-Executive Directors of the Company.
- Sir Edward Braham is eligible for private medical insurance but has not taken up this benefit during his tenure.
- Clive Adamson's fees include £110,000 for his role on the PAC Board during 2024 and 2023.
- Paul Evans joined the Board on 1 October 2024 and Elisabeth Stheeman on 1 August 2024. Fees and benefits reflect values from these dates.
- Fees for Clare Thompson include £35,000 in respect of her position as Chair of the IFDL Board.
- Massimo Tosato's 2024 and 2023 fees include £250,000 for his role of Chair of the MGG, MAGIM and MAGAIM Boards.

Annual Report on Remuneration continued

Directors' share interests and other payments (Audited)

In this section

Awards granted in 2024 (Audited)

The following table provides the details of scheme interests awarded to the Executive Directors during 2024:

Plan	Participant	Type of award	Basis of award	Grant date	End of performance period	Face value at grant £'000	Number of shares awarded	% payable for threshold performance
Deferred Incentive Plan (STI)	Andrea Rossi	Conditional award	Deferred STI: 50%	28/03/24	31/12/26	873.9	369,986	N/A
Performance Share Plan (LTIP)	Andrea Rossi	Nil-cost options	% of salary: 250%	28/03/24	31/12/26	2,275.0	963,166	6.25%
Deferred Incentive Plan (STI)	Kathryn McLeland	Conditional award	Deferred STI: 50%	28/03/24	31/12/26	521.3	220,723	N/A
Performance Share Plan (LTIP)	Kathryn McLeland	Nil-cost options	% of salary: 225%	28/03/24	31/12/26	1,356.8	574,407	6.25%

Notes on the scheme interests table:

Andrea Rossi and Kathryn McLeland were granted an LTIP award at 250% and 225% of salary respectively under the M&G Performance Share Plan on 28 March 2024, subject to the performance conditions set out in the table below. The awards have a vesting date of 28 March 2027 and are subject to a further two-year holding period.

Andrea Rossi and Kathryn McLeland also received deferred STI awards of M&G plc shares on 28 March 2024, representing the 50% deferred value of their 2023 STI.

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 of £2.362.

Performance conditions for LTIP awards granted in 2024

	Weighting	Threshold	Target	Maximum
Vesting		0%	50%	100%
Cumulative operating capital generation excluding new business strain (NBS) (£m)	50%	2,640	3,106	3,572
Diversity - Gender	8.33%	38%	40%	42%
Diversity - Ethnicity	8.33%	10%	20%	22%
Climate – own emissions reduction (from 2019 baseline)	8.33%	43%	46%	49%
Vesting		25%		100%
Relative TSR	25%	50th p'cile		75th p'cile

Definitions

Definitions for the above measures are provided on pages 152 and 153.

Measurement and vesting

All performance conditions have straight-line vesting between points and are measured over the three-year period 1 January 2024 to 31 December 2026.

For all performance conditions other than TSR 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 is 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 (threshold performance) and 100% vesting for achieving upper quartile or above, with straight-line interpolation between these points. The peer group consists of a selection of FTSE 350 sectoral peers selected on objective criteria in terms of comparable size, business scope and geography and aligned to M&G's core business activities (asset management, life and wealth management), and for 2024 comprises:

3i Group – Aberdeen – Ashmore – Aviva – Hargreaves Lansdown – ICG – Jupiter – Just Group – Legal & General – Man Group – Ninety One – Phoenix Group – Quilter – Rathbone – Schroders – St James's Place

Annual Report on Remuneration continued

Directors' share interests (Audited)

The following table shows the interests that each Director and where applicable their connected persons had in M&G plc shares as at 31 December 2024. 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.

Upon vesting, shares awarded under the LTIP are subject to a two-year holding period. Neither Executive Director currently has vested shares subject to the holding period. Fully owned shares are included in the 'Shares owned outright' column in the table below. The value of the shares has been calculated using the average closing M&G plc share price for the final three months of 2024, which was £1.9976.

Name	Shares owned outright	Subject to SIP	Deferred STI shares (Conditional awards)	Unvested LTIP awards subject to performance conditions (Nil -cost options)	Total	Value	Multiple of salary (all interests)
Andrea Rossi	200,456	—	484,756	2,398,727	3,083,939	£6,160,477	677%
Kathryn McLeland	176,620	—	376,700	2,237,350	2,790,670	£5,574,642	924%
Edward Braham	250,050	—	—	—	250,050	£499,500	—
Clive Adamson	9,100	—	—	—	9,100	£18,178	—
Clare Chapman	—	—	—	—	—	—	—
Paul Evans	—	—	—	—	—	—	—
Dev Sanyal	—	—	—	—	—	—	—
Elisabeth Stheeman	—	—	—	—	—	—	—
Clare Thompson	22,100	—	—	—	22,100	£44,147	—
Massimo Tosato	274,900	—	—	—	274,900	£549,140	—

There were no changes to the Directors' interests in ordinary shares between 31 December 2024 and 12 March 2025.

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). Having joined the Board in 2022 both Andrea Rossi and Kathryn McLeland are currently in compliance with the shareholding policy. The guideline in the table below is that which applied as at 31 December 2024, and does not take into account the increased shareholding guidelines of 375% for the Group CEO and 275% for the CFO within the revised Directors Remuneration Policy being proposed for approval at the April 2025 AGM.

Name	Guidelines	Shares as a % of salary
Andrea Rossi	300% of base salary	100%
Kathryn McLeland	250% of base salary	125%

Holdings as a percentage of salary are shown for Andrea Rossi and Kathryn McLeland as at 31 December 2024. Shares counting towards the holding requirement are shares owned outright, vested conditional awards subject to a holding period and unvested deferred STI awards that do not have performance conditions on a net-of-tax basis.

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

No fees or payments were made to past directors and there are no payments for loss of office to report.

Annual Report on Remuneration continued

Remuneration arrangements throughout the Company

In this section

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, and takes careful consideration of conditions across the wider workforce in reaching its decisions. During 2024, there were a number of formal sessions between Non-Executive Directors and colleagues from across the Group. The Non-Executive Directors attended sessions during the year, with colleagues across different geographies and seniority. The purpose of these regular sessions is to give our Board members the opportunity to engage directly with colleagues, gain insights into M&G's culture and understand colleague views and interests. The Board visited the Kildean, Stirling office in September 2024 and held a variety of colleague events including a Town Hall and breakout groups with NEDs and colleagues. In addition other Town Halls with Q&A's took place in both London and Kildean during the year, which were attended by members of the Board.

Executive remuneration was not specifically discussed at these events but colleagues had the opportunity to raise questions and issues of importance to them. In addition the Board held discussions on the all-colleague OneVoice survey that tracks engagement and feedback and reviewed the key outputs and themes with management. A remuneration-based question is included in the survey which provides the Committee with additional insight.

The Board and management have continued to pay careful attention to the external environment and to conditions across the wider workforce, and have held regular discussions with UNITE union representatives and the Colleague Forum to obtain input on matters relating to their members and the wider population. For 2024 the overall UK annual workforce salary review increase was 4.6%, with spend targeted towards junior and middle levels. The salary review budget increase for 2025 is 3.0% and this has been focused towards the wider workforce with increases for senior management approved on an exceptional basis only.

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 an accredited Living Wage Employer in the UK. Salaries are reviewed annually. The annual salary review increase for the UK workforce in 2024 was 4.6%. For 2025 the overall UK workforce annual salary increase was 3%, with pay rises for senior management and executives managed on an exception basis only. Budgets across our international locations are determined on the basis of local market conditions but aligned to global principles and guidelines.
Pension	Across the Company all colleagues are eligible to participate in a pension scheme, or equivalent according to local market practice, 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 arrangements for the Executive Directors. Certain UK colleagues have retained the right to accrue benefits under defined benefit schemes, which are closed to new entrants (neither of the Executive Directors are accruing benefits under a defined benefit scheme).

Annual Report on Remuneration continued

Remuneration element	Details
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. Benefits are benchmarked periodically to ensure they remain consistent with these principles. A consistent core and flexible benefit offering operates across our UK businesses. Standard 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, a colleague discounts platform and payroll giving. Certain colleagues have entitlement to higher levels of core benefits retained from their employment prior to 2020. Our health and well-being support is also regularly reviewed; colleagues in all countries have access to an employee assistance programme, supplemented by additional initiatives as appropriate to the local market as well as to the nature and size of our operations.
Short-Term Incentive Plans (STI)	All colleagues are eligible to participate in an STI plan with outcomes closely aligned with business performance, customer outcomes and individual objectives, including the effectiveness of risk management, conduct, culture and behaviours. Bespoke schemes are operated for Investment Management and Distribution colleagues consistent with these principles. Colleagues working within a control function participate in a separate STI plan assessed predominantly on own function performance and overseen by the Risk and Audit Committee Chairs to ensure independence. The Company operates a Group-wide deferral policy under which a proportion of STI over a threshold is deferred over three years, typically in M&G plc shares, unless regulation requires a higher level of deferral or an 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 strategic goals, delivery of business performance and creation of shareholder value. The Group Executive Committee and certain other senior management roles, not including individuals in control functions, participate in the performance-based share plan, aligned with that disclosed for the Executive Directors. Other senior management and control function roles are eligible to receive time vesting awards with no performance conditions. Eligibility to participate is assessed annually.
All-colleague share plans	Colleagues are eligible to participate in one or more of our all-employee share plans to drive alignment and give the opportunity to share in the overall long-term success of the Company. In the UK all colleagues have the option 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 tax-advantaged. In addition an International Sharesave is offered in other locations.

Group Chief Executive Officer pay ratio

The table below sets out the M&G plc Group Chief Executive Officer 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 2024 full year remuneration then calculated on a basis consistent with the single figure methodology.

	Year	Method	25th percentile	Median	75th percentile
Single figure total remuneration	2024	B	40:1	24:1	18:1
Single figure total remuneration	2023	B	44:1	28:1	20:1
Single figure total remuneration	2022	B	125:1	77:1	50:1
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
Salary	2024	B	18:1	12:1	9:1
Salary	2023	B	19:1	12.1	9:1
Salary	2022	B	23:1	15:1	10:1
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

The Company finalised the identification and calculations for the applicable colleagues at the 25th, 50th and 75th percentiles, effective 31 December 2024, following the close of the annual compensation review recommendation period on 25 February 2025. The Remuneration Committee is satisfied that using this population and methodology delivers a representative pay ratio relative to the Group Chief Executive Officer and that the median ratio is reflective of our pay and progression policies and practices.

Annual Report on Remuneration continued

The changes in ratio from 2023 are a result of the following factors:

- The salary ratio has remained flat at median and upper quartile, and shows a slight decrease at the lower quartile. In 2024 Andrea Rossi received an increase in base salary of 4%, slightly below the overall wider workforce outcome of 4.6%. The decrease in the pay ratio at the lower quartile is indicative of the focus on supporting colleagues through the challenging cost of living environment that prevailed at the time, and changes in the employee population profile resulting from on-going organisational change.
- The total remuneration pay gap at median is showing a moderate decrease compared to 2023. This is reflective of the decrease in the Chief Executive STI award on a year-on-year basis. It is also influenced by changes in workforce demographics and variation in individual employee experience (noting that Option B is the selected methodology and therefore is based on selected employees at each of the 25th, 50th and 75th percentiles).
- Once LTIP vesting commences for Andrea Rossi with effect from the 2025 performance year onwards the ratio will be likely to show a marked corresponding increase.

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 in the table below. Salary and total remuneration figures for the individuals concerned are based on actual remuneration with no estimates or assumptions made and the Company is satisfied that the quartile positions below are representative of the overall workforce position.

	25th percentile £	50th percentile £	75th percentile £
Total remuneration 2024	64,462	106,067	147,037
Total remuneration 2023	62,550	99,317	137,804
Total remuneration 2022	53,722	87,789	135,844
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
Salary 2024	49,440	72,622	104,194
Salary 2023	46,797	71,016	101,500
Salary 2022	42,500	66,818	97,580
Salary 2021	42,314	63,047	92,000
Salary 2020	44,187	64,500	90,245
Salary 2019	39,484	55,750	77,750

Directors vs average employee pay

	2024			2023			2022			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	Change to base salary/fee	Change to benefits	Change to STI outcome	Change to base salary/fee	Change to benefits	Change to STI outcome	Change to base salary/fee	Change to benefits	Change to STI outcome
Andrea Rossi	3%	114%	(11%)	335%	276%	586%	—	—	—	—	—	—	—	—	—
Kathryn McLeland	3%	34%	(11%)	51%	92%	138%	—	—	—	—	—	—	—	—	—
Edward Braham	—	—	—	24%	—	—	—	—	—	—	—	—	—	—	—
Clive Adamson	1%	477%	—	1%	(63%)	—	—	—	—	2%	—	—	39%	—	—
Clare Chapman	2%	529%	—	(5%)	(49%)	—	16%	—	—	—	—	—	—	—	—
Paul Evans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dev Sanyal	2%	(24%)	—	68%	1630%	—	—	—	—	—	—	—	—	—	—
Elisabeth Stheeman	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Clare Thompson	7%	—	—	9%	(100%)	—	(8%)	—	—	32%	—	—	13%	—	—
Massimo Tosato	1%	(1%)	—	18%	139%	—	7%	—	—	37%	—	—	—	—	—
UK workforce	6%	10%	(2%)	6%	9%	14%	8%	7%	9%	6%	3%	36%	3%	13%	70%

Annual Report on Remuneration continued

Notes to the 2024 to 2023 figures

- The percentage changes for the Directors between 2024 and 2023 have been based on the single figure tables on page 138 and 142.
- The Board fee was increased by 3.3% with effect 1 January 2024 from £75,000 to £77,500.
- Benefits for the Non-Executive Directors comprise the gross taxable value of expenses relating to travel, including international travel to and from the UK, accommodation and other expenses incurred while undertaking duties on behalf of the Company. Year-on-year changes are a factor of the number and location of meetings attended.
- Paul Evans and Elisabeth Stheeman joined the Board over the course of 2024.
- Only the Executive Directors are employees of M&G plc. As remuneration is set by reference to the UK market and regulatory practice the UK workforce is considered the most appropriate employee population for the basis of comparison, consistent with that used for calculation of the Group Chief Executive Officer pay ratio.
  - The 2024 salary review increase for the UK was 4.6% and was targeted primarily at lower levels of the organisation. The increase in average salary of 6% across the UK workforce over the course of 2024 takes into account specific adjustments and promotions managed outside the main pay review as well as the annual increases. Calculations have been run on a full time equivalent salary basis over a consistent full year population to provide a like-for-like comparison.
  - The increase in benefit costs reflects the impact of employee pay increases over the year, as well as increases in the premium rates for critical illness and private medical insurance.
  - The decrease in the average STI award of 2% is calculated on a consistent population basis and reflects the impact of 2024 STI funding levels relative to 2023 offset by salary increases and promotions over the year.

Relative importance of spend on pay

The following table shows the relative importance of spend on pay in 2024 compared to shareholder dividends, adjusted operating profit before tax and operating 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 152.

£m	2024	2023 restated[i]	2023 reported	% change
Spend on pay[i]	**1,026**	962	**1,003**	6.6%
Shareholder dividends	**468**	462	**462**	1.3%
Adjusted operating profit before tax	**837**	797	**797**	5.0%
Operating capital generation	**933**	996	**996**	(6.3%)

i Spend on pay is calculated as Staff and Employment costs excluding 'other staff costs' as presented in Note 8 to the consolidated financial statements on page 229. The 2023 comparative has been restated following a change in presentation of these Staff and Employment costs.

Annual Report on Remuneration continued

Statement of implementation of Remuneration Policy in 2025

In this section

2025 Salary review

The Committee approved no salary increase for the Group Chief Executive Officer and Chief Financial Officer in 2025. In determining this outcome the Committee considered external market benchmark data and the experience of the wider workforce, for whom an overall salary increase budget of 3% applied in the UK with no increases other than by exception for senior management.

Year	Salary £	Salary Increase
Andrea Rossi	910,000	0%
Kathryn McLeland	603,000	0%

2025 Incentive measures

The 2025 scorecards remain in accordance with the policy requirements for the performance conditions to 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. All measures have transparent, quantifiable targets and appropriate performance ranges.

The 2025 STI scorecard will have:

- 60% financial weighting with measures aligned to profit, capital generation and net client flows from open business; and
- 40% non-financial weighting with measures aligned to customer outcomes, colleagues and risk and controls.

The 2025 LTIP scorecard will have:

- 85% financial weighting comprising capital generation, profit growth and relative TSR measures; and
- 15% non-financial weighting with sustainability measures aligned to diversity.

2025 Short-term incentive

The maximum STI opportunity for our Executive Directors in 2025 is unchanged:

- Group Chief Executive Officer – 250% of salary
- Chief Financial Officer – 225% of salary

Vesting of deferred awards is changing from 3-year cliff vesting to pro-rata vesting in 3 equal tranches.

The following table sets out the 2025 STI scorecard of performance measures and weightings that will apply to both Executive Directors. As these measures and targets are reflective of the Company's annual Business Plan for the year ahead, full details will be disclosed retrospectively, along with the performance outcomes, in the 2025 Annual Report on Remuneration, reflecting the associated commercial sensitivity.

	Metrics	Weighting
Financial metrics	Adjusted operating profit before tax plus operating change in contractual service margin (CSM)	25%
	Operating capital generation excluding new business strain	25%
	Net client flows from open business	10%
Non-financial metrics	Customer	20%
	Colleague	10%
	Risk and controls	10%

Annual Report on Remuneration continued

Definitions

Measure	Additional information
Adjusted operating profit before tax plus operating change in CSM	CSM stands for Contractual Service Margin. See the definitions section on page 152 for more information.
Operating capital generation, excluding new business strain	See the definitions section on page 152.
Net client flows from open business	See the definitions section on page 152.
Customers	Life customers (10%). Measures covering: – Net Promoter and Advisor Satisfaction Scores; and – With-Profits Fund investment performance relative to its benchmark. Asset Management customers (10%). Two measures, equally weighted: – Wholesale funds investment performance relative to benchmark/target; and – Institutional funds investment performance relative to benchmark/target.
Colleagues	The sustainable engagement outcome from the average of the colleague opinion surveys (OneVoice) run over the year, 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. For 2025 these are: – % of high/very high issues overdue; and – % of high/very high issues reopened at high/very high by assurance providers.

2025 Long-term incentive

The maximum LTIP awards for our Executive Directors in 2025 will change subject to approval from shareholders at the 2025 AGM:

- Group Chief Executive Officer – 375% of salary (previously 250%)
- Chief Financial Officer – 275% of salary (previously 225%)

The table below shows the 2025 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 excluding new business strain (£m)	40%	2,295	2,700	3,105
Adjusted operating profit before tax growth	20%	4%		8%
Diversity - Gender	7.5%	40%	42%	44%
Diversity - Ethnicity	7.5%	10%	20%	22%
Vesting		25%		100%
Relative TSR ranking	25%	50th p'cile		75th p'cile

Definitions for the above measures are provided on pages 152-153. Performance conditions have straight-line vesting between points and are measured over the three-year period 1 January 2025 to 31 December 2027.

Relative TSR ranking

The peer group consists of a bespoke selection of FTSE 350 and European peers selected based on objective criteria in terms of company size, business scope and geography. The full 2025 award peer group is set out below:

Amundi – Aberdeen – Ashmore – Aviva – DWS – ICG – Jupiter – Just Group – Legal & General – Man Group – Ninety One – Phoenix Group – Quilter – Rathbone – Schroders – St James's Place

Annual Report on Remuneration continued

Non-Executive Director remuneration

The fee structure applicable to the Non-Executive Directors in 2025 is detailed in the table below.

£'000	2025 fees	2024 fees
Chair	525	525
Non-Executive Director basic annual fee	77.25	77.25
Senior Independent Director	30	30
Chair of the Risk Committee	40	40
Chairs of the Audit and Remuneration Committees	30	30
Members of the Audit, Remuneration and Risk Committees	17.5	17.5
Members of the Nomination and Governance Committee	10	10

No increases have been applied to Director fees for 2025.

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.

Annual Report on Remuneration continued

Definitions table

Category	Measure	Definition
Financial		
Profit	Adjusted operating profit before tax	Adjusted operating profit before tax (defined on page 341) 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 profit before tax. For the short-term incentive this is combined with operating change in contractual service margin (see below) to create a measure aligned to growth and management actions. For the long-term incentive the measure is defined as the average growth achieved over the 3-year performance period.
	Adjusted operating profit before tax, plus operating change in contractual service margin (CSM)	Adjusted operating profit before tax (defined on page 341) plus operating change in contractual service margin (CSM). CSM is a IFRS 17 related alternative performance measure for the Life business to ensure recognition of growth and management actions in the period.
Capital Generation	Operating capital generation	Operating capital generation is the total capital generation adjusted to exclude tax and market movements relative to those expected under long-term assumptions, and to remove other non-operating items, including shareholder, restructuring and other costs.
	Operating capital generation excluding new business strain	In order to ensure the measurement of current management's performance is not impacted by the regulatory requirement to hold additional capital against new business written, this is an adapted operating capital generation metric that excludes new business strain. New business strain is a component of underlying capital generation in the Life segment.
Net Client Flows	Net Client Flows from open business	Net client flows represent gross inflows less gross outflows and provides useful insight into the growth of the business. Gross inflows are new funds from clients. Gross outflows are money withdrawn by clients during the period. Net flows from open business consists of net client flows from Asset Management, PruFund, Shareholder annuities and the elements of Other Life which are open to new business. It excludes net flows from our Traditional with-profits business, platform and certain elements of Other Life closed to new business. Net client flows includes flows on assets held on the Group's consolidated statement of financial position for our clients, and external client flows on assets belonging to wholesale and institutional clients outside of the Group which are not included in the Group's consolidated statement of financial position and as a result, this measure is not directly reconcilable to the financial statements.
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.

Annual Report on Remuneration continued

Definitions table (continued)

Category	Measure	Definition
Non-financial		
Customer	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 Wholesale and Institutional Funds	The investment performance of wholesale and institutional funds on an asset weighted basis over one and three years, measured against relevant benchmarks/targets, as appropriate.
	Adviser Satisfaction score	The percentage of advisors satisfied with the service they receive in respect of illustrations and valuations for new business and service once new business has been written.
	Net Promoter Score	Applies to the Life business: six-month rolling average relative to a target and performance range.
Colleague	Engagement	The sustainable engagement score outcome from colleague opinion surveys (OneVoice) relative to a target and performance range.
Diversity	Gender and Ethnicity	Percentage of the senior leadership team, defined as the Executive Committee and their direct reports, that is female/Black, Asian, or minority ethnic at the end of the defined performance period compared to progress against publicly disclosed targets.
Climate	Own emissions reduction	The percentage reduction in the Company's Scope 1, 2 and 3 emissions from the disclosed restated baseline position for 31 December 2019 in the 2019 Annual Report. Targets are aligned to our objective to achieve a near-term carbon emissions reduction of 46% by 2030, and are assessed against the 2019 base year.
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. 2022 LTIP scorecard: 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 adherence to risk appetite policy and limits, and to conduct/culture/governance policies and standards.	

Annual Report on Remuneration continued

Other related disclosures

In this section

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 of the Group.
- Remuneration: determining the design, implementation and operation of remuneration arrangements for the Chair of the Board, Chairs and Non-Executive Directors of subsidiary boards, the Executive Directors, members of Senior Management, 'identified staff' for all 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), Paul Evans, Clare Thompson and Massimo Tosato. The Committee met 9 times during 2024 and full details of Committee member attendance can be found on page 97 of the Governance Report. Other attendees during 2024 comprised: Sir Edward Braham - Chair, Clive Adamson - Board member, Louise Fowler - Non-Executive Board member of PAC, Dev Sanyal - Board member and Elisabeth Stheeman - Board member. Where appropriate the Group Chief Executive Officer, Chief Financial Officer, Chief People Officer, General Counsel, Chief Risk and Compliance Officer, Reward Director and Deputy Reward Director and from time to time other members of senior management also attended meetings. No individual was in attendance for decisions in respect of their own remuneration.

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

Q1 2024	Q2 2024
– Salary review and incentive outcomes for the executives and broader workforce. – Annual share grants for STI deferrals and LTIP awards. – Performance outcomes of 2023 STI and 2021 LTIP awards. – Performance measures and targets for 2024 incentive plans. – Completion and disclosure of the 2023 Annual Remuneration Report. – 2024 individual performance objectives for the executives.	– AGM – Review and approval of remuneration arrangements and appointment and leaver terms for roles falling under the remit of the Committee.

Q3 2024	Q4 2024
– Review of the Directors Remuneration Policy and incentive plan design. – Approval of remuneration arrangements and appointment and leaver terms for roles falling under the remit of the Committee.	– Review of the Directors Remuneration Policy and incentive plan design. – Engagement with shareholders and regulatory authorities on changes under consideration to the Directors Remuneration Policy and incentive design. – Incentive plan forecasts and performance measures and targets for 2025 incentive plans. – Annual review of remuneration governance, including regulatory compliance. – Board Chair and Material Subsidiary Board fees.

Annual Report on Remuneration continued

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, finance and accounting and also cyber strategy services.

Key areas of advice provided to the Committee by Deloitte related to the 2024 Directors' Remuneration Policy review, the 2023 Directors' Remuneration Report, 2025 incentive structures and measures, remuneration arrangements for Executive Directors and the Executive Committee and regulatory advice.

The total fees for 2024 charged by Deloitte on a time and expenses basis were £148,450.

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 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, and the appropriateness of scheme design for the coming year.

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 sustainability 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 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.

Operation of the policy

The Committee is satisfied that the policy has operated as intended in respect to alignment of remuneration outcomes and quantum with company performance and key principles.

Consideration of shareholder views

As further detailed earlier in the report, the Committee engaged with 30 of our largest shareholders, representing c. 70% of share ownership, proxy advisory bodies and regulators on the proposed changes to the Directors' Remuneration Policy and incentive scorecard review, receiving valuable feedback from the majority of our top shareholders and all advisory bodies. The Committee carefully reflected on all feedback received in finalising proposals.

The Committee will continue to monitor trends and changes in best practice guidelines issued by institutional shareholder bodies, shareholder governance teams and corporate governance requirements to ensure remuneration at M&G plc remains appropriate. The Committee will also continue to engage with shareholders on the effectiveness of the Remuneration Policy, its implementation and on matters of importance as and when they arise.

Annual Report on Remuneration continued

Voting outcomes at the Annual General Meeting (AGM) 2024

The following table provides the voting outcomes for the Directors' Remuneration Policy approved at the May 2023 AGM and for the 2023 Annual Remuneration Report approved at the May 2024 AGM.

Voting Item	For	Against	Abstain
Remuneration Policy	96.5%	3.5%	
	1,368,489,460	50,232,635	223,066,558
2023 Remuneration Report	96.8%	3.2%	
	1,535,355,539	50,946,080	325,010

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 2024 M&G plc's standing against these dilution limits was:

- 4.95% (2023: 3.10%) where the guideline is no more than 5% in any 10 years under all discretionary share plans.
- 6.57% (2023: 4.22%) 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 pages 89-91 of the Annual Report.

The Directors' Remuneration report was approved by the Board on 18 March 2025.

Clare Chapman
Remuneration Committee Chair
18 March 2025

Directors' Report

Directors' Report

The Directors present their Report for the financial year ended 31 December 2024. The information that fulfils the requirements of the Corporate Governance Statement for the purposes of the FCA's DTRs can be found in the governance section of the Annual Report on pages 87-160 (all of which forms part of this Directors' Report) and 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 89-91.

Details of the Directors' and executives' beneficial interests in the share capital of the Company can be found in the Directors' Remuneration Report on page 144.

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 which can be found on our website) and to give a guarantee, security or indemnity in respect of a debt or other obligation of the Company. The Articles of Association also govern the appointment and replacement of Directors (so long as the number of Directors does not exceed the limit prescribed in the Articles). The Board has the power to appoint additional Directors or to fill a casual vacancy amongst Directors. Any such Director only holds office until the next AGM and may offer themselves for election.

Information included in the Strategic Report

The Company's Strategic Report on pages 1-85 includes the following information that would be otherwise be required to be disclosed in this Directors' Report:

Subject matter	Page reference
Corporate responsibility governance	60
Employment practices and engagement	37
Greenhouse gas emissions	76
Charitable donations	63
Assessing and monitoring culture	92
Internal control and risk management objectives and policies	44-45
Business review and future developments of the business	10-29
Stakeholder engagement with suppliers, customers and others	37-39
Events since the end of the financial year	322

In addition, the principal risks set out on pages 46-53, the financial instruments set out on pages 250-251, the changes in borrowings set out on pages 279-281 and the Shareholder Information on page 360 are incorporated by reference into the Directors' Report.

Requirements of FCA Listing Rule 6.6.1R

Information to be included in the Annual Report and Accounts under FCA Listing Rule 6.6.1R, where applicable, can be found as follows:

Subject matter	Page reference
Details of long-term incentive schemes	115
Shareholder waivers of dividends	158
Shareholder waivers of future dividends	158
Publication of unaudited financial information	341

Share capital

Issued share capital

The issued share capital as at 31 December 2024 consisted of 2,407,168,284 ordinary shares of 5 pence each, all fully paid up and listed on the London Stock Exchange. At 31 December 2024, the Company held 3,414,030 ordinary shares in Treasury. Accordingly, at 31 December 2024, the total number of voting rights in the Company was 2,403,754,254.

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 Apex Group 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 12 March 2025, Trustees held 1.48% 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

Directors' Report continued

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, described on page 125 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. Dis-application 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 2025 AGM.

Authority to purchase own shares

The authority for the Company to purchase in the market for up to 238,338,500 of its ordinary shares (representing 10% of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM) granted at the Company's last AGM, expires on the date of the forthcoming AGM.

The Company has not utilised the authority obtained at the 2024 AGM. Shareholders will be asked to give a similar authority to purchase shares at the forthcoming 2025 AGM.

Major shareholders

Information provided to the Company by substantial shareholders pursuant to the Disclosure Guidance and Transparency Rules (DTRs) are published via a Regulatory Information Service and is available on the Company's website.

As at 31 December 2024, the Company had been notified under Rule 5 of the DTRs of the following holdings of voting rights in its shares. Between 31 December 2024 and 12 March 2025 (the latest practicable date for inclusion in this report), the Company has not received any additional notification pursuant to Rule 5 of the DTRs.

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.	6.79%
Kingdom Holding Company	6.37%
Norges Bank	5.05%
Schroders plc	4.98%
Silchester International Investors LLP	5.05%

Between 31 December 2024 and 12 March 2025 (the latest practicable date for inclusion in this report) there have been no changes to the table of major shareholders.

Dividend information

The Directors have declared a second interim dividend for the financial year ended 31 December 2024 of 13.5 pence per Ordinary Share which will be paid out of distributable reserves. Below is a table of the key dates and further information regarding the dividend can be found on our website.

2024 dividend	Shareholders registered on the UK register
Ex-dividend date	27 March 2025
Record date	28 March 2025
Payment date	9 May 2025

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. As at 12 March 2025 (the latest practicable date for inclusion in this report), the Company held 3,414,030 shares in Treasury. Treasury shares are not taken into consideration in relation to the payment of dividends.

Cash dividend alternative

The Company operates a Dividend Reinvestment 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 during 2021.

Dividends will be paid directly via bank mandate or shareholders can join the DRIP 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 or incur political expenditure within the ordinary meaning of those words and nor did it in 2024. However, the definitions of political donations, political parties, political organisations, and political expenditure used in the UK Companies Act 2006 are broad. As a result, they may cover routine activities that form part of the normal business activities of the Group and are an accepted part of engaging with stakeholders, such as sponsoring events or supporting policy reviews where M&G has a legitimate business interest in policy development. While the Group prohibits political donations, the Group believes it appropriate to seek authority from shareholders in making political donations at the AGM in order to avoid inadvertent breaches.

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 are deemed to be significant in terms of their potential impact except for those listed below.

Directors' Report continued

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 re-borrowed 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 are set out on page 44. 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 (eg hedging) and exposure (eg price, credit, liquidity, cash flow risk) is contained in the financial statements on pages 294-314.

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 page 55 of this Report.

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. Defined 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 marker; provide equal 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. We also encourage the same standards of our recruitment and consultant suppliers.

The Company's targets around women in senior executive positions can be found on page 41 and the proportion of women on the Board and in senior executive positions can be found on page 91. The Company's ethnicity targets can be found on page 41. We make reasonable adjustments for colleagues with a temporary or permanent disability to ensure that both their individual role and M&G more broadly as a workplace remains accessible to them. Where reasonable adjustments alone do not enable a colleague to continue in their role we aim to provide support to colleagues in identifying alternative roles.

Research and Development

In the ordinary course of business, the Group develops new products and services in each of its businesses.

Conflicts of interest

The Company's Articles of Association allow the Board to authorise conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The Group has established procedures whereby actual and potential conflicts of interest are regularly reviewed, appropriate authorisation is sought prior to the appointment of any new Director, and new conflicts are addressed appropriately. The decision to authorise a conflict of interest can only be made by non-conflicted Directors and, in making such decisions, the Directors must act in a way they consider, in good faith, would be most likely to promote the Company's success.

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 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.

Branch registrations

The Group has registered branches in Belgium, France, Germany, Italy, The Netherlands, Poland, South Korea, Spain, Sweden and the UK.

Independent Auditors

The Directors are recommending the reappointment of PricewaterhouseCoopers LLP as the Group's statutory auditor at the 2025 AGM.

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.

Signed on behalf of the Board of Directors

Charlotte Heiss
General Counsel and Company Secretary
18 March 2025

Statement of Directors' responsibilities

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

The Board requested that the Audit Committee review the Annual Report and provide its opinion on whether the report is fair, balanced and understandable. The Audit Committee's opinion is on page 105.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, 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 profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

Directors' confirmations

The Directors consider that 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 and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Directors' Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

For further information on the comprehensive process followed by the Board in order to reach these conclusions please refer to the Audit Committee Report on pages 104-109.

Signed on behalf of the Board of Directors

Andrea Rossi
Group Chief Executive Officer
18 March 2025

Financial information

Independent auditors' report
to the members of M&G plc

Report on the audit of the financial statements

Opinion

In our opinion:

- M&G plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company statements of financial position as at 31 December 2024; the Consolidated income statement, Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of changes in equity and the Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

During the period, a PwC network firm was engaged by a controlled undertaking of the Group to design and build reports to support financial reporting. This is a prohibited non-audit service under paragraph 5.40 of the FRC Revised Ethical Standard 2019. As soon as the service was identified, it was immediately stopped and no fees were charged.

The entity that the non-audit service was provided to is an immaterial subsidiary and is not a component for the purposes of our audit of the Group's consolidated financial statements. We confirm that, based on our assessment of this breach, the nature and scope of the services and the subsequent actions taken, the provision of the services has not affected our professional judgement in connection with our audit of the year ended 31 December 2024. Other than the matter referred to above, and to the best of our knowledge and belief, we declare that no non-audit services prohibited by the FRC's Ethical Standard, were provided to the Group.

Other than those disclosed in Note 9, we have provided no non-audit services to the Parent Company or its controlled undertakings in the period under audit.

Context

The group is an international asset manager and insurer. Its operations primarily consist of the legal entity operations in the United Kingdom, Europe and Asia. Given the activities of the Group, we have established teams with the relevant industry experience in all significant locations in which the Group operates. In addition to forming this opinion, in this report we have also provided information on key audit matters we discussed with the Audit Committee, setting out a description of the matter, how we approached the audit in these areas, and our conclusion. In designing our audit approach, we have considered the impact that climate change could have on the Group, including physical or transitional risks which could arise. In particular, we have assessed the impacts on the financial statements of the commitments related to climate change which the Group has made.

Independent auditors' report continued

Overview

Audit scope

- Our audit scope has been determined to provide coverage of all material financial statement line items, and as part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.
- The Group has three operating segments, Asset Management, Life and Corporate Centre. Each operating segment includes a number of reporting components across different locations and legal entities.
- We tailored our in-scope components based on our assessment of inherent risk and their financial significance to the consolidated financial results. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.
- Three components were subject to an audit of their complete financial information. Eighteen other components were subject to an audit on certain balances and transactions.
- Our audit scope provided coverage over 83% of IFRS Profit before tax, 72% of Total assets, and 94% of Total liabilities.

Key audit matters

- Valuation of hard to value financial investments (level 3) (Group)
- Valuation of hard to value plan assets (level 3) and Valuation of defined benefit pension obligations (Group)
- Valuation of insurance contract liabilities: Annuitant mortality (Longevity) (Group)
- Valuation of insurance contract liabilities: Credit default allowance for annuity contracts (Group)
- Valuation of insurance contract liabilities: Expenses (Group)
- Valuation of insurance contract liabilities: Persistency for with-profit contracts (Group)
- Valuation of insurance contract liabilities: Division of with-profit assets between policyholders and shareholders (Group)
- Recoverability of the carrying value of investment in subsidiaries (Parent Company)

Materiality

- Overall Group materiality: £60 million (2023: £60 million) equivalent to 7.17% of Adjusted operating profit before tax.
- Overall Parent Company materiality: £104 million (2023: £105 million) based on 1% of Total assets.
- Performance materiality: £39 million (2023: £39 million) (Group) and £67 million (2023: £68 million) (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of insurance contract liabilities – division of with-profit assets between policyholders and shareholders is a new key audit matter this year. Under IFRS 17, a portion of the with-profit assets are allocated to current and future policyholders and reflected in the insurance contracts liabilities with the remainder allocated to shareholders (and reflected in equity). This division of assets reflects a significant judgement due to the size of the surplus with-profit assets, and the complexity and subjectivity involved in the assessment. In the prior year this was included within the key audit matter - Implementation of IFRS 17: Judgements on transition and restatement of comparative information.

Valuation of insurance contract liabilities: Implementation of IFRS 17 - Judgements on transition and restatement of comparative information, and Valuation of insurance contract liabilities: Implementation of IFRS 17 - New models and data flows, which were key audit matters last year, are no longer included because this is the second year after the adoption of IFRS 17. The illiquidity premium for with-profit contracts, which was also a key audit matter last year, is no longer included because the level of judgement in setting the assumption is reduced following the implementation of IFRS 17.

Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter

Valuation of hard to value financial investments (Level 3) (Group)

Refer to notes 1.5.5, 31.3.1 & 31.4 to the consolidated financial statements for disclosures of related accounting policies, valuation methodologies and balances.

The Group's financial investments are held to back the Group insurance contract liabilities and investment contracts within its Life business, and to meet regulatory capital requirements, as well as providing returns on shareholder assets.

Most of the Group's financial investments are valued by reference to prices on active markets. However, some are priced by reference to market data and/or valuation models.

Investments that require the use of significant judgement and inputs that are not market observable have a higher level of inherent estimation uncertainty. These investments are classified as Level 3 under the fair value hierarchy and include:

- Equity release mortgages;
- Unlisted equity investments;
- Private credit and other illiquid debt securities; and
- Investment property.

The valuation of hard to value financial investments was a key area of focus given the magnitude and the inherent uncertainty involved in the estimation. Changes in estimates could result in material changes in the valuation.

Equity release mortgages (ERMs)

The valuation of the Group's ERM portfolio is inherently subjective. There are significant unobservable inputs relating to the No Negative Equity Guarantee. The valuation uses an internal discounted cash flow model with assumptions based on the current property value, net property growth rate and the discount rate (including spread assumptions to estimate an illiquidity premium above the risk free discount rate).

Unlisted equity investments

Unlisted equity investments are held through funds managed by internal and external fund managers. The investments are valued in line with the requirements of The International Private Equity and Venture Capital Valuation (IPEV) Guidelines. Given their magnitude, the external valuations are an area of focus. Valuations are performed periodically by the fund managers. The investments are included at the most recent Net Asset Value (NAV) provided by the fund manager adjusted for cash movements, where applicable.

We performed the following audit procedures to test the valuation of the investments classified as Level 3:

- Understood and evaluated the design effectiveness of key controls related to the valuation of investments; and
- Assessed both the methodology and assumptions used in the calculation of the year end valuation, including understanding the governance controls that are in place to monitor these processes.

For Equity release mortgages, we:

- Applied our industry knowledge and experience (using our actuarial specialists) to assess the appropriateness of the methodology, models and assumptions used against recognised actuarial practices;
- Tested data inputs used in the valuation models to underlying documentation on a sample basis;
- Evaluated the appropriateness of significant economic assumptions (including the spread applied above the risk free rate) that are used within the valuation process, with reference to market data and industry benchmarks where available;
- Evaluated the appropriateness of the mortality and morbidity assumptions used in the valuation, based on available experience data and industry expectations of future mortality improvements; and
- Performed testing over the model calculations relating to the No Negative Equity Guarantee and future cash flows included within the ERMs fair value calculation, and tested the analysis of change in modelled results, to assess whether the model continues to operate as expected.

For Unlisted equity investments, we:

- Assessed the methodology used for the valuation of these investments and whether this is consistent with the International Private Equity and Venture Capital Valuation ('IPEV') guidelines;
- Where possible, independently obtained the most recent NAV statements from fund managers and agreed the valuation to underlying books and records;
- For a sample of positions, where the most recent NAV statements are not conterminous with the balance sheet, verified any adjustments made to the valuation for subsequent capital movements;
- For sample positions, performed look back testing on the NAV statements provided by fund managers against their equivalent audited financial statements; and
- Where applicable, for sample positions, reviewed the fund manager's service organisation controls report to assess the effectiveness of relevant controls.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Private credit and other illiquid debt securities Private credit and other illiquid debt are predominantly valued using discounted cash flow models. A key assumption applied in determining the discount rate used to calculate the fair value of these securities is the credit rating and the associated credit spread. The credit rating is determined by assessing the credit quality of the counterparty and security structure and assigning an internal credit rating, which is unobservable. The credit spread is then determined by reference to a comparable security or basket of securities. Determining the internal credit rating and the associated comparables requires expert judgement. For assets backed by residential ground rents, the Leasehold and Freehold Reform Act was passed in 2024. There remains legislative risk and valuation uncertainty with the inclusion of the 'Draft Leasehold and Commonhold Reform Bill' in the King's Speech in July 2024, noting there have been no explicit proposals to date.	For Private credit and other illiquid debt securities, we: – Tested inputs into the valuation model to external sources, where possible, and contractual data; – Engaged our valuation experts to assess the appropriateness of the methodology used to determine internal credit ratings; – For example positions, assessed the application of the internal credit rating methodology, including challenging the assumptions used in setting the internal credit rating; – For example positions, reperformed the valuation using our independently selected internal credit ratings and comparable securities; and – Where a management expert has been used to corroborate management's Level 3 valuations, we have assessed their competence, capabilities and objectivity by discussing the scope of their work and reviewing the terms of their engagement for unusual terms or fee arrangements. In response to the continued uncertainty associated with assets backed by residential ground rents, and in conjunction with our valuation experts, we have: – Assessed the appropriateness of the judgements made in determining the impact on the valuation of the assets backed by residential ground rent assets; – Assessed the consideration given to a range of likely outcomes; – Assessed and challenged management on the changes in credit ratings and associated credit spread applied; and – Assessed and challenged the associated disclosure given the continued inherent uncertainty.

Investment property
 	
The Group holds investment property (directly and indirectly) within the UK, Europe and Asia. The valuation of the Group's portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. There continues to be uncertainty facing the real estate sector as a result of the current economic environment and the impact of climate change. Valuations of investment properties are carried out by third party valuers engaged by the Group, who perform their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards or equivalent local standards. The valuations take into account the property-specific information including the current tenancy agreements and rental income, condition and location of the property, and future rental prospects, as well as prevailing market yields and market transactions.
	For Investment property, we:
	
	– Engaged our own valuation experts (who are qualified chartered surveyors with relevant market knowledge) to support us in our audit of the property valuations;
	– Assessed the competence, capabilities and objectivity of the third party valuers and verified their qualifications. We discussed the scope of their work and reviewed the terms of their engagement for unusual terms or fee arrangements;
	– Obtained and read the external valuation reports and held separate meetings with the third party valuers to discuss the key assumptions; and
	– To verify that the valuation approach was suitable for use in determining the carrying value for investment properties in the financial statements, we:
	  – Confirmed that the valuation approach was in accordance with RICS standards or equivalent local standards;
	  – Performed sample testing on the standing data in the Group's information systems used in the valuation process to verify the accuracy of the property information supplied to the third party valuers;
	  – Obtained valuation details of properties held by the Group and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market;

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
	– Compared the investment yields used by the third party valuers with our expected range of yields and the year on year capital movement to our expected range. Where key assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations; – Challenged the third party valuers on the extent to which the valuations have taken into account the impact of climate change and related ESG considerations; and – For properties under development valued using the residual valuation method, obtained the development appraisal and assessed the reasonableness of the third party valuers' key assumptions. This included comparing the yield to comparable market benchmarks, comparing the estimated costs to complete, to development plans and contracts, and considering the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as estimated rental value and developers' profit. For all asset classes we assessed the adequacy of the disclosures in the financial statements. Based on the work performed and the evidence obtained, we consider the valuations for hard to value financial investments to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of defined benefit pension obligations and Valuation of hard to value plan assets (Level 3) (Group) Refer to notes 1.5.13 and 17 to the consolidated financial statements for disclosures of related accounting policies and balances.	
The Group has three key defined benefit schemes which are all closed to new entrants. The schemes are run by Trustees on behalf of the beneficiaries. The defined benefit surplus or deficit presented is the net of the defined benefit obligation and the scheme plan assets, and a restriction on the surplus to the Prudential Staff Pension Scheme ("PSPS") scheme. The key areas of focus are the valuation of the defined benefit obligations and the valuation of the level 3 plan assets which are complex and judgemental. The valuation of the defined benefit obligations ("DBO") for the Group is performed by third party actuaries with key assumptions initially set through the triennial valuation process and reassessed annually by the Group. The estimate of the DBO is dependent on a number of assumptions, including the discount rate, inflation rate and mortality rates. Small changes in these assumptions can have a material impact on the valuation due to the size and the duration of the pension obligations. Management performs a review of the DBO valuation methodology and assumptions each year with the assistance of external experts. Since last year, new mortality studies were carried out as part of the funding valuation process for two of the three schemes, and the base tables have been updated accordingly. The longevity improvements for all three schemes have been updated based on annuity book data. The valuation of complex plan assets includes a longevity swap and illiquid private credit assets. The valuation of the longevity swap has been performed by an external expert. The swap has been valued under the requirements of Fair Value, IFRS 13, which is consistent with assuming the swap had nil value at outset. This effectively means that there is an implicit loading for expenses within the floating leg of the swap. The underlying model used to value the longevity swap has been updated from a collateral-based approach to a replacement cost approach this year. The financial assumptions, including discount rate and inflation rate, are updated in line with market conditions at the reporting date. Other assumptions, such as mortality and the fee collateral have been set in line with the assumptions set out in the longevity swap contract. The surplus recognised in the Prudential Staff Pension Scheme is limited to the amount which is recoverable through reduced future contributions.	For the pension schemes, we have: – Understood and, evaluated the design effectiveness of key controls in place in respect of the DBO; – Reviewed management expert's IAS 19 report and challenged the methods adopted to determine the valuation of the obligations; – Engaged our actuarial specialists to evaluate the judgements made by management in determining the key financial and mortality assumptions used in the calculation of the liability; – Assessed the reasonableness of the methodologies and assumptions adopted using our knowledge of market practice and industry developments, including use of benchmarks and external market data. We also used sensitivity analysis to determine the impact of alternative assumptions; – Assessed the competence, capabilities and objectivity of management's actuarial experts by their qualifications and by discussing the scope of their work; and – Reperformed calculations of pension liabilities and compared these with the expert's calculations. For the valuation of the level 3 plan assets, our work focused on: – For the illiquid private credit assets, we assessed the methods and assumptions used to value the assets (as set out above), and – For the longevity swap, we reviewed the assumptions used to calculate the value of the longevity swap, assessed the appropriateness of the change in valuation methodology in the year and assessed the magnitude of the change in value of the longevity swap since the previous year end. For the surplus recognised in the schemes, we assessed the availability of the pension surplus to the Group and recalculated the available surplus in the PSPS scheme. We read and assessed the disclosures made in the financial statements, including disclosure of the assumptions. Based on the evidence obtained, we found the valuation of the Scheme's defined benefit obligations and hard to value plan assets to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter

Valuation of insurance contract liabilities: Annuitant mortality (Longevity) (Group)

Refer to note 1.4, 1.5.2, 24 and 32.7 to the consolidated financial statements for disclosures of related accounting policies and balances.

Key audit matter

Annuitant mortality (longevity) assumptions are an area of significant management judgement, due to the inherent uncertainty involved. We consider these assumptions underpinning the insurance contract liabilities to be a key audit matter given the Group's exposure to a large volume of annuity business. The annuitant mortality assumption has two main components as set out below.

Base mortality assumptions

This component of the assumption is mainly driven by internal experience analyses. It requires expert judgement that includes determining the most appropriate level at which to carry out the analysis; the period used for historic experience (considering COVID-19 in recent periods); the choice of base table / rates; and adjustments made within the process of fitting rates to past experience using management's Prudential Retirement Mortality (PRM) model.

Rate of future mortality improvements

This component of the assumption is more subjective given the lack of data and the uncertainty over how life expectancy will change in the future. The allowance for future mortality improvements is inherently subjective, as improvements develop over long timescales and cannot be captured by analysis of internal experience data, with additional uncertainty around the longer term impact of COVID-19 and other trends in the UK on future mortality rates. The areas of judgement also include the selection of the mortality projection model, its calibration as well as re-expressing this in terms of the Continuous Mortality Investigation (CMI) Bureau industry standard model.

In addition, an allowance for risk in excess of the best estimate is held and represents the view of compensation for non-financial risk that management requires (known as the risk adjustment). The primary component of the risk adjustment is longevity risk and the selection of the distribution and associated stresses is a matter of judgement.

How our audit addressed the key audit matter

We have performed the following procedures:

- Understood and evaluated the design effectiveness of key controls over the determination of the longevity assumptions, including the longevity stresses used for the risk adjustment component of the insurance contract liabilities;
- Assessed the appropriateness of the methodology for analysing experience and setting assumptions for longevity with reference to relevant requirements, actuarial guidance and by applying our industry knowledge and experience;
- Tested the design and operation of the controls in place to validate the assumptions and data used in the experience analysis and model calibration, including controls over the accuracy of the PRM model used to calculate actual and expected deaths;
- Examined the results of management's experience analysis and the resulting base mortality rates;
- Assessed the appropriateness of areas of expert judgement used in the future mortality improvement rates and the consistency of these with observed experience from the Group's own annuity portfolio and market data;
- Tested and challenged significant judgements made in the determination of longevity assumptions, including assessing the implications of COVID-19 and other mortality trends in the UK;
- Tested the re-expression of the projection basis in terms of CMI models and their parameterisation;
- Compared the longevity assumptions selected by management against those adopted by peers using our annual benchmarking survey of the market;
- Tested the appropriateness of the results of the longevity contribution to the risk adjustment by comparing to Solvency II stresses and using our expert knowledge;
- Examined management's calculation of the financial impact of changes to the longevity assumptions, to ensure that these are in line with our expectations; and
- Assessed the disclosure of the longevity assumptions and the commentary to support the profit (or CSM deferral) arising from any changes for 2024 reporting in the financial statements.

Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities: Credit default allowance for annuity contracts (Group) Refer to note 1.4, 1.5.2, 24, 32.7 to the consolidated financial statements for disclosures of related accounting policies and balances.	
The discount rate for calculating the annuity in payment and deferment liabilities (future cash flows and risk adjustment) is determined in IFRS using a 'top-down' approach. In this approach the discount rate is set using the yield on a reference portfolio of assets (based on the actual assets held) with explicit deductions for both expected and unexpected credit default risk. The credit default assumptions are also used to determine the locked-in discount rate based on the target asset mix for new business written in the period (to calculate the contractual service margin). The allowance for expected and unexpected credit default risk is based on the credit rating of the reference portfolio of assets and consists of various components. The components include: – A mechanical long-term allowance for expected defaults and downgrades (based on historical data); – A credit risk premium; and – A short-term overlay reflecting a prospective outlook on future potential experience. Significant management judgement is required to set the internal credit ratings, particularly for illiquid level 3 assets (such as private credit assets and equity release mortgages). Once the credit rating has been established there is further judgement in selecting the short-term overlay to allow for risks not captured in the long-term credit default allowance. Changes to the valuation and internal credit rating of residential ground rent assets (see 'Valuation of hard to value assets' above) that back annuity liabilities will impact the credit default allowances. The allowance for credit risk can have a significant impact on the annuity liabilities, with small changes having a large financial impact.	We have performed the following procedures: – Understood and evaluated the design effectiveness of key controls in place in respect of the credit default assumptions used to value the insurance contract liabilities; – Assessed the methodology used to derive the credit default assumptions with reference to relevant requirements of IFRS, actuarial guidance and by applying our industry knowledge and experience; – Obtained an understanding and challenged management over the analysis performed to assess internal credit ratings for illiquid assets such as equity release mortgages; – Tested the approach, the ratings ascribed and the resulting default allowances; – Tested the internal credit ratings were based on the correct inputs and that the calculations were in line with intended methodology and are appropriate; – Tested and challenged key management judgements including the short-term overlay, referencing industry data, market benchmarking where available and our industry knowledge. In particular, consideration has been given to the appropriateness of management's proposals in the context of the current economic climate; – Assessed the legislative risk and valuation uncertainty relating to residential ground rents and ensured this was reflected in credit default risk assumptions; – Examined management's calculation of the financial impact of changes to the credit default assumptions on the liability, to ensure that these are in line with our expectations; and – Assessed the disclosure of the credit default risk assumptions and the commentary to support the impact of any changes for 2024 reporting in the financial statements. Based on the work performed and the evidence obtained, we consider the assumptions used for credit default risk to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities: Expenses assumptions (Group) Refer to note 1.4, 1.5.2, 24 and 32.7 to the consolidated financial statements for disclosures of related accounting policies and balances.	
Future maintenance expenses, investment expenses and expense inflation assumptions (or collectively the expenses assumptions) are used in the measurement of the insurance contract liabilities. The assumptions reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date, including an allowance for unavoidable project costs and investment costs. For IFRS, only those expenses which are directly attributable to each group of contracts are included in the valuation of insurance contract liabilities. Significant management judgement is required to determine the expense assumptions, including the allocation of costs between acquisition, maintenance, investment management and other expenses; the treatment of project costs, the allocation between with-profits and other policyholders and down to individual products; and any short term allowances. Judgement is also required over the long-term costs and policies in-force to spread fixed costs over. In addition, when calculating the liabilities, an assumption is also needed to reflect how these costs will change in future as a result of inflation rates or renewal of administration contracts. This assumption is set with reference to industry and market data; and management's view of how their cost base will inflate in future. The projection of these costs forward over the duration of the policies means that small changes in the expense assumptions can lead to significant changes in the liabilities.	We have performed the following procedures: – Understood and evaluated the design effectiveness of key controls over the expense assumptions used in the valuation of insurance contract liabilities; – Examined and assessed the methodology applied in the cost model, choice of approach and cost drivers to confirm that these are reasonable and supportable; – Tested the input data used in the cost allocation model, including the completeness and accuracy of the total cost base and allocation of expenses to the appropriate cost centres; – Compared the allocations in the cost allocation model to prior year and understood the rationale for changes; – Tested the allocation of investment-related expenses to validate the completeness and accuracy of those included in the insurance contract liabilities are appropriate; – Assessed the methodology used by management to derive the assumptions with reference to relevant requirements, actuarial guidance and by applying our industry knowledge and experience; – Assessed and challenged the appropriateness of significant judgements in the application of the methodology, including excluded costs, allocations between acquisition, maintenance, investment, and other costs and the treatment on consolidation of look-through costs; – Tested the calculation of any components of the expense assumptions that are not based on the cost allocation model (for example, short-term expense allowances), by performing a combination of controls and substantive testing; – Tested the assumption derived for expense inflation by assessing the use of industry data, current economic conditions and challenging the judgements used within the calculations to ensure that they are reasonable; – Examined management's calculation of the financial impact of changes to the expense assumptions, to ensure that these are in line with our expectations; and – Assessed the disclosure of the expense assumptions and commentary to support the profit (or CSM deferral) arising from any changes for 2024 reporting in the financial statements. Based on the work performed and the evidence obtained, we consider the assumptions used for expenses, both renewal and investment, to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter

Valuation of insurance contract liabilities: Persistency for with-profit contracts (Group)

Refer to note 1.4, 1.5.2, 24 and 32.7 to the consolidated financial statements for disclosures of related accounting policies and balances.

Key audit matter

Persistency risk can cover a wide range of policyholder actions including lapse, retirement (normal, early, late), rate of ceasing regular contributions (paying up), level of premium increments, and option take-up rates. However the main persistency risk relates to lapse and retirement assumptions.

For these assumptions:

- Significant judgement is required to set the persistency assumptions including: the choice of predictive parameters, applicability of historic experience to the future, the impact of one-off or short-term events on the data (for example COVID 19) and potential changes in the economic and regulatory environment going forward;
- In some areas, there is limited historic experience on which to base the assumptions, for example, retirement assumptions for certain products beyond the initial selected retirement age; and
- The current economic conditions, trends and volatility which may increase the levels of uncertainty about future persistency.

How our audit addressed the key audit matter

We have performed the following procedures:

- Understood and evaluated the design effectiveness of key controls over the persistency assumptions used to value the with-profit contract liabilities;
- Examined the methodology for analysing the historic experience and then setting the assumptions for persistency and assessed whether these are reasonable and in line with our expectations and market practice;
- Tested the operation of controls to validate the assumptions and the data used in the experience analysis calculations;
- Examined the results of management's experience analysis and the resulting persistency assumption;
- Assessed the appropriateness and justification for significant judgements applied, including:
  - Whether the data used is an appropriate representation of likely future experience or whether changes are needed;
  - The potential impact on persistency of changes in regulation and the current economic environment which may change the perceived value of products, ability to invest or retirement habits;
- Examined the judgments applied where there is a lack of credible historical data to set the assumptions;
- Where available and applicable, compared the persistency assumptions selected by management against those adopted by peers using our annual benchmarking survey of the market;
- Examined management's calculation of the financial impact of changes to the persistency assumptions, to ensure that these are in line with our expectations; and
- Assessed the disclosure of the persistency assumptions and the commentary to support the profit (or CSM deferral) arising from any changes for 2024 reporting in the financial statements.

Based on the work performed and the evidence obtained, we consider the persistency assumptions used to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities: Division of with-profit assets between policyholders and shareholders (Group) Refer to note 1.3, 1.4 1.5.2, 24 and 32.7.3 to the consolidated financial statements for disclosures of related accounting policies and balances.	
In order to prepare IFRS results a portion of the with-profits assets are allocated between current and future policyholders (reflected in the with-profit insurance contract liabilities) and shareholders (reflected in equity). This division of assets represents a significant judgement due to the size of the surplus assets in the with-profit fund, and the complexity and subjectivity involved in the assessment. Management assesses the policyholders' share of these assets on a prospective basis and since the effective date of IFRS 17 (1 January 2022) this has been assumed to be 90%. The proportion of with-profit assets allocated to with-profits policyholders is defined by the Articles of Association of the with-profit fund as being at least 90%. There are a number of considerations in assessing the appropriate allocation including how the sharing relationship has changed in the past or is expected to change in future, expectations for future estate distribution and contribution to the tax payable on the future shareholder transfers.	We have performed the following procedures: – Obtained an understanding of, and challenged the methodologies and judgements used, in determining the division of assets relative to the requirements of IFRS and our understanding of the operations of the with-profits fund as determined by the Articles of Association, Principles and its Practices of Financial Management and other past precedents; – Assessed the factors that will impact the division of assets, including, the expected sharing relationship for recent and future new with-profit contracts, shareholder tax on future distributions, the expectations for estate distributions, and looking-through internal service arrangements to underlying cost within the Group; – Examined and assessed any simplifications applied in determining the division of assets between policyholders and shareholders; and – Assessed the disclosure of the division of assets and the commentary to support the profit or loss (or CSM deferral) arising from any changes for 2024 reporting in the financial statements. Based on the work performed and the evidence obtained, we consider the division of the with-profits assets between policyholders and shareholders to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Recoverability/carrying value of investment in subsidiaries (Parent Company) Refer to note A to the Parent Company financial statements for disclosures of related accounting policies and balances.	

In the Parent Company's financial statements, investments in subsidiaries are reported at cost less impairment.
 	
This balance is material to the Parent Company being the largest asset on the Parent Company's statement of financial position.
 	
During the year impairment indicators have been noted, due to higher discount rates and the current economic environment, for the investments in subsidiaries and a full impairment assessment has been undertaken.
 	
Management has compared the carrying value of investments in subsidiaries to their recoverable value which is assessed as the higher of value in use and fair value less costs of disposal. This includes, but is not limited to, judgement regarding discount rates, forecasted cash flows, comparable peer companies and long-term growth rates.
	Our procedures in relation to management's assessment of the carrying value of investments in subsidiaries as at 31 December 2024 included the following:
	
	– Obtained and assessed the completeness of impairment indicators noted by management;
	– Assessed investment in subsidiaries for any indication of impairment based on our understanding of the business and current market environment; and
	– Where an impairment assessment was necessary, we:
	  – engaged our valuation experts to assist us in the audit;
	  – obtained the value in use and fair value less costs of disposal assessments completed by management;
	  – challenged the methodology and assumptions used, including the discount rate, the cash flows, the long-term growth rate, and selection of appropriate peer companies;
	  – tested the inputs back to source documents;
	  – recalculated the mathematical accuracy of the value in use and fair value less cost of disposal calculations; and
	  – Assessed the disclosures in the financial statements.
	
	Based on the work performed and evidence obtained, we consider the carrying value of investments in subsidiaries to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is a global asset manager and insurer, and its operations primarily consist of the legal entity operations in the United Kingdom, Europe and Asia. We performed a full scope audit over the following three components:

i) the Parent Company, M&G plc; ii) Prudential Assurance Company (the key contributor to the Life operating segment); and iii) M&G Group (the key contributor to the Asset Management operating segment).

For eighteen other components, we identified account balances which were considered to be significant in size or audit risk at the financial statement line item level in relation to the consolidated financial statements, and performed financial statement line item audit procedures over these specified balances. Analytical procedures over the remaining components that were not inconsequential were performed by the Group engagement team. We also performed audit procedures over the consolidation process.

As the Group audit team, we determined the level of involvement required at those components to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. In our role as Group auditors, we exercised oversight of the work performed by auditors of the components including performing the following procedures:

- Issued Group instructions outlining areas requiring additional audit focus, including the key audit matters included above;
- Evaluated the competence and capabilities of component auditors;
- Maintained an active dialogue with reporting component audit teams throughout the year;
- Attended meetings with local management in person or via video conference;
- Attended Audit Committee meetings for certain in-scope components;
- Reviewed reporting requested from component teams, including those areas determined to be of heightened audit risk; and
- Reviewed selected working papers on component audit files, where considered relevant.

Independent auditors' report continued

The impact of climate risk on our audit

As part of our audit we have made enquiries of management (both within and outside of the Group's finance functions) to understand the governance and process adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support for the disclosures made within the Annual Report and Accounts.

In addition to enquiries with management, we also read the Group's climate risk assessment documentation, reviewed Board minutes and considered disclosures in the Annual Report and Accounts in relation to climate change (including those recommended by the Task Force on Climate-related Financial Disclosures "TCFD") in order to assess the completeness of management's climate risk assessment.

We have also made enquiries to understand the commitments made by the Group and how these may affect the financial statements and the audit procedures that we perform.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2024.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Parent Company
Overall materiality	£60 million (2023: £60 million).	£104 million (2023: £105 million).
Materiality benchmark	The materiality amount was selected judgementally and is equivalent to 7.17% (2023: 8% of 3-year average) of the Adjusted operating profit before tax.	1% (2023: 1%) of Total assets.
How we determined it	In determining our materiality we have considered financial metrics and benchmarks which we believe to be relevant to the primary users of the consolidated financial statements. Due to the disparate size of the Income Statement and Statement of Financial Position, the materiality amount was selected judgmentally by the Group audit team having considered a range of relevant benchmarks including Adjusted Operating Profit before tax, Profit before tax, Operational Capital Generation before tax, Total assets, Shareholder Solvency II coverage ratio, Net Assets plus CSM and Total Assets.	Total assets has been used as the benchmark given the Parent Company's primary purpose is to act as a holding company and not to generate operating profits. Accordingly, a profit based measure is not relevant.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £10 million and £55 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 65% (2023: 65%) of overall materiality, amounting to £39 million (2023: £39 million) for the Group financial statements and £67 million (2023: £68 million) for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3 million (Group audit) (2023: £3 million) and £5.20 million (Parent Company audit) (2023: £5.25 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report continued

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the Directors' going concern assessment and challenged the rationale for the downside scenarios adopted and material assumptions made using our knowledge of the Group's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios which have been driven from the Group's Own Risk and Solvency Assessment (ORSA);
- Agreed the Group Solvency II information to the draft unaudited Group Solvency II schedules prepared by management;
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern; and
- Reviewed the disclosures included in the financial statements in relation to going concern, including the Basis of Preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent auditors' report continued

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Directors' Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Parent Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Parent Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Independent auditors' report continued

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK and European regulatory principles, such as those governed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgmental areas of the financial statements as shown in our 'Key audit matters'. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Attendance at Audit Committee and Joint Audit and Risk Committee meetings;
- Discussions with the Board, management, Internal Audit, management involved in the Risk and Compliance functions and Group and Parent Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Board of Directors, Audit, Risk, Remuneration and Disclosure Committees;
- Meeting with the PRA periodically and reading key correspondence with the PRA and the FCA, including those in relation to compliance with laws and regulations;
- Reviewing the Group's register of litigation and claims, Internal Audit reports, and compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Assessment of matters reported on the Group and Parent Company's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Evaluation and testing of the operating effectiveness of management's key controls designed to prevent and detect irregularities;
- Identifying and testing journal entries based on risk criteria;
- Testing of judgements and assumptions in subjective areas as set out in the key audit matters; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report continued

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 25 May 2022 to audit the financial statements for the year ended 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 December 2022 to 31 December 2024.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Mark Pugh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 March 2025

Consolidated financial statements

Consolidated income statement

For the year ended 31 December	Note	2024 £m	2023 £m
Insurance revenue	4	**4,095**	3,887
Insurance service expenses	24.3.1	**(2,971)**	(2,834)
Net expenses from reinsurance contracts held	24.3.1	**(28)**	(95)
Insurance service result		**1,096**	958
Interest revenue from financial assets not measured at fair value through profit or loss (FVTPL)	5	**683**	672
Interest revenue from financial assets measured at FVTPL	5	**2,666**	2,446
Net change in investment contract liabilities without discretionary participation features	5	**(461)**	(700)
Net credit impairment (losses)/reversal	5	**(15)**	2
Other investment return	5	**5,813**	6,214
Investment return		**8,686**	8,634
Finance expenses from insurance contracts issued	5	**(8,426)**	(7,318)
Finance (expenses)/income from reinsurance contracts held	5	**(10)**	39
Net insurance finance expenses		**(8,436)**	(7,279)
Net insurance and investment result		**1,346**	2,313
Fee income	6	**1,029**	1,003
Other income		**70**	37
Administrative and other expenses	7	**(2,566)**	(2,241)
Finance costs	7	**(121)**	(160)
Movements in third party interest in consolidated funds		**363**	(226)
Share of profit from joint ventures and associates	14	**24**	23
Profit before tax[i]		**145**	749
Tax charge attributable to policyholders' returns	10	**(477)**	(328)
(Loss)/profit before tax attributable to equity holders		**(332)**	421
Total tax charge		**(492)**	(440)
Less tax charge attributable to policyholders' returns	10	**477**	328
Tax charge attributable to equity holders	10	**(15)**	(112)
(Loss)/profit for the year		**(347)**	309
(Loss)/profit for the year:			
Attributable to equity holders of M&G plc		**(360)**	297
Attributable to non-controlling interests		**13**	12
Total (loss)/profit for the year		**(347)**	309
Earnings per share:			
Basic (pence per share)	11	**(15.1)**	12.7
Diluted (pence per share)	11	**(15.1)**	12.4

i The profit before tax comprises the pre-tax result attributable to equity holders and an amount equal and opposite to the tax charge attributable to policyholders' returns. This is the formal measure of profit or loss before tax under IFRS, but it is not the result attributable to equity holders. This is principally because the corporate taxes of the Group include taxes borne by policyholders. These amounts are required to be included in the tax charge of the Company under IFRS. The tax charge attributable to policyholders' returns is removed from the Group's total profit before tax in arriving at the Group's (loss)/profit before tax attributable to equity holders. As the net of tax profits attributable to policyholders is zero, the Group's pre-tax profit attributable to policyholders is an amount equal and opposite to the tax charge attributable to policyholders included in the total tax charge.

The Notes on pages 185 to 330 are an integral part of these consolidated financial statements.

Consolidated financial statements continued

Consolidated statement of comprehensive income

For the year ended 31 December	Note	2024 £m	2023 £m
(Loss)/profit for the year		**(347)**	309
Items that may be reclassified subsequently to profit or loss:			
Exchange movements arising on foreign operations[i]		**(16)**	(12)
Other comprehensive loss on items that may be reclassified subsequently to profit or loss		**(16)**	(12)
Items that will not be reclassified to profit or loss:			
Gain/(loss) on remeasurement of defined benefit pension scheme	17	**52**	(124)
Tax on remeasurement of defined benefit pension scheme	10	**(13)**	28
Other comprehensive income/(loss) on items that will not be reclassified to profit or loss		**39**	(96)
Other comprehensive income/(loss) for the year, net of related tax		**23**	(108)
Total comprehensive (loss)/income for the year		**(324)**	201
Attributable to equity holders of M&G plc		**(336)**	193
Attributable to non-controlling interests		**12**	8
Total comprehensive (loss)/income for the year		**(324)**	201

i Of the exchange movements arising on foreign operations, £15m loss is attributable to equity holders of M&G plc (2023: £8m loss) and £1m loss is attributable to non-controlling interests (2023: £4m loss).

The Notes on pages 185 to 330 are an integral part of these consolidated financial statements.

Consolidated financial statements continued

Consolidated statement of financial position

	Note	31 December 2024 £m	Restated[i] 31 December 2023 £m
Assets			
Goodwill and intangible assets	13	**1,714**	1,815
Deferred acquisition costs		**19**	23
Defined benefit pension asset	17	**45**	19
Investment in joint ventures and associates accounted for using the equity method	14	**284**	287
Property, plant and equipment	15	**1,654**	2,065
Investment property	16	**14,385**	15,422
Deferred tax assets	10	**487**	443
Insurance contract assets	24	**39**	44
Reinsurance contract assets	24	**1,043**	1,099
Equity securities and pooled investment funds	18	**64,890**	66,248
Loans	18	**4,135**	3,908
Debt securities	18	**69,775**	70,683
Derivative assets	18	**1,085**	1,693
Deposits	18	**15,794**	16,324
Current tax assets	10	**65**	67
Accrued investment income and other debtors	19	**2,506**	2,536
Assets held for sale[ii]		**1,466**	1,356
Cash and cash equivalents	20	**4,838**	5,148
Total assets		**184,224**	189,180
Equity			
Share capital	21	**120**	119
Share premium reserve	21	**383**	379
Shares held by employee benefit trust	22	**(9)**	(26)
Treasury shares	22	**(6)**	(21)
Retained earnings		**14,435**	15,223
Other reserves	23	**(11,642)**	(11,633)
Equity attributable to equity holders of M&G plc		**3,281**	4,041
Non-controlling interests		**42**	43
Total equity		**3,323**	4,084
Liabilities			
Insurance contract liabilities	24	**141,264**	142,135
Reinsurance contract liabilities	24	**280**	357
Investment contract liabilities without discretionary participation features	25	**12,144**	12,535
Third party interest in consolidated funds		**9,484**	9,893
Subordinated liabilities and other borrowings	26	**6,486**	7,647
Defined benefit pension liability	17	**258**	294
Deferred tax liabilities	10	**705**	682
Lease liabilities	27	**425**	387
Current tax liabilities	10	**81**	97
Derivative liabilities	18	**3,202**	2,910
Other financial liabilities	18	**1,018**	1,186
Provisions	28	**114**	82
Accruals, deferred income and other liabilities	29	**4,367**	6,226
Liabilities held for sale[ii]		**1,073**	665
Total liabilities		**180,901**	185,096
Total equity and liabilities		**184,224**	189,180

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, comparative amounts have been restated from those previously reported. The restatement has had no impact on the consolidated income statement or net assets. See Note 1.1 for further information.

ii Assets held for sale as at 31 December 2024 includes £92m (31 December 2023: £138m) of seed capital classified as held for sale as it is expected to be divested within 12 months and £468m of investment property (31 December 2023: £211m). Additionally £906m (31 December 2023: £1,007m) of assets held for sale and £1,073m (31 December 2023: £665m) of liabilities held for sale are in relation to the Group's consolidated infrastructure capital private equity vehicles.

The Notes on pages 185 to 330 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 179 to 330 were approved by the Board and signed on its behalf by the following Directors on 18 March 2025:

Andrea Rossi
Group Chief Executive Officer

Kathryn McLeland
Chief Financial Officer

Consolidated financial statements continued

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Shares held by employee benefit trust £m	Treasury shares £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of M&G plc £m	Non-controlling interests £m	Total equity £m
As at 1 January 2024		**119**	**379**	**(26)**	**(21)**	**15,223**	**(11,633)**	**4,041**	**43**	**4,084**
Loss for the year		—	—	—	—	(360)	—	(360)	13	(347)
Other comprehensive income for the year	23	—	—	—	—	39	(15)	24	(1)	23
Total comprehensive loss for the year		—	—	—	—	(321)	(15)	(336)	12	(324)
Dividends paid to equity holders of M&G plc	12	—	—	—	—	(468)	—	(468)	—	(468)
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	(13)	(13)
Proceeds from shares issued to settle employee share option schemes	21	—	4	—	—	—	—	4	—	4
Shares distributed by employee trusts or from treasury shares	22	—	—	37	—	(37)	—	—	—	—
Vested employee share-based payments	23	—	—	—	—	33	(33)	—	—	—
Expense recognised in respect of share-based payments	23	—	—	—	—	—	40	40	—	40
Shares issued to, acquired by or transferred to employee trusts	22	1	—	(20)	15	—	—	(4)	—	(4)
Tax effect of items recognised directly in equity	23	—	—	—	—	5	(1)	4	—	4
Net increase/(decrease) in equity		1	4	17	15	(788)	(9)	(760)	(1)	(761)
As at 31 December 2024		**120**	**383**	**(9)**	**(6)**	**14,435**	**(11,642)**	**3,281**	**42**	**3,323**

Consolidated financial statements continued

Consolidated statement of changes in equity (continued)

	Note	Share capital £m	Share premium £m	Shares held by employee benefit trust £m	Treasury shares £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of M&G plc £m	Non-controlling interests £m	Total equity £m
As at 1 January 2023		119	370	(70)	(47)	15,504	(11,613)	4,263	48	4,311
Profit for the year		—	—	—	—	297	—	297	12	309
Other comprehensive loss for the year	23	—	—	—	—	(96)	(8)	(104)	(4)	(108)
Total comprehensive income for the year		—	—	—	—	201	(8)	193	8	201
Dividends paid to equity holders of M&G plc	12	—	—	—	—	(462)	—	(462)	—	(462)
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	(13)	(13)
Proceeds from shares issued to settle employee share option schemes	21	—	9	—	—	—	—	9	—	9
Shares distributed by employee trusts or from treasury shares	22	—	—	71	4	(71)	—	4	—	4
Vested employee share-based payments	23	—	—	—	—	42	(42)	—	—	—
Expense recognised in respect of share-based payments	23	—	—	—	—	—	32	32	—	32
Shares acquired by and transferred to employee trusts	22	—	—	(27)	22	—	—	(5)	—	(5)
Tax effect of items recognised directly in equity	23	—	—	—	—	9	(2)	7	—	7
Net increase/(decrease) in equity		—	9	44	26	(281)	(20)	(222)	(5)	(227)
As at 31 December 2023		119	379	(26)	(21)	15,223	(11,633)	4,041	43	4,084

The Notes on pages 185 to 330 are an integral part of these consolidated financial statements.

Consolidated financial statements continued

Consolidated statement of cash flows

For the year ended 31 December	Note	2024 £m	Restated[i] 2023 £m
Cash flows from operating activities:			
Profit before tax		**145**	749
Non-cash and other movements in operating assets and liabilities included in profit before tax:			
Investments		**4,167**	852
Other non-investment and non-cash assets		**837**	509
Insurance and reinsurance contract liabilities		**(930)**	167
Investment contract liabilities		**(370)**	671
Other liabilities (including operational borrowings)		**(3,041)**	(976)
Interest income and expense and dividend income included in profit before tax		**(4,773)**	(5,149)
Other non-cash items		**286**	(100)
Operating cash items:			
Interest receipts		**3,312**	3,086
Interest payments		**(359)**	(204)
Dividend receipts		**1,917**	2,364
Tax paid[ii]		**(514)**	(250)
Net cash flows from operating activities[iii]		**677**	1,719
Cash flows from investing activities:			
Purchases of property, plant and equipment		**(289)**	(496)
Proceeds from disposal of property, plant and equipment		**21**	1
Net cash paid on acquisition of subsidiaries, joint ventures and associates[iv]		**(31)**	(103)
Divestment of subsidiaries by consolidated private equity vehicles[v]		**451**	105
Investment in subsidiaries by consolidated private equity vehicles[v]		**—**	(110)
Net cash flows from investing activities		**152**	(603)
Cash flows from financing activities:			
Interest paid		**(188)**	(189)
Lease capital repayments		**(28)**	(25)
Repurchase of subordinated debt		**(450)**	—
Proceeds from shares issued	21	**5**	9
Dividends paid to equity holders of M&G plc	12	**(468)**	(462)
Dividends paid to non-controlling interests		**(13)**	(13)
Net cash flows from financing activities		**(1,142)**	(680)
Net (decrease)/increase in cash and cash equivalents		**(313)**	436
Cash and cash equivalents at 1 January		**5,148**	4,739
Effect of exchange rate changes on cash and cash equivalents		**3**	(27)
Cash and cash equivalents at end of period	20	**4,838**	5,148

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, comparative amounts have been restated from those previously reported. The restatement has had no impact on the consolidated income statement or profit for the year ended 31 December 2023 or total equity attributable to shareholders as at 31 December 2023. See Note 1.1 for further information.

ii Tax paid for the year ended 31 December 2024 includes £299m (2023: £99m) paid on profits taxable at policyholder rather than equity holder rates.

iii Cash flows in respect of other borrowings of the With-Profits Fund, which principally relate to consolidated investment funds, are included within cash flows from operating activities.

iv Net cash paid on acquisition of subsidiaries, joint ventures and associates consists of £25m (2023: £22m) of cash paid, net of £4m (2023: £nil) cash acquired. Refer to Note 2.2 for further information on shareholder acquisitions made in the period. An additional £14m (2023: £81m) of cash paid, net of £4m (2023: £nil) relates to the acquisition of subsidiaries, joint ventures and associates held by the With-Profits Fund.

v Divestment/(investment) in subsidiaries by consolidated private equity vehicles represents the amount paid or received in relation to the purchase or sale of underlying investee companies held by the Group's consolidated private equity vehicles. As at 31 December 2024, £nil (2023: £110m) relates to investments in these vehicles and £451m (2023: £105m) relates to divestment in these vehicles.

The Notes on pages 185 to 330 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Basis of preparation and material accounting policies

1.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2024 comprise the financial statements of M&G plc ('the Company') and its subsidiaries (together referred to as 'the Group'). The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards (IAS) and the legal requirements of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost basis except for investment property measured at fair value, certain financial assets and financial liabilities (including derivative instruments) that are measured at fair value through profit and loss (FVTPL), insurance contract liabilities that are measured in accordance with the requirements of IFRS 17: Insurance contracts, and defined benefit assets and liabilities, measured at the fair value of plan assets less the present value of the defined benefit obligations. Assets and disposal groups held for sale are stated at the lower of the previous carrying amount and fair value less costs to sell.

The consolidated financial statements are stated in million pounds sterling, the Group's presentation currency.

Restatement of prior period information

The comparative consolidated statement of financial position as at 31 December 2023 has been restated following a presentational change in cash and borrowings in certain consolidated investment funds which were disclosed incorrectly in the prior period. Negative cash balances in these funds were disclosed as overdraft positions, however it has been determined that this was notional in nature and should have been offset with positive cash balances in the same funds.

The restatement has had no impact on the consolidated income statement or profit for the year ended 31 December 2023 or total equity attributable to shareholders as at 31 December 2023.

The impact of the restatement on the consolidated statement of financial position is set out in the table below:

	Note	As at 31 December 2023 as previously reported £m	Adjustments £m	As at 31 December 2023 restated £m	1 January 2023 as previously reported £m	Adjustments £m	1 January 2023 restated £m
Consolidated statement of financial position:							
Assets:							
Cash and cash equivalents	20	5,590	(442)	5,148	4,884	(145)	4,739
Other		184,032	—	184,032	186,274	—	186,274
Total assets		189,622	(442)	189,180	191,158	(145)	191,013
Liabilities:							
Subordinated liabilities and other borrowings	26	8,089	(442)	7,647	7,537	(145)	7,392
Other		177,449	—	177,449	179,310	—	179,310
Total liabilities		185,538	(442)	185,096	186,847	(145)	186,702

In the consolidated statement of cash flows, Cash and cash equivalents at 1 January 2023 has been reduced by £145m and at 31 December 2023 by £442m. The movement in other liabilities, net cash flows from operating activities and net (decrease)/increase in cash and cash equivalents have been adjusted by £297m.

Comparatives in the impacted notes to the consolidated financial statements have also been restated.

Going concern

The Directors have a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of approval of the consolidated financial statements.

To satisfy themselves of the appropriateness of the use of the going concern assumption in relation to the consolidated financial statements, the Directors have considered the liquidity projections of the Group, including the impact of applying specific liquidity stresses. The Directors also considered the ability of the Group to access external funding sources and the management actions that could be used to manage liquidity.

In addition, the Directors also gave particular attention to the solvency projections of the Group under a base scenario and its sensitivity to various individual economic stresses and tested the resilience of the balance sheet to adverse scenarios using reverse stress testing.

The impact of the following individual stresses on solvency were considered as part of the assessment:

- 20% fall in equity prices;
- 20% fall in property prices;
- (50bps) parallel shift in nominal yields;
- 20% of the credit portfolio downgrading by one full letter; and
- +100bps spread widening (A-rated assets).

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.1 Basis of preparation (continued)

The scenarios considered as part of the assessment included a range of different scenarios (base, optimistic and severe pessimistic) taking into account the plausible pathways that the global economy would take, its impact on consumer demand and actions that central banks could take. We have also assessed the resilience of our financial position and the economic implications resulting from a high inflationary and low growth environment (stagflation scenario) and the aftermath of a major climate event (climate scenario).

The results of the assessment demonstrated the ability of the Group to meet all obligations, including payments to shareholders and debt holders, and future business requirements for the foreseeable future. In addition, the assessment demonstrated that the Group was able to remain above its regulatory solvency requirements in a stressed scenario.

For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Presentation of risk and capital management disclosures

We have provided additional disclosures relating to the nature and extent of certain financial risks and capital management in the Supplementary Information section of this report.

1.2 New accounting pronouncements

1.2.1 New accounting pronouncements adopted by the Group

The Group has adopted the following amendments to standards which became effective from 1 January 2024:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1), issued in January 2020;
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16), issued in September 2022;
- Non-current Liabilities with Covenants (Amendments to IAS 1), issued in October 2022; and
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7), issued in May 2023.

The above amendments to standards do not have a material effect on these consolidated financial statements.

1.2.2 New accounting pronouncements not yet effective

The following new accounting pronouncements have also been issued but are not yet effective or have not yet been adopted for use in the UK:

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) – Issued in April 2024 and effective from 1 January 2027

IFRS 18 will replace IAS 1 Presentation of Financial Statements and introduces new requirements around:

- categories and subtotals to be used in the statement of profit or loss;
- specific disclosures for management-defined performance measures (MPMs); and
- location, aggregation and disaggregation of financial information.

IFRS 18 will require an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. Entities will also be required to present subtotals and totals for ‘operating profit or loss’, ‘profit or loss before financing and income taxes’ and ‘profit or loss’.

IFRS 18 introduces the concept of MPMs which are metrics defined from the statement of profit or loss and are used to communicate management’s views on financial performance externally. In the context of the Group, this would apply to our adjusted operating profit metric. IFRS 18 requires disclosure of information about all of an entity’s MPMs within a single note to the financial statements and requires further disclosures on how the measure is calculated and a reconciliation to the most comparable subtotal specified by IFRS 18.

IFRS 18 also provides guidance on the location of information in the primary financial statements and the notes. It also requires aggregation and disaggregation of information to be performed with reference to similar and dissimilar characteristics.

The adoption of IFRS 18 will have a significant impact on how the Group’s income statement is presented and may potentially impact disclosures on our alternative performance measures. The Group is currently assessing the impact of adopting this standard.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19) – Issued in May 2024 and effective from 1 January 2027

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. This standard does not have any impact on the Group's consolidated financial statements.

Other amendments

Furthermore, the following amendments have been issued and are not yet effective:

- Amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7), issued in May 2024 and effective from 1 January 2026; and
- Lack of exchangeability (Amendments to IAS 21), issued in August 2023 and effective from 1 January 2025.

These amendments are not expected to have a material impact on the Group.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.3 Judgements in applying accounting policies and sources of estimation uncertainty

A full list of the Group's material accounting policies is provided in Note 1.5. The accounting policies adopted by the Group have not changed materially from those applied in the Group's Annual Report and Accounts for the year ended 31 December 2023. In applying these accounting policies, the Group has made a number of key judgements which have a significant effect on the amounts recognised in the consolidated financial statements. The impact of climate change has been considered when preparing these consolidated financial statements, particularly in the context of our climate-related disclosures included on pages 64 to 81. While climate change is a source of uncertainty, management has considered the potential impacts on these financial statements, concluding that there is no significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The following table sets out the basis of the accounting policy judgements, and references the associated accounting policy and related note which both give further detail on the specific application.

Financial statement area	Key judgement	Accounting policy	Note
Consolidation of structured entities	IFRS 10 requires entities that the Group controls to be consolidated in the consolidated financial statements. Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Due to the nature of structured entities, judgement is required to determine whether the Group controls and therefore consolidates structured entities. Judgement is also required where certain seed capital investments in structured entities are classified as held for sale investments, and therefore not consolidated on a line-by-line basis.	1.5.1	30
Classification of insurance and investment contracts	IFRS 17 requires that contracts that transfer significant insurance risk are accounted for as insurance contracts. Judgement is required to determine whether contracts written by the Group transfer significant insurance risk, unless a specific scope exception applies (eg equity release mortgages). Judgement is also required in the case of certain investment contracts which provide an additional benefit in addition to guaranteed benefits to determine whether they meet the criteria to be considered as discretionary participation features, and therefore accounted for under IFRS 17.	1.5.2	24
Contractual Service Margin (CSM) measurement model	IFRS 17 requires an assessment of whether contracts meet the conditions for having direct participation features and when this is the case such contracts must use the Variable Fee Approach to measure the CSM. For with-profit and unit-linked contracts, judgement is required to assess whether the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and whether the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. The assessment is carried out at the contract level and judgement is also applied to determine the extent to which mutualisation between contracts is allowed for.	1.5.2	24
Underlying items	Underlying items are items that determine some of the amounts payable to a policyholder as part of their with-profit or unit-linked contract and therefore are a component of the insurance contract or investment contracts with discretionary participation features (DPF) liabilities. Judgement is required to define underlying items for with-profits contracts that reflect the mutualisation between contracts and how to split underlying items between current and future policyholders.	1.5.2	24

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.3 Judgements in applying accounting policies and sources of estimation uncertainty (continued)

Financial statement area	Key judgement	Accounting policy	Note
Division of surplus relating to the With-Profits Fund	Judgement is required to determine the amount of surplus that should be divided between current and future with-profits policyholders as well as with the Group and the amount of surplus attributable solely to the Group.	1.5.2	24
Provision of insurance contract services	The amount of CSM recognised in profit or loss in each reporting period is determined by reference to coverage units, which represent the insurance contract services provided in that period. Judgement is required to define the services provided, and the relative weighting if these include both insurance and investment services.	1.5.2	24

1.4 Sources of estimation uncertainty

The preparation of these consolidated financial statements requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities.

The following table sets out the estimates and assumptions which have a significant risk of resulting in a material adjustment to carrying value within the next financial year. Details of the nature of the estimate is provided in the related accounting policy and details of the assumptions applied at the statement of financial position date are provided in the related note.

Financial statement asset or liability	Key estimate and assumptions	Accounting policy	Note
Insurance contract liabilities	When measuring the insurance contract liabilities, a number of assumptions are applied to estimate future amounts due to the policyholder. The areas where the assumptions could have a material impact are: – for with-profits contracts, the assumed future investment returns on the backing assets, the assumptions used in determining the allowance for persistency and maintenance expenses, the policyholders' share of historic and future surpluses, and the illiquidity premium in setting the discount rate; and – for annuity contracts, the assumed rates of policyholder mortality, maintenance expenses, and the selection of the reference portfolio and allowance for credit risk in setting the discount rate. In addition, when measuring the insurance contract liabilities, a risk adjustment is included. The assessment of the risk adjustment requires assumptions about the compensation that the Group requires for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk, the most significant of which is the assumed rates of the policyholder mortality for annuity contracts.	1.5.2	24, 32
Assets classified as level 3 under the fair value hierarchy	Determination of the fair value of financial assets classified as level 3 in the fair value hierarchy involves the use of inputs which are not observable in the market and hence require a high degree of estimation which could result in a significant change in the valuation. This includes the determination of the internal credit rating and the spread above risk free rate applied to value residential ground rent notes that are impacted by the ongoing legislative uncertainty which may potentially restricts future income on these assets.	1.5.5, 1.5.12	18, 31
Determination of recoverable amount of goodwill	Goodwill is assessed for impairment at least on an annual basis by comparing the recoverable amount of each cash-generating unit or group of cash-generating units to which goodwill has been allocated with its carrying value. Recoverable amount is defined as the higher of fair value less costs to sell and the value in use where the value in use is based on the present value of future cash flows. The determination of the value in use requires the use of various assumptions around future cash flows, future growth rates and appropriate discount rates based on the risks associated with the cash-generating-unit or group of cash-generating units which can have a material impact on the calculation.	1.5.15	13

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.4 Sources of estimation uncertainty (continued)

Financial statement asset or liability	Key estimate and assumptions	Accounting policy	Note
Defined benefit pension liability	The defined benefit pension scheme liability is calculated using actuarial valuations which incorporate a number of assumptions including discount rates, inflation rates, and expected future mortality. Due to the long-term nature of the schemes, the value of the pension scheme obligation is sensitive to these assumptions.	1.5.13	17
Valuation of intangibles acquired at acquisition	Valuation of intangibles acquired as part of a business combination are based on various assumptions around acquired business value and appropriate discount rates which can have a material impact on the valuation.	1.5.16	13
Recognition of deferred tax asset	IAS 12 requires deferred tax assets to be recognised to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised. Judgement is required to determine the extent to which future taxable profits emerge and the corresponding period over which unused tax credits and unused tax losses will be utilised.	1.5.14	10.2

1.5 Accounting policies

1.5.1 Basis of consolidation

The Group has control over an investee if all three of the following conditions are met:

- it has power over an investee;
- it is exposed to, or has rights to, variable returns from its involvement with the investee; and
- it has the ability to use its power over the investee to affect its own returns.

(i) Subsidiaries

Subsidiaries are those investees that the Group controls. Where the Group is deemed to control an entity, the entity is treated as a subsidiary and its results, assets and liabilities are consolidated. Where the Group holds a minority share in an entity but does not have control, joint control or significant influence over the entity, the investments are carried at FVTPL within financial investments on the consolidated statement of financial position.

The Group performs a reassessment of consolidation whenever there is a change in the substance of the relationship between the Group and an investee.

(ii) Joint ventures and associates

Joint ventures are joint arrangements arising from a contractual agreement whereby the Group and other investors have joint control of the net assets of the arrangement. In these arrangements, the Group's share of the underlying net assets may be lower or higher than 50% but the terms of the relevant agreement make it clear that control is jointly exercised between the Group and the third party, for example, where significant decisions required unanimous approval of all parties, or where all parties have equal voting rights.

Associates are entities over which the Group has significant influence, but which it does not control. Generally, it is presumed that the Group has significant influence if it holds between 20% and 50% of the voting rights of the entity.

Investments in associates and joint ventures held by the With-Profits Fund through investments, including venture capital business, mutual funds and unit trusts, and certain directly held investments are accounted for at FVTPL. All other investments in joint ventures and associates are accounted for using the equity method of accounting. Under the equity method, the Group's share of profit or loss of its joint ventures and associates is recognised in the income statement and its share of movements in other comprehensive income is recognised in other comprehensive income.

(iii) Structured entities

Structured entities are those that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Voting rights relate to administrative tasks. Relevant activities are directed by means of contractual arrangements. The Group invests in structured entities such as:

- Collective investment vehicles including Open-Ended Investment Companies (OEICs), Authorised Contractual Schemes (ACSs), Luxembourg-domiciled Sociétés d'Investissement à Capital Variable (SICAVs) and unit trusts;
- Limited partnerships;
- Collateralised debt obligations;
- Mortgage-backed securities; and
- Similar asset-backed securities.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.1 Basis of consolidation (continued)

Collective investment vehicles

The Group invests in OEICs, ACSs, SICAVs and unit trusts, which invest mainly in equities, bonds, cash and cash equivalents, and properties.

The assessment of control over OEICs, ACSs, SICAVs and unit trusts requires judgement. In assessing control, the Group determines whether it is acting as principal or agent. This includes an assessment of the scope of its decision-making authority, including rights held by third parties, which may provide these parties substantive removal rights that may affect the Group's ability to direct the relevant activities and indicate that the Group does not have power.

In addition, the assessment considers the aggregate economic interest of the Group, which includes both direct holding and expected management fees if the fund manager is a Group company, however, management fees in most cases forms an immaterial part of the aggregate economic interest of the Group.

Holdings in such investments can fluctuate on a daily basis according to the participation of the Group and other investors in them. As a result, in determining control, the Group looks at the trend of ownership over a longer period (rather than at a point in time) to mitigate the impact of daily fluctuations which do not reflect the wider facts and circumstances of the Group's involvement.

Consolidation assessment is performed in line with the following principles having taken into account substantial removal rights:

- where the Group manages the assets of the entity, and the aggregate of the Group's ownership holding in the entity exceeds 50%, the Group is judged to have control over the entity;
- where the Group manages the assets of the entity, and the aggregate of the Group's ownership holding in the entity is between 20% and 50%, the facts and circumstances of the Group's involvement in the entity are considered, including the rights to any fees earned by the asset manager from the entity, in forming a judgement as to whether the Group has control over the entity;
- where the Group manages the assets of the entity, and the aggregate of the Group's ownership holding in the entity is less than 20%, the Group is judged to not have control over the entity; or
- where the assets of the entity are managed externally, an assessment is made of whether the Group has existing rights that give it the ability to direct the current activities of the entity and therefore control the entity. In assessing the Group's ability to direct an entity, the Group considers its ability relative to other investors. The Group has a limited number of investments in externally managed OEICs and unit trusts where it considers it has such ability.

Where the Group is deemed to control these entities, they are treated as subsidiaries and are consolidated, with the interests of investors other than entities within the Group being classified as liabilities, presented as third party interest in consolidated funds.

Where the Group does not control these entities (as it is deemed to be acting as an agent), and they do not meet the definition of associates, they are carried at FVTPL within equity securities and pooled investment funds on the consolidated statement of financial position.

Where the Group initially sets up OEICs, ACSs, SICAVs and unit trusts as part of its operations through its investment management business, and invests the initial seed capital which results in a significant holding resulting in control of the fund, the Group assesses whether there is a formal plan in place to divest its holding to below the threshold triggering control within 12 months. In this situation, the vehicle is not consolidated, but classified as held for sale and carried at FVTPL.

Limited partnerships

The Group invests in a number of limited partnerships, either directly or through unit trusts, through a mix of capital and loans. These limited partnerships are managed by general partners, in which the Group holds equity.

Such interests in general partners and limited partnerships provide the Group with voting and similar rights to participate in the governance framework of the relevant activities which the limited partnerships are engaged in. Accounting for the limited partnerships (including underlying investees) as subsidiaries, joint ventures, associates or other financial investments depends on the terms of each partnership agreement and the level of shareholdings in the general partners.

Other structured entities

The Group holds investments in mortgage-backed securities, collateralised debt obligations and similar asset-backed securities.

The Group consolidates the vehicles that hold the investments where the Group is deemed to control the vehicles. When assessing control over the vehicles, the factors considered include the purpose and design of the vehicle, the Group's exposure to the variability of returns and the scope of the Group's ability to direct the relevant activities of the vehicle, including any kick-out or removal rights that are held by third parties. The outcome of the control assessment is dependent on the terms and conditions of the respective individual arrangements, taking into account aggregate economic interest where relevant.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.1 Basis of consolidation (continued)

(iv) Qualifying partnerships

Entities consolidated by the Group include Qualifying Partnerships as defined under the UK Partnerships (Accounts) Regulations 2008 (the 'Partnership Act'). Some of these limited partnerships have taken advantage of the exemption under regulation 7 of the Partnerships Act from the financial statements requirements. This is under regulations 4 to 6, on the basis that these limited partnerships are dealt with on a consolidated basis in these financial statements.

(v) Third party interests

Interests of parties other than the Group in entities which the Group controls are assessed to determine whether they should be classified as financial liabilities or as non-controlling interests in equity on the consolidated statement of financial position. Puttable third party interests such as units held by external investors in unit trusts are classified as financial liabilities. Third party interests in private equity vehicles set up with finite lives are also classified as financial liabilities.

1.5.2 Insurance contracts

(i) Contracts within the scope of IFRS 17

An entity must apply IFRS 17 to determine the requirements for recognition, measurement, presentation and disclosure of:

- Insurance contracts (including reinsurance contracts issued);
- Reinsurance contracts held; and
- Investment contracts with discretionary participation features (DPF) issued, provided the entity also issues insurance contracts.

IFRS 17 defines insurance contracts as contracts under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Reinsurance contracts are insurance contracts issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts).

The Group judges that a contract transfers significant insurance risk if there is at least one scenario where the amounts that could be payable under the contract represent 10% or more than the amounts payable if the insured event does not occur.

In addition to accepting insurance risk from the insurance contracts issued, the Group is exposed to financial risk from the insurance and investment contracts it issues and reinsurance contracts it holds.

The Group's reinsurance contracts are predominantly contracts held under which risks are transferred to an external third party. The Group has one reinsurance contract under which it accepts risks from with-profits contracts issued by another insurer.

Insurance contracts can be issued and reinsurance contracts can be initiated by the Group, or they can be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Group, unless otherwise stated.

Investment contracts with DPF have the legal form of insurance contracts, but do not transfer significant insurance risk and so are classified as financial instruments. Nevertheless such contracts fall within the scope of IFRS 17.

An investment contract with DPF is a financial instrument that provides a particular investor with the contractual right to receive, as a supplement to an amount not subject to the discretion of the issuer, additional amounts:

- that are expected to be a significant portion of the total contractual benefits;
- the timing or amount of which are contractually at the discretion of the issuer; and
- that are contractually based on:
  - the returns on a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the entity or fund that issues the contract.

The Group judges that the additional discretionary benefits are significant when they are expected to be at least 5% of the total contractual benefits.

The Group's investment contracts with DPF comprise the with-profits business that do not transfer significant insurance risk. This includes investments in the PruFund range of funds available to individual investors.

Investment contracts without DPF are not accounted for under IFRS 17 but instead fall within the scope of IFRS 9. For the Group these primarily comprise unit-linked contracts that do not transfer significant insurance risk. Also within the scope of IFRS 9 are contracts issued to corporate bodies to facilitate investment in PruFund, which as a result of cancellation rights included in those contracts, are judged by the Group to not provide significant discretionary benefits.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(i) Contracts within the scope of IFRS 17 (continued)

If several insurance contracts are transacted with the same or a related counterparty and the Group assesses that the contracts are designed to achieve an overall commercial effect, the contracts are combined in order to report the substance of the transactions. This includes instances where certain non-standard benefits covered by a bulk purchase annuity may be executed through a separate legal contract for regulatory purposes but are accounted for as a single contract under IFRS 17.

Some investment contracts issued by the Group provide policyholders with the option to invest their premiums in both unit-linked funds and with-profits funds (including access to PruFund). The Group accounts for such contracts as two separate in substance contracts enabling the investment in with-profits and PruFund to be accounted for under IFRS 17 and the investment in unit-linked funds to be accounted for under IFRS 9.

The Group has previously issued and still holds a book of equity release mortgages. These contracts contain a no negative equity guarantee which ensures that, should the policyholder pass away or move into residential care during the term of the instrument and the accrued loan value is in excess of the sale proceeds of the mortgaged property, then the policyholder's beneficiaries would not have to repay any excess. This feature has been assessed to consider whether it gives rise to insurance risk. The Group judges that the equity release mortgages meet the definition of an insurance contract, but the compensation for insured events is limited to the amount otherwise required to settle the policyholder's obligation created by the contract. In this circumstance IFRS 17 permits the issuer of contracts to choose whether to account for these contracts under IFRS 17 or IFRS 9. The Group has opted to account for these contracts under IFRS 9.

(ii) Separating components

At inception, the Group must identify and separate the following components from contracts within the scope of IFRS 17 and account for the components as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and where the component issued as a standalone contract is not itself a contract that falls within the scope of IFRS 17; and
- distinct investment components other than investment components with DPF: ie investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Group must separate any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and account for them as separate contracts with customers (ie these are accounted for under IFRS 15). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant level of service by integrating the good or service with the insurance component.

The Group has assessed the contracts it has issued and no contracts were identified as containing embedded derivatives, distinct investment components or distinct goods and non-insurance services that must be separated and accounted for under other IFRS standards.

Certain contracts have been determined to contain non-distinct investment components, rights to a refund of premiums, and other non-insurance components (ie amounts payable to a policyholder that are not contingent on the occurrence of an insured event) which are not required to be separated from the host insurance contract but do require specific treatment under IFRS 17. These payments are excluded from the value of insurance revenue and insurance service expenses presented in profit and loss.

Non-distinct investment components, rights to a refund of premiums, and other non-insurance components typically arise in contracts where there is some form of surrender benefit payable at any time of the policyholder's choosing. The Group has opted as an accounting policy choice to consistently define the surrender value to be net of surrender charges or penalties when determining the amounts to exclude from insurance revenue and insurance service expenses.

(iii) Level of aggregation

Insurance contracts

Insurance contracts issued are aggregated into groups for measurement purposes. Groups of insurance contracts are first determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together.

The Group interprets that, when aggregating contracts by similar risk, all risks must be considered but 'similar risks' is not interpreted to mean 'identical risks'. The Group judges that an appropriate method is to aggregate contracts according to which of the three risk categories of protection, longevity and investment is the dominant risk which the Group is exposed to from writing the contract. These three categories have been chosen as they best represent the risks that the Group is exposed to without unnecessary granularity and subdivision.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(iii) Level of aggregation (continued)

Insurance contracts (continued)

In aggregating contracts that are managed together, the Group considers the following factors:

- the existence of a common pool of assets backing the contracts;
- the approach to risk management, for example hedging strategies or the existence of reinsurance arrangements;
- for business in a with-profits fund, the approach to risk-bearing, profit-sharing and the application of discretion;
- the source of the business, eg UK or overseas; and
- the categorisation of contracts for the segmental reporting reported in the accounts or for internal management information.

Each portfolio is divided into a minimum of:

- a group of contracts that are onerous on initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of the remaining contracts in the portfolio, if any.

The Group does not currently have any groups of contracts that fall into the category that on initial recognition have no significant possibility of becoming onerous subsequently.

Each of these groups must then be further subdivided, if necessary to ensure that each group does not contain contracts that have been issued more than one year apart.

For annuities, unisex pricing may be required under gender neutral pricing regulations, and may, for example, result in policies sold to females being onerous and policies sold to males being non-onerous. As the other elements of the pricing basis are identical, the difference in onerousness is solely due to the legal constraint. IFRS 17 permits such contracts to be included in the same group.

Reinsurance contracts held

Reinsurance contracts held are similarly aggregated into groups for measurement purposes by first identifying portfolios. However, rather than dividing the portfolios into three groups based on profitability, the contracts are grouped according to whether or not there is a net gain at initial recognition for a group, that is into a minimum of:

- a group of contracts for which there is a net gain on initial recognition, if any;
- a group of contracts for which, on initial recognition, there is no significant possibility of there being a net gain subsequently, if any; and
- a group of the remaining contracts in the portfolio, if any.

As for groups of contracts issued, no group may contain contracts that have been issued more than one year apart and so the groups must be further subdivided to meet this requirement as necessary.

The Group does not currently have any groups of contracts that fall into the category of, on initial recognition, having no significant possibility of there being a net gain subsequently.

Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Group concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Group's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(iv) Recognition

A group of contracts issued by the Group is recognised from the earliest of:

- the beginning of the coverage period of the group (ie the period during which the Group provides services in respect of any premiums within the boundaries of the contracts);
- when the first payment from a policyholder in the group becomes due or, if there is no contractual due date, when it is received from a policyholder; and
- for a group of onerous contracts, when the group becomes onerous.

The Group is required to determine whether any contracts form a group of onerous contracts before the earlier of the first two dates above if facts and circumstances indicate there is such a group.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

The recognition date of an investment contract with DPF is the date that the entity becomes party to the contract.

A group of reinsurance contracts held is recognised from the earlier of the following:

- the beginning of the coverage period of the group of reinsurance contracts held; and
- the date the Group recognises an onerous group of underlying insurance contracts, if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

For groups of reinsurance contracts held that provide proportionate coverage, which for the Group consists of quota share reinsurance contracts, recognition is delayed until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

Reinsurance contracts that are acquired are recognised from the date of acquisition.

(v) Onerous groups of contracts

The Group considers the following factors to identify if a group of contracts is onerous:

- the Group's pricing frameworks;
- profit testing results; and
- calculations for individual contracts.

(vi) Contract boundary

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows:

Insurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Group, which may include both insurance and financial risks, but exclude lapse and expense risks.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(vi) Contract boundary (continued)

Investment contracts with DPF
Cash flows are within the contract boundary of an investment contract with DPF if they result from a substantive obligation of the entity to deliver cash at a present or future date. The entity has no substantive obligation to deliver cash if it has the practical ability to reassess the risk and, as a result, can set a price for the promise to deliver the cash that fully reflects the related risks.

Reinsurance contracts
Cash flows are within the contract boundary of a reinsurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

– has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
– has a substantive right to terminate the coverage.

In assessing contract boundaries for insurance, investment with DPF and reinsurance contracts the Group makes the following judgements:

Granularity of contract boundary assessment
The contract boundary is assessed at an individual contract level.

Practical ability to set a price or level of benefits that fully reflect the risks
Only policyholder risks (the insurance and financial risks that the insurance contract transfers from the policyholder to the Group) are considered when assessing the Group's ability to set a price or level of benefits that fully reflects the risks. Individual components of a single insurance contract are assessed separately, and the full insurance contract is subject to the same single boundary which is the longest of the individual components.

The Group considers the practical ability to set a price or level of benefits that fully reflects the risks only exists where the Group is not prevented from setting the same price it would for a new contract with the same characteristics. In addition to the constraints that apply in relation to new business, constraints on the Group's ability to set a price or level of benefits that fully reflects the risks also include wider market competitiveness and commercial considerations and contractual, legal or regulatory restrictions.

The constraints must have commercial substance to bind the Group, where commercial substance is defined as having a 'discernible effect on the economics of the transaction'.

Right to terminate the contract
Policyholder behaviour is not relevant in assessing whether a contract binds the Group. The Group includes, within the fulfilment cash flows, the probability-weighted expectation of contract terminations, including allowance for policyholder behaviour.

Adding insurance coverage
Where there is an option to add insurance coverage to the same contract at a future date, then the cash flows arising from the option will only fall outside the contract boundary if the Group has the practical ability to fully reassess the risks for the entire contract (including the option) at the point the option is exercised.

Frequency of assessment
The assessment of the contract boundary is performed and reassessed to include the effect of changes in circumstances on the entity's substantive rights and obligations.

Treatment of non-contractual premium top-ups for accumulating with-profits and PruFund range of funds
The Group judges that, on initial recognition of an accumulating with-profits contract or PruFund range of funds contract, it has no substantive right to any profits associated with future non-contractual premiums and no substantive obligations. Therefore future non-contractual premiums are considered to be outside the contract boundary of the original contract. Non-contractual top-up premiums for these contracts are recognised from the date of payment and are reported as new business in the year of payment.

(vii) Measurement - insurance contracts (initial measurement)
On initial recognition, the Group measures a group of insurance contracts as the total of:

– the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and
– the Contractual Service Margin (CSM).

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(vii) Measurement - insurance contracts (initial measurement) (continued)

Estimates of future cash flows

The estimated future cash flows are an explicit, unbiased and probability-weighted estimate (ie expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfils insurance contracts. For most contracts the cash inflows and outflows primarily consist of premiums, claims and costs relating to the fulfilment of the contracts.

The With-Profits Fund contains surplus assets that have accumulated from a number of sources over a long period. Surpluses may continue to arise, for example if the amounts charged to policies exceed the costs they are intended to cover. These surpluses accrue to the With-Profits Fund and can be utilised to meet deficits arising on other with-profits contracts or to enhance the benefits payable to current or future policyholders. The expression 'mutualisation' is used to refer to the feature whereby the cash flows of some contracts may affect or be affected by the cash flows of other contracts.

This feature of the With-Profits Fund is recognised under IFRS 17 through:

- Adjustments to the estimated future cash flows of each with-profits group of insurance contracts to reflect the policyholders' share of the future surpluses/deficits that are expected to emerge from that group of insurance contracts.
- A liability that is separate to the liabilities for the groups of insurance contracts that reflects the additional amounts expected to be paid to current or future policyholders (in accordance with paragraph B71 of IFRS 17).

Estimating the policyholders' share of the surplus assets is an area requiring significant judgement.

IFRS 17 requires that only costs that are directly attributable to fulfilling the insurance contracts are included in the cash flows. Management considers that the majority of the expenses incurred in relation to contracts within the scope of IFRS 17 meet this requirement. Examples of costs that would typically be excluded are those relating to corporate restructuring, brand marketing, and regulatory failings.

IFRS 17 requires that cash flows within the contract boundary include costs that the entity will incur in providing an investment activity to enhance benefits for the policyholder. The Group's interpretation is that the Investment Management Expenses (IMEs) incurred on assets backing the fulfilment cash flows are included in the fulfilment cash flows for the majority of business, with the exception of non-profit protection contracts. This is on the basis of the effect of the Group's investment activities and expected investment returns on the benefits payable, even if the benefits are contractually fixed at inception (as for annuity contracts). If the Group were to invest the premiums received for annuity contracts in less risky asset classes, a lower level of benefits would then be offered for the same premiums. Therefore, the benefits to the policyholder if an insured event occurs are enhanced by the investment activities performed, and so the associated expenses are included within the fulfilment cash flows.

Where there are cash flows between different components of the reporting entity (such as policyholder funds and shareholder funds) IFRS 17 requires that these are not included when estimating the cash flows that will arise as the entity fulfils an existing insurance contract, provided these cash flows do not change the amount that will be paid to the policyholders.

The Group's interpretation is that expenses will reflect the costs incurred by the Group, which may differ from the internal charges to companies within the Group.

The cash flows of a group of insurance contracts do not reflect the Group's non-performance risk.

Discount rates

Cash flows are discounted using risk-free yield curves adjusted to reflect the liquidity characteristics of the contracts.

The Group determines the adjustment for illiquidity using either a top-down or a bottom-up approach.

Under the top-down approach a yield curve that reflects the current market rates of return implicit in a fair value measurement of a reference portfolio of assets is adjusted to eliminate any factors that are not relevant to the insurance contracts, such as cash flow mismatching and credit risk. There is no requirement to adjust the yield curve for differences in the liquidity characteristics of the insurance contracts and the reference portfolio. Judgement is required to choose an appropriate reference portfolio and to determine the element of the yield on the portfolio that is attributable to factors not relevant to the insurance contracts.

Under the bottom-up approach a liquid risk-free yield curve is increased to reflect the differences between the liquidity characteristics of the financial instruments that underlie the risk-free rates observed in the market and the liquidity characteristics of the insurance contracts. Judgement is required to determine the illiquidity premium.

The Group applies the top-down approach for non-profit annuity contracts and the bottom-up approach for all other contracts, including with-profits.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(vii) Measurement - insurance contracts (initial measurement) (continued)

Discount rates (continued)

The reference portfolios chosen for non-profit annuities are the Assigned Portfolios used for the Solvency II Matching Adjustment. These are considered to be suitable as reference portfolios for IFRS 17 reporting because their objective is to closely match the liability cash flows and there is strong governance around their management.

The largest adjustment made to reference portfolio yield is in relation to credit risk. IFRS 17 is not prescriptive as to how the adjustment for credit risk is determined other than that it should reflect market risk premiums for credit risk. The Group continues to calculate the credit risk adjustment using the same approach previously used for IFRS 4 reporting. This methodology is considered appropriate for IFRS 17 reporting as it incorporates allowances for expected and unexpected credit events, including internal and external views on the outlook for credit risk, and considers the relationship between credit risk and yield spreads.

For with-profits contracts the illiquidity premium is derived from a portfolio of fixed interest assets, comprising highly liquid government bonds and less liquid corporate bonds, that have similar characteristics and duration to the liabilities. The illiquidity premium for this portfolio is determined as the spread over risk-free rates less an allowance for credit risk. A weighting is then applied to this premium to reflect the relative liquidity characteristics of the with-profits contracts.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation that the Group requires for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk, such as insurance risk, expense risk and lapse risk.

For all lines of business, the Group uses a confidence level technique under which the target confidence level is determined by consideration of the Group's pricing framework for insurance contracts issued and the prices at which the Group has previously transacted reinsurance contracts held. The target confidence level is translated into product-specific non-financial assumptions by reference to the Group's view of the likely risk distributions of non-financial risk events, which have a time horizon of one year. The risk adjustment for non-financial risk is determined as the increase in the discounted value of the future cash flows from using these assumptions instead of unbiased non-financial assumptions.

There is significant overlap in the risks considered between IFRS 17 and Solvency II reporting. The IFRS 17 risk adjustment does not include financial risks or non-financial risks that do not arise from insurance contracts. The majority of the risk adjustment relates to the assumed rates of policyholder mortality for annuity contracts. Lapse risk is also a significant risk factor.

The risk adjustment reflects the impact of diversification of non-financial risks within each entity in the Group but not diversification of risks between entities. The risk adjustment is calculated separately gross of reinsurance and for reinsurance contracts held. For reinsurance contracts held, the risk adjustment represents the amount of risk being transferred by the Group to the reinsurer. The same approach is used to determine the risk adjustment, ie as the difference in the discounted value of future cash flows between using best estimate assumptions and assumptions calibrated to the required confidence level.

CSM

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group is a net inflow, then the group is not onerous. In this case, the CSM is measured as the value of the net inflow, which results in no income or expenses arising on initial recognition.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(vii) Measurement - insurance contracts (subsequent measurement)

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

The method for calculating the CSM for a group of contracts subsequent to initial recognition of the group depends on whether the group consists of contracts that are with or without direct participation features.

A contract within the scope of IFRS 17 is considered to have direct participation features if at inception:

a. the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
b. the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
c. the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Conversely all contracts that do not meet the definition of being with direct participation features at inception are contracts without direct participation features.

Contracts must be individually assessed to determine whether they are with direct participation features and once classified they are not reassessed unless the contract is modified.

Where contracts are subject to mutualisation, criteria (b) and (c) are assessed allowing for the impact of mutualisation.

The Group's contracts with direct participation features comprise all of the with-profits business and unit-linked contracts accounted for under IFRS 17.

All of the Group's other business that is within the scope of IFRS 17 are contracts without direct participation features. In particular IFRS 17 prescribes that reinsurance contracts, held or issued, can only be contracts without direct participation features.

Underlying items

The underlying items are items that determine some of the amounts payable to a policyholder. Underlying items can comprise any items, for example, a reference portfolio of assets, the net assets of the entity, or a specified subset of the net assets of the entity.

For in-force with-profits contracts the Group defines the underlying items to be the assets backing asset shares (which are the accumulated value of all items of income and charges for various costs) and, where applicable, the assets backing the amounts expected to be added to asset shares in the future, for example to reflect miscellaneous surplus that has arisen (such as from some non-profit business written in the With-Profits Fund).

A liability, that is separate to the liabilities for the in-force with-profits contracts (in accordance with paragraph B71 of IFRS 17), is held in the With-Profits Fund that reflects the additional amounts expected to be paid to current or future policyholders. The Group defines the underlying items for these benefits to be:

- the entirety of the assets in the With-Profits Fund;
- less: the underlying items of the in-force with-profits contracts;
- less: the assets held to meet other liabilities of the With-Profits Fund, for example for non-profit contracts.

For unit-linked contracts the Group defines the underlying items to be the assets backing the units allocated to all contracts in the unit of account (the 'unit fund'). For contracts where actuarial funding is used the underlying items are defined as the funded value of units, that is the face value of units multiplied by the actuarial funding factor.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(vii) Measurement - insurance contracts (subsequent measurement) (continued)

Insurance contracts without direct participation features

For insurance contracts without direct participation features, the carrying amount of the CSM subsequent to initial recognition is calculated using the General Measurement Model (GMM). Applying GMM, the carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the effect of any new contracts that are added to the group in the reporting period;
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future service, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the reporting period.

Changes in fulfilment cash flows that relate to future service comprise:

- experience adjustments arising from premiums received in the reporting period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for changes that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the reporting period, determined as the payment expected at the start of the reporting period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the reporting period; and
- changes in the risk adjustment for non-financial risk that relate to future services.

A key aspect of GMM is that adjustments to the CSM resulting from changes to the present value of future cash flows must be measured using the discount rate that applied at inception of the group of contracts. However, the standard does not explicitly state whether this is intended to extend to all financial assumptions. The Group's interpretation is that all financial assumptions must be set at inception but are only 'locked-in' for future years, therefore the estimates of cash flows up to the measurement date reflect the effect of actual historical financial risk experience. For example, for index-linked annuities the estimated future cash flows reflect the actual inflationary increases that have been added to benefits since inception rather than the locked-in assumed inflationary increases.

After recognising a loss on an onerous group of insurance contracts, specified fulfilment cash flows must be allocated on a systematic basis between the loss component of the liability for remaining coverage and the liability for remaining coverage excluding the loss component. For this purpose, the proportion allocated to the loss component is determined as the ratio of the amount of the loss component to the discounted value of the future cash outflows plus the risk adjustment for non-financial risk.

Insurance contracts with direct participation features

Direct participating contracts are contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

In respect of the variable fee for the Group's in-force with-profits contracts, the Group's share of the fair value of the underlying items consists of:

- shareholder transfers, gross of tax; and
- the Group's share of the excess of charges and deductions taken from the asset share (such as annual management charges or surrender penalties) over shareholder transfers, gross of tax, and costs that vary directly with the underlying items.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(vii) Measurement - insurance contracts (subsequent measurement) (continued)

Insurance contracts with direct participation features (continued)

The fulfilment cash flows that do not vary based on the returns of the underlying items are:

- the Group's share of amounts that are expressed as a monetary amount, such as administration expenses, policy fees and the risk adjustment for non-financial risk. For certain types of cost, such as investment management expenses and additional death benefits in excess of the asset share, some costs vary directly with the underlying items and others do not. Despite this difference, the whole amount of these types of cost is included in the fulfilment cash flows that do not vary based on the returns of the underlying items.
- less the fee margin charged by the Group's asset managers for managing the investments backing the with-profits contracts.

There is no variable fee or CSM in relation to the additional amounts expected to be paid to current or future policyholders (that are recognised in accordance with paragraph B71 of IFRS 17).

In respect of the variable fee for the Group's unit-linked contracts, the Group's share of the fair value of the underlying items consists of charges and deductions taken from the unit fund (such as annual management charges or surrender penalties), less costs that vary directly with the underlying items. The fulfilment cash flows that do not vary based on the returns of the underlying items are amounts that are expressed as a monetary amount, such as administration expenses, policy fees and the risk adjustment for non-financial risk. For certain types of cost, such as investment management expenses and additional death benefits in excess of the unit fund, some costs vary directly with the underlying items and others do not. The whole amount of these types of cost is included in the fulfilment cash flows that do not vary based on the returns of the underlying items.

For insurance contracts with direct participation features, the carrying amount of the CSM subsequent to initial recognition is calculated using the Variable Fee Approach (VFA). When measuring a group of direct participating contracts, the Group adjusts the fulfilment cash flows by the whole of the change in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Group then adjusts any CSM for changes in the amount of the Group's share of the fair value of the underlying items, which relate to future services, as explained below.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the CSM of any new contracts that are added to the group in the reporting period;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
  - an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the reporting period.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items eg the effect of financial guarantees.

In determining the change in CSM attributable to the effect of the time value of money and financial risk on the Group's share of the fair value of the underlying items and the fulfilment cash flows, the Group has chosen not to use the risk mitigation option whereby the changes would be adjusted to reflect the use of derivatives, non-derivative financial instruments or reinsurance contracts held to mitigate the effect of financial risk.

After recognising a loss on an onerous group of insurance contracts, specified fulfilment cash flows must be allocated on a systematic basis between the loss component of the liability for remaining coverage and the liability for remaining coverage excluding the loss component. For this purpose, the proportion allocated to the loss component is determined as the ratio of the amount of the loss component to the discounted value of the future cash outflows plus the risk adjustment for non-financial risk.

(vii) Measurement - reinsurance contracts

To measure a group of reinsurance contracts, the Group applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset or liability for remaining coverage and the asset or liability for incurred claims. The asset or liability for remaining coverage comprises: (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods; and (b) any remaining CSM at that date.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(vii) Measurement - reinsurance contracts (continued)

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts. The present value of the future cash flows for reinsurance contracts held is also adjusted for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured as the amount of the total of: (a) the fulfilment cash flows; (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group; (c) any cash flows arising at that date; and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date.

However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the reinsurance, then the Group recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the effect of any new contracts that are added to the group in the reporting period;
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates determined on initial recognition;
- income recognised in profit or loss in the reporting period on initial recognition of an onerous group of underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows allocated to a group of underlying contracts that do not adjust the CSM for the group of underlying insurance contracts;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the reporting period.

Reinsurance of onerous underlying insurance contracts

The Group adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of an onerous group of underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts.

If the reinsurance contract covers only some of the insurance contracts included in an onerous group of contracts, then the Group determines the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract.

A loss-recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

(viii) Derecognition and contract modification

The Group derecognises a contract when it is extinguished – ie when the specified obligations in the contract expire or are discharged or cancelled.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(viii) Derecognition and contract modification (continued)

The Group also derecognises a contract if its terms are modified in a way that would have significantly changed the accounting for the contract had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group (see 'Release of the CSM' below).

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

(ix) Value Share

During 2024, the Group completed its first Value Share transaction which comprises a traditional bulk purchase annuity (BPA) buy-in arrangement and a separate reinsurance contract with a captive reinsurer that transfers some of the insurance and investment risk back to the sponsor of the originating pension scheme. The reinsurance arrangement is collateralised to reduce the risk of default. The Value Share arrangement is described further in Note 2.3.3.

The accounting policies for the BPA arrangement are the same as for other BPAs transacted by the Group and are set out in the earlier sections in Note 1.5.2.

Application of the Group's accounting policies to the reinsurance arrangement results in the following outcomes:

- the reinsurance contract contains significant insurance risk and so is classified as an insurance contract within the scope of IFRS 17. An insured event occurs when the value of the liabilities determined in accordance with a specified basis exceeds the value of the assets backing the BPA liabilities. Such an event would trigger a claim payment from the reinsurer to the Group;
- the reinsurance contract is measured separately from the BPA contract; and
- the reinsurance contract is subject to different risks and is managed separately from other insurance and reinsurance contracts and so is in a different portfolio of insurance contracts.

(x) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the consolidated statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts are included in the carrying amount of the related portfolios of contracts.

The Group disaggregates amounts recognised in the statement of profit or loss into: (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. The Group has elected to disaggregate the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Group excludes from both insurance revenue and insurance service expenses any non-distinct investment components, refunds of premiums and other non-insurance components. The Group has made the accounting policy choice that accounting estimates made in interim financial statements are changed when applying IFRS 17 in the subsequent annual reporting period.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(x) Presentation (continued)

Insurance revenue

The Group recognises insurance revenue as it satisfies its performance obligations (ie as it provides services to groups of insurance contracts). The insurance revenue relating to the services provided for each reporting period represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units provided (see 'Release of the CSM' below);
- Changes in the risk adjustment for non-financial risk relating to current services;
- Policyholder tax; and
- Claims and other insurance service expenses incurred in the reporting period, measured as the amounts expected at the beginning of the reporting period.

In addition, the Group allocates a portion of premiums that relate to recovering any insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Group recognises the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition in relation to GMM business and current discount rate in relation to VFA business, as insurance revenue and an equal amount as insurance service expenses.

Release of the CSM

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in the reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current reporting period and expected to be provided in future reporting periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current reporting period. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

Services provided to insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders (investment-related services). In addition, insurance contracts without direct participation features may also provide investment services for generating an investment return for the policyholder (investment-return service), but only if:

- an investment component exists or the policyholder has a right to withdraw an amount (eg the policyholder's right to receive a surrender value on cancellation of a contract);
- the investment component or withdrawal amount is expected to include an investment return; and
- the Group expects to perform investment activities to generate that investment return.

The Group defines the coverage units for its contracts as follows:

- Insurance coverage (where the benefit is a single lump sum payment, eg term assurances): the sum assured.
- Insurance coverage (where the benefit is a regular income, eg annuities and income protection): the annualised amount of income, as confirmed by the IFRS Interpretation Committee (IFRIC) in 2022.
- Investment-related service (with-profits and unit-linked): the asset share or unit fund value.
- Investment-return service (eg annuities): the transfer amount (for deferred annuities in the accumulation phase) or the payment of annuity benefits within a guaranteed payment period.

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

Where a contract provides both insurance coverage and investment services, the Group must apply judgement to determine appropriate weightings to assign to the two types of service in order to calculate the coverage units for each reporting period. The weights are not locked-in at inception of the group of contracts and instead are reviewed and updated at each reporting date, consistent with the treatment of the coverage units.

With-profits and unit-linked contracts are predominantly investment contracts but may additionally provide insurance coverage if the contract provides a death benefit in excess of the underlying items. For these contracts weighted coverage units are determined as the maximum of the asset share or unit fund and the amount payable on death.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.2 Insurance contracts (continued)

(x) Presentation (continued)

Release of the CSM (continued)

IFRS 17 does not provide explicit guidance as to whether the assumptions used to project the expected coverage units for future reporting periods should be current or locked-in (ie those that applied at inception of the group of contracts). In addition, the standard does not provide guidance as to whether the future coverage units should be discounted when determining the amount of CSM to be released in the current reporting period.

The Group judges that in regards to the assumptions used for both GMM and VFA CSM it is appropriate to use current assumptions to calculate the coverage units expected to be provided in the future. This is on the basis that it results in the most accurate estimate of the service that will be provided in future.

In respect of discounting, the Group judges that it is appropriate to discount the future coverage units as that is consistent with the CSM calculation allowing for the time value of money. The discounting approach follows the method applied in the CSM calculation, namely coverage units for GMM CSM are discounted using the rates that applied at inception and coverage units for VFA CSM are discounted using current rates.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred. They exclude repayments of non-distinct investment components, rights to a refund of premiums, and other non-insurance components, and comprise the following items:

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows: This is equal to the amount of insurance revenue recognised in the reporting period that relates to recovering insurance acquisition cash flows;
- Losses on onerous contracts and reversals of such losses;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein; and
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage.

Coverage units for reinsurance contracts held are typically consistent with the underlying insurance contracts, adjusted for differences in the services received from the reinsurer. For reinsurance contracts held that provide reinsurance of mortality or morbidity risk, the coverage units are typically defined as the sum at risk reinsured. For longevity swap reinsurance arrangements in relation to non-profit annuity business, the coverage units are based on the proportion of the actual annuity payments made on the underlying contracts that the Group recovers from the reinsurer.

For a group of reinsurance contracts covering onerous underlying contracts, the Group establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

The Group has opted as an accounting policy choice to recognise all insurance finance income or expenses for the reporting period in profit or loss and to not recognise any part of that income or expenses in other comprehensive income (OCI).

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.3 Investment contracts without discretionary participation features (DPF)

(i) Investment contracts without DPF

Investment contracts without DPF, such as unit-linked savings and similar contracts, are accounted for as financial instruments. This treatment reflects the deposit nature of the arrangement, with premiums and claims reflected as deposits and withdrawals and recognised directly on the consolidated statement of financial position as movements in the financial liability. These investment contracts are classified as financial instruments and designated as FVTPL because the resulting liabilities are managed, and their performance is evaluated on a fair value basis. For unit-linked contracts, the fair value of the liability is equal to the unit value obligation.

(ii) Reinsurance

The Group enters into various reinsurance arrangements in relation to unit-linked savings contracts where there is no transfer of significant insurance risk to the reinsurer (fund reinsurance). Such contracts are classified as a financial instruments and measured at FVTPL and included with Equity securities and pooled investment funds in the consolidated statement of financial position.

(iii) Deferred acquisition costs

The Group incurs various costs in acquiring new investment contracts without DPF. The incremental, directly attributable acquisition costs relating to these contracts are capitalised and amortised in line with the related revenue. If the contracts involve upfront charges, this income is also deferred and amortised through the consolidated income statement, as the service is provided in accordance with IFRS 15.

The recoverability of any deferred acquisition costs is reviewed at each reporting date, and to the extent that these are no longer deemed recoverable from future revenue, the carrying value is written down to the recoverable amount and the related impairment charge recorded in the consolidated income statement.

1.5.4 Business acquisitions

Business acquisitions are accounted for by applying the acquisition method of accounting, where the identifiable assets and liabilities of the acquired business are recorded at fair value on the date of acquisition. The excess of the fair value of acquisition consideration over the recorded value of the assets and liabilities of the acquired entity is recorded on the consolidated statement of financial position as goodwill. Expenses related to acquiring new business are charged to the consolidated income statement in the year in which they are incurred. Income and expenses of acquired entities are included in the consolidated income statement from the date of acquisition.

Acquisitions of entities under common control are accounted for under merger accounting principles. Under merger accounting, the results and statement of financial position for entities acquired are presented as if they had always been combined. Assets and liabilities of the entities acquired are recorded at their carrying values and a fair value measurement is not undertaken. No new goodwill is recognised and the differences between the cost of investment, which is its fair value, and the carrying value of assets and liabilities acquired is recorded within equity.

1.5.5 Financial instruments

(i) Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially recognised on the trade date measured at their fair value.

(ii) Measurement categories

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost
- FVTPL

(iii) Financial instruments measured at amortised cost

Financial instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.5 Financial instruments (continued)

(iv) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of asset sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business.

(v) The SPPI test

As a second step of its classification process the Group assesses the contractual terms to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

(vi) Financial assets measured at FVTPL

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is to collect contractual cash flows.

(vii) Subsequent measurement

After initial measurement, deposits, cash and accrued investment income and other debtors are measured at amortised cost, using the Effective Interest Rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. An allowance for Expected Credit Loss (ECL) is recognised in investment return in the consolidated income statement when the investments are impaired.

Financial assets at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in investment return in the consolidated income statement. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rates. Dividend income from equity instruments measured at FVTPL is recorded in investment return in the consolidated income statement when the right to receive the payment has been established.

(viii) Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which there has been a change in business model.

(ix) Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.5 Financial instruments (continued)

(ix) Derecognition other than for substantial modification (continued)
The Group considers control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

(x) Derecognition due to substantial modification of terms and conditions
The Group derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as a derecognition gain or loss.

When assessing whether or not to derecognise an instrument, among others, the Group considers the following factors:

- Change in currency of the debt instrument;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss.

(xi) Impairment of financial assets
The Group recognises an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the appropriate EIR.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For certain instruments with an investment grade rating, the Group uses the low credit simplification and consequently, a determination of significant increase in credit risk will not be required and the impairment loss would always be calculated based on a 12-month ECL.

The Group also makes use of a simplified impairment approach for trade receivables and contract assets as allowed under IFRS 9. Under this approach, impairment is calculated using a provisioning matrix that is based on days past due.

(xii) Write-offs
Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

(xiii) Recognition of interest income
Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the debt instrument.

If expectations of fixed rate financial assets' cash flows are revised for reasons other than credit risk, the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the balance sheet with a corresponding increase or decrease in interest income.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.5 Financial instruments (continued)

(xiv) Interest and similar income

Interest income comprises amounts calculated using the EIR method for assets measured at amortised cost.

Other interest income includes interest on all financial assets measured at FVTPL, using the contractual interest rate.

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

(xv) Determination of fair value

The Group uses current bid prices to value its investments with quoted prices. Actively traded investments without quoted prices are valued using prices provided by third parties. Financial assets measured at fair value are classified into a three-level hierarchy as described in Note 31.

If the market for a financial investment of the Group is not active, the fair value is determined using valuation techniques. The Group establishes fair value for these financial investments by using quotations from independent third parties, such as brokers or pricing services, or by using internally developed pricing models. Priority is given to publicly available prices from independent sources when available, but overall the source of pricing and/or the valuation technique is chosen with the objective of arriving at a fair value measurement, which reflects the price at which an orderly transaction would take place between market participants on the measurement date.

The valuation techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option-adjusted spread models and, if applicable, enterprise valuation and may include a number of assumptions relating to variables such as credit risk and interest rates. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these financial investments. Details of the financial investments classified as 'level 3' to which valuation techniques are applied, and the sensitivity of profit before tax to a change in these items' valuation, are presented in Note 31.

1.5.6 Fee Income

Revenue arising from contracts with customers consists of investment management and performance fee income from the Group's asset management business, investment management fee income from investment contracts without DPF, platform fee and other fees and commissions.

Management fee income is based on investment assets under management and is only recognised when the Group satisfies its performance obligation to provide the asset management services. It is recognised in the year in which the services are rendered and is recognised net of rebates. Since the asset management service the Group provides is a continuous service, it satisfies its performance obligation over time. Therefore, the Group meets the criteria for its revenue to be recognised over time as the client benefits from the asset management services received from the Group.

Performance fee income is based on the achievement of prescribed performance hurdles. It is only recognised when the performance obligations are satisfied or upon the crystallisation event occurring and when it is highly probable that a significant reversal will not occur.

Fees from investment contracts without DPF are recognised over time as the services are provided, which is the point at which the cash is received. Other fees and commissions such as from the provision of financial advice to customers are recognised when performance obligations are satisfied or upon the crystallisation of an event. The price is determined based on the agreed initial or ongoing adviser charge.

Platform fees are recognised as the related services are provided to the customer.

No significant judgements are applied on the timing or transaction price or the determination of the costs incurred to obtain or fulfil a contract.

1.5.7 Investment return

Investment return included in the consolidated income statement comprises interest income, rental income, dividends, foreign exchange gains and losses, realised and unrealised gains and losses on investments designated as FVTPL, and realised gains and losses (including impairment) on items held at amortised cost. Interest income is recognised as it accrues on an effective interest basis. Dividends on equity securities are recognised on the ex-dividend date and rental income is recognised on an accruals basis.

1.5.8 Derivatives and hedge accounting

The primary areas of the Group's operations where derivative instruments are held are in the With-Profits Fund and annuity business. Management designates derivatives on inception and those that are not designated as hedging instruments are carried at fair value, with movements in fair value being recorded within investment return in the consolidated income statement.

The Group does not regularly seek to apply fair value or cash flow hedging treatment under IFRS 9 and has had no fair value or cash flow hedges for the years ended 31 December 2024 and 31 December 2023.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.9 Derecognition of financial assets and liabilities

The Group's policy is to derecognise financial assets when it is deemed that substantially all the risks and rewards of ownership have been transferred. Gains and losses on disposal are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the consolidated income statement.

The Group derecognises financial liabilities only when the obligation specified in the contract is discharged, cancelled or has expired.

1.5.10 Securities lending and reverse repurchase agreements

The Group is party to various securities lending agreements and repurchase agreements under which securities are transferred to third parties on a short-term basis. The transferred securities are not derecognised; rather, they continue to be recognised within the appropriate investment classification. The Group's policy is that collateral in excess of 100% of the fair value of securities loaned is required from all securities' borrowers and typically consists of cash, debt securities, equity securities or letters of credit.

In cases where the Group takes possession of the collateral under its securities lending programme, including cash collateral which is not legally separated from the Group, the collateral and corresponding obligation to return such collateral is recognised as a financial liability on the consolidated statement of financial position.

The Group is also party to various reverse repurchase agreements under which securities are purchased from third parties with an obligation to resell the securities. The securities are not recognised as investments on the consolidated statement of financial position. The right to receive the return of any cash paid as purchase consideration plus interest is recognised as a financial asset on the consolidated statement of financial position.

1.5.11 Subordinated liabilities and other borrowings

Subordinated liabilities include loan notes issued by the Group which are classified as financial liabilities as they have a fixed repayment date and do not represent a residual interest in the net assets of the Company on liquidation. The notes rank junior to all other liabilities of the Group in the event of liquidation, but above share capital.

Borrowings include operational borrowings attributable to shareholder-financed operations and other borrowings attributable to the With-Profits Fund.

Subordinated liabilities and other borrowings are initially recognised at fair value, net of transaction costs. Borrowings, excluding those backing buy-to-let mortgages, which are managed on a fair value basis and designated at FVTPL in line with the underlying loan assets, are subsequently accounted for on an amortised cost basis using the EIR method. Under the EIR method, the difference between the redemption value of the borrowing and the initial proceeds (net of related issue costs) is amortised through the consolidated income statement to the date of maturity, or for hybrid debt, over the expected life of the instrument.

1.5.12 Investment property

Investments in leasehold and freehold properties not for occupation by the Group, including properties under development for future use as investment property, are carried at fair value, with changes in fair value included in the consolidated income statement. Properties are valued annually either by the Group's qualified surveyors or by taking into consideration the advice of professional external valuers using the Royal Institution of Chartered Surveyors (RICS) valuation standards. Each property is externally valued at least once every three years.

1.5.13 Defined benefit pension schemes

For the Group's defined benefit schemes, if the present value of the defined benefit obligation for the relevant scheme exceeds the fair value of the scheme assets, then a liability is recorded on the Group's consolidated statement of financial position in respect of that scheme. By contrast, if the fair value of the assets of the relevant scheme exceeds the present value of the defined benefit obligation then the surplus in respect of that scheme will only be recognised if the nature of the arrangements under the trust deed, and funding arrangements between the Trustee and the employing entity, support the availability of refunds or recoverability through agreed reductions in future contributions. In addition, if there is a constructive obligation for the employing entity to pay deficit funding in respect of schemes where there is no unconditional right to a refund to any surplus, this is also recognised such that the financial position recorded for the scheme reflects the higher of any underlying IAS 19 Employee Benefits deficit and the obligation for deficit funding.

The Group utilises the projected unit credit method to calculate the defined benefit obligation. This method sees each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Estimated future cash flows are then discounted at a high-quality corporate bond rate, adjusted to allow for the difference in duration between the bond index and the pension liabilities where appropriate, to determine its present value. These calculations are performed by independent actuaries.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.13 Defined benefit pension schemes (continued)

The plan assets of the Group's pension schemes may include insurance contracts that have been issued by other entities in the Group. These assets are excluded from plan assets in determining the pension surplus or deficit recognised on the consolidated statement of financial position. The plan assets also exclude any reimbursement right assets resulting from buy-in of the scheme liabilities from other entities in the Group. The aggregate of the actuarially determined service costs of the currently employed personnel, and the net interest on the net defined benefit obligation at the start of the year, is charged to the consolidated income statement. Actuarial and other gains and losses as a result of changes in assumptions or experience variances are recognised as other comprehensive income.

Contributions to the Group's defined contribution pension schemes are expensed when due.

1.5.14 Tax

The Group applies IAS 12 Income Taxes in accounting for taxes on income. Income tax comprises current tax and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax expense is charged or credited based upon amounts estimated to be payable or recoverable as a result of taxable amounts for the current year and adjustments made in relation to prior years. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior periods. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are provided under the liability method for all relevant temporary differences. IAS 12 Income Taxes does not require all temporary differences to be provided for, in particular, the Group does not provide for deferred tax on undistributed earnings of subsidiaries where the Group is able to control the timing of the distribution and the temporary difference created is not expected to reverse in the foreseeable future. Deferred tax is also not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

The total tax recorded in the consolidated income statement includes tax attributable to both policyholders and shareholders. The tax attributable to policyholders comprises the tax on the income of the consolidated with-profits and unit-linked funds. In certain jurisdictions, such as the UK, life insurance companies are taxed on both their shareholders' profits and on their policyholders' investment returns on certain insurance and investment products. Although both types of tax are included in the total tax charge in the Group's consolidated income statement, they are presented separately in the consolidated income statement to provide the most relevant information about tax that the Group pays on its profits.

The Group is subject to tax in numerous jurisdictions and the calculation of the total tax charge inherently involves a degree of estimation and judgement. The positions taken in tax returns, where applicable tax regulation is subject to interpretation, are recognised in full in the determination of the tax charge in the financial statements if the Group considers that it is probable that the taxation authority will accept those positions. Otherwise, the Group considers an uncertain tax position to exist and a provision is recognised to reflect that a taxation authority, upon review of the positions, could alter the tax returns. From recognition, the provision is measured based on management's judgement and estimate of the likely amount of the liability, or recovery by providing for the single best estimate of the most likely outcome or the weighted average expected value where there are multiple possible outcomes, taking into account external advice where appropriate. Each uncertain tax treatment is considered separately or together as a group, depending on management's judgement as to which approach better predicts the resolution of the uncertainty. It is assumed that tax authorities will examine the uncertain tax treatments and they have full knowledge of all related information.

The judgements and estimates made to recognise and measure the effect of uncertain tax positions are reassessed whenever circumstances change or when there is new information that affects those judgements.

1.5.15 Goodwill

Goodwill arises when the Group acquires a business and the fair value consideration paid exceeds the fair value of the net assets acquired. Goodwill arising on acquisitions of subsidiaries and businesses is capitalised and carried on the consolidated statement of financial position at initial value less any accumulated impairment losses. Goodwill impairment testing is conducted annually and/or when there is an indication of impairment. For the purposes of impairment testing, goodwill is allocated to a group of cash-generating units. Goodwill impairment charges are recognised immediately in the consolidated income statement.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.16 Intangible assets

Intangible assets acquired through business combinations are measured at fair value on acquisition. Separately acquired intangible assets such as licences and software, are recognised at the price paid to acquire them. Intangible assets arising from development costs are capitalised when it has been established that the project is technically and financially feasible and the Group has both the intention and ability to use the completed asset.

Intangible assets are subsequently carried at cost less amortisation and any accumulated impairment losses.

Intangible assets are amortised on a basis to reflect the pattern in which the future economic benefits are expected to be consumed by reference to new business production levels unless the pattern cannot be determined reliably, in which case a straight-line method is applied. Impairment testing is conducted when there is an indication of impairment. If an impairment has occurred, an impairment charge is recognised for the difference between the carrying value and recoverable amount of the asset. The recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is calculated as the present value of future expected cash flows from the asset, cash-generating unit or group of cash-generating units to which it is allocated.

Amortisation and impairment of intangible assets is charged to the consolidated income statement.

1.5.17 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, debt securities and money market funds with less than 90 days' maturity from the date of acquisition as these instruments are considered to be readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.5.18 Dividends

Dividends are recognised when the obligation becomes certain, ie when the dividend is no longer at the discretion of the Company. In the case of interim dividends, this occurs when the dividends are paid. For final dividends, this occurs when they are recommended by the Board and approved by shareholders.

1.5.19 Share capital and share premium

An equity instrument is any contract that evidences a residual interest in the assets of the Group, after deducting all of its liabilities. Shares are classified as equity when their terms do not create an obligation to transfer assets. The nominal value of shares issued is recorded in share capital.

Where the consideration received from the issue or sale of existing shares exceeds the nominal value recorded in share capital, the difference is recorded in share premium. Share premium is recorded net of share issue costs.

1.5.20 Treasury shares

Where any of the Group entities purchase the Company's share capital, the consideration paid, including any attributable transaction costs, is shown as a deduction from total shareholders' equity. Any gains and losses arising on treasury shares are included within equity.

1.5.21 Merger reserve

The merger reserve arises from the application of merger accounting principles to acquisitions of entities under common control. It represents the difference between the aggregate capital reserves and value of the entities acquired, which is recognised directly in equity. On disposal of the relevant entity, the related merger reserve is released directly to retained earnings.

1.5.22 Share-based payments

All share-based payments made to employees for services rendered are measured based on the fair value of the equity instrument granted. The fair value takes into account the impact of market-based vesting conditions and non-vesting conditions, but excludes any impact of non-market-based vesting conditions. The related share-based payment expense is recognised over the vesting period. The fair value is determined using an option pricing model such as Black-Scholes or a Monte Carlo simulation where appropriate, taking into account the terms and conditions of the award.

For equity-settled share-based payments, the fair value of service rendered is based on the fair value of the equity instrument at grant date, which is not remeasured subsequently. The share-based payment expense is recognised over the vesting period and is based on the number of equity instruments expected to vest, with the corresponding entry to equity.

For cash-settled share-based payments, the fair value of service rendered is based on the fair value of the liability related to the equity instrument granted. The fair value of the equity instrument granted is remeasured at each reporting date with any changes recognised in the share-based payment expense in the consolidated income statement for the period.

A cancellation of an award without the grant of a replacement equity instrument is accounted for as an acceleration of vesting. Accordingly, any share-based expense that would have been recognised over the remaining vesting period is recognised immediately.

On vesting or exercise, the difference between the expense charged to the consolidated income statement and the actual cost to the Group is transferred to retained earnings.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.23 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, excluding treasury shares and shares held by the employee benefit trust.

Diluted EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares, excluding treasury shares and shares held by the employee benefit trust, adjusted to take into account the effect of any dilutive potential ordinary shares. The Group's only class of potentially dilutive ordinary shares are share options and awards granted to employees. Potential ordinary shares are treated as dilutive when their conversion to ordinary shares results in a decrease in EPS.

1.5.24 Foreign exchange

The Group's consolidated financial statements are presented in million pounds sterling, the Group's presentation currency. Accordingly, the results and financial position of foreign subsidiaries are translated into the presentation currency of the Group from their functional currencies. All assets and liabilities of foreign subsidiaries are converted at year-end exchange rates while all income and expenses are converted at average exchange rates where this is a reasonable approximation of the rates prevailing on transaction dates.

Foreign currency monetary assets and liabilities are translated at the spot exchange rate for the functional currency at the reporting date. Changes resulting from exchange rates are recognised in the consolidated income statement.

Foreign currency transactions are translated into functional currencies at the spot rate prevailing on the date of transactions.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Exchange differences arising on the translation of foreign subsidiaries are recognised in other comprehensive income and taken to other reserves within equity. On disposal of the foreign subsidiary, the related exchange differences are transferred out of this reserve and are recognised in the consolidated income statement as part of the gain or loss on disposal.

The income statements and cash flows, and statements of financial position of Group entities that have a different functional currency from the Group's presentation currency, have been translated using the following principal exchange rates.

	2024		2023	
	Income statement and cash flows (average rate)	Statement of financial position (closing rate)	Income statement and cash flows (average rate)	Statement of financial position (closing rate)
Euro (EUR)	**1.18**	**1.21**	1.15	1.15
Indian Rupee (INR)	**106.95**	**107.22**	102.70	106.08
Polish Złoty (PLN)	**5.09**	**5.17**	5.22	5.01
South African Rand (ZAR)	**23.42**	**23.63**	21.02	23.31
Swiss Franc (CHF)	**1.13**	**1.14**	1.12	1.07
US Dollar (USD)	**1.28**	**1.25**	1.24	1.27

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.25 Leases

The Group leases office property to conduct its business. At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. In simple terms this applies if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception, the Group allocates the consideration in a contract to each lease component. However, for the leases of land and buildings, in which the Group acts as lessee, the Group has elected to account for the lease and non-lease components as a single lease component.

Where the Group acts as a lessee, it recognises a ‘right of use’ asset and a corresponding lease liability, representing the obligation to make lease payments at the lease commencement date. The Group applies the cost model to the right of use assets, except for those that meet the definition of an investment property, to which the fair value model is applied.

The asset is initially measured at cost which comprises the amount of the lease liability, and lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs related to the dilapidation of the asset that would be incurred, less any lease incentives received. Subsequently, the asset is depreciated using the straight-line method from the commencement date to the earlier of: (i) the end of the right of use asset’s useful life; and (ii) the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s own incremental borrowing rate. Subsequently, the lease liability is measured at amortised cost, using the EIR method. From time to time, the lease liability is remeasured where there is a change in future lease payments for example, where the Group reassesses whether it will exercise a purchase, extension or termination option. Where this happens, a corresponding adjustment is made to the carrying amount of the right of use asset or an amount is recognised in the consolidated income statement if the carrying amount of the right of use asset has been reduced to zero.

The Group presents the right of use assets that do not meet the definition of investment property in ‘Property, plant and equipment’ on the consolidated statement of financial position. The corresponding lease liabilities are presented in ‘Lease liabilities’.

Where the Group acts as lessor, it classifies and accounts for its leases as operating or finance leases. Where the Group acts as an intermediate lessor, as it does with some of its property leases, it accounts for its interests in the head lease and the sub-lease separately. The Group assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. Where substantially all the risks and rewards of ownership are transferred to the lessee, the Group recognises a receivable asset on the consolidated statement of financial position, equal to the present value of the lease payments, within ‘Accrued investment income and other debtors’. The Group recognises finance income over the lease term to reflect the rate of return on the net investment in the lease, within ‘Other income’. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘Investment return’.

1.5.26 Property, plant and equipment (PPE)

PPE includes Group occupied properties and other tangible assets, such as computer equipment, motor vehicles, leasehold improvements and fixtures and fittings. PPE including owner-occupied property is measured at cost, which represents the original purchase price less any expenses incurred in bringing it to its working conditions, and subsequently measured using the cost model.

Depreciation is charged to the consolidated income statement on a straight-line basis over the assets estimated useful lives* as follows:

Type of asset	Estimated useful life
Group occupied property	20–50 years
Right of use asset	2–50 years
Other tangible assets	2–40 years

* Note that the useful lives stated are inclusive of PPE held by consolidated infrastructure private equity vehicles which typically have longer useful lives than other assets of the Group.

Management determines useful lives and residual values for assets when they are acquired. The Group assesses the useful life, residual value and depreciation method for PPE on an annual basis and any adjustments are made where required.

An impairment review of PPE is carried out whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management assesses impairment at the lowest level for which there are separately identifiable cash flows. Where the carrying amount of an asset is greater than its estimated recoverable amount, which is the higher of the assets fair value less costs of disposal and value in use, it is written down immediately to its recoverable amount and an impairment loss is recognised in the consolidated income statement.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies (continued)

1.5.27 Assets and liabilities held for sale

The Group classifies assets and liabilities as held for sale when the carrying amount is expected to be recovered through a sale transaction, usually within one year, and management is committed to the sale.

Assets and liabilities held for sale are shown separately on the consolidated statement of financial position and are measured at the lower of their carrying amount and their fair value less costs to sell. No depreciation or amortisation is charged on an asset which is classified as held for sale.

When the Group is committed to a sale of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Income and expenses of subsidiaries sold during the year are included in the consolidated income statement up to the date of disposal. The gain or loss on disposal is calculated as the difference between sale proceeds net of selling costs, less the net assets of the entity at the date of disposal, adjusted for foreign exchange movements attaching to the sold entity that are required to be recycled to the consolidated income statement under IAS 21 'The Effects of Changes in Foreign Exchange Rates'.

1.5.28 Provisions and contingent assets and liabilities

Provisions are recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation resulting from a past event, it is more probable than not that a loss will be made in settling the obligation and the amounts can be estimated reliably.

Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are discounted and represent the present value of the expected expenditure where the effect of the time value of money is material.

Contingent liabilities are possible obligations of the Group where the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the consolidated statement of financial position, unless they are assumed by the Group as part of a business combination. Contingent liabilities are however disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured, it is no longer treated as contingent and recognised as a liability.

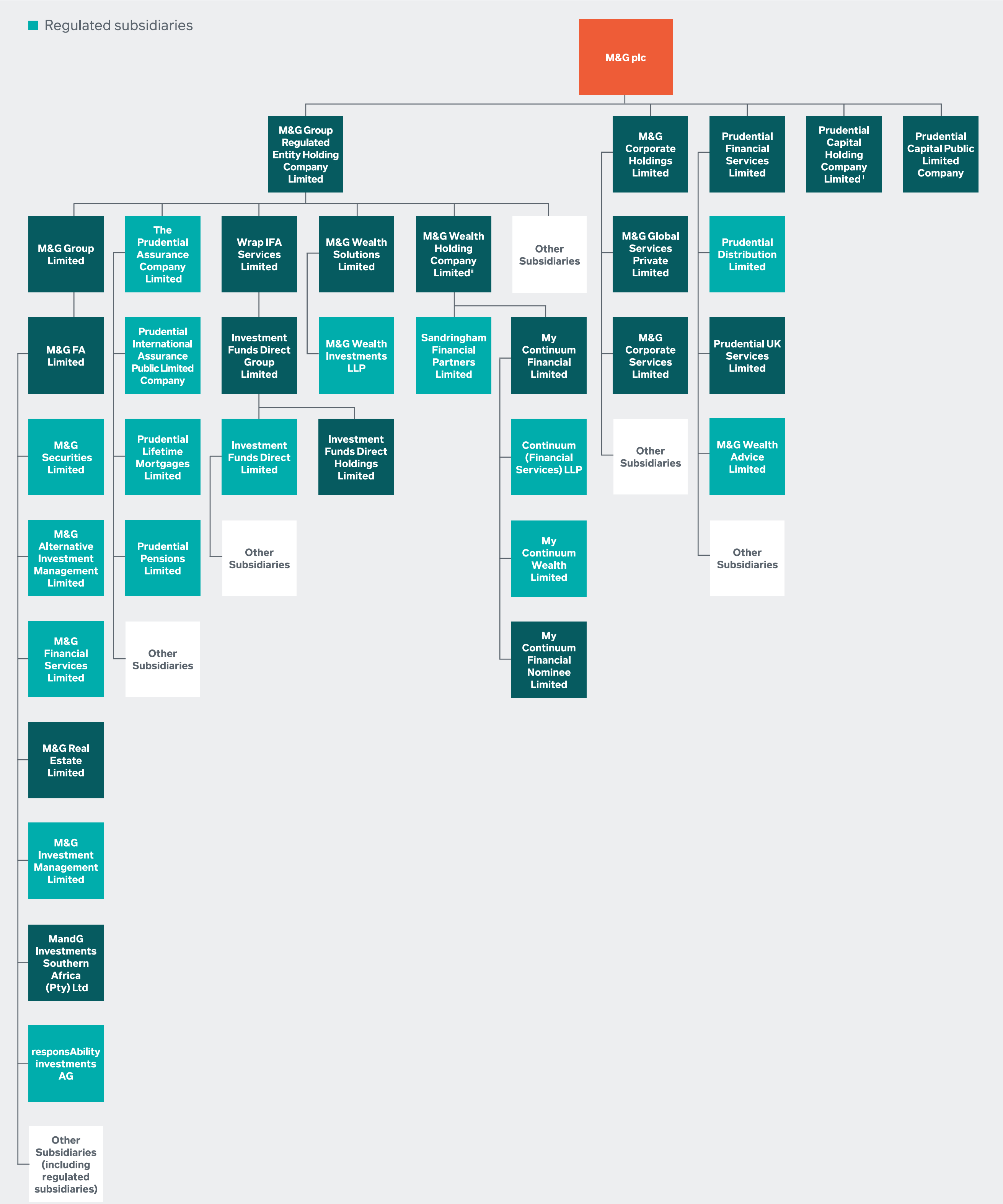
Contingent assets which are possible benefits to the Group are only disclosed if it is probable that the Group will receive the benefit. If such a benefit becomes virtually certain, it is no longer considered contingent and is recognised on the consolidated statement of financial position as an asset.

Notes to the consolidated financial statements continued

2 Group structure and products

2.1 Group composition

The following diagram is an extract of the Group structure as at 31 December 2024 and gives an overview of the composition of the Group. M&G plc is the holding company of the Group.



i In Liquidation.
ii Renamed from Clear View Assured Limited.

A list of the Group's related undertakings comprising subsidiaries, joint ventures, associates and other significant holdings is contained within Note 39.

Notes to the consolidated financial statements continued

2 Group structure and products (continued)

2.2 Corporate transactions

My Continuum Financial Limited acquisition

On 8 March 2023, M&G Wealth Advice Limited (MGWAL), a wholly owned subsidiary of the Group, acquired a 49.9% holding in My Continuum Financial Limited (MCFL), the holding company of Continuum (Financial Services) LLP (CFSL), My Continuum Wealth (MCW), and My Continuum Financial Nominee Limited (MCFNL), collectively referred to as 'Continuum', for a purchase consideration of £22m, including an adjustment for capital. The Group acquired a further 25% stake on 19 March 2024, for a purchase consideration of £12m, including an adjustment for capital. Subsequently, as part of a group reorganisation, Continuum has been sold from MGWAL to M&G Wealth Holding Company Limited (MGWHCL), another subsidiary of the Group, in the year.

Continuum is now part of our Life segment, allowing us to further grow and build our advisory capability across the UK, providing a wider range of investment solutions to more clients, including through its central investment offering, and a fast growing in-house discretionary Model Portfolio Service. Continuum is based in Plymouth and has more than 70 self-employed advisers operating nationally.

The Group retained call options and the seller retained put options over the final holding where the exercise price was fixed based on historical financial performance. For accounting purposes, the Group has accounted for the transaction on the basis it controls 100% of Continuum from the date of acquisition of the additional 25% stake on 19 March 2024. A liability of £14m has been recognised in respect of the Group's obligation under the call option arrangement as at the balance sheet date. The Group acquired the remaining shares on the 10 March 2025 extinguishing the liability.

The total consideration includes the fair value of the 49.9% equity interest held immediately before the acquisition date of 19 March 2024. A gain of £3m recognised as a result of remeasuring the 49.9% equity interest to fair value, is presented in the Other investment return line of the consolidated income statement. As at the acquisition date, the consideration and net assets acquired and resulting Goodwill and intangible assets were as follows:

	£m
Total consideration	**51**
Net assets acquired:	
Accrued investment income and other debtors	1
Cash and cash equivalents	3
Total assets	**4**
Accruals, deferred income and other liabilities	(1)
Total liabilities	**(1)**
Intangible assets and related deferred tax liability arising on acquisition:	
Independent financial adviser (IFA) relationships	4
Brand name	3
Deferred tax liability	(2)
Goodwill	**43**

The goodwill of £43m represents the synergies to be achieved through the growth of our advisory capabilities, alongside Sandringham Financial Partners Limited and The Advice Partnership. The acquisition was also expected to result in revenue synergies from the M&G Wealth platform business and model portfolio services business, as referred to at Note 13.1. Goodwill and intangible assets - impairment assessment.

An independent financial adviser (IFA) relationship asset was also recognised at a fair value of £4m. The valuation was based on the multi-period excess earnings method and the key assumptions used in measuring the fair value were the discount rate and advisor attrition rates.

The Continuum brand name was recognised on acquisition at a fair value of £3m. The valuation was based on the relief from royalty rate method, with the key assumptions used in measuring the fair value being the discount rate and royalty rates.

The revenue and profit before tax included in the consolidated income statement in respect of Continuum were £13m and £1m respectively. The revenue and profit before tax for the year ended 31 December 2024 for Continuum were £17m and £1m respectively.

BauMont Real Estate Capital Limited acquisition

On 29 October 2024, M&G Real Estate Limited (MGRE), a wholly owned subsidiary of the Group, acquired 65% of the entire issued share capital of BauMont Real Estate Capital Limited (BauMont), for a purchase consideration of £13m.

BauMont is now part of the Group's Asset Management segment, bolstering M&G's value-add capability, enabling us to drive growth through the expansion of our real estate client proposition, beyond core, residential and debt strategies. BauMont is based in Paris and London, and manages €1.5 billion of assets in European value-add real estate.

2 Group structure and products (continued)

2.2 Corporate transactions (continued)

BauMont Real Estate Capital Limited acquisition (continued)

The Group retains call options over the remaining 35% holding where the exercise price has a fixed and variable element based on fair value at the exercise date. The Group has accounted for the transaction on the basis it controls 100% of BauMont from the date of acquisition of the initial 65% stake on 29 October 2024. A liability of £7m has been recognised in respect of the Group's obligation under the call option arrangement.

The full purchase price allocation has yet to be finalised and will be disclosed in the consolidated financial statements for the year ended 31 December 2025. An amount of £20m is presented as goodwill within Goodwill and intangible assets on the consolidated statement of financial position, in relation to the acquisition of BauMont.

As at the acquisition date, the consideration and net assets acquired and resulting Goodwill and intangible assets were as follows:

	£m
Total consideration	**20**
Net assets acquired:	
Accrued investment income and other debtors	3
Cash and cash equivalents	1
Total assets	**4**
Accruals, deferred income and other liabilities	(4)
Total liabilities	**(4)**
Goodwill and intangible assets	**20**

The revenue and profit before tax included in the consolidated income statement in respect of BauMont were £1m and £nil respectively. The revenue and profit before tax for the year ended 31 December 2024 for BauMont were £7m and £nil respectively.

2.3 Insurance and investment contracts written by the Group's insurance entities

A description of the main contract types written by the Group's insurance entities is provided below.

The Group's with-profits contracts are written in the With-Profits Fund in which policyholders share in the profit of the fund; there are two with-profits sub-funds: the With-Profits Sub-Fund (WPSF), the Defined Charge Participating Sub-Fund (DCPSF).

Shareholder-backed business represents all insurance and investment contracts in the Group other than contracts written in the With-Profits Fund. The profit on these contracts accrues directly to the Group's shareholders.

2.3.1 With-profits contracts

With-profits contracts provide returns to policyholders through bonuses that are smoothed to reduce the impact of volatility of the investment performance of the assets in the fund.

2.3.1.1 Conventional and accumulating with-profits contracts written in WPSF and DCPSF

Conventional and accumulating with-profits policyholders receive their share of profit by way of regular and final bonuses.

Regular bonus rates are determined for each type of policy primarily by targeting the bonus level at a prudent proportion of the long-term expected future investment return on underlying assets, reduced as appropriate for each type of policy to allow for items such as expenses, charges, tax and shareholder transfers.

In normal investment conditions, the Group expects changes in regular bonus rates to be gradual over time. However, the Group retains the discretion whether or not to declare a regular bonus each year, and there is no limit on the amount by which regular bonus rates can change.

A final bonus, which is normally declared annually, may be added when a claim is paid. The rates of final bonus usually vary by type of policy and by reference to the period, usually a year, in which the policy commences or each premium is paid. These rates are determined by reference to the asset shares of representative sample policies and are subject to smoothing.

Regular bonuses are typically declared once a year, and once credited are guaranteed in accordance with the terms of the particular product. Final bonus rates are guaranteed only until the next bonus declaration.

Contracts are predominantly written in the WPSF, where the shareholders are entitled to an amount up to one-ninth of the bonus declared, which is payable as a cash transfer from the With-Profits Fund. For the business written in the DCPSF, the charges accrue to shareholders who also meet the corresponding expenses. Profits arising in the DCPSF are attributed wholly to DCPSF policyholders. The shareholders' profit arises as the difference between charges and expenses.

2.3.1.2 With-profits contracts with a PruFund investment option ('PruFund contracts')

These are a range of with-profits contracts offering policyholders a choice of investment profiles (PruFund funds). Unlike the with-profits contracts described above, no regular or final bonuses are declared. Instead, policyholders participate in profits by means of an increase in their investment, which grows in line with an Expected Growth Rate (EGR). The EGR is adjusted for significant market movements.

Notes to the consolidated financial statements continued

2 Group structure and products (continued)

2.3 Insurance and investment contracts written by the Group's insurance entities (continued)

2.3.1 With-profits contracts (continued)

2.3.1.2 With-profits contracts with a PruFund investment option ('PruFund contracts') (continued)

The EGR may be applied for each of the different PruFund funds within the range, varying depending on the individual asset mix of that fund. The applicable EGR, net of the relevant charges, is applied to calculate the 'smoothed unit value' of policyholder funds. The EGRs are reviewed and updated quarterly, with the smoothed unit value calculated daily. In normal investment conditions, the EGR is expected to reflect our view of how the funds will perform over the longer term.

Policyholders are protected from some of the extreme short-term ups and downs of direct investments by using an established smoothing process. Prescribed adjustments are made to the smoothed unit value if it moves outside a specified range relative to the value of the underlying assets.

PruFund contracts are predominantly written in the WPSF, where the shareholder is entitled to an amount up to one-ninth of the difference between the smoothed unit value on withdrawal and the initial investment. The DCPSF also contains PruFund contracts, and for these contracts the shareholders receive profits or losses arising from the difference between the charges and expenses on this business.

2.3.2 Unit-linked contracts

Unit-linked contracts are contracts where the value of the policy is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investments or indices. Investment risk associated with the product is primarily borne by the policyholder. Some unit-linked contracts provide an element of insurance coverage, such as a benefit payable on death in excess of the value of the units, and these contracts are classified as insurance contracts and accounted for under IFRS 17 (see Note 24.2.5).

Charges are deducted from the unit-linked funds for investment and administration services and, for certain contracts, insurance coverage. Benefits payable will depend on the price of the units prevailing at the time of surrender, death or the maturity of the product.

2.3.3 Annuities

Annuities are contracts which offer policyholders a regular income over the policyholder's life, in exchange for an upfront premium, and may be immediate or deferred. For immediate annuities, the regular income starts immediately after the premium payment but, for deferred annuities, the regular income is delayed until a specified date in the future. There are various types of annuity contracts written across the Group: level, fixed increase, inflation-linked (all referred to as 'non-profit annuities') and with-profits annuities.

- Level annuities: provide a regular (for example, monthly) fixed annuity payment over the policyholder's life.
- Fixed increase annuities: provide a regular annuity payment which incorporates automatic increases in annuity payments by either fixed percentages or fixed amounts over the policyholder's life.
- Inflation-linked annuities: provide a regular annuity payment to which an additional amount is added periodically based on the increase in an inflation index.
- With-profits annuities: are written in the With-Profits Fund. These combine the income features of annuity contracts with the investment smoothing features of with-profits products and enable policyholders to obtain exposure to investment returns on the With-Profits Fund. In addition, some non-profit annuities are written in the With-Profits Fund, and profits relating to this business accrue to the With-Profits Fund.

During 2023, the Group re-entered the bulk purchase annuity (BPA) market where it transacted with certain pension schemes to secure the annuitant benefits of the immediate and deferred members.

During 2024, the Group completed its first Value Share transaction which comprises a traditional BPA buy-in arrangement, while also allowing corporate sponsors to participate in the risk and reward generated from the transaction through a separate reinsurance contract with a captive reinsurer that transfers some of the insurance and investment risk back to the sponsor of the originating pension scheme.

The benefits payable under the BPA arrangement are similar to those under other BPAs transacted by M&G.

Under the reinsurance arrangement, the Group manages the assets backing the BPA liabilities and deducts from these assets amounts in relation to the BPA annuity payments and other benefits and specified expenses. In return for an annual intermediary fee, the Group pays to the reinsurer assets in excess of the value of the liabilities determined in accordance with a specified basis. Conversely, the reinsurer would top-up any shortfall in the assets relative to the value of the liabilities.

Notes to the consolidated financial statements continued

3 Segmental analysis

The Group's operating segments are defined and presented in accordance with IFRS 8: Operating Segments on the basis of the Group's management reporting structure and its financial management information. The Group's primary reporting format is by product type. The Chief Operating Decision Maker for the Group is the Group Executive Committee.

The Group's operating segments have been revised during the year to reflect a change in management structure. Our previous operating segments, 'Life' and 'Wealth' have been replaced with one new operating segment: 'Life'. Comparatives for 2023 are re-presented on the new segment basis.

3.1 Operating segments

The Group's operating segments are:

Asset Management

The Group's investment management capability is offered to both wholesale and institutional clients. The Group's wholesale clients invest through either UK domiciled OEICs or Luxembourg domiciled SICAVs and have access to a broad range of actively managed investment products, including Equities, Fixed Income and Multi-Asset. The Group serves these clients through its many business-to-business relationships both in the UK and overseas, which include independent financial advisers, high-street banks and wealth managers. The Group's institutional investors, include pension funds, insurance companies and banks from around the world, who invest through segregated mandates and pooled funds into a diverse range of Equities, Fixed Income and Real Estate investment products and services.

The Asset Management segment generates revenues by charging fees which are typically based on the level of assets under management. The Asset Management segment also earns investment management revenues from the management of a significant proportion of Life assets it manages.

Life

The Life business operates in the savings and pensions market and includes corporate risk solutions, individual life and pensions, international solutions and advice.

During 2023, the Life business re-entered the bulk purchase annuity (BPA) market and transacted with certain schemes to secure the annuity benefits of immediate and deferred annuity members. This activity continued in 2024 and included the completion of our first Value Share BPA deal in November. The BPAs, along with workplace pensions, make up our corporate risk solutions.

Individual products include annuity contracts: level annuities, which provide a fixed annuity payment; fixed increase annuities, which incorporate a periodic automatic fixed increase in annuity payments; and inflation-linked annuities, which incorporate a periodic increase based on a defined inflation index. Some inflation-linked annuities have minimum and/or maximum increases relative to the corresponding inflation index. The life products are primarily whole of life assurance, endowment assurances, term assurance contracts, equity release mortgages, income protection, and critical illness products. Investment products include unit-linked contracts and the Prudential bond offering, which mainly consists of single-premium-invested whole of life policies, where the client has the option of taking ad hoc withdrawals, regular income or the option of fully surrendering their bond.

All of the Group's products that give access to the PruFund investment proposition are included in Life. The PruFund investment proposition gives customers access to savings contracts with smoothed investment returns and a wide choice of investment profiles. Unlike the conventional and accumulating with-profits contracts, no regular or final bonuses are declared. Instead, policyholders participate in profits by means of an increase in their investment, which grows in line with an expected growth rate.

International solutions include our savings businesses based in Ireland and Poland (Prudential International Assurance plc). The Group's products which give non-UK clients access to the PruFund investment proposition are also included.

Advice provides access to a range of retirement, savings and investment management solutions to its clients. These products are distributed to clients through intermediaries and advisers, and include the Retirement Account (a combined individual pension and income drawdown product), individual pensions, ISAs, collective investments and a range of on-shore and off-shore bonds.

Some of the Group's products written through conventional and accumulating with-profits contracts, in the PAC with-profits sub-funds, provide returns to policyholders through 'regular' and 'final' bonuses that reflect a smoothed investment return.

Corporate Centre

Corporate Centre includes central corporate costs and debt costs.

Notes to the consolidated financial statements continued

3 Segmental analysis (continued)

3.2 Adjusted operating profit before tax methodology

Adjusted operating profit before tax is one of the Group's non-GAAP alternative performance measures, which complements IFRS GAAP measures and is key to decision-making and the internal performance management of operating segments.

Details of the methodology are presented below:

Fee based business

For the Group's fee based business written by Asset Management and Life segments, adjusted operating profit before tax includes fees received from clients and operating costs for the business including overheads, expenses required to meet regulatory requirements and regular business development/restructuring and other costs. Costs associated with fundamental Group-wide restructuring and transformation are not included in adjusted operating profit before tax.

Business written in the With-Profits Fund

For the Group's business written in the With-Profits Fund in the Life segment, adjusted operating profit before tax includes the release of the risk adjustment and the expected release of the CSM for the period. The expected CSM release for the period is calculated as the CSM at the start of the period updated to reflect long-term expected investment returns multiplied by the expected amortisation factor for the period.

- The long-term expected investment returns are calculated on the assumption of real-world investment returns, which are determined by reference to the risk-free rate plus a risk premium based on the mix of assets held to back the asset shares. In the calculation of the expected CSM release for with-profits business, the long-term expected investment returns for the year ended 31 December 2024 were 8.2% pa (8.5% pa for the year ended 31 December 2023).
- The expected amortisation factor for the period reflects the expected pattern of release of the CSM for the with-profits business over the life of the contracts. The expected amortisation factor used for the year ended 31 December 2024 was 11.7% pa (12.7% pa for the year ended 31 December 2023).

Adjusted operating profit before tax for the Group's business written in the With-Profits Fund also includes the expected investment return for the shareholder's share of the IFRS value of the excess assets in the Fund. For the year ended 31 December 2024, the return was 6.8% pa (6.0% pa for the year ended 31 December 2023).

Adjusted operating profit for the Life segment does not include the impact of any margins on investment management fee earned by other Group entities. These are recognised in the Asset Management segment as they emerge.

The application of IFRS 17 to non-profit contracts in the With-Profits Fund results in a mismatch due to the difference between their value under the IFRS 17 General Measurement Model (GMM) accounting for these contracts (primarily annuities) and how these contracts are treated in determining their fair value when assessing current and future with-profits contracts under the Variable Fee Approach (VFA). Although the impact of this mismatch balances over the life of the current and future with-profit contracts as the CSM under the VFA is set up and released, results for the period do not reflect the long-term economics of the transaction. Therefore, the impact of the mismatch has been excluded from adjusted operating profit before tax.

Shareholder annuity business

For the Group's shareholder annuity products written by the Life segment, adjusted operating profit before tax includes the release of the CSM and the risk adjustment for the period. Adjusted operating profit before tax also includes the returns on surplus assets in excess of IFRS 17 liabilities based on long-term expected investment returns, which are determined by reference to the risk-free rate plus a risk premium based on the mix of assets. For the year ended 31 December 2024 the long-term expected investment returns for shareholder annuities were 5.6% pa (6.6% pa for the year ended 31 December 2023). The net effect of changes to the valuation rate of interest due to asset trading and portfolio rebalancing, and experience variances are also included in adjusted operating profit before tax.

The results of the intercompany buy-in transaction executed between the trustees of M&G Group Pension Scheme (M&GGPS) and PAC in 2023 are included in adjusted operating profit before tax as this generates economic value for the Group.

Adjusted operating profit before tax for shareholder annuities excludes the impact of the mismatch resulting from the measurement of fulfilment cash flows using current interest rates and any changes to CSM being measured using locked-in rates.

For Value Share BPAs, the adjusted operating profit before tax reflects the net results of the underlying BPA and the reinsurance arrangement after removing the impact of any mismatches that arise on the accounting for these transactions as stated below. The resulting impact mainly represents the contribution of the intermediary fee earned on this arrangement.

Corporate Centre

For the Corporate Centre adjusted operating profit before tax is the expense incurred to run the head office and the actual investment return on treasury activities and debt costs.

Notes to the consolidated financial statements continued

3 Segmental analysis (continued)

3.2 Adjusted operating profit before tax methodology (continued)

Key adjusting items between IFRS profit before tax and adjusted operating 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 or loss before tax to determine adjusted operating profit before tax. Adjustments are in respect of short-term fluctuations in investment returns, mismatches arising on the application of IFRS 17, impairment and amortisation in respect of acquired intangibles, costs associated with fundamental Group-wide restructuring and transformation, profit or loss arising on business and corporate transactions and profit or loss before tax from any discontinued operations.

Short-term fluctuations in investment returns

The adjustment for short-term fluctuations in investment returns represents:

- Difference between actual CSM release for the period and expected CSM release for the period for with-profit contracts and CSM release for non-profit business in the With-Profits Fund;
- Movements in the fair value of instruments held to manage equity risk in the future with-profits shareholder transfer and to mitigate interest rate risk for the optimisation of the Group's capital position on a Solvency II basis;
- Difference between actual and long-term expected investment return on surplus assets backing the shareholder annuity capital and shareholders' share of excess assets in the With-Profits Fund measured on an IFRS basis;
- Foreign exchange movements on the US dollar subordinated debt held in the Corporate Centre;
- Fair value movements on strategic investments;
- Impact of short-term credit risk provisioning and experience variances on the measurement of best estimate liabilities, specifically:
  - The impact of credit risk provisioning for short-term adverse credit risk experience;
  - The impact of credit risk provisioning for actual upgrade and downgrade experience during the year. This is calculated by reference to current interest rates;
  - Credit experience variance relative to long-term assumptions, reflecting the impact of defaults and other similar experience, such as asset exchanges arising from debt restructuring; and
  - The impact of market movements on bond portfolio weightings and the subsequent impact on credit provisions.

Mismatches arising on the application of IFRS 17

The application of IFRS 17 results in the following mismatches in valuation basis being recognised in total profit/loss before tax. For the purposes of calculating adjusted operating profit before tax the impact of these mismatches has been excluded.

- Difference between the value under IFRS 17 GMM for non-profit contracts (primarily annuities) written in the With-Profits Fund and how these contracts are treated in determining their fair value when assessing current and future with-profits contracts under the VFA;
- Mismatch resulting from measurement of fulfilment cash flows for shareholder non-profit business (primarily annuities) using current interest rates while related changes to the CSM are measured using locked-in rates; and
- Mismatches resulting from measurement differences arising on the accounting for Value Share BPAs related to the definition of the insurance service for the annuity contracts compared to the reinsurance contract and the discount rate used for each type of contract.

Amortisation and impairment of intangible assets acquired in business combinations

Amortisation and impairment of intangible assets (including goodwill) acquired in business combinations are excluded from adjusted operating profit before tax.

Profit/(loss) on disposal of businesses and corporate transactions

Certain additional items are excluded from adjusted operating profit before tax where those items are considered to be non-recurring or strategic, or considered to be one-off, due to their size or nature, and therefore not indicative of the long-term operating performance of the Group, including profits or losses arising on corporate transactions (including any liabilities that arise from matters that arose prior to any acquisition by the Group) and profits or losses on discontinued operations.

Restructuring costs and other

Restructuring costs and other primarily reflect the shareholder allocation of costs associated with the transformation of our business. These costs represent fundamental Group-wide restructuring and transformation and are therefore excluded from adjusted operating profit before tax.

This also includes the elimination on consolidation of the results of the intercompany buy-in transaction executed between the trustees of M&GGPS and PAC in 2023.

Notes to the consolidated financial statements continued

3 Segmental analysis (continued)

3.3 Analysis of Group adjusted operating profit before tax by segment

Analysis of Group adjusted operating profit/(loss) before tax by segment:

For the year ended 31 December	2024 £m	2023[i] £m
Asset Management	**289**	242
Life	**746**	755
Corporate Centre	**(198)**	(200)
Total segmented adjusted operating profit before tax	**837**	797
Short-term fluctuations in investment returns[ii]	**(643)**	(171)
Mismatches arising on application of IFRS 17[iii]	**(333)**	(41)
Amortisation and impairment of intangible assets acquired in business combinations	**(115)**	(39)
Profit on disposal of business and corporate transactions[iv]	**11**	—
Restructuring costs and other[v]	**(106)**	(141)
IFRS (loss)/profit before tax and non-controlling interests attributable to equity holders	**(349)**	405
IFRS profit before tax attributable to non-controlling interests[vi]	**17**	16
IFRS (loss)/profit before tax attributable to equity holders[vii]	**(332)**	421

i The comparatives for Life and Corporate Centre have been restated to reflect the revised segments and the adjustment of some advice-related costs.

ii Losses from short-term fluctuations in investment returns continued in year ended 31 December 2024. These losses primarily comprise a £247m loss (2023: £121m loss) from the difference in actual and expected long-term investment return on surplus assets backing the annuity portfolio. A £227m loss (2023: £4m gain) on interest rate swaps purchased to protect PAC's Solvency II capital position against falls in interest rates driven by rises in risk-free rates in the year ended 31 December 2024. There were also losses of £98m (2023: £123m loss) on the hedging instruments held to protect the Solvency II capital position from falling equity markets, due to rises in equity values during the year.

iii Mismatches arising on application of IFRS 17 loss of £333m (2023: £41m) relate mainly to loss from mismatch in relation to non-profit business in the With-Profits Fund of £239m (2023: £18m loss) and £89m loss (2023: £24m loss) from mismatch for annuities due to divergence between locked-in rate used to value the CSM and valuation discount rate.

iv Profit on disposal of business and corporate transactions for the year ended 31 December 2024 includes gains resulting from the repurchase of subordinated notes in June 2024 (see Note 26) of £29m, partly offset by the increase in a provision for redress to customers in Life, which occurred prior to the Group's acquisition of the relevant business.

v Restructuring costs and other excluded from adjusted operating profit includes costs that relate to the transformation of our business which are allocated to the shareholder. These differ to Restructuring costs presented in the analysis of administrative and other expenses in Note 7 which include costs allocated to the Policyholder. In the year ended 31 December 2024, restructuring costs and other of £106m (2023: £141m) mainly relate to £44m (2023: £73m) in relation to actions taken to reduce our cost base, £21m (2023: £30m) of investment spend in building out capability in our Asset Management business and £17m (2023: £8m) on transformation within the finance function.

vi Excludes non-controlling interests in relation to amortisation of intangible assets acquired in business combinations which is presented net within amortisation and impairment of intangible assets acquired in business combinations.

vii The tax charge attributable to equity holders of £15m (2023: £112m) results in an IFRS loss for the year of £347m (2023: £309m profit) as presented in consolidated income statement.

3.4 Analysis of Group revenue by segment

The following table shows revenue by segment for the Group:

For the year ended 31 December	2024 £m	2023[i] £m
Life	**4,095**	3,887
Total segmented insurance revenue	**4,095**	3,887
Asset Management	**12**	11
Life	**3,292**	3,054
Corporate Centre	**45**	53
Total segmented interest revenue	**3,349**	3,118
Asset Management[ii]	**1,043**	1,025
Life	**165**	143
Total segmented fee income	**1,208**	1,168

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for 2023 presented on new segment basis.

ii The Asset Management segmented fee income differs from the fee income in Note 6 due to the netting of certain items that have no profit impact in adjusted operating profit. Asset management fee income includes net inter-segment fee income of £179m (2023: £165m).

The Group has a widely diversified client base. There are no clients whose revenue represents greater than 10% of fee income.

Notes to the consolidated financial statements continued

3 Segmental analysis (continued)

3.5 Total external revenue by geography

The following table provides a geographical segmentation of insurance revenue and other income (includes fee income and other income), as presented in the consolidated income statement:

For the year ended 31 December	2024 £m	2023 £m
United Kingdom:		
Insurance revenue	**3,965**	3,765
Fee and other income	**493**	450
Total United Kingdom	**4,458**	4,215
Rest of the World:		
Insurance revenue	**130**	122
Fee and other income	**606**	590
Total Rest of the World	**736**	712
Total:		
Insurance revenue	**4,095**	3,887
Fee and other income	**1,099**	1,040
Total	**5,194**	4,927

The geographical analyses of revenue from long-term business are based on the territory of the operating unit assuming the risk. Other income from external asset management clients reflect the domicile of where revenues are generated. The following table provides a segmentation of non-current, non-financial assets as presented in the consolidated statement of financial position:

Total non-current, non-financial assets by geographical location

As at 31 December	2024 £m	2023 £m
UK	**12,503**	13,356
Rest of the World	**5,553**	6,256
Total	**18,056**	19,612

Non-current, non-financial assets for this purpose consist of goodwill and intangible assets, deferred acquisition costs, property, plant and equipment, investment property, and investment in joint ventures and associates accounted for using the equity method.

Notes to the consolidated financial statements continued

4 Insurance revenue

The Group's exposure to risks arising from insurance assets and liabilities is different for each component of the Group's business. The Group's Insurance revenue is presented below for the different components of business:

For the year ended 31 December	2024 With-profits £m	2024 Unit-linked liabilities £m	2024 Annuity and other long-term business £m	2024 Total £m
Amounts relating to the changes in the liability for remaining coverage:				
Expected incurred claims and other expenses	**1,623**	**34**	**1,196**	**2,853**
Change in the risk adjustment for non-financial risk for the risk expired	**25**	**1**	**36**	**62**
CSM recognised in profit or loss for the services provided	**568**	**8**	**169**	**745**
Revenue recognised for incurred policyholder tax	**356**	**4**	**—**	**360**
Amounts relating to the recovery of insurance acquisition cash flows:				
Allocation of premium	**43**	**—**	**32**	**75**
Total insurance revenue	**2,615**	**47**	**1,433**	**4,095**

For the year ended 31 December	2023 With-profits £m	2023 Unit-linked liabilities £m	2023 Annuity and other long-term business £m	2023 Total £m
Amounts relating to the changes in the liability for remaining coverage:				
Expected incurred claims and other expenses	1,609	36	1,226	2,871
Change in the risk adjustment for non-financial risk for the risk expired	24	1	32	57
CSM recognised in profit or loss for the services provided	499	9	141	649
Revenue recognised for incurred policyholder tax	249	6	—	255
Amounts relating to the recovery of insurance acquisition cash flows:				
Allocation of premium	26	—	29	55
Total insurance revenue	2,407	52	1,428	3,887

Insurance revenue is recognised as services under the group of insurance contracts are provided to policyholders. This is at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services but excludes investment components.

The amount of CSM recognised in the profit or loss in the period is based on coverage units provided during the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period.

Services provided to insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders (investment-related services). In addition, insurance contracts without direct participation features may also provide investment services for generating an investment return for the policyholder (investment-return service). The number of coverage units is a quantification of services provided under the contracts in the group.

Notes to the consolidated financial statements continued

5 Investment income and insurance finance expenses

An analysis of net investment income and net insurance finance expenses by each component of the Group's business is presented below:

	2024				
For the year ended 31 December	With-profits £m	Unit-linked liabilities £m	Annuity and other long-term business £m	Other £m	Total £m
Interest revenue from financial assets not measured at FVTPL	471	82	96	34	683
Interest revenue from financial assets measured at FVTPL	1,892	168	577	29	2,666
Net change in investments contract liabilities without DPF	(73)	(315)	(73)	—	(461)
Net credit impairment losses	(15)	—	—	—	(15)
Other investment return:					
Dividend income	1,572	350	1	—	1,923
Net gains/(losses) on financial assets measured at FVTPL	4,095	262	(1,055)	34	3,336
Rental income from investment properties	862	20	65	—	947
Net losses on investment properties	(273)	(36)	(31)	—	(340)
Foreign exchange losses	(41)	—	(1)	(11)	(53)
Total other investment return	6,215	596	(1,021)	23	5,813
Total investment return	8,490	531	(421)	86	8,686
Insurance finance income/(expenses) from insurance contracts issued:					
Due to changes in the value of underlying assets of contracts measured under the VFA	(7,893)	(255)	(22)	—	(8,170)
Interest accreted to insurance contracts measured under GMM	(361)	—	(654)	—	(1,015)
Due to changes in interest rates and other financial assumptions	226	—	526	—	752
Net foreign exchange income/(losses)	9	—	(2)	—	7
Total insurance finance income/(expenses) from insurance contracts issued	(8,019)	(255)	(152)	—	(8,426)
Reinsurance finance income/(expenses) from reinsurance contracts held:					
Interest accreted to reinsurance contracts measured under GMM	—	(2)	(42)	—	(44)
Due to changes in interest rates and other financial assumptions	—	2	32	—	34
Total reinsurance finance income/(expenses) from reinsurance contracts held	—	—	(10)	—	(10)
Total net investment return and insurance finance income/(expenses)	471	276	(583)	86	250

Notes to the consolidated financial statements continued

5 Investment income and insurance finance expenses (continued)

	2023				
For the year ended 31 December	With-profits £m	Unit-linked liabilities £m	Annuity and other long-term business £m	Other £m	Total £m
Interest revenue from financial assets not measured at FVTPL	488	69	77	38	672
Interest revenue from financial assets measured at FVTPL	1,675	167	570	34	2,446
Net change in investments contract liabilities without DPF	(122)	(521)	(57)	—	(700)
Net credit impairment (losses)/reversal	2	1	—	(1)	2
Other investment return:					
Dividend income	2,041	333	1	—	2,375
Net gains on financial assets measured at FVTPL	3,222	449	336	55	4,062
Rental income from investment properties	849	35	72	—	956
Net losses on investment properties	(951)	(33)	(69)	—	(1,053)
Foreign exchange (losses)/gains	(137)	(1)	1	11	(126)
Total other investment return	5,024	783	341	66	6,214
Total investment return	7,067	499	931	137	8,634
Insurance finance income/(expenses) from insurance contracts issued:					
Due to changes in the value of underlying assets of contracts measured under the VFA	(5,761)	(239)	(22)	—	(6,022)
Interest accreted to insurance contracts measured under GMM	(395)	—	(780)	—	(1,175)
Due to changes in interest rates and other financial assumptions	24	—	(145)	—	(121)
Total insurance finance income/(expenses) from insurance contracts issued	(6,132)	(239)	(947)	—	(7,318)
Reinsurance finance income/(expenses) from reinsurance contracts held:					
Interest accreted to reinsurance contracts measured under GMM	—	(2)	40	—	38
Due to changes in interest rates and other financial assumptions	(1)	(1)	3	—	1
Total reinsurance finance income/(expenses) from reinsurance contracts held	(1)	(3)	43	—	39
Total net investment return and insurance finance income/(expenses)	934	257	27	137	1,355

In relation to the business in scope of IFRS 17, the table above provides detail of the total investment income and detail of the resulting or corresponding changes in liabilities included in insurance and reinsurance finance income/(expenses). The key offsetting movements in liabilities are:

- the offsetting change in liabilities due to changes in the value of the underlying items of contracts measured under the VFA;
- the offsetting changes in liabilities due to changes in interest rates and other financial assumptions; and
- the interest accreted to contracts measured under the GMM.

There are also certain items that contribute to investment income but do not have a corresponding off set within insurance and reinsurance finance income/(expenses). These include:

- Investment returns on surplus assets that back the annuity portfolio;
- Investment returns on excess assets in the with-profits fund that do not form part of the asset share for policyholders;
- Gains and losses on financial instruments that are used to hedge the capital position of the Group; and
- Investment returns on other assets not relating to the Life business.

As a result, although there is some offset between investment income and insurance and reinsurance finance income/(expenses), these items do not offset perfectly.

Notes to the consolidated financial statements continued

5 Investment income and insurance finance expenses (continued)

The interest revenue, dividend income, net gains or losses at FVTPL and other investment income for each class of financial asset are as follows:

For the year ended 31 December	2024 Fair value through profit or loss Designated £m	2024 Fair value through profit or loss Mandatory £m	2024 Amortised cost £m	2024 Total £m
Total interest revenue from financial assets not measured at FVTPL:				
Cash and cash equivalents	—	—	105	105
Deposits with credit institutions	—	—	578	578
	—	—	683	683
Total interest revenue from financial assets measured at FVTPL:				
Loans	—	288	—	288
Debt securities	—	2,378	—	2,378
	—	2,666	—	2,666
Net change in investment contract liabilities without DPF	(461)	—	—	(461)
Net credit impairment losses	—	—	(15)	(15)
Dividend income	—	1,923	—	1,923
Total net gains/(losses) from financial assets measured at FVTPL:				
Equity securities and pooled investment funds	—	4,942	—	4,942
Loans	—	(57)	—	(57)
Debt securities	—	(1,495)	—	(1,495)
Derivatives	—	(54)	—	(54)
	—	3,336	—	3,336
Foreign exchange losses	—	—	(53)	(53)
Total interest revenue and investment income from financial assets and liabilities	(461)	7,925	615	8,079

For the year ended 31 December	2023 Fair value through profit or loss Designated £m	2023 Fair value through profit or loss Mandatory £m	2023 Amortised cost £m	2023 Total £m
Total interest revenue from financial assets not measured at FVTPL:				
Cash and cash equivalents	—	—	76	76
Deposits with credit institutions	—	—	596	596
	—	—	672	672
Total interest revenue from financial assets measured at FVTPL:				
Loans	—	272	—	272
Debt securities	—	2,174	—	2,174
	—	2,446	—	2,446
Net change in investment contract liabilities without DPF	(700)	—	—	(700)
Reversal of net credit impairment losses	—	—	2	2
Dividend income	—	2,375	—	2,375
Total net gains from financial assets measured at FVTPL:				
Equity securities and pooled investment funds	—	1,779	—	1,779
Loans	—	64	—	64
Debt securities	—	955	—	955
Derivatives	—	1,264	—	1,264
	—	4,062	—	4,062
Foreign exchange losses	—	—	(126)	(126)
Total interest revenue and investment income from financial assets and liabilities	(700)	8,883	548	8,731

Notes to the consolidated financial statements continued

6 Fee income

The following table disaggregates management fee revenue by segment:

For the year ended 31 December	2024 £m	2023[i] £m
Management fees	**876**	870
Rebates	**(18)**	(19)
Performance fees and carried interest	**6**	9
Total Asset Management fee income	**864**	860
Investment contracts without DPF	**37**	37
Platform fees	**32**	30
Advice fees	**96**	76
Total Life fee income	**165**	143
Total fee income	**1,029**	1,003

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for 2023 presented on new segment basis.

7 Administrative and other expenses

For the year ended 31 December	Note	2024 £m	2023 £m
Staff and employment costs[i]	8	**939**	887
Acquisition costs incurred:			
Investment contracts without DPF		**16**	14
Other contracts		**151**	144
Acquisition costs deferred:			
Other contracts		**(7)**	(2)
Amortisation of deferred acquisition costs:			
Investment contracts without DPF		**4**	5
Other contracts		**7**	5
Depreciation of property, plant and equipment	15	**164**	143
Impairment of property, plant and equipment[ii]	15	**76**	65
Amortisation of intangible assets	13	**26**	33
Impairment of goodwill and intangible assets[iii]	13	**149**	17
Restructuring costs		**180**	226
Interest expense		**298**	206
Commission expense		**149**	159
Investment management fees		**141**	128
Property related costs		**222**	201
Other expenses[i]		**852**	789
		3,367	3,020
Less amounts directly attributable to insurance results:			
Expenses attributed to insurance acquisition cash flows incurred during the year		**(140)**	(142)
Other directly attributable expenses		**(661)**	(637)
Total administrative and other expenses		**2,566**	2,241

i Following a review of presentation an amount of £13m for the year ended 31 December 2023 included in other expenses is now presented in staff and employment costs. See Note 8 Staff and employment costs.

ii Net amount includes impairment of certain property, plant and equipment held by the Group's infrastructure capital private equity vehicles of £76m (2023: £75m). These assets are classified as held for sale at 31 December 2024 and so the values differ to amounts in Note 15 Property, plant and equipment. Also includes impairment recognised in respect of our future ways of working of £nil (2023: £11m impairment) included in 'restructuring costs and other' in the Segmental analysis in Note 3.

iii Includes impairment of certain intangible assets held by the Group's infrastructure capital private equity vehicles of £38m. These assets are classified as held for sale at 31 December 2024 and so the value differs to the amounts in Notes 13 Goodwill and intangible assets.

In addition to the interest expense shown above of £298m (2023: £206m), the interest expense incurred in respect of subordinated liabilities for the year ended 31 December 2024 was £150m (2023: £160m). For the year ended 31 December 2024 there was a £29m gain attributable to the cancellation of the 5.56% subordinated notes in June 2024. This is shown as finance costs in the consolidated income statement.

Notes to the consolidated financial statements continued

8 Staff and employment costs

The average number of staff employed by the Group during the year was:

For the year ended 31 December	2024	2023
Average staff headcount[i]	**8,454**	8,145

i The headcount includes employees of the operating entities held in the Group's consolidated infrastructure and private equity funds.

The following table shows the staff costs and specific other employee-related costs:

For the year ended 31 December	Note	2024 £m	2023 £m
Wages and salaries[i]		**792**	766
Social security costs[i]		**90**	87
Share-based payments	37	**40**	32
Pension costs:			
Defined benefit schemes	17	**31**	13
Defined contribution schemes		**73**	64
Other staff costs[i]		**57**	54
Total staff and employment costs[i]		**1,083**	1,016

The table below provides a breakdown of staff and employment costs charged within administrative and other expenses:

For the year ended 31 December	2024 £m	2023 £m
Staff and employment costs[i]	**939**	887
Acquisition costs	**68**	57
Restructuring costs	**66**	61
Other expenses	**10**	11
Total staff and employment costs[i]	**1,083**	1,016

i Following a review of presentation, total staff and employment costs for the year ended 31 December 2023 have been revised and now include other staff costs, including an amount of £13m previously included in other expenses in Note 7, resulting in a revised total of £1,016m rather than the previously reported £1,003m. The review also resulted in a reclassification of some amounts previously included in wages and salaries and social security costs.

Information in respect of Directors' remuneration is provided in the Directors' remuneration report on pages 112 to 119.

9 Fees payable to the auditor

The following table shows the auditor remuneration, excluding VAT:

For the year ended 31 December	2024 £m	2023 £m
Fees payable to the Company's auditor and its associates for audit and assurance services:		
Fees payable to the Company's auditor for the audit of the Company's individual and consolidated financial statements	**4.1**	8.7
Audit of subsidiaries pursuant to legislation	**12.2**	10.6
Audit-related assurance services	**2.4**	2.1
Other assurance services	**1.0**	0.9
Total fees payable to the auditor	**19.7**	22.3

Fees payable to the auditor disclosed above exclude audit and non-audit fees payable to the Group's principal auditor by funds managed by the Group, but which are not controlled by the Group, and therefore are not consolidated in the Group financial statements.

For the year ended 31 December 2023 fees payable to the Company's auditor for the audit of the Company's individual and consolidated financial statement included an amount of £4.3m in relation to additional audit work as a result of first time adoption of IFRS 17.

For more information on non-audit services, refer to the Audit Committee Report on page 107.

Notes to the consolidated financial statements continued

10 Tax

10.1 Tax charged/(credited) to the consolidated income statement

For the year ended 31 December	2024 £m	2023 £m
The total tax charge comprises:		
Current tax:		
Current year	**458**	491
Adjustments in respect of prior years	**46**	7
Total current tax charge	**504**	498
Deferred tax:		
Origination and reversal of temporary differences in the year	**12**	(44)
Adjustments in respect of prior years	**(24)**	(14)
Total deferred tax credit	**(12)**	(58)
Total tax charge	**492**	440

The tax charge above, comprising current and deferred tax, can be analysed as follows:

For the year ended 31 December	2024 £m	Restated[i] 2023 £m
UK tax	**336**	276
Overseas tax	**156**	164
Total tax charge	**492**	440

i Following a review of the Group's presentation of UK and overseas tax charges, comparatives have been restated from those previously reported. For 2023 the UK tax charge has been reduced by £222 million, and the overseas tax charge has been increased by £222 million. There was no impact on total tax charge for 2023.

10.1.1 Allocation of (loss)/profit before tax and tax charge between equity holders and policyholders

The profit before tax reflected in the consolidated income statement for the year ended 31 December 2024 of £145m (2023: £749m profit before tax) comprises the pre-tax result attributable to equity holders and an amount equal and opposite to the tax charge attributable to policyholder returns. This is the formal measure of (loss)/profit before tax under IFRS but it is not the result attributable to equity holders.

This is principally because the corporate taxes of the Group include those on the income of consolidated with-profits and unit-linked funds that, through adjustments to benefits, are borne by policyholders. These amounts are required to be included in the tax charge of the Company under IAS 12. Consequently, this measure of profit before all taxes is not representative of pre-tax profits attributable to equity holders.

The tax charge attributable to policyholder returns is removed from the Group's total profit before tax in arriving at the Group's profit before tax attributable to equity holders. As the net of tax profits attributable to policyholders is zero, the Group's pre-tax profit attributable to policyholders is an amount equal and opposite to the tax charge attributable to policyholders included in the total tax charge/(credit).

	2024			2023		
For the year ended 31 December	Equity holders £m	Policyholders £m	Total £m	Equity holders £m	Policyholders £m	Total £m
(Loss)/profit before tax	**(332)**	**477**	**145**	421	328	749
Tax charge	**(15)**	**(477)**	**(492)**	(112)	(328)	(440)
(Loss)/profit for the year	**(347)**	**—**	**(347)**	309	—	309

Notes to the consolidated financial statements continued

10 Tax (continued)

10.1 Tax charged/(credited) to the consolidated income statement (continued)

10.1.2 Tax reconciliation

For the year ended 31 December	2024 Equity holders £m	2024 Policyholders £m	2024 Total £m	2023 Equity holders £m	2023 Policyholders £m	2023 Total £m
(Loss)/profit before tax	**(332)**	**477**	**145**	421	328	749
Tax (credit)/charge based on the standard UK corporation tax rate of 25.0% (2023: 23.5%)	**(83)**	**119**	**36**	99	77	176
Impact of losses earned in jurisdictions with different statutory rates to the UK	**(2)**	**—**	**(2)**	(2)	—	(2)
Recurring items:						
Different basis of taxation - policyholders	**—**	**365**	**365**	—	243	243
Deductions not allowable for tax purposes[i]	**22**	**—**	**22**	39	—	39
Differences arising on rate of deferred tax compared to standard UK corporation tax rate[ii]	**32**	**—**	**32**	(16)	—	(16)
Income and gains not taxable or taxable at concessionary rates[iii]	**(5)**	**—**	**(5)**	(1)	—	(1)
Items related to taxation of life insurance business[iv]	**10**	**—**	**10**	—	—	—
Changes in recognition of deferred tax and effect of unrecognised tax losses[v]	**(11)**	**—**	**(11)**	(3)	—	(3)
Other	**(3)**	**—**	**(3)**	5	—	5
Non-recurring items:						
Adjustments in relation to prior periods[vi]	**29**	**(7)**	**22**	(15)	8	(7)
Impairment of goodwill	**26**	**—**	**26**	6	—	6
Tax charge	**15**	**477**	**492**	112	328	440

i Deductions not allowable for tax purposes of £22m (2023: £39m), include £16m (2023: £33m) relating to non-taxable adjustments in relation to the Life business. The remaining amount relates to expenses that are not deductible for tax purposes, primarily in the UK.

ii This represents deferred tax recognised during the period at a rate that differs to the standard UK Corporation tax rate. It primarily represents deferred tax recognised on accounting differences between IFRS and local GAAP which is used for the purposes of preparing statutory corporation tax returns.

iii Predominantly relates to non-taxable dividend income in the UK.

iv This represents profits/losses within the life insurance business taxable at different rates.

v Other recurring items of £(11)m (2023: £(3)m), include £(6)m (2023: £(10)m) related to the utilisation of capital losses on which no deferred tax asset was recognised and £(4)m (2023: £7m) in relation to the remeasurement of deferred tax assets on capital losses carried forward.

vi The equity holders impact of £29m (2023: £(15)m) and policyholder impact of £(7)m (2023: £8m) relate to changes in estimates of prior year positions.

The Group's profits are taxed at different rates depending on the country or territory in which the profits arise. The key applicable tax rate for 2024 is the UK Corporation tax rate of 25.0% (effective from 1 April 2023) (2023: 23.5%) as the majority of the Group's profits are earned and taxed in the UK.

10.1.3 Factors that may impact the future tax rate

The majority of the Group's profits are generated in the UK. Taking into account recurring tax adjusting items, the underlying effective tax rate for equity holders' portion of profits is expected to be marginally higher than the statutory rate in the UK of 25% (effective from 1 April 2023).

The Group has unused tax losses carried forward in relation to UK capital losses £646m (2023: £548m), on which no deferred tax is recognised. Should appropriate taxable profits arise in future periods it will result in tax benefits thereby reducing the future effective tax rate in the relevant periods.

The Group is subject to the global minimum top-up tax under Pillar Two legislation enacted in the UK and effective for the year ended 31 December 2024. The Group has completed an assessment to estimate the top-up tax that would be due for 2024, resulting in top-up tax of £1m (2023: £nil) being provided for. The Group has applied a temporary mandatory exclusion from deferred tax accounting for the impacts of top-up tax.

As the compliance, reporting and/or notification obligations become clear in the UK or other relevant countries where M&G plc is the relevant taxpayer, M&G plc shall take appropriate steps to ensure compliance with any consequent relevant obligations under Pillar Two as enacted in the UK.

Notes to the consolidated financial statements continued

10 Tax (continued)

10.1 Tax charged/(credited) to the consolidated income statement (continued)

10.1.4 Use of accounting estimates and judgements

The calculation of the Group's tax charge involves a degree of estimation and judgement. The two principal areas of judgement that could impact the reported tax position are the recognition and measurement of deferred tax assets and the level of provisioning for uncertain tax positions.

The recognition of a deferred tax asset relies on an assessment of the probability of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies.

Deferred tax assets are reviewed at each reporting date. In considering their recoverability, the Group assesses the likelihood of their being recovered within the expiry of losses and/or while operating as a going concern. This takes into account the future expected profit profile and business model of each relevant company or country, and any potential legislative restrictions on use. Short-term timing differences are generally recognised ahead of losses and other tax attributes as being likely to reverse more quickly.

The provisions for uncertain tax positions cover a wide range of issues, only a fraction of these are expected to be subject to challenge by a tax authority at any point in time. The Group engages constructively and transparently with tax authorities with a view to early resolution of uncertain tax matters. Estimated positions are based on the probability of potential challenge within certain jurisdictions and the possible outcome based on relevant facts and circumstances. The judgements and estimates made to recognise and measure the effect of uncertain tax positions are reassessed whenever circumstances change or when there is new information that affects those judgements.

10.1.5 Tax charged/(credited) to other comprehensive income

For the year ended 31 December	2024 £m	2023 £m
The tax charge/(credit) booked to other comprehensive income, current and deferred tax, comprises:		
Actuarial gains/(losses) on defined benefit pension schemes	**13**	(28)
Total tax charge/(credit) to other comprehensive income	**13**	**(28)**

10.1.6 Tax credited to equity

For the year ended 31 December	2024 £m	2023 £m
The tax credit booked to shareholders' equity, current and deferred tax, comprises:		
Share-based payments	**(4)**	(7)
Total tax credit to equity	**(4)**	**(7)**

10.2 Deferred tax

10.2.1 Deferred tax assets and liabilities

Under IAS 12, deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting period. Deferred tax assets are recognised as recoverable to the extent that, on the basis of all available evidence, it is regarded as probable there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted or tax losses utilised. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

10.2.2 Deferred tax in the statement of financial position

The following table shows movements on deferred tax assets and liabilities during the year. The amounts are different from those disclosed in the consolidated statement of financial position as the below amounts are presented before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

Changes in tax laws and rates may affect recorded deferred tax assets and liabilities as the carrying values of our deferred tax assets and liabilities will be revalued based on current tax rates. The majority of the UK deferred tax balances are measured at a policyholder rate of tax and remaining UK balances are held at the UK corporation tax rate of 25%.

Notes to the consolidated financial statements continued

10 Tax (continued)

10.2 Deferred tax (continued)

10.2.2 Deferred tax in the statement of financial position (continued)

	2024								
For the year ended 31 December	Unrealised gains /(losses) on investments[i] £m	Other short-term timing differences[ii] £m	Deferred acquisition costs[iii] £m	Defined benefit pensions £m	Capital allowances £m	Tax losses carried forward[iv] £m	Share-based payments and deferred compensation £m	Balances relating to insurance and investment contracts[v] £m	Total £m
Assets	2	158	27	—	21	505	23	263	999
Liabilities	(675)	(35)	(1)	(21)	—	—	—	(506)	(1,238)
As at 1 January 2024	**(673)**	**123**	**26**	**(21)**	**21**	**505**	**23**	**(243)**	**(239)**
Income statement	(39)	(53)	(8)	6	(3)	11	2	96	12
Equity and other comprehensive income	—	—	—	(13)	—	—	(1)	—	(14)
Other movements/foreign exchange	15	9	—	—	—	—	(1)	—	23
As at 31 December 2024	**(697)**	**79**	**18**	**(28)**	**18**	**516**	**23**	**(147)**	**(218)**
Assets	2	108	18	—	18	516	23	313	998
Liabilities	(699)	(29)	—	(28)	—	—	—	(460)	(1,216)
As at 31 December 2024	**(697)**	**79**	**18**	**(28)**	**18**	**516**	**23**	**(147)**	**(218)**

	2023								
For the year ended 31 December	Unrealised gains /(losses) on investments[i] £m	Other short-term timing differences[ii] £m	Deferred acquisition costs[iii] £m	Defined benefit pensions £m	Capital allowances £m	Tax losses carried forward[iv] £m	Share-based payments and deferred compensation £m	Balances relating to insurance and investment contracts[v] £m	Total £m
Assets	5	163	38	—	28	528	26	351	1,139
Liabilities	(825)	(37)	(1)	(39)	(15)	—	—	(572)	(1,489)
As at 1 January 2023	(820)	126	37	(39)	13	528	26	(221)	(350)
Income statement	138	(8)	(11)	(10)	(5)	(23)	(1)	(22)	58
Equity and other comprehensive income	—	—	—	28	—	—	(2)	—	26
Other movements/foreign exchange	9	5	—	—	13	—	—	—	27
As at 31 December 2023	(673)	123	26	(21)	21	505	23	(243)	(239)
Assets	2	158	27	—	21	505	23	263	999
Liabilities	(675)	(35)	(1)	(21)	—	—	—	(506)	(1,238)
As at 31 December 2023	(673)	123	26	(21)	21	505	23	(243)	(239)

i Deferred tax on unrealised gains/(losses) on investments primarily arise on two key components. The largest component relates to gains/(losses) on certain investments which are only taxed when realised, ie when an asset is sold. The second component relates to gains/(losses) on certain investments held by life insurance companies, which for UK corporation tax purposes are deemed to have been disposed of and immediately reacquired at market value at the end of each accounting period. Any gain/(loss) arising on the deemed disposal is required to be spread over a seven year period.

ii The closing balance at 31 December 2024 primarily comprises £69m (2023: £77m) of deferred tax assets on subordinated debt together with a £19m (2023: £27m) of deferred tax liability in relation to intangible assets arising on acquisitions. The remaining balance primarily relates to deferred tax assets on employee related compensation.

iii The Group incurs various incremental, directly attributable acquisition costs in obtaining new contracts. For UK corporation tax purposes, acquisition expenses incurred until 31 December 2022 in respect of certain life insurance business were required to be spread over a seven year period. A deferred tax asset was recognised for the expected future tax deductions.

iv The tax losses carried forward at 31 December 2024 relate to £1,998m of UK tax losses (2023: £1,970m) and £66m (2023: £52m) of UK capital losses.

v Deferred tax recognised in relation to differences arising on accounting for insurance contracts between IFRS 17 and FRS 103 - Insurance Contracts (used for the preparation of the statutory accounts of one of the Group's subsidiaries, The Prudential Assurance Company Limited).

The Group's net deferred tax liability at 31 December 2024 of £218m reduced from the net deferred tax liability at 31 December 2023 of £239m representing an overall net movement of £21m. The movement is predominantly due to a decrease of deferred tax liability (DTL) arising on balances relating to insurance and investment contracts partially offset by an increase in the DTL on unrealised gains/losses on investments and a decrease in the deferred tax asset (DTA) on short-term timing differences.

Notes to the consolidated financial statements continued

10 Tax (continued)

10.2 Deferred tax (continued)

10.2.2 Deferred tax in the statement of financial position (continued)

The recognition of a DTA relies on an assessment of the probability of future taxable profits. The Group's expectations of future UK taxable profits require management judgement, and take into account the Group's long-term financial and strategic plans and projected future shareholder transfers.

The DTA on tax losses carried forward at 31 December 2024 of £516m (2023: £505m) comprises of £499m in relation to UK income tax losses (2023: £492m) and £17m (2023: £13m) in respect of UK capital losses. The DTA on UK income tax losses has been recognised in full based upon sufficient future taxable profits arising from shareholder transfers. These transfers are considered a reliable source of profit and are a consistent measure used in the Group's Business Plans and Solvency II calculations. The DTA on UK capital losses has been partially recognised and is based upon expected reversal of the taxable temporary differences recognised on unrealised gains on investments, only a proportion of which are expected to be available for offset against the UK capital losses.

Modelling was undertaken to review the recovery period of the DTA on both the income and capital losses. Under current UK tax legislation, there is no time limit on utilisation of both the income and capital losses, however, these tax losses can only be used against 50% of taxable income profits and capital gains in future periods. These restrictions in utilisation mean that the value of the DTA in respect of income tax losses is only expected to be fully recovered by 2035 in the base case forecast. An impaired scenario was also modelled which reflected a 10% reduction of forecast shareholder transfer in each period, this extended the recovery to 2038. The income tax losses arising in 2024 are not expected to be recurring in future periods and given the forecast of future profitability and the Group's commitment to the UK market, in management's judgement it is probable that the value of the DTA on losses will be recovered by the Group while still operating as a going concern. The modelling of future capital gains arising on investments show that the recognised DTA on capital losses is expected to be recovered by 2030.

It is possible that future tax law changes could materially affect the timing of recovery and the value of these losses ultimately realised by the Group.

The deferred tax balances arise in the following parts of the Group:

	Deferred tax assets		Deferred tax liabilities	
	2024	2023	2024	2023
For the year ended 31 December	£m	£m	£m	£m
UK	**477**	430	**(413)**	(362)
Overseas	**10**	13	**(292)**	(320)
As at 31 December	**487**	443	**(705)**	(682)

10.2.3 Unrecognised deferred tax

Tax losses and temporary differences

At the end of the reporting period, the Group has unused tax losses of £644m (2023: £548m) for which no deferred tax asset is being recognised. The Group's unused tax losses primarily relate to capital losses in the UK of £636m (2023: £540m). No deferred tax asset is recognised on these losses as it is considered not probable that future taxable UK capital gains or other appropriate profits will be available against which they can be utilised. Under UK law, capital losses and trade losses can be carried forward indefinitely.

Group investments in subsidiaries, branches and investments

Retained earnings of overseas subsidiaries are expected to be re-invested indefinitely or remitted to the UK free from further taxation by virtue of Parent Company exemptions on dividends from subsidiaries and on capital gains on disposal. Consequentially, the Group does not consider there to be any significant taxable temporary differences associated with investments in subsidiaries, branches, associates and joint arrangements.

Notes to the consolidated financial statements continued

10 Tax (continued)

10.3 Current tax assets and liabilities

Movements on corporation tax current tax assets and liabilities were as follows:

For the year ended 31 December	2024 £m	2023 £m
Net corporation tax (liability)/asset as at 1 January	**(30)**	197
Income statement	**(504)**	(498)
Reserves movement for the period	**5**	9
Corporation tax paid	**514**	250
Other movements	**(1)**	12
Net corporation tax liability as at 31 December	**(16)**	(30)
Corporation tax assets:		
UK	**6**	16
Overseas	**59**	51
Corporation tax liabilities:		
UK	**(34)**	(57)
Overseas	**(47)**	(40)
Net corporation tax liability as at 31 December	**(16)**	(30)

The net corporation tax liability consists of £65m current tax assets (2023: £67m) and £81m current tax liabilities (2023: £97m). All corporation tax assets and liabilities are expected to be settled within 12 months.

One of the Group's subsidiaries, The Prudential Assurance Company Limited (PAC), is the lead litigant in a combined group action against HM Revenue and Customs (HMRC) concerning the correct historical tax treatment applying to dividends received from overseas portfolio investments of its With-Profits Fund.

In February 2018, the Supreme Court heard HMRC's appeal against the earlier Court of Appeal decision in PAC's favour. The decision of the Supreme Court, released in July 2018, upheld the main point of dispute in PAC's favour but reversed the decisions of the lower courts on some practical points of how to apply that principle. The Supreme Court issued its order giving effect to its decision in October 2019, stating any remaining issues of computation be remitted back to the High Court. PAC and HMRC are working through the mechanics of implementing the Supreme Court decisions. To date, this work has led to a reduction in the estimate for policyholder tax credit recoverable, and the associated estimate of interest receivable.

As at 31 December 2024, PAC has recognised a total policyholder tax credit of £114m (2023: £114m) in respect of its claim against HMRC. Of this amount, £40m (2023: £40m) has been paid by HMRC leaving a tax recoverable balance of £74m (2023: £74m) recorded as an amount of tax due from HMRC. PAC will be entitled to interest on the tax repaid. Discussions with HMRC are continuing to determine a mechanism for repayment and this is expected to be finalised during 2025 at which point PAC should receive full and final payment.

11 Earnings per share

Basic earnings per share (EPS) for the year ended 31 December 2024 was (15.1)p (2023: 12.7p) and diluted EPS was (15.1)p (2023: 12.4p). Basic EPS is based on the weighted average ordinary shares outstanding after deducting treasury shares and shares held by the employee benefit trust. Diluted EPS is based on the potential future shares outstanding resulting from exercise of options under the various share-based payment schemes in addition to the weighted average ordinary shares outstanding. The following tables shows details of basic and diluted earnings per share:

For the year ended 31 December	2024 £m	2023 £m
(Loss)/profit attributable to equity holders of M&G plc	**(360)**	297

For the year ended 31 December	2024 Millions	2023 Millions
Weighted average number of ordinary shares outstanding	**2,388**	2,350
Dilutive effect of share options and awards	**—**	46
Weighted average number of diluted ordinary shares outstanding	**2,388**	2,396

For the year ended 31 December	2024 Pence per share	2023 Pence per share
Basic (loss)/earnings per share	**(15.1)**	12.7
Diluted (loss)/earnings per share	**(15.1)**	12.4

As the Group has made a loss attributable to equity holders of the Company for the year ended 31 December 2024, the diluted earnings per share is the same as the basic earnings per share as it is not permissible for the diluted earnings per share to be greater than the basic earnings per share.

Notes to the consolidated financial statements continued

12 Dividends

For the year ended 31 December	2024 Pence per share	2024 £m	2023 Pence per share	2023 £m
Dividends relating to reporting period:				
First interim dividend - Ordinary	**6.6**	**157**	6.5	152
Second interim dividend - Ordinary	**13.5**	**321**	13.2	311
Total	**20.1**	**478**	19.7	463
Dividends paid in reporting period:				
Prior year's interim dividend - Ordinary	**13.2**	**311**	13.4	310
First interim dividend - Ordinary	**6.6**	**157**	6.5	152
Total	**19.8**	**468**	19.9	462

Subsequent to 31 December 2024, the Board has declared a second interim dividend for 2024 of 13.5 pence per ordinary share and, an estimated £321m in total. The dividend is expected to be paid on 9 May 2025 and will be recorded as an appropriation of retained earnings in the Parent Company's financial statements at the time that it is paid.

13 Goodwill and intangible assets

For the year ended 31 December	2024 Goodwill £m	2024 Other Intangibles £m	2024 Total £m	2023 Goodwill £m	2023 Other Intangibles £m	2023 Total £m
Cost						
At 1 January	**1,589**	**397**	**1,986**	1,580	490	2,070
Transfer to held for sale	**(51)**	**(77)**	**(128)**	(1)	(111)	(112)
Reclassification from/(to) other item in statement of financial position	**22**	**(34)**	**(12)**	—	—	—
Additions:						
Arising on acquisitions	**62**	**8**	**70**	—	—	—
Other purchases	**16**	**94**	**110**	11	36	47
Disposals and transfers	**—**	**(2)**	**(2)**	—	(1)	(1)
Foreign exchange differences	**(6)**	**—**	**(6)**	(1)	(17)	(18)
At 31 December	**1,632**	**386**	**2,018**	1,589	397	1,986
Accumulated amortisation and impairment						
At 1 January	**(70)**	**(101)**	**(171)**	(45)	(148)	(193)
Transfer (from)/to held for sale	**—**	**(1)**	**(1)**	—	68	68
Reclassification from other item in statement of financial position	**—**	**(1)**	**(1)**	—	—	—
Amortisation	**—**	**(26)**	**(26)**	—	(33)	(33)
(Impairment)/reversal of impairment	**(106)**	**(5)**	**(111)**	(24)	8	(16)
Disposals and transfers	**—**	**2**	**2**	—	1	1
Foreign exchange differences	**2**	**2**	**4**	(1)	3	2
At 31 December	**(174)**	**(130)**	**(304)**	(70)	(101)	(171)
Net book amount	**1,458**	**256**	**1,714**	1,519	296	1,815

For the year ended 31 December	2024 £m	2023 £m
Goodwill comprises:		
Asset Management	**1,269**	1,262
M&G Wealth Platform	**—**	13
Other	**21**	42
Subsidiaries held by the With-Profits Fund	**168**	202
	1,458	1,519

Notes to the consolidated financial statements continued

13 Goodwill and intangible assets (continued)

13.1 Impairment assessment

Goodwill does not generate cash flows independently of other groups of assets and thus is assigned to a group of cash-generating units (CGUs) for the purposes of impairment testing.

The group of CGUs are based upon how management monitors the business and represent the lowest level to which goodwill can be allocated on a reasonable basis.

Goodwill is tested annually for impairment, and where there is an indication of impairment, by comparing the carrying amount of the group of CGUs, including any goodwill, with its recoverable amount.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Asset Management cash-generating units

The carrying value of Asset Management goodwill predominantly relates to that arising on the acquisition of M&G Group Limited, split between the Wholesale Asset Management CGU (excluding MandG Investments Southern Africa (Pty) Limited), the Institutional Asset Management CGU (excluding responsAbility Investments AG and BauMont Real Estate Capital Limited), and the Internal Asset Management CGU. Goodwill arising on the acquisition of the MandG Investments Southern Africa (Pty) Limited CGU, the responsAbility Investments AG CGU and the BauMont Real Estate Capital Limited CGU is also recognised.

M&G Group Limited

An impairment assessment has been undertaken, which resulted in no impairment charge being recognised.

The recoverable amount of the group of CGUs was determined by calculating the value in use. The value in use represents the present value of future cash flows based on the business plan to 2027 approved by management, and relevant assumptions for cash flows for later years.

The future cash flows used in the value in use calculation are based on a set of economic, market and business assumptions. These include the direct and secondary effects of recent developments, such as changes in global equity markets and trends in fund flows, which are considered by management in arriving at the expectations for the final projections for the business plan. The business plan considers anticipated growth in sustainability-focused fund propositions, including those aimed at managing and addressing climate risk, and its impact on projected AUMA flows based on our strategy. M&G Group Limited being an asset manager does not hold material investments on its balance sheet which would directly be impacted by climate risk. Given this is an emerging area, and given the current available data and the sophistication of the models, forecast cash flows may not fully reflect the potential impact of climate risk.

Based on the assessment, the value in use of the group of CGUs was higher than the carrying value and no impairment has been recognised as at 31 December 2024 in respect of goodwill arising on the acquisition of M&G Group Limited.

The value in use is particularly sensitive to a number of key assumptions as follows:

- The cash flow forecast has been extrapolated beyond the business plan period to incorporate a five-year value in use assessment, estimating growth rates for 2028 and 2029, tapering the growth expected in 2027 down over the two-year period, to the long-term growth rate (based on long-term inflation and nominal gross domestic product rates for the UK).
- The pre-tax discount rate as at 31 December 2024 was 11% (2023: 11%) and is based on the weighted average cost of capital for M&G Group Limited derived using an estimated cost of equity, under the capital asset pricing model and cost of debt. A 50bps increase in the discount rate would result in the value in use decreasing by £145m (2023: £175m). This would not result in any impairment charge being recorded for goodwill.
- The terminal value was calculated using a standard growth model, using a discount rate of 11% (2023: 11%) as stated above, and a long-term growth rate of 2% (2023: 2%). A 50bps decrease in the long-term growth rate would result in the value in use decreasing by £100m (2023: £127m). This would not result in any impairment charge being recorded for goodwill.
- That asset management contracts continue on similar terms.

No reasonable change in assumptions stated above would result in any impairment being recorded. Furthermore, there would be no impairment recorded even if the individual stresses to assumptions stated above were to apply concurrently which demonstrates the significant headroom available on the carrying value.

responsAbility Investments AG

During the year to 31 December 2024 an impairment of £30m (2023: £25m) has been recognised in respect of the responsAbility Investments AG CGU to bring the carrying value down to its recoverable amount which is its value in use of £94m (2023: £132m). The change primarily reflects a revised view of the delivery of the revenue synergies expected through use of the Group's distribution capabilities as anticipated at the date of acquisition. The responsAbility Investments AG CGU consists of the net assets and goodwill and other intangibles arising from the acquisition of responsAbility Investments AG in May 2022. All of the impairment has been allocated against goodwill with the expense recorded in administrative expenses in the consolidated income statement. The key assumptions in determining the value in use were a discount rate of 9.8% (2023: 10.5%), a long-term growth rate of 1.4% (2023: 1.6%) and a terminal value earnings before interest, taxation, depreciation and amortisation (EBITDA) margin of 23.9% (2023: 31.6%).

Notes to the consolidated financial statements continued

13 Goodwill and intangible assets (continued)

13.1 Impairment assessment (continued)

Wealth platform and advice businesses

During the year, the Group announced a refresh of the strategy for the Wealth business which included the decision to review the future of the platform business, M&G Wealth Platform, and the merger of the Life and Wealth segments under joint leadership.

The refresh to strategy has had a material impact on the recoverable amount of M&G Wealth Platform and accordingly, an impairment of £28m (2023: £nil) was recorded against the goodwill and intangible recognised in respect of the business. Goodwill allocated to the business also included the portion related to the revenue synergies that were expected to be realised from the acquisition of Continuum, the independent advice entity acquired during the year that will now not crystallise. The recoverable amount was derived using the fair value less cost to sell approach.

The ongoing macro-economic volatility, including the sustained higher interest rate environment, along with the enhanced regulatory scrutiny in the sector have led to a reassessment of the growth forecasts relating to our model portfolio services and independent financial advice businesses. Furthermore, the restriction within IAS 36: Impairment of assets in recording expected cost synergies over the projection period in full has resulted in a fall in the recoverable amount of these businesses using the value in use approach. These factors have led to an impairment of £51m recorded in respect of these businesses during the year. The key assumptions in determining the value in use was a discount rate of 11.5% (2023: 10.5% - 11.5%) and a long-term growth rate of 2.0% (2023: 2.0%).

Acquisition of subsidiaries held by the With-Profits Fund

This balance relates to goodwill arising on acquisition of subsidiaries held within consolidated infrastructure private equity vehicles which are held by the With-Profits Fund. Management have undertaken an impairment assessment by comparing the fair value of the subsidiaries with their carrying value. During the year £38m (2023: £nil) of impairments, were recognised in respect of goodwill and other intangibles held by the Group's infrastructure capital private equity vehicles that are related to assets classified as held for sale. These impairments are therefore not shown in the impairment movement line in the above movement table.

13.2 Intangible assets

Intangible assets comprise customer relationships acquired through business combinations, software, service concessions, royalties and licences. All intangibles are amortised on a straight-line basis.

Independent financial adviser relationships and trade name arising on acquisitions in the year

During the year, independent financial adviser relationships and a trade name have been recognised by the Group as part of the acquisition of My Continuum Financial Limited in March 2024. Further details are set out in Note 2.2.

The description of the separate intangible assets acquired, including their estimated useful life, is as follows:

Intangible asset type	Average useful life at acquisition date	Acquisition date	Fair value on acquisition date £m	Carrying value £m
Independent financial adviser relationships	9 years	19 March 2024	4	4
Brand name	9 years	19 March 2024	3	3

All intangibles will be amortised on a straight-line basis.

In arriving at the fair value of intangible assets acquired in business combinations, a number of assumptions and judgements are applied. Any reasonable change in the assumptions and judgements made would have a minimal impact on the valuation.

Notes to the consolidated financial statements continued

14 Investments in joint ventures and associates

14.1 Investments in joint ventures and associates accounted for using the equity method

As at 31 December	2024 £m	2023 £m
Interests in joint ventures	**284**	265
Interests in associates	**—**	22
Investments in joint ventures and associates accounted for using the equity method	**284**	287

For the year ended 31 December	2024 £m	2023 £m
Share of profit from joint ventures	**24**	23
Share of profit from joint ventures and associates accounted for using the equity method	**24**	23

There is no share of other comprehensive income from joint ventures or associates.

14.1.1 Investment in joint ventures accounted for using the equity method

All of the Group's investments in joint ventures which are accounted for using the equity method are property vehicles held in the With-Profits Fund.

No joint ventures are considered to be material individually or in aggregate to the Group for the years ended 31 December 2024 and 31 December 2023. None of the Group's joint ventures are listed and financial information of these investments covering the same reporting period as that of the Group has been used for accounting for these investments using the equity method.

14.1.2 Investment in associates accounted for using the equity method

The Group acquired two further 25% stakes in Continuum on 19 March 2024 and 10 March 2025. The Group has accounted for the transaction on the basis it controls 100% of Continuum from the date of acquisition of the additional 25% stake on 19 March 2024. As at 31 December 2023 this investment was classified as an associate accounted for using the equity method, further details are set out in Note 2.2.

14.2 Interests in joint ventures and associates accounted for at fair value through profit or loss (FVTPL)

The Group has investments in OEICs, unit trusts, property unit trusts and venture capital investments of the With-Profits Fund where the Group has significant influence or joint control. These investments are accounted for on a FVTPL basis and are included within equity securities and pooled investment funds in the consolidated statement of financial position.

14.2.1 Associates accounted for at FVTPL

As at 31 December 2024, the Group held 29.2% of M&G European Property Fund (MEP) (2023: 29.4%) with a fair value of £958m (2023: £1,008m). No other associates accounted for at FVTPL are considered individually material to the Group for the years ended 31 December 2024 and 31 December 2023.

The aggregate fair value of associates accounted for at FVTPL, including MEP, at 31 December 2024 was £2,611m (2023: £2,004m).

14.2.2 Joint ventures accounted for at FVTPL

The aggregate fair value of joint ventures accounted for at FVTPL at 31 December 2024 was £465m (2023: £209m). None of the joint ventures accounted for at FVTPL are considered individually material to the Group for the years ended 31 December 2024 and 31 December 2023.

Notes to the consolidated financial statements continued

15 Property, plant and equipment

Property, plant and equipment (PPE) comprises right of use assets, properties and land occupied by the Group and other tangible assets. A reconciliation of the carrying amount of these items from the beginning to the end of the year is as follows:

For the year ended 31 December	2024 Right of use assets £m	2024 Group occupied property £m	2024 Other tangible assets £m	2024 Total £m	2023 Right of use assets £m	2023 Group occupied property £m	2023 Other tangible assets £m	2023 Total £m
Cost								
At 1 January	**294**	**12**	**2,545**	**2,851**	346	106	2,140	2,592
Transfer from/(to) held for sale	**82**	**40**	**(219)**	**(97)**	(11)	(102)	(73)	(186)
Additions	**16**	**—**	**289**	**305**	13	8	488	509
Disposals and transfers	**(73)**	**(7)**	**(59)**	**(139)**	(53)	—	(13)	(66)
Foreign exchange differences	**(5)**	**(2)**	**(57)**	**(64)**	(1)	—	3	2
At 31 December	**314**	**43**	**2,499**	**2,856**	294	12	2,545	2,851
Accumulated depreciation and impairment								
At 1 January	**(124)**	**—**	**(662)**	**(786)**	(105)	(23)	(511)	(639)
Transfer (from)/to held for sale	**(16)**	**(33)**	**(353)**	**(402)**	2	25	17	44
Depreciation charge for the year	**(25)**	**(1)**	**(138)**	**(164)**	(24)	(2)	(117)	(143)
Impairment	**—**	**—**	**—**	**—**	(4)	—	(61)	(65)
Disposals and transfers	**73**	**1**	**46**	**120**	6	—	11	17
Foreign exchange differences	**3**	**1**	**26**	**30**	1	—	(1)	—
At 31 December	**(89)**	**(32)**	**(1,081)**	**(1,202)**	(124)	—	(662)	(786)
Net book amount	**225**	**11**	**1,418**	**1,654**	170	12	1,883	2,065

15.1 Right of use assets

The Group recognises right of use assets for leases of land and buildings which are used as office space across various locations. Some leases include lease break options that are exercisable at the option of the Group.

As at 31 December 2024, £88m (2023: £23m) of right of use assets were held by the With-Profits Fund.

15.2 Other tangible assets

As at 31 December 2024, other tangible assets with a net book value of £1,327m (2023: £1,784m) were held by the With-Profits Fund, of which £63m (2023: £174m) are assets under construction. The other tangible assets within the With-Profits Fund are held by the Group's infrastructure capital and private equity vehicles which are consolidated by the Group.

During the year £76m (2023: £54m) of impairments, net of reversals, were recognised in respect of other tangible assets held by the Group's infrastructure capital private equity vehicles. In the current year, the impairments related to assets classified as held for sale and therefore are not shown in the above property, plant and equipment disclosure.

Within the context of scenario analysis disclosed in our climate-related disclosures on page 81, consideration was given to the potential impact of climate risk on certain infrastructure assets which are consolidated in the Group statement of financial position. The assessment of assets identified as being located in high-risk areas, concluded that no impairment indicator is present due to adaptation and mitigation measures in place for each asset.

Notes to the consolidated financial statements continued

16 Investment property

Investment property is primarily held by the With-Profits Fund and is carried at fair value. A reconciliation of the carrying amount of investment property from the beginning of the year to the end of the year is set out below:

For the year ended 31 December	2024 £m	2023 £m
At 1 January	**15,422**	16,505
Transfer to held for sale	**(482)**	(172)
Additions:		
Resulting from property acquisitions	**705**	746
Resulting from expenditure capitalised	**272**	215
Arising on acquisition of subsidiaries	**106**	76
Disposals and other	**(1,320)**	(530)
Net fair value losses	**(340)**	(1,053)
Foreign exchange differences	**22**	(365)
At 31 December	**14,385**	15,422

For the year ended 31 December 2024 rental income from investment property was £947m (2023: £956m). Direct operating expenses, including repairs and maintenance arising from these properties for the year ended 31 December 2024 were £220m (2023: £191m). Direct operating expenses on investment property not generating rental income for the year ended 31 December 2024 was £5m (2023: £9m).

The Group's policy is to let investment property to tenants through operating leases. The leases typically include clauses to enable periodic rent reviews according to prevailing market conditions. In some agreements, the rents might be variable and linked to an index. Certain leases contain options to break before the end of the lease term by either party.

Minimum future rental income to be received on non-cancellable leases of the Group's freehold and leasehold investment property are receivable in the following periods:

As at 31 December	2024 £m	2023 £m
Less than 1 year	**496**	461
After 1 year to 2 years	**416**	407
After 2 years to 3 years	**363**	375
After 3 years to 4 years	**330**	332
After 4 years to 5 years	**299**	298
Over 5 years	**2,461**	2,100
Total minimum future rental income	**4,365**	3,973

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes

17.1 Background and summary economic and IAS 19 financial positions

The Group operates three defined benefit pension schemes, which historically have been funded by the Group. The largest defined benefit scheme as at 31 December 2024 is the Prudential Staff Pension Scheme (PSPS), which accounts for 83% (2023: 83%) of the present value of the defined benefit pension obligation.

The Group also operates two smaller defined benefit pension schemes that were originally established by the M&G Group Limited (M&GGPS) and Scottish Amicable (SASPS) businesses.

On 18 September 2023, M&GGPS Trustees executed a buy-in transaction with PAC covering all deferred and pensioner member liabilities. A premium of £329m was transferred to PAC as part of the transaction. The assets transferred to PAC as premium are recognised in the relevant line within financial assets in the consolidated statement of financial position. As a result of the buy-in the relevant plan assets transferred were replaced with a single line insurance policy reimbursement right asset which is eliminated on consolidation. This reimbursement right asset, although available to the Scheme does not constitute a plan asset under IAS 19. The value of this insurance policy at 31 December 2024 was £261m (2023: £298m).

In addition, on 30 September 2023, M&GGPS agreed to transfer the liability related to all active members to the PSPS scheme. This resulted in a premium of £50m and related liability £29m being transferred to PSPS. This is accounted for as a settlement and accordingly, M&GGPS recorded a loss of £21m on derecognition and PSPS recorded a corresponding gain which was eliminated in the consolidated financial statements for the year 31 December 2023.

Subsequent to the transfer of active members from M&GGPS to PSPS, transacted at the same time as the buy-in, a portion (13% and 23% as at 31 December 2024 and 31 December 2023 respectively) of the net economic pension surplus of PSPS is attributable to M&G FA Limited, a subsidiary of the Group, and is attributable to the shareholders. The remainder is then attributed 70% to the With-Profits Fund and 30% to the Group's shareholders.

Under IAS 19: Employee Benefits and IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, the Group can only recognise a surplus to the extent that it is able to access the surplus either through an unconditional right of refund or through reduced future contributions relating to ongoing service of active members. The Group has no unconditional right of refund to any surplus in PSPS. Accordingly, PSPS's net economic pension surplus is restricted up to the present value of the Group's economic benefit, which is calculated as the difference between the estimated future cost of service for active members and the estimated future ongoing contributions. The level of the restriction is set out in the tables that follow.

In contrast, the Group is able to access the surplus of SASPS and M&GGPS through an unconditional right of refund. Therefore, the surplus resulting from the schemes (if any) would be recognised in full. As at 31 December 2024 and 31 December 2023 the SASPS scheme is in surplus and the M&GGPS schemes is in deficit based on the IAS 19 valuation.

M&GGPS is in a net economic surplus position but in deficit on an IAS 19 basis as a result of the elimination of the reimbursement right asset recognised in respect of the buy-in of the Scheme by PAC as explained above. The Scheme also has investments in insurance policies issued by Prudential Pensions Limited (PPL), a subsidiary of the Group, through which it invests in certain pooled funds. Under IAS 19, non-transferable insurance policies issued by a related party do not qualify as plan assets and these are eliminated.

The gross economic position of M&GGPS which includes the PPL policies and reimbursement is reflected in the financial statements of M&G FA Limited.

The SASPS net economic pension surplus is attributed 40% to the With-Profits Fund and 60% to the Group's shareholders. Both the policyholder and shareholder allocation of SASPS is reflected in the financial statements of PAC.

In June 2023, the UK High Court passed a judgment in the Virgin Media Limited v NTL Pension Trustees II Limited case which stated that certain historical amendments in respect of contracted-out defined benefit schemes in the period from 6 April 1997 to 5 April 2016 would be invalid if not accompanied at the time by a relevant actuarial confirmation. The judgment was subject to an appeal in July 2024 where the Court of Appeal upheld the decision of the High Court and concluded that the initial judgment applied to amendments to both future and past service.

The Group has undertaken an impact assessment which includes the review of available historical records and relevant enquiries. Based on the Group's assessment, no adjustments are expected to be required to the defined benefit obligations of the Group's pension schemes in respect of the case as at the reporting date. The Group will continue to monitor developments in relation to the matter.

We recognise climate change has potential to affect the value of investments within the Schemes. Both PSPS and M&GGPS incorporate climate-related factors when executing their strategic objectives.

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes (continued)

17.1 Background and summary economic and IAS 19 financial positions (continued)

The pension assets and liabilities for the defined benefit pension schemes are as follows:

As at 31 December	2024 PSPS £m	2024 SASPS £m	2024 M&GGPS £m	2024 Total £m
Fair value of plan assets	4,034	524	274	4,832
Present value of defined benefit obligation	(3,725)	(486)	(261)	(4,472)
Effect of restriction on surplus	(302)	—	—	(302)
Net economic pension surplus[i]	7	38	13	58
Non-qualifying insurance policies	—	—	(10)	(10)
Elimination of reimbursement right asset on consolidation	—	—	(261)	(261)
Net total pension surplus/(deficit)	7	38	(258)	(213)

As at 31 December	2024 PSPS £m	2024 SASPS £m	2024 M&GGPS £m	2024 Total £m
Attributable to:				
Shareholder-backed business	3	23	(258)	(232)
With-Profits Fund	4	15	—	19
Net total pension surplus/(deficit)	7	38	(258)	(213)

As at 31 December	2023 PSPS £m	2023 SASPS £m	2023 M&GGPS £m	2023 Total £m
Fair value of plan assets	4,611	583	314	5,508
Present value of defined benefit obligation	(4,260)	(576)	(298)	(5,134)
Effect of restriction on surplus	(339)	—	—	(339)
Net economic pension surplus[i]	12	7	16	35
Non-qualifying insurance policies	—	—	(12)	(12)
Elimination of reimbursement right asset on consolidation	—	—	(298)	(298)
Net total pension surplus/(deficit)	12	7	(294)	(275)

As at 31 December	2023 PSPS £m	2023 SASPS £m	2023 M&GGPS £m	2023 Total £m
Attributable to:				
Shareholder-backed business	6	4	(294)	(284)
With-Profits Fund	6	3	—	9
Net total pension surplus/(deficit)	12	7	(294)	(275)

i The economic basis reflects the position of the defined benefit schemes from the perspective of the pension schemes, adjusted for the effect of IFRIC 14 for the derecognition of PSPS's unrecognisable surplus and before adjusting for any non-qualifying assets.

17.1.1 Triennial actuarial valuations

A full actuarial valuation is required for defined benefit pension schemes every three years in order to assess the appropriate level of funding for schemes in relation to their commitments. These valuations include assessments of the likely rate of return on the assets held within the separate trustee administered funds. The actuarial valuation differs from the IAS 19 accounting basis valuation in a number of respects, including the discount rate assumption where IAS 19 prescribes a rate based on high-quality corporate bonds while a more prudent assumption is typically used for the actuarial valuation.

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes (continued)

17.1 Background and summary economic and IAS 19 financial positions (continued)

17.1.1 Triennial actuarial valuations (continued)

Summary information on the latest completed actuarial valuation for each of the schemes, as at 31 December 2024, is shown in the table below.

	PSPS	SASPS	M&GGPS
Last completed actuarial valuation date	05 April 2023	31 March 2023	31 December 2023
Funding level at the last valuation	108%	101%	100%
Deficit funding arrangement agreed with the Trustees based on the last completed valuation	No deficit funding required	No deficit funding required	No deficit funding required
Current level of employer contributions for active members	Are at the minimum level required under the scheme rules (approximately £2m per annum)[i]	Approximately £3m per annum	Zero contribution: no active members remaining post-buy-in
Contributions to cover ongoing administration and other expenses	Approximately £7.6m per annum	Approximately £1.8m per annum	Approximately £1.5m per annum

i Note that this includes the estimate amount in respect of PSPS members at the last triennial valuation plus the expected contribution at the minimum level in respect of members transferred from M&GGPS.

The contributions detailed above broadly represent the Group's current expectation of amounts that will be paid to each respective plan in the next annual reporting period.

17.1.2 Risks to which the defined benefit schemes expose the Group

The plans are subject to the statutory funding objective requirements of the Pensions Act 2004, which require that plans be funded to at least the level of their technical provisions (an actuarial estimate of the assets needed to provide for the benefits already built up under the plan). Where there is a deficit, the employers of the schemes would agree a deficit recovery plan. Accordingly, the pension schemes expose the Group to a number of risks, the most significant of which are interest rate risk, equity risk, inflation risk, credit risk and mortality risk.

17.1.3 Corporate governance

The Group's pension schemes are established under trust and are subject to UK legal requirements; this includes being subject to regulation by the Pensions Regulator in accordance with the Pensions Act 2021. Each scheme has a corporate trustee to which some Directors are appointed by Group employers with the remaining Directors nominated by members in accordance with UK legal requirements. The Trustees have the ultimate responsibility to ensure that each scheme is managed in accordance with its Trust Deed and Rules. The Trustees act in the best interests of the schemes' beneficiaries; this includes taking appropriate account of each employer's legal obligation and financial ability to support the schemes when setting investment strategy and when agreeing funding with the employers. The employers' contribution commitments are formally updated at each triennial valuation; between valuations funding levels and employer strength continue to be monitored, with the Trustees being able to bring forward the next triennial valuation if they consider it appropriate to do so.

All of the Group's defined benefit pension schemes are final salary schemes, which are closed to new entrants. The pensionable salaries for most members are capped at the levels as at 30 September 2019. The Trustee of each scheme sets the general investment policy and specifies any restrictions on types of investment and the degrees of divergence permitted from the benchmark, but delegates the responsibility for selection and realisation of specific investments to the investment managers. The Trustees consult with the principal employer for each scheme on the investment principles, but the ultimate responsibility for the investment of the assets of the schemes lies with the Trustees.

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes (continued)

17.1 Background and summary economic and IAS 19 financial positions (continued)

17.1.3 Corporate governance (continued)

The Trustees of each of the schemes manage the investment strategy of the scheme to achieve an acceptable balance between investing in the assets that most closely match the expected benefit payments and assets that are expected to achieve a greater return in the expectation of reducing the contributions required or providing additional benefits to members. For PSPS and SASPS, a significant portion of the scheme assets are invested in liability matching assets such as bonds and gilts, including index-linked gilts, to partially hedge against inflation. In addition, the schemes maintain portfolios of interest rate and inflation swaps to match more closely the duration and inflation profiles of their assets to their liabilities.

As noted above, the Trustees of M&GGPS executed a buy-in transaction with PAC in 2023, whereby the longevity and investment risk in respect of all deferred and pensioner members was transferred to PAC. Furthermore, liabilities relating to all active members of the scheme were transferred to PSPS during 2023 which further de-risks the scheme.

PSPS and SASPS have invested in a mix of both return-seeking assets, such as equities and property, and matching assets, including leveraged liability-driven investment portfolios to reflect the liability profile of the scheme. They manage the risks of the return-seeking exposure by investing in a diversified mix of investments.

During 2020 PSPS entered into a longevity swap transaction with Pacific Life Re Limited. This arrangement provides long-term protection for PSPS against costs that could result from unexpected increases in life expectancy relating to the pensions that were in payment on 6 April 2019, excluding any future discretionary increases. As at 31 December 2024, the longevity swap covered £1.8bn (2023: £2.0bn) of current pensioner scheme liabilities, on an IAS 19 basis.

17.2 Assumptions

17.2.1 Demographic assumptions

Post-retirement mortality

The calculation of the defined benefit obligation for the Group's schemes requires assumptions to be set for both current mortality and the allowance for future mortality improvements. The table below sets out the mortality tables and mortality improvement model used for the Group's schemes, along with the associated life expectancies.

				Expectation of life from retirement at aged 60			
As at	Scheme	Mortality tables (with scaling factors applied to reflect experience)	Mortality improvements model[i]	Male currently aged 60	Male currently aged 40	Female currently aged 60	Female currently aged 40
31 December 2024	**PSPS**	**S3PMA/S3PFA Middle for males/females**	**CMI 2022**	**26.3**	**28.6**	**27.9**	**30.2**
	SASPS	**S3PMA/S3PFA for males/females**	**CMI 2022**	**27.2**	**28.9**	**28.9**	**30.7**
	M&GGPS	**S3PMA/S3PFA Light for males/females**	**CMI 2022**	**28.1**	**30.2**	**29.9**	**31.9**
31 December 2023	PSPS	S2PMA/S2PFA for males/females	CMI 2021	26.5	28.6	28.3	30.3
	SASPS	S1PMA/S1PFA for males/females	CMI 2021	27.4	29.4	29.9	31.8
	M&GGPS	SAPS2 Light	CMI 2021	28.5	30.6	30.4	32.4

i The mortality assumptions are adjusted to make allowance for future improvements in longevity. As at 31 December 2024, this allowance was based on the CMI 2022 mortality improvements model, with a long-term improvement rate of 1.60% per annum for males (smoothing parameter (Sk) = 7.25 and A parameter varies by age) and 1.60% per annum for females (Sk = 7.25 and A parameter varies by age) (2023: this allowance was based on the CMI 2021 mortality improvements model, with a long-term improvement rate of 1.60% per annum for males (Sk = 7.25 and A parameter varies by age) and 1.60% per annum for females (Sk = 7.75)). The weighting parameter has been set at 15% at 31 December 2024. This parameter does not apply to the CMI 2021 model used at 31 December 2023.

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes (continued)

17.2 Assumptions (continued)

17.2.2 Economic assumptions

The actuarial assumptions used in determining defined benefit obligations and the net periodic benefit costs for each of the Group's defined benefit pension schemes are as follows:

	2024			2023		
For the year ended 31 December	PSPS	SASPS	M&GGPS	PSPS	SASPS	M&GGPS
Discount rate[i]	**5.4%**	**5.5%**	**5.5%**	4.6%	4.6%	4.6%
Salary inflation[ii]	**3.5%**	**3.2%**	**N/A**	3.4%	3.2%	N/A
Retail prices index (RPI)	**3.1%**	**3.0%**	**2.9%**	3.0%	2.9%	2.9%
Consumer prices index (CPI)	**2.8%**	**2.7%**	**2.7%**	2.7%	2.7%	2.7%
Rate of increase of pensions in payment for inflation[iii]						
CPI (maximum 5%)	**2.8%**	**N/A**	**N/A**	2.8%	N/A	N/A
CPI (maximum 2.5%)	**2.5%**	**N/A**	**N/A**	2.5%	N/A	N/A
Discretionary	**2.8%**	**N/A**	**N/A**	2.9%	N/A	N/A
RPI (maximum 5%)	**N/A**	**3.0%**	**2.9%**	N/A	2.9%	2.9%
RPI (maximum 2.5%)	**N/A**	**2.5%**	**2.5%**	N/A	2.5%	2.5%

i The discount rate has been determined using a cash flow matching approach based on an 'AA' corporate bond index. The single equivalent rates in the table above are illustrative as the full yield curve is used in the calculation of the liability.

ii Due to the scheme changes during 2019, a cap to future pensionable salary increase came into effect and, as a result, salary growth inflation is only applied for certain levels of pensionable salary which represent a very small proportion of the total liability.

iii The long-term margin between RPI and CPI reflects expected changes in RPI from 2030 as a result of the UK Statistics Authority stated intention to align RPI with CPI including owner occupiers' housing costs (CPIH). The rate of inflation used reflects the long-term assumption for UK RPI or CPI, depending on the particular tranche of scheme benefits, with caps and floors applied in accordance with the scheme rules. Certain tranches of scheme benefits within PSPS have statutory pension increases in line with the higher of CPI up to a maximum level, or a discretionary level determined by the employer. Other tranches are not guaranteed and determined by the employer on a discretionary basis. The single equivalent rates in the table above are illustrative as the full yield curve is used in the calculation of the liability.

17.2.3 Other assumptions

In October 2018, the High Court ruled that pension schemes are required to equalise benefits for the effect of guaranteed minimum pensions (GMPs). GMPs are a minimum benefit that schemes that were contracted-out on a salary-related basis between 1978 and 1997 are required to provide. There was a further Court ruling in November 2020 which required benefits in respect of past transfers out of the schemes to also be equalised. In light of these Court rulings, at 31 December 2024 and 31 December 2023, the Group has recognised an estimated allowance for GMP equalisation within the IAS 19 valuation for all the UK schemes - comprising £29m for PSPS, £10m for SASPS, and £3m for M&GGPS as at 31 December 2024 (2023: £32m for PSPS, £11m for SASPS and £3m for M&GGPS).

17.2.4 Sensitivity of the pension scheme liabilities to key variables

The sensitivity information below is based on the core scheme liabilities and assumptions at the balance sheet date.
The sensitivities are calculated based on a change in one assumption with all other assumptions being held constant. As such, interdependencies between the assumptions are excluded. The impact of the rate of inflation assumption sensitivity includes the impact of inflation on the rate of increase in salaries, where applicable, and on the rate of increase of pensions in payment.

The sensitivities of the underlying pension scheme liabilities as shown below do not directly equate to the impact on the Group's comprehensive income due to the effect of restriction on surplus for PSPS and the allocation of a share of the interest in the financial position of PSPS and SASPS to the With-Profits Fund as described above. In addition, the sensitivities shown do not include the impact on assets, which for PSPS and SASPS would significantly offset the impact of the discount rate and inflation sensitivities on the IAS 19 surplus or deficit. For M&GGPS the reimbursement asset would fully offset the impacts on the defined benefit obligation. For the PSPS scheme, the mortality rate sensitivity impact would also be partially mitigated by the longevity swap asset held.

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes (continued)

17.2 Assumptions (continued)

17.2.4 Sensitivity of the pension scheme liabilities to key variables (continued)

As at 31 December	Sensitivity of the change in assumptions	2024 Increase/(decrease) in the present value of the scheme's defined benefit obligation PSPS £m	SASPS £m	M&GGPS £m	Total £m
Base position	N/A	**3,725**	**486**	**261**	**4,472**
Discount rate[i]	Decrease by 0.5%	**203**	**36**	**21**	**260**
	Increase by 0.5%	**(188)**	**(32)**	**(19)**	**(239)**
Rate of inflation with consequent reduction in salary increases (where applicable)	Decrease by 0.2% (with consequent reduction in salary increases)	**(50)**	**(7)**	**(6)**	**(63)**
Mortality rate	Increase in life expectancy by 1 year	**120**	**13**	**6**	**139**

As at 31 December	Sensitivity of the change in assumptions	2023 Increase/(decrease) in the present value of the scheme's defined benefit obligation PSPS £m	SASPS £m	M&GGPS £m	Total £m
Base position	N/A	4,260	576	298	5,134
Discount rate[i]	Decrease by 0.5%	259	51	26	336
	Increase by 0.5%	(234)	(45)	(24)	(303)
Rate of inflation with consequent reduction in salary increases (where applicable)	Decrease by 0.2% (with consequent reduction in salary increases)	(55)	(9)	(7)	(71)
Mortality rate	Increase in life expectancy by 1 year	146	15	7	168

i The discount rate sensitivity has been revised to 0.5% from 0.2% for consistency with the discount rate sensitivities on insurance contracts.

17.3 Plan assets and other assets of the scheme

As at 31 December 2024 80% of the total value of the scheme assets, excluding the reimbursement asset, were derived from quoted prices in an active market (2023: 81%), while the value of the remaining assets is derived from the use of various observable and unobservable inputs. None of the scheme assets included property occupied by the Group. The IAS 19 basis plan assets as at 31 December 2024 of £4,822m (2023: £5,496m) is different from the economic basis plan assets of £4,832m (2023: £5,508m) as shown below due to the exclusion of investment in Group insurance policies by M&GGPS as described in 17.1.

As at 31 December	2024 PSPS £m	2024 Other schemes £m	2024 Total £m	2024 %	2023 PSPS £m	2023 Other schemes £m	2023 Total £m	2023 %
Equities:								
UK	**26**	**—**	**26**	**1%**	29	—	29	1%
Overseas	**13**	**38**	**51**	**1%**	10	37	47	1%
Bonds[i]:								
Government	**2,824**	**423**	**3,247**	**67%**	3,124	559	3,683	67%
Corporate	**1,037**	**2**	**1,039**	**22%**	1,145	3	1,148	21%
Asset-backed securities	**332**	**81**	**413**	**9%**	344	81	425	8%
Derivatives[ii]	**(689)**	**(128)**	**(817)**	**(17)%**	(526)	(202)	(728)	(13)%
Properties	**233**	**119**	**352**	**7%**	238	118	356	6%
Other assets	**258**	**2**	**260**	**5%**	247	3	250	4%
Reimbursement right asset[iii]	**—**	**261**	**261**	**5%**	—	298	298	5%
Total value of assets	**4,034**	**798**	**4,832**	**100%**	4,611	897	5,508	100%

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes (continued)

17.3 Plan assets and other assets of the scheme (continued)

As at 31 December	2024 Quoted in an active market £m	2024 Other £m	2024 Total £m	2024 %	2023 Quoted in an active market £m	2023 Other £m	2023 Total £m	2023 %
Equities:								
UK	—	26	26	1%	—	29	29	1%
Overseas	—	51	51	1%	—	47	47	1%
Bonds[i]**:**								
Government	3,242	5	3,247	67%	3,678	5	3,683	67%
Corporate	799	240	1,039	22%	889	259	1,148	21%
Asset-backed securities	316	97	413	9%	315	110	425	8%
Derivatives[ii]	(755)	(62)	(817)	(17)%	(720)	(8)	(728)	(13)%
Properties	—	352	352	7%	—	356	356	6%
Other assets	66	194	260	5%	60	190	250	4%
Reimbursement right asset[iii]	—	261	261	5%	—	298	298	5%
Total value of assets	**3,668**	**1,164**	**4,832**	**100%**	4,222	1,286	5,508	100%

i As at 31 December 2024 90% of the bonds were investment grade (2023: 90%).

ii Included within derivatives is a £64m liability in respect of the longevity swap transaction with Pacific Life Re Limited (2023: £3m), valued at fair value as per IAS 19 and based on the principles of IFRS 13.

iii Although available to the scheme, under IAS 19 the reimbursement right asset does not constitute part of the plan assets.

17.4 Reconciliation in movement of schemes' surplus/deficit

	Economic basis: Fair value of plan and other assets £m	Economic basis: Present value of benefit obligation £m	Economic basis: Restriction on surplus £m	Economic basis: Net economic pension surplus/(deficit) £m	Other adjustments £m	Net pension surplus/(deficit) £m
Net defined benefit pension asset/(liability) at 1 January 2024	5,508	(5,134)	(339)	35	(310)	(275)
Total income/(expense) recognised in the income statement[i]						
Current service cost	—	(7)	—	(7)	—	(7)
Net interest income/(expense)	245	(228)	(15)	2	(17)	(15)
Administration expenses	(9)	—	—	(9)	—	(9)
	236	(235)	(15)	(14)	(17)	(31)
Remeasurement (losses)/gains[ii]						
Return on the scheme assets less amount included in interest income	(658)	—	—	(658)	43	(615)
Gains on changes in demographic assumptions	—	126	—	126	—	126
Gains on changes in financial assumptions	—	501	—	501	—	501
Losses on scheme liabilities	—	(12)	—	(12)	—	(12)
Unrecognisable surplus	—	—	52	52	—	52
	(658)	615	52	9	43	52
Benefit payments	(282)	282	—	—	11	11
Employers' contributions	28	—	—	28	—	28
Disinvestment from non-qualifying insurance policies	—	—	—	—	2	2
Net defined benefit pension asset/(liability) at 31 December 2024	4,832	(4,472)	(302)	58	(271)	(213)

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes (continued)

17.4 Reconciliation in movement of schemes' surplus/deficit (continued)

	Economic basis					
	Fair value of plan and other assets £m	Present value of benefit obligation £m	Restriction on surplus £m	Net economic pension surplus/ (deficit) £m	Other adjustments £m	Net pension surplus/ (deficit) £m
Net defined benefit pension asset/(liability) at 1 January 2023	5,665	(4,929)	(581)	155	—	155
Total income/(expense) recognised in the income statement[i]						
Current service cost	—	(8)	—	(8)	—	(8)
Net interest	267	(233)	(28)	6	—	6
Administration expenses	(11)	—	—	(11)	—	(11)
	256	(241)	(28)	(13)	—	(13)
Remeasurement (losses)/gains[ii]						
Return on the scheme assets less amount included in interest income	(185)	—	—	(185)	26	(159)
Gains on changes in demographic assumptions	—	27	—	27	—	27
Losses on changes in financial assumptions	—	(233)	—	(233)	—	(233)
Experience losses on scheme liabilities	—	(29)	—	(29)	—	(29)
Unrecognisable surplus		—	270	270	—	270
	(185)	(235)	270	(150)	26	(124)
Benefit payments	(271)	271	—	—	—	—
Employers' contributions	43	—	—	43	—	43
Disinvestment from the Group's insurance policies	—	—	—	—	(11)	(11)
Reimbursement right asset[iii]	—	—	—	—	(325)	(325)
Net defined benefit pension asset/(liability) at 31 December 2023	5,508	(5,134)	(339)	35	(310)	(275)

i An expense of £6m is included in the total amount recognised in the consolidated income statement attributable to the Group for the year ended 31 December 2024 relating to the With-Profits Fund (2023: expense of £11m).

ii Included in the share of remeasurement gains and losses recognised in other comprehensive income for the year ended 31 December 2024, are gains attributable to the Group totalling £49m (2023: losses of £109m) and gains attributable to the With-Profits Fund of £3m (2023: losses of £15m).

iii As noted above, M&GGPS executed a buy-in transaction with PAC (a Group entity) in 2023. The reimbursement right asset resulting from the transaction is eliminated on consolidation. However, due to different measurement bases applied for determining the value of this asset and the related liability by PAC for accounting purposes, the premium paid by the scheme exceeded the valuation of the scheme asset recognised by £79m. In the comparative table above, this has been recognised as a loss in the actual return on assets.

17.5 Maturity analysis of benefit obligations

The following table provides an expected maturity analysis of the undiscounted defined benefit obligations:

	All schemes						
	1 year or less £m	After 1 year to 5 years £m	After 5 years to 10 years £m	After 10 years to 15 years £m	After 15 years to 20 years £m	Over 20 years £m	Total £m
As at 31 December 2024	**275**	**1,168**	**1,506**	**1,473**	**1,350**	**4,125**	**9,897**
As at 31 December 2023	281	1,163	1,538	1,519	1,412	4,531	10,444

The weighted average duration of each scheme's defined benefit obligations (in years) are as follows:

	PSPS	SASPS	M&GGPS
As at 31 December 2024	**11**	**14**	**15**
As at 31 December 2023	12	17	17

Notes to the consolidated financial statements continued

18 Classification of financial instruments

18.1 Financial assets

As at 31 December	Note	2024 Fair value through profit or loss Designated £m	Mandatory £m	Amortised cost £m	Total £m
Equity securities and pooled investment funds	31	—	**64,890**	—	**64,890**
Loans[ii]		—	**4,135**	—	**4,135**
Debt securities	31	—	**69,775**	—	**69,775**
Derivative assets	31	—	**1,085**	—	**1,085**
Deposits	32	—	—	**15,794**	**15,794**
Accrued investment income and other debtors	19	—	—	**2,428**	**2,428**
Cash and cash equivalents	20	—	—	**4,838**	**4,838**
Total financial assets		—	**139,885**	**23,060**	**162,945**

As at 31 December	Note	Restated[i] 2023 Fair value through profit or loss Designated £m	Mandatory £m	Amortised cost £m	Total £m
Equity securities and pooled investment funds	31	—	66,248	—	66,248
Loans[ii]		—	3,908	—	3,908
Debt securities	31	—	70,683	—	70,683
Derivative assets	31	—	1,693	—	1,693
Deposits	32	—	—	16,324	16,324
Accrued investment income and other debtors	19	—	—	2,536	2,536
Cash and cash equivalents	20	—	—	5,148	5,148
Total financial assets		—	142,532	24,008	166,540

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, the comparative amount for cash and cash equivalents has been restated from those previously reported. The restatement has had no impact on the consolidated income statement or net assets. See Note 1.1 for further information.

ii Loans primarily consist of mortgage loans of £1,891m (2023: £1,861m) and other loans of £2,243m (2023: £2,046m).

As at 31 December 2024, total mortgage loans were £1,891m (2023: £1,861m) of which £1,222m (2023: £1,258m) were held by the shareholder-backed business. Of the mortgage loans held by the shareholder backed business 78% (2023: 74%) related to equity release mortgage business which had an average loan to property value of 41% (2023: 39%). The equity release mortgages are carried at fair value through profit or loss. Sensitivities in relation to the valuation of the equity release mortgages are provided in Note 31.8.

Other loans mainly comprise collateralised loan obligations and other private debt instruments held by funds that are consolidated by the Group.

Accrued investment income and other debtors exclude items which do not meet the definition of a financial asset.

Financial assets expected to be recovered after one year as at 31 December 2024 are £70,383m (2023: £72,033m).

Notes to the consolidated financial statements continued

18 Classification of financial instruments (continued)

18.2 Financial liabilities

As at 31 December	Note	2024 Fair value through profit or loss Designated £m	2024 Fair value through profit or loss Mandatory £m	2024 Amortised cost £m	2024 Total £m
Investment contract liabilities without DPF	25	**12,144**	**—**	**—**	**12,144**
Third party interest in consolidated funds	31	**9,484**	**—**	**—**	**9,484**
Subordinated liabilities and other borrowings	26	**—**	**—**	**6,486**	**6,486**
Derivative liabilities	31	**—**	**3,202**	**—**	**3,202**
Other financial liabilities		**—**	**—**	**1,018**	**1,018**
Accruals, deferred income and other liabilities		**221**	**—**	**4,002**	**4,223**
Total financial liabilities		**21,849**	**3,202**	**11,506**	**36,557**

As at 31 December	Note	Restated[i] 2023 Fair value through profit or loss Designated £m	Restated[i] 2023 Fair value through profit or loss Mandatory £m	Restated[i] 2023 Amortised cost £m	Restated[i] 2023 Total £m
Investment contract liabilities without DPF	25	12,535	—	—	12,535
Third party interest in consolidated funds	31	9,893	—	—	9,893
Subordinated liabilities and other borrowings	26	—	—	7,647	7,647
Derivative liabilities	31	—	2,910	—	2,910
Other financial liabilities		—	—	1,186	1,186
Accruals, deferred income and other liabilities		239	—	5,844	6,083
Total financial liabilities		22,667	2,910	14,677	40,254

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, the comparative amount for subordinated liabilities and other borrowings have been restated from those previously reported.

Other financial liabilities relate to obligations under funding, securities lending and sale and repurchase agreements.

Accruals, deferred income and other liabilities exclude items which do not meet the definition of a financial liability.

Financial liabilities expected to be settled in more than one year as at 31 December 2024 were £10,326m (2023: £11,689m).

For financial liabilities designated at FVTPL there was no material impact from movement in credit risk in 2024 and 2023.

18.3 Fair value of underlying items for contracts measured under the Variable Fee Approach (VFA)

The fair value of the assets held by the With-Profits Fund for contracts measured under the Variable Fee Approach (VFA) are as follows:

As at 31 December	2024 With-Profits Fund £m	2023 With-Profits Fund £m
Investment properties	**4,979**	5,664
Equity securities and pooled investment funds	**81,194**	80,996
Loans	**456**	568
Debt securities	**41,437**	42,322
Derivative assets	**603**	1,169
Derivative liabilities	**(1,272)**	(1,058)
Cash and cash equivalents	**1,488**	1,309
Total assets	**128,885**	130,970
Non-profit business in the With-Profits Fund	**(6,223)**	(6,856)
Other liabilities	**(5,610)**	(7,032)
Total fair value of VFA underlying items	**117,052**	117,082

In addition to the participating business underlying items detailed above, there are £3,848m of underlying items (unit-linked fund assets) for unit-linked insurance contracts measured under the VFA (2023: £4,081m).

Notes to the consolidated financial statements continued

19 Accrued investment income and other debtors

As at 31 December	2024 £m	2023 £m
Interest receivable	**907**	893
Other accrued investment income and prepayments	**314**	376
Total interest receivable, accrued investment income and prepayments	**1,221**	1,269
Other debtors:		
Outstanding sales of investment securities	**117**	170
Investment management fee debtors	**124**	127
Property related debtors	**283**	272
Cancellation of units awaiting settlement	**18**	19
Finance leases	**183**	176
Other	**560**	503
Total accrued investment income and other debtors	**2,506**	2,536
Analysed as:		
Expected to be settled within one year	**1,973**	2,303
Expected to be settled after one year	**533**	233
Total accrued investment income and other debtors	**2,506**	2,536

Finance income from the net investment in all finance leases amounted to £14m (2023: £8m). Income from subleasing right-of-use assets amounted to £4m (2023: £3m).

The table below presents a maturity analysis of undiscounted lease receipts due on these leases:

As at 31 December	2024 £m	2023 £m
Less than 1 year	**8**	9
After 1 year to 2 years	**15**	12
After 2 years to 3 years	**14**	17
After 3 years to 4 years	**15**	17
After 4 years to 5 years	**15**	18
Over 5 years	**475**	502
	542	575
Unearned finance income	**(359)**	(399)
Net investment in finance leases	**183**	176

20 Cash and cash equivalents

As at 31 December	2024 £m	Restated[i] 2023 £m
Cash	**3,220**	3,642
Cash equivalents	**1,618**	1,506
Total cash and cash equivalents	**4,838**	5,148

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, comparative amount for cash has been restated from those previously reported. The restatement has had no impact on the consolidated income statement or net assets. See Note 1.1 for further information.

Cash equivalents consist of short-term, highly liquid investments that are readily convertible into known amounts of cash subject to insignificant risk of changes in value.

Notes to the consolidated financial statements continued

21 Issued share capital and share premium

Issued shares of 5p fully paid	2024 Number of ordinary shares	2024 Share capital £m	2024 Share premium £m	2023 Number of ordinary shares	2023 Share capital £m	2023 Share premium £m
At 1 January	**2,382,058,117**	**119**	**379**	2,374,712,121	119	370
Shares issued to settle employee share option schemes	**3,110,167**	**—**	**4**	7,345,996	—	9
Shares issued to employee benefit trusts	**22,000,000**	**1**	**—**	—	—	—
At 31 December	**2,407,168,284**	**120**	**383**	2,382,058,117	119	379

Amounts recorded in share capital represent the nominal value of shares issued with any difference between proceeds received on issue of shares, net of issue costs, and the nominal value of shares issued being credited to the share premium account.

In 2024, 3,110,167 (2023: 7,345,996) newly issued shares and no (2023: 2,253,878) treasury shares were used to satisfy obligations under the SAYE scheme. Further details are outlined in Note 37.2. The newly issued shares resulted in an increase in share capital of £0.2m (2023: £0.4m) and share premium of £4.4m (2023: £9.1m).

An additional 22,000,000 (2023: none) newly issued shares were acquired by the employee benefit trust. The newly issued shares resulted in an increase in share capital of £1.1m (2023: £nil). Further details are outlined in Note 22.1.

22 Shares held by employee benefit trusts and other treasury shares

The Group buys and sells its own shares in relation to its employee share schemes or via transactions that may be undertaken by authorised investment funds that the Group is deemed to control. These authorised investment funds undertake transactions in the Group's shares as part of their investment decisions.

22.1 Shares held by employee benefit trust

The M&G Employee Share Trust (the Trust) was created on 20 September 2019 to facilitate the procurement, holding and distribution of M&G plc shares under the various employee incentive schemes in operation. The Trust is funded by M&G plc. In addition, there is a separate trust that holds shares in respect of Share Incentive Plan (SIP) schemes.

The movement in the M&G plc shares held in employee benefit trusts are detailed below:

For the year ended 31 December	2024 Number of shares	2023 Number of shares
At 1 January	**21,496,591**	46,767,653
Shares acquired and transferred from treasury shares during the period	**15,281,422**	16,635,485
Newly issued shares acquired	**22,000,000**	—
Shares awarded during the period	**(22,180,066)**	(41,906,547)
At 31 December	**36,597,947**	21,496,591

The Trust holds 26,072,739 shares at 31 December 2024 (2023: 12,016,528) while a further 10,525,208 shares are held by the trustee of the SIP scheme at 31 December 2024 (2023: 9,480,063).

During 2024, the Trust acquired 22,000,000 (2023: nil) newly issued shares. This resulted in an increase in share capital of £1m and a corresponding increase in the value of shares held by employee benefit trust of £1.1m.

The cost of shares held in the employee benefit trusts of £9m as at 31 December 2024 (2023: £26m) is deducted from equity.

22.2 Other treasury shares

During 2024, no shares (2023: 2,253,878 shares with a carrying value of £4m) have been distributed in relation to employee share schemes. An additional 10,000,000 shares (2023: 11,200,000) with a carrying value of £15m (2023: £22m) were transferred to the employee benefit trust. As at 31 December 2024, the remaining 3,414,030 treasury shares (2023: 13,414,030 treasury shares) with a carrying value of £6m (2023: £21m) are disclosed as a deduction to Shareholders equity within the Treasury shares reserve.

All share transactions were made on an exchange.

Notes to the consolidated financial statements continued

23 Other reserves

	Equity-settled share-based payment reserve £m	Merger reserve £m	Foreign currency translation reserve £m	Capital redemption reserve £m	Total Other reserves £m
As at 1 January 2024	**89**	**(11,732)**	**(1)**	**11**	**(11,633)**
Exchange movements arising on foreign operations	**—**	**—**	**(15)**	**—**	**(15)**
Total items recognised in comprehensive income	**—**	**—**	**(15)**	**—**	**(15)**
Vested employee share-based payments	**(33)**	**—**	**—**	**—**	**(33)**
Expense recognised in respect of share-based payments	**40**	**—**	**—**	**—**	**40**
Tax effect of items recognised directly in equity	**(1)**	**—**	**—**	**—**	**(1)**
Net increase/(decrease) in equity	**6**	**—**	**(15)**	**—**	**(9)**
As at 31 December 2024	**95**	**(11,732)**	**(16)**	**11**	**(11,642)**

	Equity-settled share-based payment reserve £m	Merger reserve £m	Foreign currency translation reserve £m	Capital redemption reserve £m	Total other reserves £m
As at 1 January 2023	101	(11,732)	7	11	(11,613)
Exchange movements arising on foreign operations	—	—	(8)	—	(8)
Total items recognised in comprehensive income	—	—	(8)	—	(8)
Vested employee share-based payments	(42)	—	—	—	(42)
Expense recognised in respect of share-based payments	32	—	—	—	32
Tax effect of items recognised directly in equity	(2)	—	—	—	(2)
Net decrease in equity	(12)	—	(8)	—	(20)
As at 31 December 2023	89	(11,732)	(1)	11	(11,633)

The merger reserve arises from the application of merger accounting principles to the acquisition of entities under common control. It represents the difference between the aggregate capital reserves and the value of the entities acquired. On disposal of the relevant entity, the related merger reserve is released directly to retained earnings.

Notes to the consolidated financial statements continued

24 Insurance liabilities

24.1 Insurance, investment with discretionary participation features and reinsurance contracts

The breakdown of groups of insurance, investment with DPF and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	2024			
		Shareholder-backed funds		
As at 31 December	With-profits sub-funds[i] £m	Unit-linked liabilities £m	Annuity and other long-term business £m	Total £m
Insurance contract liabilities				
Insurance contract liabilities	**28,777**	**4,108**	**13,686**	**46,571**
Investment contracts with DPF liabilities	**94,467**	**—**	**226**	**94,693**
	123,244	**4,108**	**13,912**	**141,264**
Insurance contract assets				
Insurance contract assets	**—**	**—**	**39**	**39**
	—	**—**	**39**	**39**
Reinsurance contracts				
Reinsurance contract assets	**15**	**4**	**1,024**	**1,043**
Reinsurance contract liabilities	**1**	**22**	**257**	**280**

	2023			
		Shareholder-backed funds		
As at 31 December	With-profits sub-funds[i,ii] £m	Unit-linked liabilities £m	Annuity and other long-term business £m	Total £m
Insurance contract liabilities				
Insurance contract liabilities	30,461	4,404	13,892	48,757
Investment contracts with DPF liabilities	93,135	—	243	93,378
	123,596	4,404	14,135	142,135
Insurance contract assets				
Insurance contract assets	—	—	44	44
	—	—	44	44
Reinsurance contracts				
Reinsurance contract assets	11	7	1,081	1,099
Reinsurance contract liabilities	1	21	335	357

i Includes the With-Profits Sub-Fund (WPSF) and the Defined Charge Participating Sub-Fund (DCPSF), including the non-profit business written within these funds.

ii With-profits sub-funds insurance contract liabilities and investment contract with DPF liabilities balances at 31 December 2023 have been restated from those previously reported following a review of presentation. The restatement results in an increase of £556m in Investment contract with DPF liabilities and corresponding decrease in Insurance contract liabilities and no impact on total Insurance contract liabilities or the consolidated primary statements or any impact on other reporting periods.

The IFRS 17 disclosures have been disaggregated based on the following lines of business:

- With-profits business
- Unit linked business
- Annuities and other business

This reflects the level of granularity at which the assumptions are set and the insurance contract liabilities calculated.

All lines of business mentioned below form part of the Life segment and further information on the nature of the products written in each line of business is presented in Note 2.3.

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business

Note 2.3 describes the different types of insurance and investment contracts across the business. The contracts are disclosed according to management's view of the business. A description relating to the determination of the policyholder and reinsurance contract balances with the key assumptions for each component of business is set out in the notes below. The sensitivity of IFRS profit/(loss) after tax to the key economic and non-economic assumptions is shown in Note 32.7.

24.2.1 Discount rates

Cash flows relating to insurance and reinsurance contracts issued and reinsurance contracts held are discounted using risk-free yield curves adjusted to reflect the liquidity characteristics of the contracts. As described in Note 1.5, the Group determines the adjustment for illiquidity using either a top-down approach (for non-profit annuity contracts) or a bottom-up approach (for all other contracts, including with-profits).

For with-profits contracts, the illiquidity premium is determined at each reporting date by applying a weighting of 75% to the illiquidity premium for the reference portfolio of fixed interest assets. The illiquidity premium included in the discount rate as at 31 December 2024 was 39bps (2023: 47bps). The assumed investment returns are consistent with the discount rates applied to the cash flows. The volatility of investment returns is set with reference to implied volatility data on traded market instruments, where available, or on a best estimate basis where not.

The unit-linked contracts are considered to be highly liquid as they can be surrendered at any time by the policyholder for a surrender value which is the value of the units less any surrender charge. Therefore the cash flows are discounted using rates derived from the risk-free yield curve without addition of an illiquidity premium. The assumed unit fund growth rates are consistent with the discount rates applied to the cash flows.

For non-profit annuity contracts, the illiquidity premium is derived from the yield of a reference portfolio of assets which is adjusted to eliminate any factors that are not relevant to the annuity contracts. The implied illiquidity premium at 31 December 2024 was 149bps (2023: 168bps) for shareholder-backed annuities and 143bps (2023: 161bps) for annuities in the With-Profits Fund. There is no requirement to adjust the yield curve for any differences in the liquidity characteristics of the insurance contracts and the reference portfolio. The reference portfolios chosen for in-force annuities are the assigned portfolios used to determine the Solvency II matching adjustment. These are considered to be suitable as reference portfolios for IFRS 17 reporting because their objective is to closely match the liability cash flows and there is strong governance around their management. The discount rates at the inception of each contract are based on the yields within a reference portfolio of assets which the Group expects to acquire to back the portfolio of new insurance contracts (the 'target portfolio'). A weighted average of these discount rate curves is determined for the purpose of locking-in and calculating movements in the CSM relating to each group of contracts. The point of sale discount rate curves are weighted by the premiums in each group. On subsequent measurement of the fulfilment cash flows the yield at the valuation date on the reference portfolio is adjusted, where necessary, in respect of new contracts incepting in the period to allow for a period of transition from the actual asset holdings to the target portfolio. Typically, this period of transition can be up to 12 months but may be dependent on the volume of new business. For the Value Share transaction written in 2024 the period of transition can be up to 24 months.

The largest adjustment made to reference portfolio yield is in relation to credit risk. IFRS 17 is not prescriptive as to how the adjustment for credit risk should be determined other than that it should reflect market risk premiums for credit risk. The credit risk allowance comprises an amount for long-term best estimate defaults and downgrades, a provision for credit risk premium and, where appropriate, an additional short-term overlay to reflect the prospective outlook for experience over the coming period, including uncertainty in the outlook. It incorporates allowances for expected and unexpected credit events, including internal and external views on the outlook for credit risk, and considers the relationship between credit risk and yield spreads. The allowance for credit risk within the discount rate for shareholder-backed annuities as at 31 December 2024 was 53bps (2023: 56bps). The allowance for credit risk within the discount rate for annuities in the With-Profits Fund as at 31 December 2024 was 56bps (2023: 57bps).

The derivation of the discount rates include consideration of any potential future legislative change in respect of residential ground rents (further explained in Note 31.8.1) and the resulting impact on the portfolio yield.

The derivation of the discount rates for the Value Share BPA insurance contract is as described above. The derivation of the discount rates for the Value Share reinsurance arrangement is as described above except that the reference portfolio of assets is the pool of assets that backs the Value Share BPA liabilities.

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business (continued)

24.2.1 Discount rates (continued)

The tables below show the discount rates used as at 31 December 2024 and 31 December 2023.

Discount rates as at 31 December 2024

	1 year	5 years	10 years	15 years	20 years	25 years	30 years
With-profits contracts	**4.85%**	**4.43%**	**4.46%**	**4.62%**	**4.70%**	**4.69%**	**4.62%**
Unit-linked contracts	**4.46%**	**4.04%**	**4.07%**	**4.23%**	**4.30%**	**4.30%**	**4.23%**
Non-profit annuities – shareholder-backed	**5.95%**	**5.53%**	**5.56%**	**5.72%**	**5.79%**	**5.79%**	**5.72%**
Non-profit annuities – in the With-Profits Fund	**5.89%**	**5.47%**	**5.50%**	**5.66%**	**5.73%**	**5.72%**	**5.66%**

Discount rates as at 31 December 2023

	1 year	5 years	10 years	15 years	20 years	25 years	30 years
With-profits contracts	5.20%	3.82%	3.75%	3.86%	3.90%	3.88%	3.82%
Unit-linked contracts	4.74%	3.35%	3.28%	3.40%	3.43%	3.41%	3.35%
Non-profit annuities – shareholder-backed	6.41%	5.03%	4.96%	5.08%	5.11%	5.09%	5.03%
Non-profit annuities – in the With-Profits Fund	6.34%	4.96%	4.89%	5.00%	5.04%	5.02%	4.96%

The tables below show the credit risk allowances for annuity business as at 31 December 2024 and 31 December 2023.

Credit risk allowances as at 31 December 2024

	Shareholder-backed annuities	Annuities in the With-Profits Fund
Credit risk allowance	**53 bps**	**56 bps**
Credit risk allowance as proportion of spread over swaps	**25.67%**	**25.56%**
Net of reinsurance credit reserve (£m)	**454**	**157**

Credit risk allowances as at 31 December 2023

	Shareholder-backed annuities	Annuities in the With-Profits Fund
Credit risk allowance	56 bps	57 bps
Credit risk allowance as proportion of spread over swaps	24.57%	24.73%
Net of reinsurance credit reserve (£m)	516	199

24.2.2 Persistency and expense assumptions

The table below summarises the range of lapse rate assumptions used as at 31 December 2024 and 31 December 2023. These exclude assumptions related to retirement rates for pension contracts, which may be as high as 100% at certain ages.

Lapse rate assumptions

	31 December 2024	31 December 2023
With-profits contracts	**0% - 30%**	0% - 30%
Unit-linked contracts	**0% - 16%**	0% - 16%
Non-profit annuities – shareholder-backed	**N/A**	N/A
Non-profit annuities – in the With-Profits Fund	**N/A**	N/A

The table below summarises the range of maintenance expense assumptions used as at 31 December 2024 and 31 December 2023, before allowance for future inflationary increases.

Maintenance expense assumptions (per policy)

	31 December 2024 £ pa	31 December 2023 £ pa
With-profits contracts	**8 - 199**	7 - 239
Unit-linked contracts[i]	**44 - 186**	43 - 239
Non-profit annuities – shareholder-backed	**36 - 68**	35 - 57
Non-profit annuities – in the With-Profits Fund	**37**	36

i For Prudential International Assurance plc, maintenance expenses assumptions are modelled as a percentage of assets under management and not included in the range for 31 December 2024. For 31 December 2024, the range was 0.12% - 0.13% of assets under management.

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business (continued)

24.2.3 Risk adjustment

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is determined as the increase in the discounted value of the future cash flows derived from non-financial assumptions set at the target confidence level instead of unbiased non-financial assumptions. The table below shows the confidence level used to determine the risk adjustment for with-profits contracts, unit-linked contracts, annuities and other long-term business:

	As at 31 December	
	2024	**2023**
Confidence level (percentile of the Group's one year risk distributions)	**75th**	75th
Confidence level (percentile of the risk distributions over the remaining lifetime)	**60th**	60th

24.2.4 With-profits business

The With-Profits Fund mainly contains with-profits contracts but also contains some non-profit business (annuities, unit-linked, and term assurances).

The with-profits contracts are a combination of insurance contracts, investment contracts with discretionary participation features (DPF) and investment contracts without DPF. The investment contracts without DPF are within the scope of IFRS 9 and are presented in Note 25.

For the with-profits contracts the insurance contract liability is the sum of the liability for incurred claims and the liability for remaining coverage, which comprises:

- the fair value of the underlying items for in-force contracts, ie the value of the asset shares and the expected future additions to asset shares, plus the present value of future costs less charges;
- the allowance for 'mutualisation' on in-force business;
- the risk adjustment for non-financial risk;
- the CSM; and
- the historical allowance for 'mutualisation' (based on the underlying items for the additional amounts expected to be paid to current or future policyholders).

These items are described further below.

Future costs less charges

The future costs include a market-consistent valuation of the costs of guarantees, options and smoothing and this amount is determined using stochastic modelling techniques. The main assumptions used to value the future costs less charges are listed below:

- assumptions relating to persistency (see Note 24.2.2) and the take-up of options offered on certain with-profits contracts are set based on the results of the most recent experience analysis looking at the experience over recent years of the relevant business, and supplemented by expert judgement within the business. In line with legislative changes, including pension freedoms, the Group expects all policyholders of pension contracts to choose alternative post-vesting options;
- management actions under which the With-Profits Fund is managed in different scenarios. During 2024 the modelling of the fund has been fully reviewed and updated. As part of the rebuild, changes have been made to the modelling of policyholder taxation within prospective investment returns with other less significant changes in relation to Insurance contract liabilities. The impact is a reduction in CSM of £106m offset by an increase in present value of future cashflows, with no overall impact on Insurance contract liabilities;
- maintenance and, for some classes of business, termination expense assumptions are expressed as per policy amounts (see Note 24.2.2). They are set based on forecast expense levels, including an allowance for ongoing investment management expenses, and are allocated between entities and product groups in accordance with the Group's internal cost allocation model. They reflect the costs incurred by the Group which may differ from the internal charges to companies within the Group;
- expense inflation assumptions are set consistent with the economic basis and based on the inflation swap spot curve;
- the contract liabilities for with-profits business also require assumptions for mortality. These are set based on the results of recent experience analysis. Mortality experience over 2020 and 2021 was significantly higher than previous years as a result of the COVID-19 pandemic. In line with broader industry approach, no weight has been given to pandemic experience; and
- future investment return assumptions and discount rates are set at a risk-free yield curve plus an illiquidity premium (as set out in Notes 1.5 and 24.2.1).

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business (continued)

24.2.4 With-profits business (continued)

Allowances for mutualisation

The allowance for mutualisation on in-force business is the policyholders' share, which is assumed to be 90% (consistent with the division of profits permitted by the Articles of Association), of the expected future surpluses arising from with-profits contracts, which are determined as:

- the discounted value of the amounts that will be charged to policies;
- less: the discounted value of future shareholder transfers, gross of tax;
- less: the discounted value of other costs directly attributable to the group of insurance contracts; and
- less: the amount of any additional tax attributable to the above items.

The allowance for mutualisation on in-force business is included in the liabilities of the groups of insurance contracts.

The historical allowance for mutualisation is the policyholders' share of the surpluses that have arisen in the past, which are determined as the policyholders' share of the fair value of the underlying items for the additional amounts expected to be paid to current or future policyholders less, if required, an allowance for any further tax balances that should be apportioned between policyholders and shareholders. The policyholders' share is assessed on a prospective basis and is assumed to be 90%, consistent with the division of profits permitted by the Articles of Association. The fair value of the underlying items reflects, among other things, the fair value of the non-profit contracts in the With-Profits Fund. The fair value is measured as the sum of the best estimate of the liability, determined using a discounted cash flow technique and assumptions used for Solvency II reporting; and the compensation a market participant would require for taking on the obligation, over and above the best estimate liability, determined using a cost of capital approach.

The historical allowance for mutualisation is separate from the liabilities of the groups of insurance contracts (in accordance with IFRS 17 paragraph B71) and the Group has chosen to present this as part of the liability for remaining coverage.

With-profits options and guarantees

Certain policies written in the Group's With-Profits Fund give potentially valuable guarantees to policyholders, or options to change policy benefits which can be exercised at the policyholders' discretion.

Most with-profits contracts give a guaranteed minimum payment on a specified date or range of dates or on death if before that date or dates. For pensions products, the specified date is the policyholder's chosen retirement date or a range of dates around that date. For endowment contracts, guarantees apply at the maturity date of the contract. For with-profits bonds it is often a specified anniversary of commencement, in some cases with further dates thereafter.

The main types of options and guarantees offered for with-profits contracts are as follows:

- for conventional with-profits contracts, including endowment assurance contracts and whole of-life assurance contracts, payouts are guaranteed at the sum assured together with any declared regular bonus;
- conventional with-profits deferred annuity contracts have a basic annuity per annum to which bonuses are added. At maturity, the cash claim value will reflect the current cost of providing the deferred annuity. Regular bonuses when added to with-profits contracts usually increase the guaranteed amount;
- for unitised with-profits contracts and cash accumulation contracts the guaranteed payout is the initial investment (adjusted for any withdrawals, where appropriate), less charges, plus any regular bonuses declared. If benefits are taken at a date other than when the guarantee applies, a market value reduction may be applied to reflect the difference between the accumulated value of the units and the market value of the underlying assets;
- for certain unitised with-profits contracts and cash accumulation contracts, policyholders have the option to defer their retirement date when they reach maturity, and the terminal bonus granted at that point is guaranteed;
- for with-profits annuity contracts, there is a guaranteed minimum annuity payment below which benefit payments cannot fall over the lifetime of the policies; and
- certain pensions products have guaranteed annuity options at retirement, where the policyholder has the option to take the benefit in the form of an annuity at a guaranteed conversion rate.

CSM

The Variable Fee Approach (VFA) is used to measure the CSM for with-profits business.

For contracts that provide both insurance coverage and investment-related services the amount of the services provided in any given period is measured as the greater of the asset shares and the amounts payable on death during that period.

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business (continued)

24.2.5 Unit-linked business

Only unit-linked contracts that transfer significant insurance risk are within the scope of IFRS 17. For these contracts the insurance contract liability is the sum of the liability for incurred claims and the liability for remaining coverage, which comprises:

- the fair value of the underlying items, ie the value of the unit funds, plus the present value of future costs less charges;
- the risk adjustment for non-financial risk; and
- the CSM.

Future cash flows

The present value of future costs less charges is determined using best estimate assumptions for the non-financial risks of mortality, on a basis that is appropriate for the policyholder profile, expenses and persistency (see Note 24.2.2). The assumed unit fund growth rates are consistent with the discount rates applied to the cash flows (see Note 24.2.1).

Certain parts of the unit-linked business are reinsured externally by way of fund reinsurance. Where this is the case, the fair value of the underlying asset and liability is equal to the unit value obligation.

CSM

The VFA is used to measure the CSM for unit-linked business.

The amount of the services provided in any given period is measured as the greater of the unit funds and the amounts payable on death during that period.

24.2.6 Annuities and other long-term business

The majority of the policyholder liabilities in the 'annuities and other long-term business' component relate to annuity contracts, for which some of the risk has been reinsured to external third parties. The annuity insurance contract liabilities are calculated as the sum of the liability for incurred claims and the liability for remaining coverage, which comprises:

- the expected value of future annuity payments and expenses;
- the risk adjustment for non-financial risk; and
- the CSM.

Future cash flows

The key assumptions used to value the future cash flows for annuity contracts, both insurance contracts issued and reinsurance contracts held, are described below.

Mortality

Mortality assumptions for annuity business are set in light of recent population and internal experience, with an allowance for expected future mortality improvements. Given the long-term nature of annuity business, annuitant mortality remains a significant assumption in determining insurance liabilities. The assumptions used reference recent England & Wales population mortality data, consistent with the CMI mortality projections model with specific risk factors applied on a per policy basis to reflect the features of the Group's portfolio.

An increase in mortality rates was observed over 2020 and 2021 due to the COVID-19 pandemic, however over 2022 and 2023 rates were observed to be more consistent with pre-pandemic levels. There remains significant uncertainty following the pandemic and the longer-term implications for mortality rates among the annuitant population will continue to be monitored by the Group.

For current mortality, the longevity model has been recalibrated to account for updated population data following the 2021 Census and to include mortality experience data from 2022 and 2023, while continuing to place zero weight on 2020 and 2021 data. This has resulted in a slight weakening of assumptions and a reduction in future cash outflows.

The mortality improvements assumption was fully reviewed in 2022 following the COVID-19 pandemic and drivers which could impact future mortality have been continually monitored. Best-estimate assumptions have been updated for 2024 to reflect new data and information on the key drivers of changes in future mortality. This update results in lower levels of future improvements than the previous year and a reduction in future cash outflows.

The 2024 mortality improvements assumption is expressed in terms of the CMI 2022 model, updated from the CMI 2021 used in 2023. Zero weight has been given to 2020 and 2021 experience, in line with the broader industry approach, however some allowance has been made for 2022 data (15% in line with the CMI model calibration) as 2022 mortality is likely to be partially reflective of future mortality.

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business (continued)

24.2.6 Annuities and other long-term business (continued)

The mortality improvement assumptions used are summarised in the table below, with all other assumptions reflecting the core CMI projection:

Period ended	Model version[i, ii]	Long-term improvement rate[iii]	Smoothing parameter (Sk)[iv]
31 December 2024	**CMI 2022**	**For males: 1.60% pa** **For females: 1.60% pa**	**For males: 7.25** **For females: 7.25**
31 December 2023	CMI 2021	For males: 1.60% pa For females: 1.60% pa	For males: 7.25 For females: 7.75

i A parameter in the model to reflect socio-economic differences between the portfolio and population experience is also utilised. This adjusts initial mortality improvement rates, varying by age and gender. This is unchanged at all ages relative to 31 December 2024.

ii The weighting parameter has been set at 15% at 31 December 2024. This parameter does not apply to the CMI 2021 model used at 31 December 2023.

iii The tapering of improvements to zero is set to occur between ages 90-110 at 31 December 2024 which is unchanged from 31 December 2023.

iv The smoothing parameter controls the amount of smoothing by calendar year when determining the level of initial mortality improvements.

The mortality assumptions for in-force vested annuities also cover annuities in deferment.

Discount rates

See Note 24.2.1. The same approach is also used to derive the discount rates applied to reinsurance cash flows.

Expenses

Maintenance expense assumptions are expressed as per policy amounts (see Note 24.2.2). They are set based on forecast expense levels, including an allowance for ongoing investment management expenses and are allocated between entities and product groups in accordance with the Group's internal cost allocation model. They reflect the costs incurred by the Group which may differ from the internal charges to companies within the Group. Expense inflation assumptions are set consistent with the economic basis and based on the inflation swap spot curve. These assumptions therefore take recent increases in inflation into account, and allow for the market-driven long-term view of future inflation. Increases in costs that are expected to follow an inflation index are considered by the Group to relate to financial risk.

Value Share reinsurance cash flows

Payments made to or received from the reinsurer are dependent on the relationship between the value of the assets backing the BPA liabilities and the value of the liabilities determined in accordance with a specified basis. These cash flows are estimated by projecting the assets and liabilities and comparing their values on the calculation dates prescribed in the reinsurance contract. The assumed investment returns on the assets are the same as the discount rates used for the Value Share reinsurance arrangement (see Note 24.2.1).

CSM

The General Measurement Model (GMM) is used to measure the CSM for annuities and other long-term business. For annuities in payment the amount of the services provided in any given period is the annualised amount of income.

24.3 Insurance, investment with DPF and reinsurance contract balances

The following reconciliations show how the net carrying amounts of insurance, investment with DPF and reinsurance contracts in each group of insurance contracts issued, and reinsurance contracts held, changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss.

For insurance contracts issued and reinsurance contracts held, tables are presented that analyse changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM and separate tables that analyse movements in the liabilities for remaining coverage and liabilities for incurred claims, reconciling these movements to the line items in the statement of profit or loss.

For insurance contracts issued, these analysis tables are then presented for each line of business. For reinsurance contracts held 98% (2023: 98%) relates to annuity and other long-term business contracts and so separate tables for each line of business are not presented.

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.1 Total insurance contract liabilities

Insurance contracts

Analysis by remaining coverage and incurred claims

	2024				2023			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
For the year ended 31 December	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Opening insurance contract liabilities	**141,007**	**80**	**1,048**	**142,135**	140,841	106	1,029	141,976
Opening insurance contract assets	**(50)**	**—**	**6**	**(44)**	(43)	—	4	(39)
Net opening balance	**140,957**	**80**	**1,054**	**142,091**	140,798	106	1,033	141,937
Insurance revenue								
Contracts under the modified retrospective transition approach	**(692)**	**—**	**—**	**(692)**	(337)	—	—	(337)
Contracts under the fair value transition approach	**(3,216)**	**—**	**—**	**(3,216)**	(3,239)	—	—	(3,239)
New contracts and contracts under the fully retrospective transition approach	**(187)**	**—**	**—**	**(187)**	(311)	—	—	(311)
	(4,095)	**—**	**—**	**(4,095)**	(3,887)	—	—	(3,887)
Insurance service expenses								
Incurred claims and other insurance service expenses	**—**	**(5)**	**2,862**	**2,857**	—	(7)	2,859	2,852
Amortisation of insurance acquisition cash flows	**73**	**—**	**—**	**73**	56	—	—	56
Adjustments to liability for incurred claims	**—**	**—**	**3**	**3**	—	—	(54)	(54)
Losses and reversals of losses on onerous contracts	**—**	**38**	**—**	**38**	—	(20)	—	(20)
	73	**33**	**2,865**	**2,971**	56	(27)	2,805	2,834
Insurance service result	**(4,022)**	**33**	**2,865**	**(1,124)**	(3,831)	(27)	2,805	(1,053)
Finance expense/(income) from insurance contracts issued	**8,432**	**(6)**	**—**	**8,426**	7,329	1	(12)	7,318
Total changes in income statement	**4,410**	**27**	**2,865**	**7,302**	3,498	(26)	2,793	6,265
Investment components and premium refunds	**(12,023)**	**—**	**12,023**	**—**	(10,924)	—	10,924	—
Cash flows								
Premiums received	**6,988**	**—**	**—**	**6,988**	7,748	—	—	7,748
Incurred claims paid and other insurance service expenses paid including investment component	**—**	**—**	**(14,991)**	**(14,991)**	—	—	(13,696)	(13,696)
Insurance acquisition cash flows	**(165)**	**—**	**—**	**(165)**	(163)	—	—	(163)
Total cash flows	**6,823**	**—**	**(14,991)**	**(8,168)**	7,585	—	(13,696)	(6,111)
Net closing balance	**140,167**	**107**	**951**	**141,225**	140,957	80	1,054	142,091
Closing insurance contract liabilities	**140,213**	**107**	**944**	**141,264**	141,007	80	1,048	142,135
Closing insurance contract assets	**(46)**	**—**	**7**	**(39)**	(50)	—	6	(44)
Net closing balance	**140,167**	**107**	**951**	**141,225**	140,957	80	1,054	142,091

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.1 Total insurance contract liabilities (continued)

Insurance contracts

Analysis by measurement component

	2024						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	135,738	632	1,747	3,609	409	5,765	142,135
Opening insurance contract assets	(93)	4	—	12	33	45	(44)
Net opening balance	135,645	636	1,747	3,621	442	5,810	142,091
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	(241)	(441)	(63)	(745)	(745)
Change in the risk adjustment for non-financial risk for the risk expired	—	(62)	—	—	—	—	(62)
Revenue recognised for incurred policyholder tax	(360)	—	—	—	—	—	(360)
Experience adjustments	3	—	—	—	—	—	3
	(357)	(62)	(241)	(441)	(63)	(745)	(1,164)
Changes that relate to future services							
Contracts initially recognised in the period	(186)	31	—	—	155	155	—
Changes in estimates reflected in the CSM	(897)	(19)	289	582	45	916	—
Changes in estimates that result in onerous contract losses or reversal of those losses	39	(2)	—	—	—	—	37
	(1,044)	10	289	582	200	1,071	37
Changes that relate to past services							
Adjustments to liabilities for incurred claims	3	—	—	—	—	—	3
	3	—	—	—	—	—	3
Insurance service result	(1,398)	(52)	48	141	137	326	(1,124)
Finance expense/(income) from insurance contracts issued	8,043	33	113	195	42	350	8,426
Total changes in income statement	6,645	(19)	161	336	179	676	7,302
Cash flows							
Premiums received	6,988	—	—	—	—	—	6,988
Incurred claims paid and other insurance service expenses paid including investment component	(14,991)	—	—	—	—	—	(14,991)
Insurance acquisition cash flows	(165)	—	—	—	—	—	(165)
Total cash flows	(8,168)	—	—	—	—	—	(8,168)
Net closing balance	134,122	617	1,908	3,957	621	6,486	141,225
Closing insurance contract liabilities	134,216	613	1,908	3,943	584	6,435	141,264
Closing insurance contract assets	(94)	4	—	14	37	51	(39)
Net closing balance	134,122	617	1,908	3,957	621	6,486	141,225

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.1 Total insurance contract liabilities (continued)

Insurance contracts (continued)

Analysis by measurement component (continued)

	2023						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	135,373	624	2,041	3,694	244	5,979	141,976
Opening insurance contract assets	(76)	3	—	11	23	34	(39)
Net opening balance	135,297	627	2,041	3,705	267	6,013	141,937
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	(221)	(383)	(45)	(649)	(649)
Change in the risk adjustment for non-financial risk for the risk expired	—	(57)	—	—	—	—	(57)
Revenue recognised for incurred policyholder tax	(255)	—	—	—	—	—	(255)
Experience adjustments	(18)	—	—	—	—	—	(18)
	(273)	(57)	(221)	(383)	(45)	(649)	(979)
Changes that relate to future services							
Contracts initially recognised in the period	(181)	16	—	—	165	165	—
Changes in estimates reflected in the CSM	46	31	(194)	93	24	(77)	—
Changes in estimates that result in onerous contract losses or reversal of those losses	(20)	—	—	—	—	—	(20)
	(155)	47	(194)	93	189	88	(20)
Changes that relate to past services							
Adjustments to liabilities for incurred claims	(54)	—	—	—	—	—	(54)
	(54)	—	—	—	—	—	(54)
Insurance service result	(482)	(10)	(415)	(290)	144	(561)	(1,053)
Finance expense/(income) from insurance contracts issued[i]	6,941	19	121	206	31	358	7,318
Total changes in income statement	6,459	9	(294)	(84)	175	(203)	6,265
Cash flows							
Premiums received	7,748	—	—	—	—	—	7,748
Incurred claims paid and other insurance service expenses paid including investment component	(13,696)	—	—	—	—	—	(13,696)
Insurance acquisition cash flows	(163)	—	—	—	—	—	(163)
Total cash flows	(6,111)	—	—	—	—	—	(6,111)
Net closing balance	135,645	636	1,747	3,621	442	5,810	142,091
Closing insurance contract liabilities	135,738	632	1,747	3,609	409	5,765	142,135
Closing insurance contract assets	(93)	4	—	12	33	45	(44)
Net closing balance	135,645	636	1,747	3,621	442	5,810	142,091

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.1 Total insurance contract liabilities (continued)

Reinsurance contracts

Analysis by remaining coverage and incurred claims

	2024				2023			
	Assets for remaining coverage				Assets for remaining coverage			
For the year ended 31 December	Excluding loss recovery component £m	Loss recovery component £m	Recoverable for incurred claims £m	Total £m	Excluding loss recovery component £m	Loss recovery component £m	Recoverable for incurred claims £m	Total £m
Opening reinsurance contract liabilities	**369**	**—**	**(12)**	**357**	363	—	(15)	348
Opening reinsurance contract assets	**(999)**	**(41)**	**(59)**	**(1,099)**	(931)	(52)	(99)	(1,082)
Net opening balance	**(630)**	**(41)**	**(71)**	**(742)**	(568)	(52)	(114)	(734)
Net expenses from reinsurance contracts held								
Allocation of reinsurance premiums paid	**516**	**—**	**—**	**516**	493	—	—	493
Amounts recoverable from reinsurers:								
Recoveries of incurred claims and other insurance service expenses	**—**	**—**	**(466)**	**(466)**	—	—	(463)	(463)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	**—**	**(19)**	**—**	**(19)**	—	11	—	11
Adjustments to assets for incurred claims	**—**	**—**	**(3)**	**(3)**	—	—	54	54
	—	**(19)**	**(469)**	**(488)**	—	11	(409)	(398)
Effect of changes in the risk of reinsurers non-performance	**—**	**—**	**—**	**—**	—	—	—	—
	516	**(19)**	**(469)**	**28**	493	11	(409)	95
Finance expenses/(income) from reinsurance contracts held	**10**	**—**	**—**	**10**	(39)	—	—	(39)
Total changes in income statement	**526**	**(19)**	**(469)**	**38**	454	11	(409)	56
Cash flows								
Premiums and similar expenses paid	**(528)**	**—**	**—**	**(528)**	(516)	—	—	(516)
Amounts recovered	**—**	**—**	**469**	**469**	—	—	452	452
Total cash flows	**(528)**	**—**	**469**	**(59)**	(516)	—	452	(64)
Net closing balance	**(632)**	**(60)**	**(71)**	**(763)**	(630)	(41)	(71)	(742)
Closing reinsurance contract liabilities	**290**	**—**	**(10)**	**280**	369	—	(12)	357
Closing reinsurance contract assets	**(922)**	**(60)**	**(61)**	**(1,043)**	(999)	(41)	(59)	(1,099)
Net closing balance	**(632)**	**(60)**	**(71)**	**(763)**	(630)	(41)	(71)	(742)

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.1 Total insurance contract liabilities (continued)

Reinsurance contracts (continued)

Analysis by measurement component

	2024						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening reinsurance contract liabilities	581	(94)	—	(129)	(1)	(130)	357
Opening reinsurance contract assets	(847)	(55)	(5)	(8)	(184)	(197)	(1,099)
Net opening balance	(266)	(149)	(5)	(137)	(185)	(327)	(742)
Changes that relate to current services							
CSM recognised in profit or loss for the services received	—	—	—	22	6	28	28
Change in the risk adjustment for non-financial risk for the risk expired	—	14	—	—	—	—	14
Experience adjustments	14	—	—	—	—	—	14
	14	14	—	22	6	28	56
Changes that relate to future services							
Contracts initially recognised in the period	26	(11)	—	—	(15)	(15)	—
Changes in estimates reflected in the CSM	125	4	—	(125)	(4)	(129)	—
Changes in the fulfilment cash flows that do not adjust the CSM for the group of underlying contracts	(25)	—	—	—	—	—	(25)
	126	(7)	—	(125)	(19)	(144)	(25)
Changes that relate to past services							
Asset for incurred claims	(3)	—	—	—	—	—	(3)
	(3)	—	—	—	—	—	(3)
Insurance service result	137	7	—	(103)	(13)	(116)	28
Net finance income from reinsurance contracts	16	4	—	(6)	(4)	(10)	10
Total changes in the income statement	153	11	—	(109)	(17)	(126)	38
Cash flows							
Premiums and similar expenses paid	(528)	—	—	—	—	—	(528)
Amounts recovered	469	—	—	—	—	—	469
Total cash flows	(59)	—	—	—	—	—	(59)
Net closing balance	(172)	(138)	(5)	(246)	(202)	(453)	(763)
Closing reinsurance contract liabilities	621	(94)	—	(232)	(15)	(247)	280
Closing reinsurance contract assets	(793)	(44)	(5)	(14)	(187)	(206)	(1,043)
Net closing balance	(172)	(138)	(5)	(246)	(202)	(453)	(763)

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.1 Total insurance contract liabilities (continued)

Reinsurance contracts (continued)

Analysis by measurement component (continued)

	2023						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening reinsurance contract liabilities	567	(95)	—	(123)	(1)	(124)	348
Opening reinsurance contract assets	(855)	(54)	(6)	(5)	(162)	(173)	(1,082)
Net opening balance	(288)	(149)	(6)	(128)	(163)	(297)	(734)
Changes that relate to current services							
CSM recognised in profit or loss for the services received	—	—	1	11	4	16	16
Change in the risk adjustment for non-financial risk for the risk expired	—	10	—	—	—	—	10
Experience adjustments	4	—	—	—	—	—	4
	4	10	1	11	4	16	30
Changes that relate to future services							
Changes in estimates reflected in the CSM	44	(4)	—	(17)	(22)	(39)	1
Changes in the fulfilment cash flows that do not adjust the CSM for the group of underlying contracts	10	—	—	—	—	—	10
	54	(4)	—	(17)	(22)	(39)	11
Changes that relate to past services							
Asset for incurred claims	54	—	—	—	—	—	54
	54	—	—	—	—	—	54
Insurance service result	112	6	1	(6)	(18)	(23)	95
Net finance income from reinsurance contracts	(26)	(6)	—	(3)	(4)	(7)	(39)
Total changes in the income statement	86	—	1	(9)	(22)	(30)	56
Cash flows							
Premiums and similar expenses paid	(516)	—	—	—	—	—	(516)
Amounts recovered	452	—	—	—	—	—	452
Total cash flows	(64)	—	—	—	—	—	(64)
Net closing balance	(266)	(149)	(5)	(137)	(185)	(327)	(742)
Closing reinsurance contract liabilities	581	(94)	—	(129)	(1)	(130)	357
Closing reinsurance contract assets	(847)	(55)	(5)	(8)	(184)	(197)	(1,099)
Net closing balance	(266)	(149)	(5)	(137)	(185)	(327)	(742)

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.2 With-profits sub-funds

Insurance contracts

Analysis by remaining coverage and incurred claims

	2024				2023			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
For the year ended 31 December	Excluding loss component and liability for incurred claims £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component and liability for incurred claims £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Opening insurance contract liabilities	**123,197**	**11**	**388**	**123,596**	122,807	7	363	123,177
Opening insurance contract assets	**—**	**—**	**—**	**—**	—	—	—	—
Net opening balance	**123,197**	**11**	**388**	**123,596**	122,807	7	363	123,177
Insurance revenue								
Contracts under the modified retrospective transition approach	**(686)**	**—**	**—**	**(686)**	(331)	—	—	(331)
Contracts under the fair value transition approach	**(1,866)**	**—**	**—**	**(1,866)**	(1,863)	—	—	(1,863)
New contracts and contracts under the fully retrospective transition approach	**(63)**	**—**	**—**	**(63)**	(213)	—	—	(213)
	(2,615)	**—**	**—**	**(2,615)**	(2,407)	—	—	(2,407)
Insurance service expenses								
Incurred claims and other insurance service expenses	**—**	**(1)**	**1,630**	**1,629**	—	—	1,597	1,597
Amortisation of insurance acquisition cash flows	**43**	**—**	**—**	**43**	26	—	—	26
Adjustments to liability for incurred claims	**—**	**—**	**—**	**—**	—	—	—	—
Losses and reversals of losses on onerous contracts	**—**	**(1)**	**—**	**(1)**	—	4	—	4
	43	**(2)**	**1,630**	**1,671**	26	4	1,597	1,627
Insurance service result	**(2,572)**	**(2)**	**1,630**	**(944)**	(2,381)	4	1,597	(780)
Finance expense/(income) from insurance contracts issued	**8,019**	**—**	**—**	**8,019**	6,144	—	(12)	6,132
Total changes in income statement	**5,447**	**(2)**	**1,630**	**7,075**	3,763	4	1,585	5,352
Investment components and premium refunds	**(11,459)**	**—**	**11,459**	**—**	(10,391)	—	10,391	—
Cash flows								
Premiums received	**5,803**	**—**	**—**	**5,803**	7,157	—	—	7,157
Incurred claims paid and other insurance service expenses paid including investment component	**—**	**—**	**(13,101)**	**(13,101)**	—	—	(11,951)	(11,951)
Insurance acquisition cash flows	**(129)**	**—**	**—**	**(129)**	(139)	—	—	(139)
Total cash flows	**5,674**	**—**	**(13,101)**	**(7,427)**	7,018	—	(11,951)	(4,933)
Net closing balance	**122,859**	**9**	**376**	**123,244**	123,197	11	388	123,596
Closing insurance contract liabilities	**122,859**	**9**	**376**	**123,244**	123,197	11	388	123,596
Closing insurance contract assets	**—**	**—**	**—**	**—**	—	—	—	—
Net closing balance	**122,859**	**9**	**376**	**123,244**	123,197	11	388	123,596

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.2 With-profits sub-funds (continued)

Insurance contracts (continued)

Analysis by measurement component

	2024						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	119,435	222	1,747	1,877	315	3,939	123,596
Opening insurance contract assets	—	—	—	—	—	—	—
Net opening balance	119,435	222	1,747	1,877	315	3,939	123,596
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	(241)	(277)	(50)	(568)	(568)
Change in the risk adjustment for non-financial risk for the risk expired	—	(25)	—	—	—	—	(25)
Revenue recognised for incurred policyholder tax	(356)	—	—	—	—	—	(356)
Experience adjustments	6	—	—	—	—	—	6
	(350)	(25)	(241)	(277)	(50)	(568)	(943)
Changes that relate to future services							
Contracts initially recognised in the period	(96)	4	—	—	92	92	—
Changes in estimates reflected in the CSM	(583)	(12)	289	252	54	595	—
Changes in estimates that result in onerous contract losses or reversal of those losses	(1)	—	—	—	—	—	(1)
	(680)	(8)	289	252	146	687	(1)
Changes that relate to past services							
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Insurance service result	(1,030)	(33)	48	(25)	96	119	(944)
Finance expense/(income) from insurance contracts issued	7,708	29	113	138	31	282	8,019
Total changes in income statement	6,678	(4)	161	113	127	401	7,075
Cash flows							
Premiums received	5,803	—	—	—	—	—	5,803
Incurred claims paid and other insurance service expenses paid including investment component	(13,101)	—	—	—	—	—	(13,101)
Insurance acquisition cash flows	(129)	—	—	—	—	—	(129)
Total cash flows	(7,427)	—	—	—	—	—	(7,427)
Net closing balance	118,686	218	1,908	1,990	442	4,340	123,244
Closing insurance contract liabilities	118,686	218	1,908	1,990	442	4,340	123,244
Closing insurance contract assets	—	—	—	—	—	—	—
Net closing balance	118,686	218	1,908	1,990	442	4,340	123,244

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.2 With-profits sub-funds (continued)

Insurance contracts (continued)

Analysis by measurement component (continued)

	2023						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	118,740	221	2,041	1,986	189	4,216	123,177
Opening insurance contract assets	—	—	—	—	—	—	—
Net opening balance	118,740	221	2,041	1,986	189	4,216	123,177
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	(221)	(244)	(34)	(499)	(499)
Change in the risk adjustment for non-financial risk for the risk expired	—	(24)	—	—	—	—	(24)
Revenue recognised for incurred policyholder tax	(249)	—	—	—	—	—	(249)
Experience adjustments	(12)	—	—	—	—	—	(12)
	(261)	(24)	(221)	(244)	(34)	(499)	(784)
Changes that relate to future services							
Contracts initially recognised in the period	(124)	5	—	—	119	119	—
Changes in estimates reflected in the CSM	177	19	(194)	(19)	17	(196)	—
Changes in estimates that result in onerous contract losses or reversal of those losses	4	—	—	—	—	—	4
	57	24	(194)	(19)	136	(77)	4
Changes that relate to past services							
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Insurance service result	(204)	—	(415)	(263)	102	(576)	(780)
Finance expense/(income) from insurance contracts issued	5,832	1	121	154	24	299	6,132
Total changes in income statement	5,628	1	(294)	(109)	126	(277)	5,352
Cash flows							
Premiums received	7,157	—	—	—	—	—	7,157
Incurred claims paid and other insurance service expenses paid including investment component	(11,951)	—	—	—	—	—	(11,951)
Insurance acquisition cash flows	(139)	—	—	—	—	—	(139)
Total cash flows	(4,933)	—	—	—	—	—	(4,933)
Net closing balance	119,435	222	1,747	1,877	315	3,939	123,596
Closing insurance contract liabilities	119,435	222	1,747	1,877	315	3,939	123,596
Closing insurance contract assets	—	—	—	—	—	—	—
Net closing balance	119,435	222	1,747	1,877	315	3,939	123,596

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.3 Unit-linked liabilities

Insurance contracts

Analysis by remaining coverage and incurred claims

	2024				2023			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
For the year ended 31 December	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Opening insurance contract liabilities	**3,909**	**—**	**495**	**4,404**	4,139	13	446	4,598
Opening insurance contract assets	**—**	**—**	**—**	**—**	—	—	—	—
Net opening balance	**3,909**	**—**	**495**	**4,404**	4,139	13	446	4,598
Insurance revenue								
Contracts under the modified retrospective transition approach	**—**	**—**	**—**	**—**	—	—	—	—
Contracts under the fair value transition approach	**(49)**	**—**	**—**	**(49)**	(52)	—	—	(52)
New contracts and contracts under the fully retrospective transition approach	**1**	**—**	**—**	**1**	—	—	—	—
	(48)	**—**	**—**	**(48)**	(52)	—	—	(52)
Insurance service expenses								
Incurred claims and other insurance service expenses	**—**	**—**	**52**	**52**	—	(2)	66	64
Amortisation of insurance acquisition cash flows	**(1)**	**—**	**—**	**(1)**	1	—	—	1
Adjustments to liability for incurred claims	**—**	**—**	**—**	**—**	—	—	—	—
Losses and reversals of losses on onerous contracts	**—**	**(1)**	**—**	**(1)**	—	(11)	—	(11)
	(1)	**(1)**	**52**	**50**	1	(13)	66	54
Insurance service result	**(49)**	**(1)**	**52**	**2**	(51)	(13)	66	2
Finance expense/(income) from insurance contracts issued	**255**	**—**	**—**	**255**	239	—	—	239
Total changes in income statement	**206**	**(1)**	**52**	**257**	188	(13)	66	241
Investment components and premium refunds	**(489)**	**—**	**489**	**—**	(456)	—	456	—
Cash flows								
Premiums received	**68**	**—**	**—**	**68**	38	—	—	38
Incurred claims paid and other insurance service expenses paid including investment component	**—**	**—**	**(621)**	**(621)**	—	—	(473)	(473)
Insurance acquisition cash flows	**—**	**—**	**—**	**—**	—	—	—	—
Total cash flows	**68**	**—**	**(621)**	**(553)**	38	—	(473)	(435)
Net closing balance	**3,694**	**(1)**	**415**	**4,108**	3,909	—	495	4,404
Closing insurance contract liabilities	**3,694**	**(1)**	**415**	**4,108**	3,909	—	495	4,404
Closing insurance contract assets	**—**	**—**	**—**	**—**	—	—	—	—
Net closing balance	**3,694**	**(1)**	**415**	**4,108**	3,909	—	495	4,404

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.3 Unit-linked liabilities (continued)

Insurance contracts (continued)

Analysis by measurement component

	2024						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	4,349	6	—	49	—	49	4,404
Opening insurance contract assets	—	—	—	—	—	—	—
Net opening balance	4,349	6	—	49	—	49	4,404
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	—	(8)	—	(8)	(8)
Change in the risk adjustment for non-financial risk for the risk expired	—	(1)	—	—	—	—	(1)
Revenue recognised for incurred policyholder tax	(4)	—	—	—	—	—	(4)
Experience adjustments	17	—	—	—	—	—	17
	13	(1)	—	(8)	—	(8)	4
Changes that relate to future services							
Contracts initially recognised in the period	—	—	—	—	—	—	—
Changes in estimates reflected in the CSM	(9)	5	—	4	—	4	—
Changes in estimates that result in onerous contract losses or reversal of those losses	(2)	—	—	—	—	—	(2)
	(11)	5	—	4	—	4	(2)
Changes that relate to past services							
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Insurance service result	2	4	—	(4)	—	(4)	2
Finance expense/(income) from insurance contracts issued	251	2	—	2	—	2	255
Total changes in income statement	253	6	—	(2)	—	(2)	257
Cash flows							
Premiums received	68	—	—	—	—	—	68
Incurred claims paid and other insurance service expenses paid including investment component	(621)	—	—	—	—	—	(621)
Insurance acquisition cash flows	—	—	—	—	—	—	—
Total cash flows	(553)	—	—	—	—	—	(553)
Net closing balance	4,049	12	—	47	—	47	4,108
Closing insurance contract liabilities	4,049	12	—	47	—	47	4,108
Closing insurance contract assets	—	—	—	—	—	—	—
Net closing balance	4,049	12	—	47	—	47	4,108

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.3 Unit-linked liabilities (continued)

Insurance contracts (continued)

Analysis by measurement component (continued)

	2023						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	4,557	6	—	35	—	35	4,598
Opening insurance contract assets	—	—	—	—	—	—	—
Net opening balance	4,557	6	—	35	—	35	4,598
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	—	(9)	—	(9)	(9)
Change in the risk adjustment for non-financial risk for the risk expired	—	(1)	—	—	—	—	(1)
Revenue recognised for incurred policyholder tax	(6)	—	—	—	—	—	(6)
Experience adjustments	29	—	—	—	—	—	29
	23	(1)	—	(9)	—	(9)	13
Changes that relate to future services							
Contracts initially recognised in the period	—	—	—	—	—	—	—
Changes in estimates reflected in the CSM	(19)	1	—	18	—	18	—
Changes in estimates that result in onerous contract losses or reversal of those losses	(11)	—	—	—	—	—	(11)
	(30)	1	—	18	—	18	(11)
Changes that relate to past services							
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Insurance service result	(7)	—	—	9	—	9	2
Finance expense/(income) from insurance contracts issued	234	—	—	5	—	5	239
Total changes in income statement	227	—	—	14	—	14	241
Cash flows							
Premiums received	38	—	—	—	—	—	38
Incurred claims paid and other insurance service expenses paid including investment component	(473)	—	—	—	—	—	(473)
Insurance acquisition cash flows	—	—	—	—	—	—	—
Total cash flows	(435)	—	—	—	—	—	(435)
Net closing balance	4,349	6	—	49	—	49	4,404
Closing insurance contract liabilities	4,349	6	—	49	—	49	4,404
Closing insurance contract assets	—	—	—	—	—	—	—
Net closing balance	4,349	6	—	49	—	49	4,404

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.4 Annuity and other long-term business

Insurance contracts

Analysis by remaining coverage and incurred claims

	2024				2023			
	Liabilities for remaining coverage				Liability for remaining coverage			
For the year ended 31 December	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Opening insurance contract liabilities	**13,901**	**69**	**165**	**14,135**	13,895	86	220	14,201
Opening insurance contract assets	**(50)**	**—**	**6**	**(44)**	(43)	—	4	(39)
Net opening balance	**13,851**	**69**	**171**	**14,091**	13,852	86	224	14,162
Insurance revenue								
Contracts under the modified retrospective transition approach	**(6)**	**—**	**—**	**(6)**	(6)	—	—	(6)
Contracts under the fair value transition approach	**(1,301)**	**—**	**—**	**(1,301)**	(1,324)	—	—	(1,324)
New contracts and contracts under the fully retrospective transition approach	**(125)**	**—**	**—**	**(125)**	(98)	—	—	(98)
	(1,432)	**—**	**—**	**(1,432)**	(1,428)	—	—	(1,428)
Insurance service expenses								
Incurred claims and other insurance service expenses	**—**	**(4)**	**1,180**	**1,176**	—	(5)	1,196	1,191
Amortisation of insurance acquisition cash flows	**31**	**—**	**—**	**31**	29	—	—	29
Adjustments to liability for incurred claims	**—**	**—**	**3**	**3**	—	—	(54)	(54)
Losses and reversals of losses on onerous contracts	**—**	**40**	**—**	**40**	—	(13)	—	(13)
	31	**36**	**1,183**	**1,250**	29	(18)	1,142	1,153
Insurance service result	**(1,401)**	**36**	**1,183**	**(182)**	(1,399)	(18)	1,142	(275)
Finance expense/(income) from insurance contracts issued	**158**	**(6)**	**—**	**152**	946	1	—	947
Total changes in income statement	**(1,243)**	**30**	**1,183**	**(30)**	(453)	(17)	1,142	672
Investment components and premium refunds	**(75)**	**—**	**75**	**—**	(77)	—	77	—
Cash flows								
Premiums received	**1,117**	**—**	**—**	**1,117**	553	—	—	553
Incurred claims paid and other insurance service expenses paid including investment component	**—**	**—**	**(1,269)**	**(1,269)**	—	—	(1,272)	(1,272)
Insurance acquisition cash flows	**(36)**	**—**	**—**	**(36)**	(24)	—	—	(24)
Total cash flows	**1,081**	**—**	**(1,269)**	**(188)**	529	—	(1,272)	(743)
Net closing balance	**13,614**	**99**	**160**	**13,873**	13,851	69	171	14,091
Closing insurance contract liabilities	**13,660**	**99**	**153**	**13,912**	13,901	69	165	14,135
Closing insurance contract assets	**(46)**	**—**	**7**	**(39)**	(50)	—	6	(44)
Net closing balance	**13,614**	**99**	**160**	**13,873**	13,851	69	171	14,091

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.4 Annuity and other long-term business (continued)

Insurance contracts (continued)

Analysis by measurement component

	2024						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	11,954	404	—	1,683	94	1,777	14,135
Opening insurance contract assets	(93)	4	—	12	33	45	(44)
Net opening balance	**11,861**	**408**	**—**	**1,695**	**127**	**1,822**	**14,091**
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	—	(156)	(13)	(169)	(169)
Change in the risk adjustment for non-financial risk for the risk expired	—	(36)	—	—	—	—	(36)
Experience adjustments	(20)	—	—	—	—	—	(20)
	(20)	(36)	—	(156)	(13)	(169)	(225)
Changes that relate to future services							
Contracts initially recognised in the period	(90)	27	—	—	63	63	—
Changes in estimates reflected in the CSM	(305)	(12)	—	326	(9)	317	—
Changes in estimates that result in onerous contract losses or reversal of those losses	42	(2)	—	—	—	—	40
	(353)	13	—	326	54	380	40
Changes that relate to past services							
Adjustments to liabilities for incurred claims	3	—	—	—	—	—	3
	3	—	—	—	—	—	3
Insurance service result	**(370)**	**(23)**	**—**	**170**	**41**	**211**	**(182)**
Finance expense/(income) from insurance contracts issued	84	2	—	55	11	66	152
Total changes in income statement	**(286)**	**(21)**	**—**	**225**	**52**	**277**	**(30)**
Cash flows							
Premiums received	1,117	—	—	—	—	—	1,117
Incurred claims paid and other insurance service expenses paid including investment component	(1,269)	—	—	—	—	—	(1,269)
Insurance acquisition cash flows	(36)	—	—	—	—	—	(36)
Total cash flows	**(188)**	**—**	**—**	**—**	**—**	**—**	**(188)**
Net closing balance	**11,387**	**387**	**—**	**1,920**	**179**	**2,099**	**13,873**
Closing insurance contract liabilities	11,481	383	—	1,906	142	2,048	13,912
Closing insurance contract assets	(94)	4	—	14	37	51	(39)
Net closing balance	**11,387**	**387**	**—**	**1,920**	**179**	**2,099**	**13,873**

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3 Insurance, investment with DPF and reinsurance contract balances (continued)

24.3.4 Annuity and other long-term business (continued)

Insurance contracts (continued)

Analysis by measurement component (continued)

	2023						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	12,076	397	—	1,673	55	1,728	14,201
Opening insurance contract assets	(76)	3	—	11	23	34	(39)
Net opening balance	12,000	400	—	1,684	78	1,762	14,162
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	—	(130)	(11)	(141)	(141)
Change in the risk adjustment for non-financial risk for the risk expired	—	(32)	—	—	—	—	(32)
Experience adjustments	(35)	—	—	—	—	—	(35)
	(35)	(32)	—	(130)	(11)	(141)	(208)
Changes that relate to future services							
Contracts initially recognised in the period	(57)	11	—	—	46	46	—
Changes in estimates reflected in the CSM	(112)	11	—	94	7	101	—
Changes in estimates that result in onerous contract losses or reversal of those losses	(13)	—	—	—	—	—	(13)
	(182)	22	—	94	53	147	(13)
Changes that relate to past services							
Adjustments to liabilities for incurred claims	(54)	—	—	—	—	—	(54)
	(54)	—	—	—	—	—	(54)
Insurance service result	(271)	(10)	—	(36)	42	6	(275)
Finance expense/(income) from insurance contracts issued	875	18	—	47	7	54	947
Total changes in income statement	604	8	—	11	49	60	672
Cash flows							
Premiums received	553	—	—	—	—	—	553
Incurred claims paid and other insurance service expenses paid including investment component	(1,272)	—	—	—	—	—	(1,272)
Insurance acquisition cash flows	(24)	—	—	—	—	—	(24)
Total cash flows	(743)	—	—	—	—	—	(743)
Net closing balance	11,861	408	—	1,695	127	1,822	14,091
Closing insurance contract liabilities	11,954	404	—	1,683	94	1,777	14,135
Closing insurance contract assets	(93)	4	—	12	33	45	(44)
Net closing balance	11,861	408	—	1,695	127	1,822	14,091

24.3.5 Maturity analysis

The following table sets out the carrying amounts of insurance, investment with DPF and reinsurance contracts expected to be recovered or settled more than 12 months after the reporting date.

As at 31 December	2024 £m	2023[i] £m
Insurance contract assets	**46**	50
Insurance contract liabilities	**(40,986)**	(43,575)
Investment contracts with DPF liabilities	**(85,132)**	(83,969)
Reinsurance contract assets	**1,008**	1,053
Reinsurance contract liabilities	**(312)**	(371)

i Insurance contract liabilities and investment contracts with DPF liability balances at 31 December 2023 have been restated from those previously reported following a review of presentation. See Note 24.1.

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.4 Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance contracts in the year.

For the year ended 31 December	2024 Profitable contracts Issued £m	2023 Profitable contracts Issued £m
With-profits sub-funds:		
Contracts initially recognised in current year		
Claims and other insurance service expenses payable	**4,896**	6,223
Insurance acquisition cash flows	**129**	137
Estimates of the present value of future cash outflows	**5,025**	6,360
Estimates of the present value of future cash inflows	**(5,121)**	(6,484)
Risk adjustment for non-financial risk	**4**	5
CSM	**92**	119
Losses recognised on initial recognition	**—**	—
Unit-linked liabilities:		
Contracts initially recognised in current year		
Claims and other insurance service expenses payable	**—**	—
Insurance acquisition cash flows	**—**	—
Estimates of the present value of future cash outflows	**—**	—
Estimates of the present value of future cash inflows	**—**	—
Risk adjustment for non-financial risk	**—**	—
CSM	**—**	—
Losses recognised on initial recognition	**—**	—
Annuity and other long-term business:		
Contracts initially recognised in current year		
Claims and other insurance service expenses payable	**888**	303
Insurance acquisition cash flows	**14**	25
Estimates of the present value of future cash outflows	**902**	328
Estimates of the present value of future cash inflows	**(992)**	(385)
Risk adjustment for non-financial risk	**27**	11
CSM	**63**	46
Losses recognised on initial recognition	**—**	—
Total:		
Contracts initially recognised in current year		
Claims and other insurance service expenses payable	**5,784**	6,526
Insurance acquisition cash flows	**143**	162
Estimates of the present value of future cash outflows	**5,927**	6,688
Estimates of the present value of future cash inflows	**(6,113)**	(6,869)
Risk adjustment for non-financial risk	**31**	16
CSM	**155**	165
Losses recognised on initial recognition	**—**	—

In the year ended 31 December 2024 in relation to reinsurance contracts there was £37m of new claims and other reinsurance service expenses payable offset by £11m of estimates of the present value of future cash inflows, £11m risk adjustment for non-financial risk and £15m of CSM. In the year ended 31 December 2023 there were no new reinsurance contracts recognised.

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.5 Expected recognition of the Contractual Service Margin

As at 31 December	2024 Insurance contracts issued				2023 Insurance contracts issued			
	With-profits sub-funds £m	Unit-linked liabilities £m	Annuity and other long-term business £m	Total £m	With-profits sub-funds £m	Unit-linked liabilities £m	Annuity and other long-term business £m	Total £m
Number of years until expected to be recognised:								
0 to 1 year	**502**	**7**	**133**	**642**	428	8	114	550
1 to 2 years	**441**	**6**	**129**	**576**	379	6	110	495
2 to 3 years	**398**	**5**	**125**	**528**	343	5	106	454
3 to 4 years	**357**	**5**	**120**	**482**	309	5	103	417
4 to 5 years	**319**	**4**	**116**	**439**	279	4	99	382
5 to 10 years	**1,135**	**12**	**505**	**1,652**	1,019	13	435	1,467
10 to 15 years	**602**	**5**	**377**	**984**	570	5	331	906
15 to 20 years	**300**	**2**	**252**	**554**	301	2	227	530
20 to 25 years	**146**	**1**	**152**	**299**	155	1	138	294
Over 25 years	**140**	**—**	**190**	**330**	156	—	159	315
Total	**4,340**	**47**	**2,099**	**6,486**	3,939	49	1,822	5,810

The insurance contracts issued represents the run off of the net of insurance assets and insurance liabilities CSM. The amounts presented in the table represent the current discounted value of the CSM amortisation expected to be recognised in the insurance service result in future periods. The actual CSM amortisation in future periods will differ from that presented due to the impacts of future new business, recalibrations of the CSM, changes in estimates reflected in the CSMs and changes in the future coverage units.

As at 31 December	2024 Reinsurance contracts held £m	2023 Reinsurance contracts held £m
Number of years until expected to be recognised:		
0 to 1 year	**(25)**	(9)
1 to 2 years	**(24)**	(9)
2 to 3 years	**(23)**	(9)
3 to 4 years	**(23)**	(10)
4 to 5 years	**(22)**	(10)
5 to 10 years	**(100)**	(55)
10 to 15 years	**(79)**	(56)
15 to 20 years	**(57)**	(50)
20 to 25 years	**(38)**	(40)
Over 25 years	**(62)**	(79)
Total	**(453)**	(327)

For reinsurance contracts held 96% (2023: 98%) relates to annuity and other long-term business contracts. The reinsurance contracts held represents the run off of the net of reinsurance assets and reinsurance liabilities CSM.

Notes to the consolidated financial statements continued

25 Investment contract liabilities without discretionary participation features (DPF)

Investment contract liabilities without DPF comprise unit-linked contracts that contain little or no insurance risk and certain contracts invested in PruFund with a low level of discretion (detailed below). For the former, the assets and liabilities arising under the contracts are distinguished between those that relate to the financial instrument liability, and the deferred acquisition costs and deferred income that relate to the component of the contract that relates to investment management. Deferred acquisition costs and deferred income are recognised in line with the level of service provision.

Certain contracts invested in PruFund which are sold via wholesale distribution agreements with certain European financial institutions and that are not considered to have DPF are also included in investment contract liabilities without DPF. Accordingly, the contracts are measured at FVTPL under IFRS 9. The carrying value of these liabilities as at 31 December 2024 is £316m (31 December 2023: £294m).

The table below presents the analysis of change in investment contract liabilities without DPF:

	2024 £m	2023 £m
As at 1 January	**12,535**	11,937
Premiums	**382**	695
Surrenders	**(1,144)**	(770)
Maturities/deaths	**(138)**	(133)
Total net flows	**(900)**	(208)
Switches	**11**	19
Investment-related items and other movements[i]	**519**	859
Foreign exchange differences	**(21)**	(72)
As at 31 December	**12,144**	12,535

i Investment-related items and other movements and foreign exchange differences closely align to the net change in investment contract liabilities without DPF income statement amount. The difference between the values relates to policyholder tax, reclassifications and annual management charges.

Certain parts of the unit-linked business are reinsured externally by way of fund reinsurance. Where this is the case, the fair value of the underlying asset and liability is equal to the unit value obligation.

26 Subordinated liabilities and other borrowings

As at 31 December	2024 £m	Restated[i] 2023 £m
Subordinated liabilities	**3,176**	3,676
Operational borrowings	**2**	1
Borrowings attributable to the With-Profits Fund	**3,308**	3,970
Total subordinated liabilities and other borrowings	**6,486**	7,647

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, comparative amount for operational borrowings and borrowings attributable to the With-Profits Fund have been restated from those previously reported. The restatement has had no impact on the consolidated income statement or net assets. See Note 1.1 for further information.

26.1 Subordinated liabilities

The Group's subordinated liabilities consist of subordinated notes which were transferred from Prudential plc on 18 October 2019 and were recorded at fair value on initial recognition. The transfer of the subordinated liabilities was achieved by substituting the Company in place of Prudential plc as issuer of the debt, as permitted under the terms and conditions of each applicable instrument. All costs related to the transaction were borne by Prudential plc.

	2024		2023	
As at 31 December	Principal amount	Carrying value £m	Principal amount	Carrying value £m
5.625% sterling fixed rate due 20 October 2051	**£750m**	**823**	£750m	831
6.25% sterling fixed rate due 20 October 2068	**£500m**	**600**	£500m	602
6.50% US dollar fixed rate due 20 October 2048	**$500m**	**433**	$500m	434
6.34% sterling fixed rate due 19 December 2063	**£700m**	**836**	£700m	841
5.56% sterling fixed rate due 20 July 2055	**£439m**	**484**	£600m	667
3.875% sterling fixed rate due 20 July 2049	**—**	**—**	£300m	301
Total subordinated liabilities		**3,176**		3,676

Subordinated notes issued by the Company rank below its senior obligations and ahead of its preference shares and ordinary share capital.

Notes to the consolidated financial statements continued

26 Subordinated liabilities and other borrowings (continued)

26.1 Subordinated liabilities (continued)

A description of the key features of each of the Group's subordinated notes as at 31 December 2024 is as follows:

	5.625% sterling fixed rate	6.25% sterling fixed rate	6.50% US dollar fixed rate	6.34% sterling fixed rate	5.56% sterling fixed rate
Principal amount	£750m	£500m	$500m	£700m	£439m[i]
Issue date[ii]	3 October 2018	3 October 2018	3 October 2018	16 December 2013 (amended 10 June 2019)	9 June 2015 (amended 10 June 2019)
Maturity date	20 October 2051	20 October 2068	20 October 2048	19 December 2063	20 July 2055
Callable at par at the option of the Company from	20 October 2031 (and each semi-annual interest payment date thereafter)	20 October 2048 (and each semi-annual interest payment date thereafter)	20 October 2028 (and each semi-annual interest payment date thereafter)	19 December 2043 (and each semi-annual interest payment date thereafter)	20 July 2035 (and each semi-annual interest payment date thereafter)
Solvency II own funds treatment	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2

i On 19 June 2024 the Group completed a repurchase of £161m of 5.56% sterling fixed rate subordinated notes for a consideration of £150m.

ii The subordinated notes were originally issued by Prudential plc rather than by the Company.

As at 31 December 2024, the principal amount of all subordinated liabilities has a contractual maturity of more than 12 months and accrued interest of £33m (2023: £42m) is expected to be settled within 12 months.

26.1.1 Movement in subordinated liabilities

The following table reconciles the movement in subordinated liabilities in the year:

For the year ended 31 December	2024 £m	2023 £m
At 1 January	**3,676**	3,729
Amortisation[i]	**(58)**	(29)
Foreign exchange movements	**8**	(24)
Repurchases and redemptions	**(450)**	—
At 31 December	**3,176**	3,676

i Included within amortisation is £29m (2023: £nil) attributable to the cancellation of the £161m of 5.56% sterling fixed rate subordinated notes repurchased on 19 June 2024 for a consideration of £150m.

On 19 June 2024 the Group completed a repurchase of £161m of 5.56% sterling fixed rate subordinated notes for a consideration of £150m. On 20 July 2024, the Group redeemed, at par, all £300m 3.875% sterling fixed rate subordinated loan notes. These notes were issued 10 July 2019 with a maturity date of 20 July 2049.

The amortisation of premium on the subordinated notes based on an EIR and the foreign exchange movement on the translation of the subordinated liabilities denominated in US dollar are both non-cash items.

26.2 Other borrowings

26.2.1 Operational borrowings attributable to shareholder-financed operations

In March 2019, the Group entered into revolving credit facilities of £1.5bn with several banks and financial institutions, and these are due to mature in 2026. As at 31 December 2024, these remain undrawn.

26.2.2 Borrowings attributable to the With-Profits Fund

As at 31 December	2024 £m	Restated[i] 2023 £m
Non-recourse borrowings of consolidated investment funds[ii]	**3,300**	3,950
Bank loans and overdrafts	**8**	20
Total	**3,308**	3,970

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, the comparative amount for bank loans and overdrafts has been restated from those previously reported. The restatement has had no impact on the consolidated income statement or net assets.

ii In all instances, the holders of the debt instruments issued by these subsidiaries and funds do not have recourse beyond the assets of these subsidiaries and funds.

Notes to the consolidated financial statements continued

26 Subordinated liabilities and other borrowings (continued)

26.3 Maturity analysis

The following table sets out the remaining contractual maturity analysis of the Group's other borrowings as recognised in the consolidated statement of financial position:

	Borrowings attributable to the With-Profits Fund							
	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	Over 5 years £m	No stated maturity £m	Total £m
As at 31 December 2024	**617**	**312**	**463**	**354**	**388**	**1,173**	**1**	**3,308**
As at 31 December 2023[i]	532	601	267	1,219	531	820	—	3,970

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, the comparative amount for less than one year has been restated from that previously reported. The restatement has had no impact on the consolidated income statement or net assets.

Operational borrowings of £2m (2023: £1m restated) have no stated maturity.

27 Lease liabilities

The Group leases various land and buildings which it utilises as office space and also sublets to other organisations. Information about leases for which the Group is a lessee is presented below.

For the year ended 31 December	2024 £m	2023 £m
At 1 January	**387**	420
Transfers[i]	**64**	(8)
Additions	**14**	8
Disposals	**(5)**	(8)
Interest expense	**15**	13
Foreign exchange differences	**(5)**	—
Lease repayments	**(45)**	(38)
At 31 December	**425**	387

i For the year ended 31 December 2024, transfers in of £64m relate to lease liabilities held for sale in relation to the Group's consolidated infrastructure capital private equity vehicles (2023: transfers out of £8m).

As at 31 December 2024, £126m (2023: £73m) of the lease liabilities are attributable to the With-Profits Fund.

The table below presents a maturity analysis of lease liabilities:

As at 31 December	2024 £m	2023 £m
Expected to be settled within one year	**50**	29
Expected to be settled after one year	**375**	358
Total lease liabilities	**425**	387

The table below presents a maturity analysis of lease payments showing the undiscounted lease payments to be paid on an annual basis on these leases:

As at 31 December	2024 £m	2023 £m
Future minimum lease payments falling due in:		
Less than 1 year	**51**	46
1 to 5 years	**178**	139
Over 5 years	**705**	939

For the year ended 31 December 2024 there are no lease break options exercisable by the Group (2023: none).

Notes to the consolidated financial statements continued

28 Provisions

	2024 £m	2023 £m
Regulatory	**10**	1
Staff benefits	**53**	52
Restructuring	**—**	4
Other	**51**	25
Total provisions	**114**	82

For the year ended 31 December	2024 £m	2023 £m
At 1 January	**82**	90
Charged to consolidated income statement:		
Additional provisions	**29**	13
Unused amounts released	**(1)**	(7)
Used during the year	**(6)**	(13)
Foreign exchange difference	**—**	(1)
Transfer from held for sale	**10**	—
At 31 December	**114**	82

Regulatory
The regulatory provision primarily relates to a regulatory provision held within one of the Group's consolidated private equity infrastructure vehicles.

Staff benefits
Staff benefits primarily relates to performance-related bonuses expected to be paid to staff over the next three years.

Restructuring
The restructuring provisions as at 31 December 2023 were in relation to transformation costs.

Other
Other provisions includes amounts related to redress to customers in the platform business which occurred prior to the Group's acquisition of the relevant business.

29 Accruals, deferred income and other liabilities

As at 31 December	2024 £m	2023 £m
Outstanding purchases of investment securities	**2,409**	3,943
Accruals and deferred income	**929**	1,230
Deferred consideration	**221**	239
Interest payable	**50**	97
Creation of units awaiting settlement	**35**	40
Property related creditors	**26**	20
Other	**697**	657
Total accruals, deferred income and other liabilities	**4,367**	6,226
Analysed as:		
Expected to be settled within one year	**4,153**	5,993
Expected to be settled after one year	**214**	233
Total accruals, deferred income and other liabilities	**4,367**	6,226

Notes to the consolidated financial statements continued

30 Structured entities

Structured entities are those that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The Group invests in structured entities such as:

- Pooled investment vehicles, including OEICs, unit trusts, SICAVs and limited partnerships.
- Debt securitisation vehicles, including collateralised debt obligations, mortgage-backed securities and other similar asset-backed securities.

Structured entities which the Group is deemed to control are consolidated in the consolidated financial statements. As at 31 December 2024 and 31 December 2023, the Group has not provided, and has no intention to provide, non-contractual financial or other support to consolidated or unconsolidated structured entities that could expose the Group to a loss.

30.1 Investments in unconsolidated structured entities

The table below shows aggregate carrying amounts of the investments in unconsolidated structured entities reported in the consolidated statement of financial position:

As at 31 December	2024 £m	2023 £m
Statement of financial position line item:		
Equity securities and pooled investment funds	**10,284**	12,146
Debt securities	**2,132**	2,174
Total	**12,416**	14,320

The Group generates returns and retains the ownership risks in these investments commensurate to its participation and does not have any further exposure to the residual risks or losses of the investments or the vehicles in which it holds investments. Further details on risks associated with financial assets and how they are managed are provided in Note 32.

Included in equity securities and pooled investment funds as at 31 December 2024 were £3,703m (2023: £4,170m) of investments in structured entities managed by the Group. Investment management fees for the year end 31 December 2024 of £431m (2023: £414m) were recognised from managing these entities.

The maximum exposure to loss for unconsolidated structured entities in which the Group holds an investment is the carrying value of the Group's investment and the loss of future fees.

The Group also has interests in structured entities managed by the Group in which it holds no investment, through the collection of investment management fees. The maximum exposure to loss for these interests is loss of future fees.

Investment management fees recognised for the year end 31 December 2024 from managing these entities were £232m (2023: £151m).

31 Fair value methodology

31.1 Determination of fair value hierarchy

The fair values of assets and liabilities for which fair valuation is required under IFRS are determined by the use of current market bid prices for exchange-quoted investments, by using quotations from independent third parties such as brokers and pricing services, or by using appropriate valuation techniques. Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction.

To provide further information on the approach used to determine and measure the fair value of certain assets and liabilities, the following fair value hierarchy categorisation has been used. This hierarchy is based on the inputs to the fair value measurement and reflects the lowest level input that is significant to that measurement.

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 1 principally includes exchange-listed equities, mutual funds with quoted prices, exchange-traded derivatives such as futures and options, and national government bonds, unless there is evidence that trading in a given instrument is so infrequent that the market could not be considered active. It also includes other financial instruments where there is clear evidence that the year-end valuation is based on a traded price in an active market.

Level 2 - inputs other than quoted prices included within level 1 that are observable either directly (ie as prices) or indirectly (ie derived from prices)

Level 2 principally includes corporate bonds and other national and non-national government debt securities which are valued using observable inputs, together with over-the-counter derivatives such as forward exchange contracts and non-quoted investment funds valued with observable inputs. It also includes investment contract liabilities without DPF valued with observable inputs.

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.1 Determination of fair value hierarchy (continued)

Level 3 - significant inputs for the asset or liability are not based on observable market data (unobservable inputs)
Level 3 principally includes investments in private equity funds, directly held investment properties and investments in property funds which are exposed to bespoke properties or risks and investments which are internally valued or subject to a significant number of unobservable assumptions. It also includes debt securities which are rarely traded or traded only in privately negotiated transactions and hence where it is difficult to assert that their valuations have been based on observable market data.

Restatement of prior period information
Comparative figures within Note 31 have been restated following a presentational change in the levelling of equity securities and pooled investment funds and third party interest in consolidated funds. Equity securities and pooled investment funds of £941m have been restated as at 31 December 2023 (1 January 2023: £1,308m) from level 2 to level 3. Third party interest in consolidated funds of £2,110m have been restated as at 31 December 2023 (1 January 2023: £2,085m) from level 1 to level 3.

31.2 Valuation approach for level 2 assets and liabilities

A significant proportion of the Group's level 2 assets are corporate bonds, structured securities and other national and non-national government debt securities. These assets, in line with market practice, are generally valued using independent pricing services or quotes from third party brokers. These valuations are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis on prices achieved on subsequent trades.

Pricing services, where available, are used to obtain third party broker quotes. When prices are not available from pricing services, quotes are sourced directly from brokers. The Group seeks to obtain a number of quotes from different brokers so as to obtain the most comprehensive information available on their executability.

Where quotes are sourced directly from brokers, the price used in the valuation is normally selected from one of the quotes based on a number of factors, including the timeliness and regularity of the quotes and the accuracy of the quotes considering the spreads provided. The selected quote is the one which best represents an executable quote for the security at the measurement date.

31.3 Level 3 assets and liabilities

31.3.1 Valuation approach for level 3

Investments valued using valuation techniques include financial investments which by nature do not have an externally quoted price based on regular trades, and financial investments for which markets are no longer active as a result of market conditions eg market illiquidity. The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option-adjusted spread models and, if applicable, enterprise valuation. These techniques may include a number of assumptions relating to variables such as credit risk and interest rates. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments. When determining the inputs into the valuation techniques used, priority is given to publicly available prices from independent sources when available, but overall the source of pricing is chosen with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants on the measurement date.

Where certain debt securities are valued using broker quotes, adjustments may be required in limited circumstances. This is generally where it is determined that the third-party valuations obtained do not reflect fair value (eg either because the value is stale and/or the values are extremely diverse in range). These are usually securities which are distressed or that could be subject to a debt restructure, or where reliable market prices are no longer available due to an inactive market or market dislocation. In these instances, prices are derived using internal valuation techniques including those described below with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants on the measurement date. The techniques used require a number of assumptions relating to variables such as credit risk and interest rates. Examples of such variables include credit spreads taken from appropriate public comparables. The input assumptions are determined based on the best available information at the measurement dates. Securities valued in such manner are classified as level 3 where these significant inputs are not based on observable market data.

Certain debt securities and commercial loans were valued based on the credit quality of the underlying borrower and allocating an internal credit rating which is unobservable. These debt securities are priced by taking the credit spreads on comparable quoted public debt securities and applying these to the equivalent debt securities, factoring in a specified liquidity premium. The selection of comparable quoted public debt securities used to determine the credit spread takes into account the internal credit rating, maturity, sector and currency of the debt security.

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.3 Level 3 assets and liabilities (continued)

31.3.1 Valuation approach for level 3 (continued)

The fair value estimates are made at a specific point in time, based upon any available market information and judgements about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time a significant volume of a particular financial instrument, nor do they consider the tax impact of the realisation of unrealised gains or losses from selling the financial instrument being fair valued. In some cases, the disclosed value cannot be realised in immediate settlement of the financial instrument. In accordance with the Group Risk Framework, the estimated fair value of derivative financial instruments valued internally using standard market practices are subject to assessment against external counterparties' valuations.

The Group's investment properties are valued by professionally qualified external valuers, in accordance with RICS valuation standards, which also reflect considerations within the RICS Guidance Note "Sustainability and ESG in commercial property valuation and strategic advice". An income capitalisation technique is predominantly applied, which calculates the value through the yield and rental value depending on factors such as the lease length, building quality, covenants and location. Typically, the variables used by the external valuers in the valuation are compared to recent transactions with similar features to those being valued, and effectively represent proxies for a range of factors which includes climate risk. For example, the trend is towards greener buildings achieving better rents and yields than comparable buildings, all other factors being equal.

31.3.2 Analysis of internally valued level 3 financial instruments

Level 3 financial assets, net of financial liabilities, which were internally valued as at 31 December 2024 were £6,510m (2023: £6,709m restated), representing 5.0% of the total fair-valued financial assets net of financial liabilities (2023: 5.1% restated).

Internal valuations are inherently more subjective than external valuations. These internally valued assets and liabilities primarily consist of the following items:

- Debt securities of £7,085m as at 31 December 2024 (2023: £7,278m), of which £5,205m (2023: £5,746m) were valued using discounted cash flow models with an internally developed discount rate. These include senior and junior notes backed by residential ground rents with a carrying value of £1,077m (2023: £1,241m). Please see Notes 31.8.1 and 31.8.2 for more information on these assets. The remaining debt securities were valued using other valuation methodologies such as enterprise valuation and estimated recovery.
- Private equity investments in both debt and equity securities of £275m as at 31 December 2024 (2023: £325m) were valued internally using a discounted cash flow model. The most significant inputs to the valuation are the forecast cash flows of the underlying business, internally derived discount rate, and terminal value assumption, all of which involve significant judgement. The valuation is performed in accordance with International Private Equity and Venture Capital Association valuation guidelines. These investments are held by the Group's consolidated private equity infrastructure funds.
- Equity release mortgage loans of £952m as at 31 December 2024 (2023: £928m) and a corresponding liability of £221m (2023: £239m), which were valued internally using discounted cash flow models. The inputs that are most significant to the valuation of these loans are the internally derived discount rate, the current property value, the assumed future property growth and the assumed future annual property rental yields.
- Other commercial loans of £1,644m as at 31 December 2024 (2023: £1,417m) were valued using discounted cash flow models with an internally developed discount rate.
- Liabilities of £4,707m as at 31 December 2024 (2023: £4,855m restated), for the third party interest in consolidated funds in respect of the consolidated investment funds, which are non-recourse to the Group. These liabilities were valued by reference to the underlying assets.

31.3.3 Governance of level 3

The Group's valuation policies, procedures and analyses for instruments categorised as level 3 are overseen by management committees as part of the Group's wider financial reporting governance processes. The procedures undertaken include approval of valuation methodologies, verification processes, and resolution of significant or complex valuation issues. In undertaking these activities, the Group makes use of the extensive expertise of its asset management function. In addition, the Group has minimum standards for independent price verification to ensure valuation accuracy is regularly independently verified.

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.4 Fair value hierarchy for assets measured at fair value in the consolidated statement of financial position

The tables below present the Group's assets measured at fair value by level of the fair value hierarchy for each component of business as set out in Note 32.

As at 31 December	Note	2024 Level 1 £m	2024 Level 2 £m	2024 Level 3 £m	2024 Total £m
With-profits:					
Investment property		—	—	13,738	13,738
Equity securities and pooled investment funds		35,666	1,373	16,343	53,382
Loans		—	713	2,160	2,873
Debt securities		22,606	25,057	4,484	52,147
Derivative assets		47	707	—	754
Total with-profits		58,319	27,850	36,725	122,894
Unit-linked:					
Investment property		—	—	—	—
Equity securities and pooled investment funds		10,552	430	61	11,043
Debt securities		1,915	2,685	9	4,609
Derivative assets		—	—	—	—
Total unit-linked		12,467	3,115	70	15,652
Annuity and other long-term business:					
Investment property		—	—	647	647
Equity securities and pooled investment funds		180	91	3	274
Loans		—	—	1,262	1,262
Debt securities		3,723	4,629	3,827	12,179
Derivative assets		—	172	26	198
Total annuity and other long-term business		3,903	4,892	5,765	14,560
Other:					
Equity securities and pooled investment funds		128	—	63	191
Debt securities		587	253	—	840
Derivative assets		—	133	—	133
Total other		715	386	63	1,164
Group:					
Investment property	32	—	—	14,385	14,385
Equity securities and pooled investment funds	32	46,526	1,894	16,470	64,890
Loans	32	—	713	3,422	4,135
Debt securities	32	28,831	32,624	8,320	69,775
Derivative assets	32	47	1,012	26	1,085
Total assets at fair value		75,404	36,243	42,623	154,270

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.4 Fair value hierarchy for assets measured at fair value in the consolidated statement of financial position (continued)

		Restated[i] 2023			
As at 31 December	Note	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
With-profits:					
Investment property		—	—	14,423	14,423
Equity securities and pooled investment funds		38,863	719	15,021	54,603
Loans		—	747	1,860	2,607
Debt securities		17,966	29,837	4,436	52,239
Derivative assets		222	1,082	—	1,304
Total with-profits		57,051	32,385	35,740	125,176
Unit-linked:					
Investment property		—	—	310	310
Equity securities and pooled investment funds		10,642	473	43	11,158
Debt securities		1,796	2,841	14	4,651
Derivative assets		18	12	—	30
Total unit-linked		12,456	3,326	367	16,149
Annuity and other long-term business:					
Investment property		—	—	689	689
Equity securities and pooled investment funds		177	88	4	269
Loans		—	—	1,301	1,301
Debt securities		2,631	5,851	4,275	12,757
Derivative assets		—	195	32	227
Total annuity and other long-term business		2,808	6,134	6,301	15,243
Other:					
Equity securities and pooled investment funds		151	—	67	218
Debt securities		678	358	—	1,036
Derivative assets		—	132	—	132
Total other		829	490	67	1,386
Group:					
Investment property	32	—	—	15,422	15,422
Equity securities and pooled investment funds	32	49,833	1,280	15,135	66,248
Loans	32	—	747	3,161	3,908
Debt securities	32	23,071	38,887	8,725	70,683
Derivative assets	32	240	1,421	32	1,693
Total assets at fair value		73,144	42,335	42,475	157,954

i Following a review of the Group's presentation of the levelling of equity securities and pooled investment funds and third party interest in consolidated funds, comparative amounts have been restated from those previously reported. See Note 31.1 for further information.

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.5 Fair value hierarchy for liabilities measured at fair value in the consolidated statement of financial position

The tables below present the Group's liabilities measured at fair value by level of the fair value hierarchy:

As at 31 December	2024 Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment contract liabilities without DPF	—	12,144	—	12,144
Third party interest in consolidated funds	4,272	199	5,013	9,484
Derivative liabilities	151	3,039	12	3,202
Accruals, deferred income and other liabilities	—	—	221	221
Total liabilities at fair value	**4,423**	**15,382**	**5,246**	**25,051**

As at 31 December	Restated[i] 2023 Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment contract liabilities without DPF	—	12,535	—	12,535
Third party interest in consolidated funds	4,474	342	5,077	9,893
Derivative liabilities	76	2,821	13	2,910
Accruals, deferred income and other liabilities	—	—	239	239
Total liabilities at fair value	4,550	15,698	5,329	25,577

i Following a review of the Group's presentation of the levelling of equity securities and pooled investment funds and third party interest in consolidated funds, comparative amounts have been restated from those previously reported. See Note 31.1 for further information.

31.6 Transfers between levels

The Group's policy is to recognise transfers into and transfers out of levels as at the end of each half-year reporting period, except for material transfers, which are recognised as of the date of the event or change in circumstances that caused the transfer. Transfers are deemed to have occurred when there is a material change in the observed valuation inputs or a change in the level of trading activities of the securities.

For the year ended 31 December	2024 Transfers between levels: Equity securities and pooled investment funds £m	Loans £m	Debt securities £m	Derivatives £m	Total £m
From level 1 to level 2[i, iii]	70	—	3,652	—	3,722
From level 1 to level 3[i]	15	—	90	—	105
From level 2 to level 1[i, iii]	148	—	10,136	—	10,284
From level 2 to level 3[i]	85	5	606	—	696
From level 3 to level 1	—	—	—	—	—
From level 3 to level 2[i]	2	26	768	—	796

For the year ended 31 December	2023 Transfers between levels: Equity securities and pooled investment funds £m	Loans £m	Debt securities £m	Derivatives £m	Total £m
From level 1 to level 2[i, iii]	—	—	3,127	—	3,127
From level 1 to level 3[i]	39	—	45	—	84
From level 2 to level 1[i, iii]	—	—	3,301	—	3,301
From level 2 to level 3[i, ii]	632	50	310	3	995
From level 3 to level 1[i]	—	—	5	—	5
From level 3 to level 2[i]	—	1	171	—	172

i The transfers in debt securities are in line with the Group's levelling policy during the year ended 31 December 2024 and 31 December 2023.

ii During the year ended 31 December 2023, additional information was identified in relation to a number of collective investment holdings (within equity securities and pooled investment funds) with a value of £658m now reflected within level 3.

iii The transfers in debt securities from level 2 to 1 and level 1 to 2 are primarily driven by movements in liquidity in the bond markets towards the end of the financial year.

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.7 Reconciliation of movements in level 3 assets and liabilities

The movements during the year of level 3 assets and liabilities held at fair value (excluding those held for sale) are analysed in the tables below:

	2024										
	At 1 Jan £m	Total gains/(losses) recorded in income statement £m	Foreign exchange £m	Purchases /other £m	Sales /other £m	Transfer to held for sale £m	Settled £m	Issued £m	Transfers into level 3 £m	Transfers out of level 3 £m	At 31 Dec £m
Level 3 assets:											
Investment property	**15,422**	**(340)**	**22**	**1,083**	**(1,320)**	**(482)**	**—**	**—**	**—**	**—**	**14,385**
Equity securities and pooled investment funds	**15,135**	**(25)**	**67**	**1,567**	**(372)**	**—**	**—**	**—**	**100**	**(2)**	**16,470**
Loans	**3,161**	**(71)**	**12**	**826**	**(485)**	**—**	**—**	**—**	**5**	**(26)**	**3,422**
Debt securities	**8,725**	**(445)**	**10**	**1,630**	**(1,528)**	**—**	**—**	**—**	**696**	**(768)**	**8,320**
Derivative assets	**32**	**(3)**	**—**	**—**	**—**	**—**	**(3)**	**—**	**—**	**—**	**26**
Total level 3 assets	**42,475**	**(884)**	**111**	**5,106**	**(3,705)**	**(482)**	**(3)**	**—**	**801**	**(796)**	**42,623**
Level 3 liabilities:											
Third party interest in consolidated funds	**5,077**	**(375)**	**(145)**	**—**	**(6)**	**—**	**(522)**	**691**	**293**	**—**	**5,013**
Derivative liabilities	**13**	**(1)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**12**
Other financial liabilities	**239**	**(5)**	**—**	**—**	**—**	**—**	**(13)**	**—**	**—**	**—**	**221**
Total level 3 liabilities	**5,329**	**(381)**	**(145)**	**—**	**(6)**	**—**	**(535)**	**691**	**293**	**—**	**5,246**

	Restated[i] 2023										
	At 1 Jan £m	Total gains/(losses) recorded in income statement £m	Foreign exchange £m	Purchases /other £m	Sales /other £m	Transfer to held for sale £m	Settled £m	Issued £m	Transfers into level 3 £m	Transfers out of level 3 £m	At 31 Dec £m
Level 3 assets:											
Investment property	16,505	(1,053)	(365)	1,037	(530)	(172)	—	—	—	—	15,422
Equity securities and pooled investment funds	14,488	(841)	(240)	2,671	(1,463)	(151)	—	—	671	—	15,135
Loans	2,727	21	(19)	968	(585)	—	—	—	50	(1)	3,161
Debt securities	8,950	107	(20)	853	(1,280)	(64)	—	—	355	(176)	8,725
Derivative assets	26	8	—	—	—	—	(5)	—	3	—	32
Total level 3 assets	42,696	(1,758)	(644)	5,529	(3,858)	(387)	(5)	—	1,079	(177)	42,475
Level 3 liabilities:											
Third party interest in consolidated funds	3,773	(210)	(127)	—	—	—	(110)	839	949	(37)	5,077
Derivative liabilities	9	4	—	—	—	—	—	—	—	—	13
Other financial liabilities	246	—	—	—	—	—	(7)	—	—	—	239
Total level 3 liabilities	4,028	(206)	(127)	—	—	—	(117)	839	949	(37)	5,329

i Following a review of the Group's presentation of the levelling of equity securities and pooled investment funds and third party interest in consolidated funds, comparative amounts have been restated from those previously reported. See Note 31.1 for further information.

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.8 Sensitivity of the fair value of level 3 instruments to changes in significant inputs

31.8.1 Level 3 assets inputs

Where possible, the Group assesses the sensitivity of the fair value of level 3 assets to reasonably possible changes in the most significant unobservable inputs.

The most significant unobservable inputs in determining the fair value of level 3 assets are presented within the tables below.

Real estate:

As at 31 December	Property type	Geographical location	Estimated rental value range[i] 2024	Estimated rental value range[i] 2023[ii]	Equivalent yield range 2024	Equivalent yield range 2023[ii]
Investment property	Industrial	UK	**£4 to £29**	£3 to £29	**4.67% to 10.64%**	4.70% to 9.70%
		Asia/Pacific	**$68 to $284**	$93 to $292	**3.08% to 7.50%**	3.00% to 7.50%
	Office	UK	**£10 to £64**	£12 to £64	**4.73% to 10.52%**	4.72% to 11.19%
		Asia/Pacific	**$396 to $1,096**	$400 to $1,144	**2.87% to 7.50%**	3.70% to 6.75%
		North America	**$48**	$50	**8.00%**	7.75%
	Residential	UK	**£8 to £97**	£12 to £91	**4.25% to 8.00%**	4.15% to 6.98%
		Europe	**€209 to €329**	€186 to €279	**3.65% to 4.90%**	3.61% to 8.42%
		Asia/Pacific	**$197 to $266**	$220 to $297	**3.46% to 4.55%**	4.18% to 4.79%
	Retail	UK	**£10 to £55**	£15 to £47	**4.73% to 10.52%**	4.00% to 10.61%
		Asia/Pacific	**$328 to $1,808**	$398 to $1,782	**6.75% to 8.5%**	6.75% to 8.00%
	Other[iii]	UK	**£8 to £168**	£14 to £168	**5.49% to 6.50%**	5.63% to 6.70%
		Asia/Pacific	**$180 to $194**	$194 to $200	**8.00%**	8.50%

i The average estimated rental value for the UK and North America is quoted per square foot, while the average estimated rental value for Europe and Asia/Pacific is quoted per square metre in line with local practice.

ii The estimated rental value and equivalent yield are now shown as ranges instead of an average as previously reported following a review of presentation. This provides a better representation due to the limited populations of properties in each type.

iii Property type other represents hotels and student accommodation.

Other assets:

As at 31 December	Unobservable input	2024	2023
Retail income strips	Discount rate	**2.11% to 6.41%**	1.10% to 5.94%
Equity release mortgages	Discount rate	**2.76%**	2.76%
	Total portfolio property value	**£2.8bn**	£3.0bn
	Assumed property growth rate	**Risk free + 1.10%**	Risk free + 0.70%
Private placement loans[i]	*Credit risk premium:*		
	AAA to A	**0.32% to 3.07%**	0.58% to 5.87%
	BBB to BB	**0.45% to 6.11%**	1.09% to 6.65%
Infrastructure fund investments	Discount rate	**9.3% to 12.00%**	8.5% to 12.00%

i Note on residential ground rent assets.

Included within private placement loans are senior and junior notes backed by residential ground rents with a carrying value of £1,077m (2023: £1,241m), of which £743m are held in the shareholder-backed fund (2023: £859m).

As noted in the Draft Leasehold and Commonhold Reform Bill included in the King's Speech on 17 July 2024, potential future legislative change may result in a significant reduction in the cash flows that can be generated from these assets, although the eventual outcome is still uncertain. Furthermore, there is ongoing legislative and legal uncertainty around the abolition of marriage values (the linking of ground rents to increase in property values).

These uncertainties have been captured in the valuation through the application of probability weightings to plausible scenarios relevant to the matter and during the period credit ratings of certain senior notes have been downgraded. The range of the credit ratings of the portfolio ranges between A+ and BBB (2023: A+ and A). In addition, an incremental illiquidity spread of 0.30% (2023: 0.60%) above the comparable spread implied by the rating has been applied to reflect the compensation that a market participant would require at reporting date due to the uncertainty in future values. The reduction on the illiquidity premium reflects the impact of the uncertainty partly captured already through the probability weighting and the ratings downgrade.

The sensitivities of the valuation of the private placement loan portfolio to a change in discount rate is presented in the tables below.

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.8 Sensitivity of the fair value of level 3 instruments to changes in significant inputs (continued)

31.8.2 Level 3 asset sensitivities

The table below provides a breakdown of assets within the level 3 fair value hierarchy by investment type, the sensitivity of the fair value to the possible changes in the most significant unobservable inputs, and the impact on IFRS profit/(loss) after tax and shareholders' equity for those held within the shareholder-backed funds.

	2024						
As at 31 December	Fair value £m	Held in shareholder-backed fund £m	Valuation technique	Most significant unobservable input	Sensitivity	Change in fair value £m	Impact on IFRS profit after tax and shareholders' equity[viii] £m
Investment property							
Property in use	13,859	647	Income capitalisation	Equivalent yield	Increase by 50bps	(1,227)	(43)
					Decrease by 50bps	1,489	52
				Estimated rental value	Increase by 10%	1,141	40
					Decrease by 10%	(1,107)	(39)
Property under development	526	—		Development cost	Increase by 10%	53	—
					Decrease by 10%	(53)	—
Loans							
Equity release mortgages[ii]	952	952	Discounted cash flow[iii]	Illiquidity premium	Increase by 50bps	(49)	(36)
					Decrease by 50bps	52	39
				Current property value	Increase by 10%	31	24
					Decrease by 10%	(41)	(30)
				Assumed annual property growth rate	Increase by 100bps	65	49
					Decrease by 100bps	(95)	(71)
				Assumed annual property rental yield	Increase by 100bps	(53)	(39)
					Decrease by 100bps	46	35
Other mortgages and retail loans	826	—	Broker quotes[iv]	Broker quotes	Increase by 10%	83	—
					Decrease by 10%	(83)	—
Other commercial loans	1,644	311	Broker quotes[iv]	Broker quotes	Increase by 10%	164	23
					Decrease by 10%	(164)	(23)
Equity securities and pooled investment fund[i]	16,359	127	Net asset statements	Net asset value	Increase by 10%	1,636	10
					Decrease by 10%	(1,636)	(10)
Infrastructure fund investments[v]	275	—	Discounted cash flow[vi]	Discount rate	Increase by 10%	(26)	—
					Decrease by 10%	31	—
Debt securities							
Private placement loans[ix]	4,942	2,912	Discounted cash flow[vii]	Discount rate	Increase by 50bps	(242)	(107)
					Decrease by 50bps	302	133
Retail income strips	263	227	Discounted cash flow[vii]	Discount rate	Increase by 50bps	(12)	(8)
					Decrease by 50bps	14	9
Unquoted corporate bonds	2,951	696	Broker quotes[iv], enterprise valuation, estimated recovery	Broker quotes	Increase by 10%	295	52
					Decrease by 10%	(295)	(52)
Derivative assets	26	26	Discounted cash flow	Discount rate	Increase by 50bps	—	—
					Decrease by 50bps	—	—
Total level 3	42,623	5,898					

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.8 Sensitivity of the fair value of level 3 instruments to changes in significant inputs (continued)

31.8.2 Level 3 asset sensitivities (continued)

	Restated[i]						
	2023						
As at 31 December	Fair value £m	Held in shareholder-backed fund £m	Valuation technique	Most significant unobservable input	Sensitivity	Change in fair value £m	Impact on IFRS profit after tax and shareholders' equity[viii] £m
Investment property:							
Property in use	14,414	994	Income capitalisation	Equivalent yield	Increase by 50bps	(1,277)	(67)
					Decrease by 50bps	1,535	81
				Estimated rental value	Increase by 10%	1,286	68
					Decrease by 10%	(1,240)	(65)
Property under development	1,008	5		Development cost	Increase by 10%	101	—
					Decrease by 10%	(101)	—
Loans							
Equity release mortgages[ii]	928	928	Discounted cash flow[iii]	Illiquidity premium	Increase by 50bps	(61)	(47)
					Decrease by 50bps	66	51
				Current property value	Increase by 10%	44	33
					Decrease by 10%	(54)	(41)
				Assumed annual property growth rate	Increase by 100bps	109	84
					Decrease by 100bps	(154)	(118)
				Assumed annual property rental yield	Increase by 100bps	(77)	(59)
					Decrease by 100bps	72	55
Other mortgages and retail loans	816	—	Broker quotes[iv]	Broker quotes	Increase by 10%	82	—
					Decrease by 10%	(82)	—
Other Commercial loans	1,417	373	Broker quotes[iv]	Broker quotes	Increase by 10%	142	29
					Decrease by 10%	(142)	(29)
Equity securities and pooled investment funds[i]	15,031	104	Net asset statements	Net asset value	Increase by 10%	1,503	8
					Decrease by 10%	(1,503)	(8)
Infrastructure fund investments[v]	325	—	Discounted cash flow[vi]	Discount rate	Increase by 10%	(62)	—
					Decrease by 10%	72	—
Debt securities							
Private placement loans[ix]	5,523	3,242	Discounted cash flow[vii]	Discount rate	Increase by 50bps	(293)	(129)
					Decrease by 50bps	325	143
Retail income strips	224	188	Discounted cash flow[vii]	Discount rate	Increase by 50bps	(12)	(7)
					Decrease by 50bps	13	9
Unquoted corporate bonds	2,757	859	Broker quotes[iv], enterprise valuation, estimated recovery	Broker quotes	Increase by 10%	276	66
					Decrease by 10%	(276)	(66)
Derivative assets	32	32	Discounted cash flow	Discount rate	Increase by 50bps	—	—
					Decrease by 50bps	—	—
Total level 3	42,475	6,725					

i Following a review of the Group's presentation of the levelling of equity securities and pooled investment funds and third party interest in consolidated funds, comparative amounts have been restated from those previously reported. See Note 31.1 for further information.

ii The equity release mortgages have a no-negative equity guarantee (NNEG) that caps the loan repayment in the event of death, or entry into long-term care, to be no greater than the proceeds from the sale of the property that the loans are secured against. The value of the NNEG, which is recognised as a deduction from the value of the loans, is based on a Black-Scholes option pricing valuation utilising a real-world approach and is estimated using assumptions, including future property growth rate and property price volatility.

iii The equity release mortgage loans of £952m as at 31 December 2024 (2023: £928m) and a corresponding liability of £221m (2023: £239m) were valued internally using discounted cash flow models. Future cash flows are estimated based on assumptions, including prepayment, death and entry into long-term care, and discounted using an appropriate discount rate, which references market rates for equity release mortgage loans.

iv Quotes received from an external pricing service.

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.8 Sensitivity of the fair value of level 3 instruments to changes in significant inputs (continued)

31.8.2 Level 3 asset sensitivities (continued)

v Infrastructure fund investments comprises £111m (2023: £104m) of equity securities and pooled investment funds and £164m (2023: £221m) of debt securities. These investments are valued in accordance with the International Private Equity and Venture Association valuation guidelines (latest edition December 2022). Valuations are also benchmarked against comparable infrastructure fund transactions. The discount rate is made up of cash flows from dividends due in respect of the equity investments and principal and interest from loan notes in respect of debt investments.

vi These investments are valued in accordance with the International Private Equity and Venture Association valuation guidelines (latest edition December 2022). Valuations are also benchmarked against comparable infrastructure transactions. The discount rate is made up of cash flows from dividends due in respect of the equity investments and principal and interest from loan notes in respect of debt investments.

vii The discount rate is made up of a risk-free rate and a credit spread. The risk-free rate is taken from an appropriate gilt of comparable duration and the spread is taken from a basket of comparable securities.

viii Of the £5,898m (31 December 2023: £6,725m) of level 3 assets held in shareholder-backed funds, £70m (2023: £367m) is held by unit-linked business. These assets are included in the analysis presented however, as the investment risk is borne by the unit-linked policyholders, there is no impact on IFRS profit/(loss) after tax and shareholder's equity.

ix Included within private placement loans is senior and junior notes backed by residential ground rent assets with a carrying value of £1,077m of which £743m were held in the shareholder-backed fund (2023: £1,241m of which £859m in the shareholder-backed fund) which may be impacted by potential future legislative change as mentioned in Note 31.8.1.

31.9 Unrealised gains and losses in respect of level 3 assets and liabilities

Unrealised gains and losses recognised in the consolidated income statement in respect of assets and liabilities classified as level 3 that are held at the end of the year are analysed as follows:

As at 31 December	2024 £m	Restated[i] 2023 £m
Investment property	**(317)**	(1,124)
Equity securities and pooled investment funds	**219**	(662)
Loans	**(70)**	11
Debt securities	**(581)**	(106)
Third party interest in consolidated funds	**371**	236
Derivatives	**(5)**	—
Other financial liabilities	**5**	—
Total	**(378)**	(1,645)

i Following a review of the Group's presentation of the levelling of equity securities and pooled investment funds and third party interest in consolidated funds, comparative amounts have been restated from those previously reported. See Note 31.1 for further information.

31.10 Fair value of assets and liabilities at amortised cost

The tables below show the fair value of assets and liabilities carried at amortised cost on the consolidated statement of financial position where the fair value does not approximate the carrying value:

	2024				
As at 31 December	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m	Total carrying value £m
Liabilities:					
Subordinated liabilities and other borrowings	**—**	**5,608**	**339**	**5,947**	**6,486**

	Restated[i] 2023				
As at 31 December	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m	Total carrying value £m
Liabilities:					
Subordinated liabilities and other borrowings	—	6,822	260	7,082	7,647

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, comparative amounts have been restated from those previously reported. The restatement has had no impact on the consolidated income statement or net assets. See Note 1.1 for further information.

The estimated fair value of subordinated liabilities are based on the quoted market offer price. The fair value of the other liabilities in the tables above have been estimated from the discounted cash flows expected to be received or paid. Where appropriate, an observable market interest rate has been used and the assets and liabilities are classified within level 2. Otherwise, they are included as level 3.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis

32.1 Risk overview

The Group's business involves the acceptance and management of risk. The Group's risk management process is governed by the Risk Management Framework (RMF). The RMF is designed to manage risk within agreed appropriate levels, aligned to delivering its strategy and creating long-term value for clients and shareholders. Risk management is the process of identifying, assessing, managing and reporting current and emerging risks, supported by embedded risk culture and strong governance. Effective risk management enables better decision-making and safeguards the Group's ability to meet commitments to its shareholders, customers and clients, comply with regulation, manage disruption and protects its reputation. For more information on the RMF, please refer to page 44.

Risk appetite is the amount and type of risk that the Group is willing to accept in pursuit of its business objectives, and is approved by the Board. The risk appetite statements and limits specify the risk appetite and tolerance to take on risk. The statements and limits are aligned to the business model and strategy and cover significant financial and non-financial risks. For more information on risk appetite and limits please refer to page 45.

A number of risk factors affect the Group's results and financial position. The financial risk categories affecting the Group's financial instruments, insurance assets and liabilities are set out below:

Risk type	Definition
Market risk	The risk of loss or adverse change in the financial health of the business resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets, currencies liabilities and financial instruments.
Credit risk	The risk of loss or adverse change in the financial situation of the business, or that of the Group's customers and clients, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (eg downgrade or spread widening).
Insurance risk	The risk of loss or adverse change in the financial situation of the business, or that of the Group's customers and clients, resulting from changes in the level, trend or volatility of the following: – Morbidity/mortality/longevity risk: the risk of loss, the inability to meet contractual or other liabilities, and/or profit volatility resulting from adverse mortality and/or morbidity and/or longevity experience than estimated within pricing, underwriting and valuation. – Persistency risk: the risk of loss, the inability to meet contractual or other liabilities, and/or profit volatility resulting from adverse persistency experience than estimated within pricing and valuation. – Expenses and margin pricing: the risk of loss, the inability to meet contractual or other liabilities, and/or profit volatility resulting from adverse experience in expenses from those estimated in pricing and valuation when considering insurance contracts.
Liquidity risk	The risk that the Group and/or its business are unable to meet financial obligations (eg claims, creditors debt interest and collateral calls) as they fall due because they do not have or are unable to generate sufficient liquid assets. Fund liquidity risk is the risk of being unable to meet financial obligations as they fall due because of a mismatch in liquidity of the underlying assets and the frequency of liability requirements of the fund.

These risks are described in more detail in the following sections.

The Group's exposure to risks arising from financial instruments, insurance assets and liabilities is different for each component of the Group's business. The Group's consolidated statement of financial position is presented below for the different components of business.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.1 Risk overview (continued)

Analysis of consolidated statement of financial position by component of business

	2024				
		Shareholder-backed funds			
As at 31 December	With-profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
Assets:					
Goodwill and intangible assets	326	—	4	1,384	1,714
Deferred acquisition costs	—	1	3	15	19
Defined benefit pension asset	19	—	23	3	45
Investment in joint ventures and associates accounted for using the equity method	284	—	—	—	284
Property, plant and equipment	1,432	—	11	211	1,654
Investment property	13,738	—	647	—	14,385
Deferred tax assets	29	2	289	167	487
Insurance contract assets	—	—	39	—	39
Reinsurance contract assets	15	4	1,024	—	1,043
Equity securities and pooled investment funds	53,382	11,043	274	191	64,890
Loans	2,873	—	1,262	—	4,135
Debt securities	52,147	4,609	12,179	840	69,775
Derivative assets	754	—	198	133	1,085
Deposits	11,918	1,827	2,044	5	15,794
Current tax assets	31	5	16	13	65
Accrued investment income and other debtors	1,563	195	274	474	2,506
Assets held for sale	1,117	256	1	92	1,466
Cash and cash equivalents	3,176	365	488	809	4,838
Total assets	142,804	18,307	18,776	4,337	184,224
Liabilities:					
Insurance contract liabilities	123,244	4,108	13,912	—	141,264
Reinsurance contract liabilities	1	22	257	—	280
Investment contract liabilities without DPF	1,886	10,252	6	—	12,144
Third party interest in consolidated funds	7,032	2,449	3	—	9,484
Subordinated liabilities and other borrowings	3,308	1	1	3,176	6,486
Defined benefit pension liability	—	—	—	258	258
Deferred tax liabilities	629	27	41	8	705
Lease liabilities	126	—	10	289	425
Current tax liabilities	33	2	43	3	81
Derivative liabilities	1,352	14	1,619	217	3,202
Other financial liabilities	822	—	86	110	1,018
Provisions	10	4	11	89	114
Accruals, deferred income and other liabilities	2,308	359	1,149	551	4,367
Liabilities held for sale	1,058	15	—	—	1,073
Total liabilities	141,809	17,253	17,138	4,701	180,901
Total equity					3,323
Total equity and liabilities					184,224

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.1 Risk overview (continued)

Analysis of consolidated statement of financial position by component of business (continued)

	Restated[i] 2023				
		Shareholder-backed funds			
As at 31 December	With-profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
Assets:					
Goodwill and intangible assets	360	—	11	1,444	1,815
Deferred acquisition costs	—	5	4	14	23
Defined benefit pension asset	9	—	4	6	19
Investment in joint ventures and associates accounted for using the equity method	265	—	—	22	287
Property, plant and equipment	1,826	—	13	226	2,065
Investment property	14,423	310	689	—	15,422
Deferred tax assets	79	3	193	168	443
Insurance contract assets	—	—	44	—	44
Reinsurance contract assets	11	7	1,081	—	1,099
Equity securities and pooled investment funds	54,603	11,158	269	218	66,248
Loans	2,607	—	1,301	—	3,908
Debt securities	52,239	4,651	12,757	1,036	70,683
Derivative assets	1,304	30	227	132	1,693
Deposits	12,253	1,808	2,255	8	16,324
Current tax assets	9	15	41	2	67
Accrued investment income and other debtors	1,620	206	290	420	2,536
Assets held for sale	1,112	105	1	138	1,356
Cash and cash equivalents	3,043	501	555	1,049	5,148
Total assets	145,763	18,799	19,735	4,883	189,180
Liabilities:					
Insurance contract liabilities	123,596	4,404	14,135	—	142,135
Reinsurance contract liabilities	1	21	335	—	357
Investment contract liabilities without DPF	1,805	10,723	7	—	12,535
Third party interest in consolidated funds	7,617	2,271	5	—	9,893
Subordinated liabilities and other borrowings	3,970	—	1	3,676	7,647
Defined benefit pension liability	—	—	—	294	294
Deferred tax liabilities	619	11	38	14	682
Lease liabilities	73	—	11	303	387
Current tax liabilities	51	7	37	2	97
Derivative liabilities	1,129	4	1,514	263	2,910
Other financial liabilities	961	—	30	195	1,186
Provisions	—	—	12	70	82
Accruals, deferred income and other liabilities	4,371	495	792	568	6,226
Liabilities held for sale	665	—	—	—	665
Total liabilities	144,858	17,936	16,917	5,385	185,096
Total equity					4,084
Total equity and liabilities					189,180

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, comparative amounts for cash and cash equivalents and subordinated liabilities and other borrowings have been restated from those previously reported. The restatement has had no impact on the consolidated income statement or net assets. See Note 1.1 for further information.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.2 Market risk

Market risk is risk of loss or adverse change in the financial health of the business resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets, currencies liabilities and financial instruments.

Market risk comprises six types of risk, namely:

- Interest rate risk: fluctuations in the level and volatility of interest rates or the shape or curvature of the yield curve or spread relationship.
- Inflation risk: fluctuations in actual or implied inflation rates.
- Equity risk: fluctuations in the level or volatility of equity investments.
- Property risk: fluctuations in the level or volatility of property investments.
- Currency risk: fluctuations, including translation risk, in the level or volatility of currency exposures.
- Alternative investments risk: fluctuations in the level or volatility of alternative investment exposures.

The primary market risks that the Group faces are equity risk, property risk and interest rate risk. Most assets the Group holds are investments that are either equity or property-type investments and subject to equity or property price risk, or bonds, mortgages and cash deposits, the values of which are subject to interest rate risk. Additionally, the Group holds alternative investments which may exhibit some or all of these risks depending on the type of investment. The amount of risk borne by the Group's shareholders depends on the extent to which its customers share the investment risk through the structure of the Group's products.

The split of the Group's investments between equity investments and interest-sensitive instruments depends principally on the type of liabilities supported by those investments and the amount of capital the Group has available. This mix of liabilities allows the Group to invest a substantial portion of its investment funds in equity and property investments that the Group believes produce greater returns over the long term.

Market risk is managed through a robust market risk framework which includes: policies, risk appetite statements and risk limits and triggers covering key market risk exposures; asset and liability management programmes; a quality of capital framework; strategic asset allocations; investment and hedging strategies; and the use of investment constraints and the limits for asset portfolios.

Procedures are in place to respond to significant market events and disruptions, bringing together colleagues from across the business to provide enhanced monitoring and decision-making capability.

32.2.1 Interest rate risk and inflation risk

The majority of the Group's interest rate exposure arises from shareholder-backed annuities. The value of the liabilities are exposed to interest rate movements, but these are closely matched with assets of an appropriate duration to manage interest rate risk in accordance with regulatory capital reporting requirements. The assets held in excess of the liabilities, which back the capital requirements of the annuity business, result in an exposure to interest rate risk.

Exposure to interest rate risk also arises on the shareholders' share of the excess assets in the With-Profits Fund.

The assets and liabilities for the with-profits and unit-linked components of business are sensitive to interest rates, but the shareholder is not directly exposed to changes in the value of these assets and liabilities. The shareholder is indirectly exposed to interest rate risk through the value of future shareholder transfers from with-profits business and charges levied on unit-linked and asset management business.

The Group manages its exposure to interest rate risk within defined constraints via hedging strategies.

Material increases in inflation may increase the Group's cost base and the amount that it needs to set aside to meet future obligations, negatively impacting profitability. Inflation risk primarily arises from certain annuity contracts that have benefit escalation linked to a price index. The Group manages this exposure by matching inflation-linked annuity liabilities with corresponding inflation-linked assets.

32.2.2 Equity and property risk

While the Group holds significant amounts of equity and property assets on its consolidated statement of financial position, the shareholders' exposure to equity and property risk for the with-profits and unit-linked business is limited as the risk is predominantly borne by the policyholder. For with-profits business, the impact of equity and property risk on shareholder transfers is reduced over the short-term due to the PruFund smoothing process and the prudent approach taken to regular bonuses declarations on traditional with-profits business. However, the impact of equity and property risk on long-term investment performance may affect future shareholder transfers. The Group has entered into a partial equity hedge of the shareholder transfers expected to emerge from the WPSF in order to mitigate this risk.

The Group's direct exposure to this risk arises from the 'annuities and other long-term business' component's holdings in equity securities and property, which are not hedged or matched by corresponding liabilities.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.2 Market risk (continued)

32.2.3 Currency risk

The Group invests significant amounts of policyholder funds in overseas assets as part of its investment strategy. The direct currency risk exposure to the shareholder from the with-profits and unit-linked components of business is minimal, although the shareholder is indirectly exposed to currency risk in relation to the future value of shareholder transfers from with-profits business and charges levied on unit-linked and asset management business. Currency risk exposure arising from overseas assets held by the shareholder-backed annuity and other long-term business is mitigated through the use of derivatives. The currency risk exposure arising from unit-linked business is low.

As at 31 December 2024, the Group held 53% (2023: 50%) and 44% (2023: 38%) of its financial assets and financial liabilities respectively, in currencies other than pounds sterling, the presentation currency of the Group. The non-sterling currencies are primarily US dollar and euro.

Of these financial assets, as at 31 December 2024, 93% (2023: 92%) are held by the With-Profits Fund, allowing the fund to obtain exposure to foreign equity markets. Of these financial liabilities, as at 31 December 2024, 74% (2023: 74%) are held by the With-Profits Fund, mainly relating to foreign currency borrowings. The exchange risks inherent in these exposures are mitigated through the use of derivatives, mainly forward currency contracts.

For the year ended 31 December 2024, exchange losses of £53m (2023: losses of £126m) were recognised within the total net insurance and investment result in the consolidated income statement; mainly arising on assets held by the With-Profits Fund, the majority of which are offset by changes in with-profits and unit-linked liabilities. This excludes exchange gains and losses arising on foreign currency investments measured at FVTPL, which are included as part of gains and losses included in investment return, which is shown in Note 5.

The Group is also exposed to structural currency translation risk as a result of overseas operations which contribute to equity. The assets and liabilities of foreign operations are translated into the Group's presentational currency, pounds sterling. Foreign exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

32.3 Credit risk

The Group's exposure to credit risk primarily arises from the annuity funds, which hold substantial volumes of public and private fixed income investments on which a certain level of defaults and downgrades are expected.

Exposure to credit risk also arises on the shareholders' share of the excess assets in the With-Profits Fund.

While the with-profits and unit-linked funds have large holdings of assets subject to credit risk, the shareholder results of the Group are not directly exposed to credit defaults on assets held in these components of business. However, the shareholder is indirectly exposed to credit risk from these components of business in relation to the future value of shareholder transfers from with-profits business and charges levied on unit-linked and asset management business. The direct exposure of the Group's shareholders' equity to credit default risk in the 'other' component is small in the context of the Group.

Credit risk is managed through a robust credit and counterparty framework which includes: policies, standards, appetite statements, limits and triggers (including relevant governance and controls); investment constraints and limits on the asset portfolios (in particular, in relation to credit rating, seniority, sector and issuer), and counterparties in particular for derivatives, reinsurance and cash; and a robust credit rating process.

32.3.1 Financial assets

The following tables provide an analysis of the quality of financial assets which are exposed to credit risk. The financial assets below are analysed according to external credit ratings issued, with equivalent ratings issued by different ratings agencies grouped together. Standard & Poor's ratings have been used where available. For securities where Standard & Poor's ratings are not immediately available, those produced by Moody's and then Fitch have been used as an alternative.

	2024						
As at 31 December	**AAA £m**	**AA+ to AA- £m**	**A+ to A- £m**	**BBB+ to BBB- £m**	**Below BBB- £m**	**Other £m**	**Total £m**
Reinsurance contract assets	—	70	874	—	—	99	1,043
Loans	—	—	159	6	1,416	2,554	4,135
Debt securities	5,461	18,786	13,770	15,618	6,276	9,864	69,775
Deposits	53	3,006	10,520	373	65	1,777	15,794
Accrued investment income and other debtors	44	145	170	176	84	1,887	2,506
Cash and cash equivalents	576	761	3,345	25	31	100	4,838
Total financial assets	**6,134**	**22,768**	**28,838**	**16,198**	**7,872**	**16,281**	**98,091**

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.3 Credit risk (continued)

32.3.1 Financial assets (continued)

As at 31 December	Restated[i] 2023 AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	Below BBB- £m	Other £m	Total £m
Reinsurance contract assets	—	74	923	—	—	102	1,099
Loans	—	—	783	4	370	2,751	3,908
Debt securities	6,604	17,340	16,919	14,213	4,930	10,677	70,683
Deposits	9	4,667	8,526	1,427	—	1,695	16,324
Accrued investment income and other debtors	38	117	297	126	49	1,909	2,536
Cash and cash equivalents	826	1,058	3,202	18	17	27	5,148
Total financial assets	7,477	23,256	30,650	15,788	5,366	17,161	99,698

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, comparative amounts for cash and cash equivalents have been restated from those previously reported. The restatement has had no impact on the consolidated income statement or net assets. See Note 1.1 for further information.

The credit ratings, information or data contained in this report which are attributed and specifically provided by Standard & Poor's, Moody's and Fitch Solutions and their respective affiliates and suppliers ('Content Providers') is referred to here as the 'Content'. Reproduction of any content in any form is prohibited except with the prior written permission of the relevant party. The Content Providers do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. The Content Providers expressly disclaim liability for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold any such investment or security, nor does it address the suitability of an investment or security and should not be relied on as investment advice.

In the table above, AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB- ratings. Financial assets which fall outside this range are classified as below BBB- and are non-investment grade.

The Group is exposed to the risk of counterparty default on its reinsurance assets. The Group evaluates the financial condition of its reinsurers and monitors concentration of credit risk to minimise its exposure from reinsurer insolvencies. The split of the reinsurance asset by credit rating is shown above.

Loans that were impaired are not significant to the Group. Further information on the loans portfolio is provided in Note 18.

Debt securities with no external credit rating are classified as 'other'. The following table shows the majority of debt securities shown as 'other' are allocated an internal rating and are considered to be of investment grade quality:

As at 31 December	2024 £m	2023 £m
AAA	**100**	188
AA+ to AA-	**900**	841
A+ to A-	**3,626**	4,721
BBB+ to BBB-	**2,391**	1,944
Below BBB-	**1,096**	1,138
Unrated	**1,751**	1,845
Total	**9,864**	10,677

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.3 Credit risk (continued)

32.3.2 Debt securities

The table below presents the Group's debt securities by asset category and external credit rating issued for each component of business as set out in Note 32.1.

	2024						
As at 31 December	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	Below BBB- £m	Other £m	Total £m
Government Sovereign debt	3,971	13,747	1,924	2,794	1,727	102	24,265
With-profits	2,729	10,479	1,853	2,680	1,706	3	19,450
Unit-linked	115	1,353	54	88	21	99	1,730
Annuity and other long-term business	604	1,866	17	26	—	—	2,513
Other	523	49	—	—	—	—	572
Quasi-sovereign and Public sector debt	196	1,568	240	381	873	288	3,546
With-profits	152	780	183	373	866	206	2,560
Unit-linked	8	116	12	8	7	2	153
Annuity and other long-term business	36	672	45	—	—	80	833
Corporate debt	1,093	3,277	11,220	12,149	3,541	7,835	39,115
With-profits	631	2,101	8,543	9,278	3,216	4,113	27,882
Unit-linked	80	213	877	1,212	254	38	2,674
Annuity and other long-term business	239	920	1,782	1,635	68	3,673	8,317
Other	143	43	18	24	3	11	242
Asset-backed securities	201	194	386	294	135	1,639	2,849
With-profits	86	122	186	208	135	1,518	2,255
Unit-linked	10	16	9	14	—	3	52
Annuity and other long-term business	79	56	191	72	—	118	516
Other	26	—	—	—	—	—	26
Total debt securities	5,461	18,786	13,770	15,618	6,276	9,864	69,775
With-profits	3,598	13,482	10,765	12,539	5,923	5,840	52,147
Unit-linked	213	1,698	952	1,322	282	142	4,609
Annuity and other long-term business	958	3,514	2,035	1,733	68	3,871	12,179
Other	692	92	18	24	3	11	840

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.3 Credit risk (continued)

32.3.2 Debt securities (continued)

	2023						
As at 31 December	**AAA £m**	**AA+ to AA- £m**	**A+ to A- £m**	**BBB+ to BBB- £m**	**Below BBB- £m**	**Other £m**	**Total £m**
Government Sovereign debt	4,790	12,650	1,699	2,295	1,213	187	22,834
With-profits	3,365	9,297	1,670	2,220	1,213	80	17,845
Unit-linked	109	1,354	15	47	—	107	1,632
Annuity and other long-term business	715	1,934	14	27	—	—	2,690
Other	601	65	—	1	—	—	667
Quasi-sovereign and Public sector debt	202	1,572	204	397	873	300	3,548
With-profits	157	821	145	377	873	238	2,611
Unit-linked	1	58	13	2	—	1	75
Annuity and other long-term business	44	693	46	18	—	61	862
Corporate debt	1,242	2,875	14,587	11,268	2,755	8,544	41,271
With-profits	745	1,789	11,670	8,332	2,423	4,462	29,421
Unit-linked	27	110	1,239	1,209	257	23	2,865
Annuity and other long-term business	283	904	1,644	1,707	72	4,057	8,667
Other	187	72	34	20	3	2	318
Asset-backed securities	370	243	429	253	89	1,646	3,030
With-profits	217	161	203	153	89	1,539	2,362
Unit-linked	17	22	17	23	—	—	79
Annuity and other long-term business	85	60	209	77	—	107	538
Other	51	—	—	—	—	—	51
Total Debt Securities	6,604	17,340	16,919	14,213	4,930	10,677	70,683
With-profits	4,484	12,068	13,688	11,082	4,598	6,319	52,239
Unit-linked	154	1,544	1,284	1,281	257	131	4,651
Annuity and other long-term business	1,127	3,591	1,913	1,829	72	4,225	12,757
Other	839	137	34	21	3	2	1,036

As at 31 December 2024 corporate debt exposure to banks amounted to £7,051m (2023: £8,884m).

The Group has holdings in asset-backed securities (ABS) which are presented within debt securities on the consolidated statement of financial position. The Group's holdings in ABS, which comprise residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralised debt obligations (CDO) funds and other asset-backed securities are shown within the table above.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.3 Credit risk (continued)

32.3.2 Debt securities (continued)

The Group's exposure to sovereign debt is analysed by issuer as follows:

	2024				
As at 31 December	With-profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
Government Sovereign debt securities by country:					
UK	**5,966**	**1,300**	**1,834**	**519**	**9,619**
Germany	**556**	**22**	**128**	**—**	**706**
Other European countries	**1,146**	**22**	**499**	**—**	**1,667**
Total Europe	**7,668**	**1,344**	**2,461**	**519**	**11,992**
United States	**3,552**	**65**	**—**	**2**	**3,619**
Latin America countries	**673**	**25**	**26**	**—**	**724**
South Africa	**961**	**101**	**—**	**—**	**1,062**
South Korea	**905**	**27**	**—**	**—**	**932**
Indonesia	**840**	**24**	**—**	**—**	**864**
Malaysia	**894**	**25**	**—**	**—**	**919**
Singapore	**364**	**10**	**—**	**—**	**374**
Philippines	**575**	**17**	**—**	**—**	**592**
Thailand	**512**	**15**	**—**	**—**	**527**
India	**711**	**22**	**—**	**—**	**733**
Other	**1,795**	**55**	**26**	**51**	**1,927**
Total	**19,450**	**1,730**	**2,513**	**572**	**24,265**

	2023				
As at 31 December	With-profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
Government Sovereign debt securities by country:					
UK	5,195	1,338	1,910	606	9,049
Germany	601	16	140	—	757
Other European countries	1,235	1	436	—	1,672
Total Europe	7,031	1,355	2,486	606	11,478
United States	3,328	5	—	10	3,343
Latin America countries	425	19	27	—	471
South Africa	922	105	—	—	1,027
South Korea	1,047	12	—	—	1,059
Indonesia	858	9	—	—	867
Malaysia	810	8	—	—	818
Singapore	491	5	—	—	496
Philippines	522	6	—	—	528
Thailand	499	6	—	—	505
India	450	5	—	—	455
Other	1,462	97	177	51	1,787
Total	17,845	1,632	2,690	667	22,834

As at 31 December 2024 other European countries included £1,248m (2023: £1,232m) and other included £1,144m (2023: £1,342m) of Supranational Government bonds.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.3 Credit risk (continued)

32.3.3 Derecognition, collateral and offsetting

Securities lending and repurchase agreements

The Group has entered into securities lending and repurchase agreements whereby blocks of securities are transferred to third parties, primarily major brokerage firms, in exchange for collateral. Typically, the value of collateral assets pledged to the Group in these transactions is in excess of the value of securities transferred, with the excess determined by the quality of the collateral assets granted. Collateral requirements are calculated on a daily basis. The securities lent and securities subject to repurchase agreements are not derecognised from the Group's consolidated statement of financial position. Collateral typically consists of cash, debt securities, equity securities and letters of credit. Cash collateral received is recognised on the consolidated statement of financial position and a financial liability for the obligation for the Group to repay the cash is also recognised. Non-cash collateral received is not recognised on the consolidated statement of financial position. Collateral pledged by the Group under reverse repurchase arrangements, aside from cash, is not derecognised from the consolidated statement of financial position as the risks and rewards are still retained by the Group. Cash collateral pledged is derecognised as it is pledged under right to use by the counterparty and a financial asset is recognised for the obligation for the counterparty to repay the cash to the Group.

As at 31 December 2024, the Group had £5,847m (2023: £7,308m) of collateral pledged under securities lending and repurchase agreements, primarily relating to the With-Profits Fund. The cash and securities collateral accepted under securities lending agreements was £5,627m (2023: £6,961m). As at 31 December 2024, the Group had entered into reverse repurchase transactions under which it purchased securities and had taken on the obligation to resell the securities. The fair value of the collateral held in respect of these transactions was £10,355m (2023: £10,165m).

Collateral and pledges under derivative transactions

At 31 December 2024, the Group had pledged £2,712m (2023: £2,116m) for liabilities and held collateral of £403m (2023: £468m) in respect of over-the-counter derivative transactions.

These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard securities lending and repurchase agreements.

Other collateral

At 31 December 2024, the Group had pledged collateral of £570m (2023: £635m) in respect of other transactions. This primarily arises from collateral pledged in relation to deferred purchase consideration on equity release mortgages and reinsurance exposures.

Offsetting assets and liabilities

The Group's derivative instruments, repurchase agreements and securities lending agreements are subject to master netting arrangements and collateral arrangements. A master netting arrangement with a counterparty creates a right of offset for amounts due to and due from that same counterparty that is enforceable in the event of a default or bankruptcy. The Group recognises amounts subject to master netting arrangements on a gross basis on the consolidated statement of financial position.

The following tables present the gross and net information about the Group's financial instruments subject to master netting arrangements:

	2024				
		Related amounts not offset on the consolidated statement of financial position			
As at 31 December	Gross amount included on the consolidated statement of financial position £m	Financial instruments £m	Cash collateral £m	Securities collateral £m	Net amount £m
Financial assets:					
Derivative assets	840	(754)	(77)	(4)	5
Reverse repurchase agreements	11,973	—	—	(10,333)	1,640
Total financial assets	12,813	(754)	(77)	(10,337)	1,645
Financial liabilities:					
Derivative liabilities	2,737	(754)	(13)	(1,898)	72
Securities lending and repurchase agreements	617	—	—	(617)	—
Total financial liabilities	3,354	(754)	(13)	(2,515)	72

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.3 Credit risk (continued)

32.3.3 Derecognition, collateral and offsetting (continued)

	2023				
		Related amounts not offset on the consolidated statement of financial position			
As at 31 December	Gross amount included on the consolidated statement of financial position £m	Financial instruments £m	Cash collateral £m	Securities collateral £m	Net amount £m
Financial assets:					
Derivative assets	1,280	(884)	(387)	(6)	3
Reverse repurchase agreements	13,615	—	—	(10,141)	3,474
Total financial assets	14,895	(884)	(387)	(10,147)	3,477
Financial liabilities:					
Derivative liabilities	2,520	(884)	(29)	(1,548)	59
Securities lending and repurchase agreements	726	—	—	(730)	(4)
Total financial liabilities	3,246	(884)	(29)	(2,278)	55

In the tables above, the amounts of assets or liabilities included on the consolidated statement of financial position would be offset first by financial instruments that have the right of offset under master netting or similar arrangements, with any remaining amount reduced by the amount of cash and securities collateral. The actual amount of collateral may be greater than the amounts presented in the tables. Reverse repurchase agreements shown in the tables above are included within deposits on the consolidated statement of financial position.

32.3.4 Impairment of financial assets

Significant increase in credit risk

When determining whether the credit risk (ie risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Group's experience, expert credit assessment and forward-looking information.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the debtor.

Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to show a period of good payment behaviour.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month Expected Credit Losses (ECL).

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.3 Credit risk (continued)

32.3.4 Impairment of financial assets (continued)

Low credit risk debt instruments

The Group has used the low credit risk exemption for financial instruments when they meet the following conditions:

- the financial instrument has a low risk of default;
- the borrower is considered to have a strong capacity to meet its obligations in the near term; and
- the Group expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be BBB- or higher based on Moody's (or equivalent) ratings. The Group defines low credit risk financial assets as financial assets that are BBB- investment grade at the reporting date, based on the Group's credit grading policies. For such instruments, the significant increase in credit risk is not assessed, and the impairment allowance is calculated and the financial asset is measured using the 12-month ECL, as long as the financial asset meets the criteria above.

Definition of default

The Group considers any exposure to financial assets in default to be credit impaired.

The impact of any collateral received will not be considered for the assessment of whether an asset is credit impaired. The collateral is considered for the estimate of the related ECLs.

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value plus eligible transaction costs. The new asset is allocated to Stage 1 under IFRS 9 (assuming that it is not credit-impaired at the date of modification).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of:

- its remaining lifetime PD as at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

Measurement of ECL

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.3 Credit risk (continued)

32.3.4 Impairment of financial assets (continued)

Loss allowance

The Group has used the low credit risk exemption for deposits and accrued investment income and other debtors and calculates the loss allowance based on 12-month ECL. The carrying amounts and ECL allowances are shown in the following table:

	2024		2023	
	12-month ECL		12-month ECL	
Balance as at 31 December	Carrying amount £m	Related ECL allowance £m	Carrying amount £m	Related ECL allowance £m
Deposits	**15,794**	**2**	16,324	8
Accrued investment income and other debtors	**2,506**	**31**	2,536	2

There were no financial assets that were still subject to enforcement activity as at 31 December 2024 and 31 December 2023.

The table presenting an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised is included in Note 32.3.1. The carrying amount of financial assets above also represents the Group's maximum exposure to credit risk on these assets.

32.4 Demographic and expense risk

The Group is exposed to significant levels of demographic risk. This arises mainly from the annuity business in the form of longevity risk, which is the risk of unexpected changes in the life expectancy (longevity) of policyholders. If mortality improvement rates significantly exceed the level assumed, the Group's results are particularly sensitive to the assumptions made in relation to future longevity experience. For example, a major medical breakthrough impacting the treatment of cancer or other life-threatening diseases would require the Group to strengthen its longevity assumptions, increasing the value of liabilities and requiring additional assets to be set aside to meet these liabilities. The Group's annuity business results are also sensitive to changes in the level of expenses incurred on the business.

Longevity risk for both shareholder-backed business and policyholder-backed business has been predominantly managed through:

- Annual reviews of best estimate assumptions, supported by detailed assessments of actual mortality experience versus best estimate assumptions;
- Regular monitoring of longevity exposure;
- Longevity research; and
- Longevity risk transfer transactions, assessed against principles and guidance provided in internal standards.

The Group is also exposed to expense risk in relation to maintenance expense levels from the shareholder-backed annuity business.

For with-profits business, mortality and other demographic risks are relatively minor factors in the determination of the policyholder bonus rates. Adverse persistency experience can affect the level of profitability from with-profits contracts, but in any given year the shareholders' share of cost of bonus may only be marginally affected. However, altered persistency trends may affect future expected shareholder transfers.

For unit-linked business, by virtue of the design features of most of the contracts which provide low levels of mortality cover, profit is relatively insensitive to changes in mortality experience. Persistency experience variances can affect the level of profit in the year. The shareholder is also exposed to variances in expenses relative to the charges levied on these products.

The risk arising from the other long-term business is not significant in the context of the Group's overall liabilities.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.4 Demographic and expense risk (continued)

32.4.1 Concentration of insurance risk

The geographical concentration of the insurance contract assets and liabilities (both gross and net of reinsurance) is shown below. The disclosure is based on the carrying amounts of insurance contract assets and liabilities and reinsurance contract assets and liabilities disaggregated to countries where the business is written.

	2024			2023		
As at 31 December	United Kingdom £m	Europe £m	Total £m	United Kingdom £m	Europe £m	Total £m
With-profits:						
Insurance contract assets and liabilities	**(115,559)**	**(7,685)**	**(123,244)**	(116,135)	(7,461)	(123,596)
Reinsurance	**14**	**—**	**14**	10	—	10
Net	**(115,545)**	**(7,685)**	**(123,230)**	(116,125)	(7,461)	(123,586)
Unit-linked:						
Insurance contract assets and liabilities	**(3,664)**	**(444)**	**(4,108)**	(3,964)	(440)	(4,404)
Reinsurance	**4**	**(22)**	**(18)**	7	(21)	(14)
Net	**(3,660)**	**(466)**	**(4,126)**	(3,957)	(461)	(4,418)
Annuity and other long-term business:						
Insurance contract assets and liabilities	**(13,689)**	**(184)**	**(13,873)**	(13,892)	(199)	(14,091)
Reinsurance	**766**	**1**	**767**	746	—	746
Net	**(12,923)**	**(183)**	**(13,106)**	(13,146)	(199)	(13,345)
Total:						
Insurance contract assets and liabilities	**(132,912)**	**(8,313)**	**(141,225)**	(133,991)	(8,100)	(142,091)
Reinsurance	**784**	**(21)**	**763**	763	(21)	742
Net	**(132,128)**	**(8,334)**	**(140,462)**	(133,228)	(8,121)	(141,349)

32.5 Liquidity risk

Liquidity risk is the risk that the Group and/or its business are unable to meet financial obligations (eg claims, creditors debt interest and collateral calls) as they fall due because they do not have or are unable to generate sufficient liquid assets.

Fund liquidity risk is the risk of being unable to meet financial obligations as they fall due because of a mismatch in liquidity of the underlying assets and the frequency of liability requirements of the fund.

The Group's IFRS results are indirectly exposed to fund liquidity risk, for example, through reputational damage leading to lower funds under management and lower revenue through charges collected. However, as the effect on the Group's IFRS results is indirect, this risk is not discussed further and the remainder of this section refers to liquidity risk.

Liquidity management in the Group seeks to ensure that, even under adverse conditions, the Group has access to the funds necessary to cover surrenders, withdrawals and maturing liabilities.

Liquidity risk is carefully managed, in particular in relation to: bank balances, cash flow forecasting, appropriate fund management (to ensure that assets are not unduly concentrated in less liquid investments) and detailed cash flow matching for the annuity business. Specific arrangements are also in place to manage liquidity in the unit-linked funds, particularly property funds where the underlying assets are relatively illiquid.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.5 Liquidity risk (continued)

32.5.1 Contractual maturities of financial liabilities on an undiscounted cash flow basis

The following table sets out the contractual maturities for applicable classes of financial liabilities, excluding derivative liabilities that are separately presented in section 32.5.2. The financial liabilities are included in the column relating to the contractual maturities at the undiscounted cash flows (including contractual interest payments and expected benefit payments) due to be paid, assuming conditions are consistent with those at the year end.

	2024								
As at 31 December	Total carrying value £m	1 year or less £m	After 1 year to 5 years £m	After 5 years to 10 years £m	After 10 years to 15 years £m	After 15 years to 20 years £m	Over 20 years £m	No stated maturity £m	Total undiscounted value £m
Financial liabilities:									
Investment contracts without DPF	**12,144**	**12,144**	**—**	**—**	**—**	**—**	**—**	**—**	**12,144**
Third party interest in consolidated funds	**9,484**	**95**	**368**	**176**	**22**	**—**	**2**	**8,821**	**9,484**
Subordinated liabilities and other borrowings	**6,486**	**835**	**2,240**	**2,014**	**841**	**841**	**5,049**	**—**	**11,820**
Other financial liabilities	**1,018**	**870**	**—**	**—**	**—**	**—**	**—**	**148**	**1,018**
Accruals, deferred income and other liabilities	**4,223**	**4,253**	**61**	**95**	**117**	**104**	**151**	**—**	**4,781**
Total	**33,355**	**18,197**	**2,669**	**2,285**	**980**	**945**	**5,202**	**8,969**	**39,247**

	Restated[i] 2023								
As at 31 December	Total carrying value £m	1 year or less £m	After 1 year to 5 years £m	After 5 years to 10 years £m	After 10 years to 15 years £m	After 15 years to 20 years £m	Over 20 years £m	No stated maturity £m	Total undiscounted value £m
Financial liabilities:									
Investment contracts without DPF	12,535	12,535	—	—	—	—	—	—	12,535
Third party interest in consolidated funds	9,893	521	463	190	—	—	13	8,706	9,893
Subordinated liabilities and other borrowings	7,647	868	3,427	1,321	941	1,345	5,846	—	13,748
Other financial liabilities	1,186	1,092	—	—	—	—	—	94	1,186
Accruals, deferred income and other liabilities	6,083	6,563	43	90	116	107	170	—	7,089
Total	37,344	21,579	3,933	1,601	1,057	1,452	6,029	8,800	44,451

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, comparative amounts for subordinated liabilities and other borrowings have been restated from those previously reported. The restatement has had no impact on the consolidated income statement or net assets. See Note 1.1 for further information.

Most investment contracts have options to surrender early, often subject to surrender or other penalties. Therefore, most contracts can be said to have a contractual maturity of less than one year, but the additional charges and term of the contracts mean surrenders are unlikely to be exercised in practice.

The vast majority of the Group's financial assets are held to back the Group's policyholder liabilities. Although asset/liability matching is an important component of managing policyholder liabilities (both those classified as insurance and those classified as investments), this profile is mainly relevant for managing market risk rather than liquidity risk. Within each business unit this asset/liability matching is performed on a portfolio-by-portfolio basis.

In terms of liquidity risk, a large proportion of the policyholder liabilities contain discretionary surrender values or surrender charges, meaning that many of the Group's liabilities are expected to be held for the long term. Many of the Group's investment portfolios are in marketable securities, which can therefore be converted quickly to liquid assets. As a result, an analysis of the Group's assets by contractual maturity is not considered appropriate to evaluate the nature and extent of the Group's liquidity risk.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.5 Liquidity risk (continued)

32.5.2 Maturity analysis of derivatives

The following table shows the gross and net derivative positions together with the maturity profile of the contractual undiscounted cash flows:

	2024								
As at 31 December	Total carrying value £m	1 year or less £m	After 1 year to 5 years £m	After 5 years to 10 years £m	After 10 years to 15 years £m	After 15 years to 20 years £m	Over 20 years £m	No stated maturity £m	Total undiscounted value £m
Derivative assets	**1,085**	**300**	**485**	**271**	**145**	**169**	**320**	**—**	**1,690**
Derivative liabilities	**3,202**	**852**	**911**	**1,042**	**990**	**709**	**1,195**	**—**	**5,699**
Net derivative position	**(2,117)**	**(552)**	**(426)**	**(771)**	**(845)**	**(540)**	**(875)**	**—**	**(4,009)**

	2023								
As at 31 December	Total carrying value £m	1 year or less £m	After 1 year to 5 years £m	After 5 years to 10 years £m	After 10 years to 15 years £m	After 15 years to 20 years £m	Over 20 years £m	No stated maturity £m	Total undiscounted value £m
Derivative assets	1,693	740	534	284	76	115	461	—	2,210
Derivative liabilities	2,910	561	841	1,052	187	757	2,160	—	5,558
Net derivative position	(1,217)	179	(307)	(768)	(111)	(642)	(1,699)	—	(3,348)

32.5.3 Maturity analysis of insurance contracts

The following tables provide a maturity analysis of the Group's insurance and reinsurance contract liabilities, which reflects the dates on which the cash flows are expected to occur. The Group has elected to analyse the estimates of the present value of the future cash flows by estimated timing. It excludes the release of the CSM which is in Note 24.5.

For reinsurance contracts held 95% (2023: 98%) relates to annuity and other long-term business contracts and so analysis by each line of business are not presented.

Insurance contracts[i]	2024			
As at 31 December	With-profits	Unit-linked insurance	Annuity and other long-term business	Total
0 to 1 year	**11%**	**14%**	**10%**	**11%**
1 to 2 years	**9%**	**12%**	**9%**	**9%**
2 to 3 years	**8%**	**10%**	**8%**	**8%**
3 to 4 years	**8%**	**9%**	**8%**	**8%**
4 to 5 years	**7%**	**8%**	**7%**	**7%**
5 to 10 years	**26%**	**27%**	**26%**	**26%**
10 to 15 years	**15%**	**12%**	**16%**	**15%**
15 to 20 years	**8%**	**5%**	**8%**	**8%**
20 to 25 years	**4%**	**2%**	**4%**	**4%**
Over 25 years	**4%**	**1%**	**4%**	**4%**
Total	**100%**	**100%**	**100%**	**100%**

Insurance contracts[i]	2023			
As at 31 December	With-profits	Unit-linked insurance	Annuity and other long-term business	Total
0 to 1 year	11%	15%	9%	11%
1 to 2 years	9%	12%	9%	9%
2 to 3 years	8%	10%	8%	8%
3 to 4 years	7%	9%	7%	7%
4 to 5 years	7%	8%	7%	7%
5 to 10 years	24%	26%	27%	25%
10 to 15 years	15%	12%	17%	15%
15 to 20 years	9%	5%	9%	9%
20 to 25 years	5%	2%	4%	5%
Over 25 years	5%	1%	3%	4%
Total	100%	100%	100%	100%

i There is no current plan for distribution of the policyholders' share of excess assets in the With-Profits Fund and so this is not included in the analysis.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.5 Liquidity risk (continued)

32.5.3 Maturity analysis of insurance contracts (continued)

Reinsurance contracts As at 31 December	2024 Total	2023 Total
0 to 1 year	**11%**	10%
1 to 2 years	**10%**	9%
2 to 3 years	**9%**	9%
3 to 4 years	**8%**	8%
4 to 5 years	**7%**	7%
5 to 10 years	**28%**	29%
10 to 15 years	**15%**	16%
15 to 20 years	**7%**	8%
20 to 25 years	**3%**	3%
Over 25 years	**2%**	1%
Total	**100%**	100%

32.6 Derivatives and hedging

The Group uses derivatives for the purpose of efficient portfolio management or the reduction in investment risk. In doing so, the Group obtains cost-effective and efficient exposure to various markets and manages exposure to equity, interest rate, currency, credit and other business risks. The Group has opted not to apply hedge accounting to derivatives.

The Group uses various interest rate derivative instruments such as interest rate swaps and swap options to reduce exposure to interest rate volatility. The Group also uses various currency derivatives in order to limit volatility due to foreign currency exchange rate fluctuations arising on securities denominated in currencies other than pounds sterling.

All over-the-counter (OTC) derivative transactions are conducted under standardised International Swaps and Derivatives Association Inc (ISDA) master agreements and Credit Support Annexes (CSA). The Group has collateral agreements between the individual entities in the Group, of which the Parent Company is one, and relevant counterparties in place under each of these market master agreements. The Group also has the ability to enter into cleared derivative positions under UK European Market Infrastructure Regulation (UK EMIR).

The total fair value balances of derivative assets and liabilities are shown in Note 18.

There are hedging arrangements in place for the with-profits liabilities, including some product-specific arrangements. The actual and required hedging positions are monitored at least monthly and rebalanced if required.

Under Article 11 of the UK European Market Infrastructure Regulation (EU) no 648/2012, OTC derivatives, central counterparties and trade repositories (UK EMIR and Commission Delegated Regulation (EU) 2016/2251 supplementing UK EMIR), market participants transacting in non-cleared OTC derivatives are required to exchange collateral to cover variation and initial margin. However, trades between counterparties belonging to the same group are exempt from these margin requirements subject to certain criteria.

Prudential Capital Plc (Legal Entity Identifier reference CHW8NHK268SFPTV63Z64) has entered into such derivative agreements with the following group entities. This counterparty pairing meets the criteria to be eligible for intra-group exemptions to the margin requirements:

As at 31 December Counterparty	Legal Entity Identifier	Relationship between parties	Type of exemption	2024 Aggregate notional of OTC derivatives contract £m	2023 Aggregate notional of OTC derivatives contract £m
M&G FA Limited	213800TFNC2ZYHSGTN11	M&G plc is the ultimate Parent Company for both parties	Full	**315**	392

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.6 Derivatives and hedging (continued)

32.6.1 Hedges in respect of shareholder transfers arising from the with-profits business

The shareholders' exposure to market risk from with-profits business arises from the shareholder transfers which depend on investment return of the funds. These shareholder transfers, while smoothed, are particularly exposed to equity risk.

The Group has entered into a partial equity hedge of the shareholder transfers expected to emerge from the WPSF in order to mitigate this risk. The effect for the year ended 31 December 2024 was an unrealised loss of £27m (2023: £8m) and a realised loss of £82m (2023: £109m).

PAC's shareholder fund had also previously entered into a risk management arrangement with the WPSF in relation to the shareholder transfers expected to emerge from the WPSF, specifically with regard to the PruFund new business written during 2018 to 2020. This arrangement was designed to protect the shareholders against extremely weak market returns. This arrangement was terminated in 2023 and resulted in a £9m realised loss for the year ended 31 December 2023.

In 2023, PAC's shareholder fund entered into a further arrangement with the WPSF in relation to the shareholder transfers expected to emerge from PruFund business written to 31 December 2022. The shareholder fund accepted a one-off cash payment in lieu of 20% of future shareholder transfers. This arrangement is mutually beneficial since it generates certainty and cash for the shareholder while reducing the WPSF exposure to a potential mismatch between the value of the shareholder transfers and the fixed charges taken to cover those transfers. In addition, under the arrangement the shareholder paid the WPSF for a higher share of future surplus from certain cohorts of business. For the year ended 31 December 2024 this arrangement resulted in a net loss of £46m (2023: loss of £36m).

32.6.2 Other shareholder hedging arrangements

The Group's shareholder fund has purchased interest rate swap instruments to protect the capital position against interest rate movements. For the year ended 31 December 2024, these instruments resulted in an unrealised loss of £117m (2023: unrealised gain of £116m) and a £nil realised gain/loss (2023: realised loss of £36m).

32.7 IFRS profit and liability sensitivity analysis

The Group uses a wide ranging stress and scenario testing approach to, among other things, understand the potential volatility of earnings, and capital requirements and for the purposes of efficient capital management. Results of the IFRS profit and liability sensitivity analysis for the long-term business to reasonable possible movements in key economic and non-economic risk factors are summarised below (sensitivity of the capital position is detailed separately in the supplementary notes). For sensitivities arising from financial assets refer to Note 31.8.

The risks are described in further detail throughout this note. For each sensitivity test the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged. The sensitivities applied are described below. The sensitivities capture the immediate effects of an event occurring, as opposed to the longer-term or second-order effects which may impact future years' profits, and do not reflect management actions which could be taken to mitigate the impacts of these events occurring. The results shown include the impacts on both the with-profits business and the non-profit annuity business.

Sensitivity factor	Sensitivity applied
Economic scenario:	
+/- 50bps interest rates	The impact of a parallel increase/(decrease) in the market interest rates. The scenario allows for the impact on both the changes to future yields and investment returns and the market values of the fixed interest securities.
+/- 10% change in equity & property market values	The impact of an increase/(decrease) in equity and property market values.
+ 5 bps increase in the with-profits illiquidity premium	The impact of an increase in the illiquidity premium on with-profits business of 5 bps.
+ 5 bps increase in annuity credit default/downgrade assumption	The impact on non-profit annuity liabilities from a 5 bps strengthening of the credit default/downgrade assumptions.
Non-economic scenario:	
+/- 5% renewal expenses	The impact of a permanent increase/(decrease) in future maintenance expense assumptions across all lines of business.
+/- 10% persistency assumptions	The impact of a permanent increase/(decrease) in the lapse rates for the business.
+/- 1% base mortality rates	The impact of a permanent increase/(decrease) in the base mortality rates at all ages.
+ 0.25% increase in mortality improvements	The impact of an increase in the annual rate of mortality improvements at all ages.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.7 IFRS profit and liability sensitivity analysis (continued)

32.7.1 Sensitivity - Profit/loss after tax/equity

The sensitivity of IFRS profit/(loss) after tax to the key economic and non-economic risks is summarised below. The impact on equity is expected to be consistent with the impact on IFRS profit/(loss) after tax. The change in net of reinsurance CSM is also shown.

	2024		2023	
	Profit £m	CSM £m	Profit £m	CSM £m
Economic sensitivities				
50bps increase in interest rates	**(154)**	**83**	(152)	129
50bps decrease in interest rates	**164**	**(89)**	160	(138)
10% fall in equity and property markets	**(5)**	**(587)**	(26)	(595)
10% rise in equity and property markets	**(3)**	**584**	15	592
5bps increase in with-profits illiquidity premium	**1**	**16**	2	20
5bps increase in annuity credit default/downgrade assumptions	**(34)**	**—**	(39)	—
Non-economic sensitivities				
5% increase in renewal expense assumptions	**9**	**(41)**	9	(42)
5% decrease in renewal expense assumptions	**(9)**	**41**	(9)	42
10% increase in persistency assumptions	**(5)**	**(76)**	(4)	(69)
10% decrease in persistency assumptions	**6**	**83**	5	76
1% increase in base mortality assumptions	**(39)**	**73**	(40)	75
1% decrease in base mortality assumptions	**39**	**(74)**	40	(79)
0.25% increase in mortality improvements	**102**	**(197)**	107	(208)

The interest rate stresses reflect a parallel shift in the nominal rate of interest at all durations. As described in Note 32.2.1, the impact on IFRS profit/(loss) after tax predominantly arises from assets held in excess of the IFRS liabilities. These assets are held to back the regulatory capital requirements.

The main impact to the Group of changes in equity and property asset values is through the entity's share of the returns in the with-profits fund through future shareholder transfers. Under IFRS reporting, the change in expected future profits adjusts the CSM and is released over the remaining lifetime of the business. The key impact to post-tax profit arises from the change in the level of CSM amortised in the current reporting period.

The impact of the non-economic sensitivities to expenses, mortality and mortality improvements are the opposite of the result that may be expected, and which may be seen in other financial metrics (eg in general we would expect an increase in mortality rates would result in an increase in IFRS profits, whereas a reduction is observed in the stress scenario). As detailed in Note 3.2, the application of IFRS 17 results in mismatches due to the use of locked-in rates for the CSM for annuities under GMM and in relation to the measurement of the non-profit business in the With-Profits Fund. This results in the sensitivity analysis reflecting an increase in IFRS profit when there is a strengthening of mortality assumptions, whereas the opposite effect might have been expected. The primary reasons for this are:

- interest rates at the time of recognising most of the in-force annuity business were substantially lower than current rates, resulting in a larger reduction in the CSM (from discounting the change in future cash flows at locked-in rates) than the increase in the fulfilment cash flows (from discounting the change in future cash flows at current rates); and
- the fair value of non-profit business written in the With-Profits Fund is reflected in the liabilities for with-profits policyholders, resulting in a mismatch in the timing of when the change in mortality assumptions impacts the with-profits liabilities and when the IFRS 17 CSM for non-profit business is recognised as insurance revenue.

As described above, the main impacts of the sensitivities on profit arise through either short-term fluctuations in investment returns or through mismatches arising on the application of IFRS 17. As a result there is limited impact on adjusted operating profit (in line with the methodology detailed in Note 3.2).

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.7 IFRS profit and liability sensitivity analysis (continued)

32.7.2 Sensitivity – Insurance and investment contract liabilities

The sensitivity of insurance and investment contract liabilities (detailed in Note 24) to the same key economic and non-economic sensitivities are summarised below:

As at 31 December 2024	Insurance contracts			Reinsurance contracts		
	Estimates of present value of future cash flows and risk adjustment £m	Contractual Service Margin £m	Total £m	Estimates of present value of future cash flows and risk adjustment £m	Contractual Service Margin £m	Total £m
Economic sensitivities						
50 bps increase in interest rates	**(1,627)**	**83**	**(1,544)**	**(10)**	**—**	**(10)**
50 bps decrease in interest rates	**1,751**	**(89)**	**1,662**	**12**	**—**	**12**
10% fall in equity and property markets	**(6,460)**	**(587)**	**(7,047)**	**—**	**—**	**—**
10% rise in equity and property markets	**6,461**	**584**	**7,045**	**—**	**—**	**—**
5 bps increase in with-profits illiquidity premium	**(18)**	**16**	**(2)**	**—**	**—**	**—**
5 bps increase in annuity credit default/downgrade assumptions	**46**	**—**	**46**	**1**	**—**	**1**
Non-economic sensitivities						
5% increase in renewal expense assumptions	**29**	**(41)**	**(12)**	**—**	**—**	**—**
5% decrease in renewal expense assumptions	**(29)**	**41**	**12**	**—**	**—**	**—**
10% increase in persistency assumptions	**83**	**(76)**	**7**	**—**	**—**	**—**
10% decrease in persistency assumptions	**(90)**	**83**	**(7)**	**—**	**—**	**—**
1% increase in base mortality assumptions	**(39)**	**96**	**57**	**(14)**	**23**	**9**
1% decrease in base mortality assumptions	**39**	**(97)**	**(58)**	**14**	**(23)**	**(9)**
0.25% increase in mortality improvements	**99**	**(260)**	**(161)**	**31**	**(63)**	**(32)**

As at 31 December 2023	Insurance contracts			Reinsurance contracts		
	Estimates of present value of future cash flows and risk adjustment £m	Contractual Service Margin £m	Total £m	Estimates of present value of future cash flows and risk adjustment £m	Contractual Service Margin £m	Total £m
Economic sensitivities						
50 bps increase in interest rates	(1,831)	129	(1,702)	(19)	—	(19)
50 bps decrease in interest rates	1,973	(138)	1,835	22	—	22
10% fall in equity and property markets	(6,369)	(595)	(6,964)	—	—	—
10% rise in equity and property markets	6,370	592	6,962	—	—	—
5 bps increase in with-profits illiquidity premium	(22)	20	(2)	—	—	—
5 bps increase in annuity credit default/downgrade assumptions	54	—	54	2	—	2
Non-economic sensitivities						
5% increase in renewal expense assumptions	31	(42)	(11)	—	—	—
5% decrease in renewal expense assumptions	(31)	42	11	—	—	—
10% increase in persistency assumptions	75	(69)	6	—	—	—
10% decrease in persistency assumptions	(82)	76	(6)	—	—	—
1% increase in base mortality assumptions	(42)	99	57	(16)	24	8
1% decrease in base mortality assumptions	46	(103)	(57)	16	(24)	(8)
0.25% increase in mortality improvements	112	(277)	(165)	38	(69)	(31)

The presentation above reflects a change in insurance contracts or reinsurance contracts where insurance contracts are expressed as a positive liability amount and reinsurance contracts are a positive asset amount.

Insurance contracts are insurance contract liabilities net of insurance contract assets.

Reinsurance contracts are reinsurance contract assets net of reinsurance contract liabilities.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.7 IFRS profit and liability sensitivity analysis (continued)

32.7.2 Sensitivity – Insurance and investment contract liabilities (continued)

The vast majority of the Group's financial assets are held to back the Group's policyholder liabilities. Consistent with this, the changes in the insurance and investment contract liabilities in the economic sensitivities are offset by corresponding changes in the value of the assets, with only the changes in the surplus assets contributing to changes in profit/(loss) after tax (as detailed in Note 32.7.1).

32.7.3 Other estimates in measurement of insurance contract liabilities

As a consequence of applying the mutualisation requirements of IFRS 17, a portion of the with-profits surplus assets are allocated to policyholders and a portion to shareholders. The portion of the with-profits surplus assets allocated to policyholders and shareholders under IFRS 17 reflects a judgement on the division of surplus in the With-Profits Fund. The policyholders' share is assessed on a prospective basis and is assumed to be 90%, consistent with the division of profits permitted by the Articles of Association. The portion of the surplus assets allocated to shareholders, £944m (after tax) at 31 December 2024 (2023: £1,037m) is not easily or practicably fungible to shareholders in the short-term.

IFRS 17 liabilities include an explicit risk adjustment, covering the Group's assessment of the margin required to cover non-financial risks. The assessment of the risk adjustment requires assumptions about the compensation that the Group requires for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk, the most significant of which is the assumed rates of policyholder mortality for annuity contracts. The Group has calibrated the risk adjustment at the 75th percentile of its internal calibrations of the risk distributions (which have a time horizon of one year) and amounts to £479m (2023: £488m) net of reinsurance. Increasing the calibration to the 80th percentile (over a one year time horizon) would increase the risk adjustment (net of reinsurance) at 31 December 2024 by around £96m (2023: £90m). The increase would be offset by a corresponding reduction in CSM, but with the CSM impact being assessed at locked-in rates as described above.

Potential future legislative action in relation to residential ground rents (as disclosed in Note 31.8.1) may result in an impact on the valuation of the notes backing these assets and the insurance contract liabilities. An increase of 50bps to the illiquidity premium would result in the fair value of the notes backing residential ground rents to decrease by £80m of which £56m would relate to the shareholder-backed fund (2023: £100m of which £70m relates to the shareholder-backed fund). Application of this sensitivity would result in the carrying value of the insurance contract liabilities to decrease by £37m, of which £15m would relate to the annuities which are shareholder-backed (2023: £50m of which £23m relates to the shareholder-backed fund).

The net asset and liability impact of an increase in illiquidity premium of 50bps would be to reduce the profit/(loss) after tax by £32m (2023: £38m).

In the event that the Government implements the 'peppercorn cap', the value of the insurance contract liabilities would be impacted due to a change in the overall portfolio yield on the writing down of the underlying residential ground rent assets. The impact would be dependent on replacement assets that are used to rebalance the portfolio.

32.7.4 Limitations

The sensitivity results demonstrate the effect of an instantaneous change in a key assumption while other assumptions remain unchanged. In reality, changes may occur over a period of time and there may be a correlation between the risks. The sensitivity analysis does not take into consideration active management of the Group's assets and liabilities, and that this may change the impact of an emerging risk scenario. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis includes the use of 'hypothetical' market movements to demonstrate potential risk exposures, for example:

- The sensitivity analysis assumes a parallel shift in interest rates at all terms. These results cannot be used to calculate the impact of non-parallel yield movements.
- The sensitivity analysis assumes equivalent assumption changes across all markets, eg all equity and property assets rise (fall) by 10%. The actual impact on the Group's assets may not be identical to the observed changes in market indices and so actual impacts on the Group cannot be inferred by applying the sensitivities to observed changes in key indices.

Notes to the consolidated financial statements continued

33 Contingencies and related obligations

33.1 Litigation, tax and regulatory matters

In addition to the matters set out in Note 10.3 regarding the portfolio dividend tax litigation, the Group is involved in various litigation and regulatory issues. While the outcome of such litigation and regulatory issues cannot be predicted with certainty, the Directors believe that their ultimate outcome will not have a material adverse effect on the Group's financial condition, results of operations, or cash flows.

33.2 Guarantees

Guarantee funds provide for payments to be made to policyholders on behalf of insolvent life insurance companies and are financed by payments levied on solvent insurance companies based on location, volume and types of business. The estimated reserve for future guarantee fund assessments is not significant, and adequate reserves are available for all anticipated payments for known insolvencies.

M&G plc acts as guarantor for certain property leases where a Group company is a lessee. The most material of these is the guarantee provided in respect of the 10 Fenchurch Avenue lease between Saxon Land B.V. and M&G Corporate Services Limited.

The Group has also received guarantees in respect of subleasing arrangements, entered into in the normal course of business.

On acquisition of a controlling interest in MandG Investments Southern Africa (Pty) Limited (MGSA), M&G Group Limited provided a guarantee in respect of an existing loan facility between Thesele, the seller of MGSA, and Nedbank, a third party bank amounting to ZAR 220m. The guarantee is secured on 7% of the shares that Thesele retains in MGSA.

M&G Group Regulated Entity Holding Company Limited is guarantor for the obligations of M&G Corporate Services Limited to make payments under the Scottish Amicable Staff Pension Scheme.

The Group has also provided other guarantees and commitments to third parties entered into in the normal course of business, but the Group does not consider that these would result in a significant unprovisioned loss.

33.3 Support for the With-Profits Fund by shareholders

PAC is liable to meet its obligations to with-profits policyholders even if the assets of the with-profits sub-funds are insufficient to do so. The assets in excess of amounts expected to be paid for future terminal bonuses and related shareholder transfers ('the excess assets') in the with-profits sub-funds could be materially depleted over time by, for example, a significant or sustained equity market downturn. In the unlikely circumstance that the depletion of the excess assets within the with-profits sub-funds was such that the Group's ability to satisfy policyholders' reasonable expectations was adversely affected, it might become necessary to restrict the annual distribution to shareholders or to contribute shareholders' funds to the with-profits sub-funds to provide financial support.

There are a number of additional arrangements between the shareholder and the With-Profits Fund as follows:

- The With-Profits Fund contributed to the costs of establishing the Polish branch of PAC, and receives repayment through income from charges levied on the business. There is an obligation on the shareholders to ensure that the With-Profits Fund will be repaid in full with interest, and an amount is recognised for the estimated cost to the shareholder of any shortfall at the end of the term of the agreement. The policyholders' share of the impact is included in the insurance contract liabilities for the With-Profits Fund, with changes in value recognised in finance expenses from insurance contracts issued in the consolidated income statement. The amount held within insurance contract liabilities is £55m as at 31 December 2024 (2023: £56m).
- Part of the acquisition costs incurred in the early years of M&G Wealth Advice Limited were funded by the With-Profits Fund. In return, M&G Wealth Advice Limited is required to deliver cost savings to the With-Profits Fund. In the event of closure of M&G Wealth Advice Limited or, the cost savings not being delivered and M&G Wealth Advice Limited stops writing new business, the shareholder will reimburse the With-Profits Fund for any remaining shortfall. The time period for repayment is not defined.
- Transformation costs associated with with-profits new business will be recovered in the pricing of future new business (subject to a shareholder underpin whereby the shareholder will compensate the With-Profits Fund if any of these costs are not fully recovered at the end of the term of the agreement). The policyholders' share of the impact is included in the insurance contract liabilities for the With-Profits Fund, with changes in value recognised in finance income or expenses from insurance contracts issued in the consolidated income statement. The amount held within insurance contract liabilities is £15m as at 31 December 2024 (2023: £6m).

Notes to the consolidated financial statements continued

33 Contingencies and related obligations (continued)

33.3 Support for the With-Profits Fund by shareholders (continued)

- PAC undertook a project to rationalise fund structures (The Target Investment Model programme) by combining existing, smaller funds with the main With-Profits Asset Share Fund in a fund umbrella structure. This initiative was expected to yield withholding tax benefits for the business over time. If the expected benefits did not materialise to the With-Profits Fund, the shareholder was committed to compensating the fund for any implementation costs borne that were not fully recouped. The assessment period for the underpin arrangement was five years, running to the end of 2025. As at 31 December 2024, the underpin ceased as the benefits have now materialised, however a review will be required until the end of 2028 to determine if the recognised tax benefits have been reversed, potentially necessitating the reactivation of the underpin.
- PAC has priced new with-profits business on a basis that is expected to be financially self-supporting or, where this has not been the case, the shareholder is required to cover the cost (known as the New Business Supportability Test (NBST)). The policyholders' share of the impact is included in the insurance contract liabilities, with changes in value recognised in finance expenses from insurance contracts issued in the consolidated income statement. The amount held within insurance contract liabilities is £13m as at 31 December 2024 (2023: £15m).

The following matters are of relevance with respect to the With-Profits Fund:

33.3.1 Pension mis-selling review

The Pensions mis-selling review covers customers who were sold personal pensions between 29 April 1988 and 30 June 1994, and who were advised to transfer out, not join, or opt out of their employer's Defined Benefit Pension Scheme. During the initial review some customers were issued with guarantees that redress will be calculated on retirement or transfer of their policies. The provision continues to cover these clients. The expense to cover these customers continues to be recognised within insurance contract liabilities.

While PAC believed it met the requirements of the FSA (the UK insurance regulator at that time) to issue offers of redress to all impacted customers by 30 June 2002, there is a population of customers who, while an attempt was made at the time to invite them to participate in the review, may not have received their invitation. These customers have been re-engaged, to ensure they have the opportunity to take part in the review. The liability also covers this population. Currently, an expense amounting to £122m as at 31 December 2024 (2023: £140m) is being held in relation to this within insurance contract liabilities.

The key assumptions underlying the liability are:

- average cost of redress per customer; and
- proportion of liability (reserve rate) held for soft close cases (where all reasonable steps have been taken to contact the customer but the customer has not engaged with the review).

Sensitivities of the value of the liability to a change in assumptions are as follows:

Assumption	Change in assumption	2024 £m	2023 £m
Average cost of redress	increase/decrease by 10%	**+/-5**	+/-5
Reserve rate for soft closed cases	increase/decrease by 10%	**+/-31**	+/-31

Changes in the value of the pension mis-selling liability would not immediately impact profit or loss as the changes would be offset by changes in the allowance for mutualisation and the CSM.

Costs arising from this review are met by the excess assets of the WPSF and hence have not been charged to the asset shares used in the determination of policyholder bonus rates. An assurance was given that these deductions from excess assets would not impact PAC's bonus or investment policy for policies within the WPSF that were in force at 31 December 2003. This assurance does not apply to new business since 1 January 2004. In the unlikely event that such deductions would affect the bonus or investment policy for the relevant policies, the assurance provides that support would be made available to the sub-fund from PAC's shareholder resources for as long as the situation continued, so as to ensure that PAC's policyholders were not disadvantaged. PAC's comfort in its ability to make such support available was supported by related intra-group arrangements between Prudential plc and PAC, which formalised the circumstances in which capital support would be made available to PAC by Prudential plc. These intra-group arrangements terminated on 21 October 2019, following the demerger of M&G plc from Prudential plc, at which time intra-group arrangements formalising the circumstances in which M&G plc would make capital support available to PAC became effective.

33.3.2 With-profits options and guarantees

Certain policies within the With-Profits Fund give potentially valuable guarantees to policyholders, or options to change policy benefits which can be exercised at the policyholders' discretion. These options and guarantees are valued as part of the policyholder liabilities. Please refer to Note 24 for further details on these options and guarantees.

Notes to the consolidated financial statements continued

34 Commitments

The Group leases various offices to conduct its business. In line with the requirements of IFRS 16, the Group has recognised a lease liability in respect of these leases representing the obligation to make future lease payments. For further information on the lease liability see Note 27.

In addition, the Group has provided, from time to time, certain guarantees and commitments to third parties including funding the purchase or development of land and buildings and other related matters. The contractual obligations to purchase or develop investment property as at 31 December 2024 were £451m (2023: £711m). Commitments also arise in relation to the refurbishment of investment properties, however these would not be material to the financial statements, either individually or in aggregate.

As at 31 December 2024, the Group had undrawn commitments of £4,079m to third parties (2023: £3,773m) of which £3,268m (2023: £2,618m) was committed by its private equity infrastructure vehicles. These commitments were entered into in the normal course of business and no material adverse impact on the operations is expected to arise.

35 Related party transactions

The Group and its related parties comprise members of the M&G plc Group, as well as the Group's joint ventures and associates, and any entity controlled by those parties.

35.1 Transactions with the Group's joint ventures and associates

The Group received dividends of £7m for the year ended 31 December 2024 (2023: £89m) from joint ventures or associates accounted for using the equity method. In addition, the Group had balances due from joint ventures or associates accounted for using the equity method of £46m as at 31 December 2024 (2023: £43m). There were no balances due to joint ventures or associates accounted for using the equity method at 31 December 2024 or 31 December 2023.

Furthermore, in the normal course of business a number of investments into and divestment from investment vehicles managed by the Group were made. This includes investment vehicles which are classified as investments in associates and joint ventures measured at FVTPL. The Group entities paid amounts for the issue of shares or units and received amounts for the cancellation of shares or units. These transactions are not considered to be material to the Group.

During the year to 31 December 2024, the Group acquired a further 25% stake in My Continuum Financial Limited. This resulted in the Group holding a controlling interest in the entity and so it is considered a subsidiary at 31 December 2024. It was previously classified as an associate at 31 December 2023. See Note 2.2 for further information.

35.2 Compensation of key management personnel

The members of the Board and the Group Executive Committee are deemed to have power to influence the direction, planning and control the activities of the Group, and hence are also considered to be key management personnel.

Key management personnel of the Company may from time to time purchase insurance, asset management or annuity products marketed by the Group companies in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other persons.

Other transactions with key management personnel are not deemed to be significant either by virtue of their size or in the context of the key management personnel's respective financial positions. All of these transactions are on terms broadly equivalent to those that prevail in arm's length transactions.

The summary of compensation of key management personnel is as follows:

For the year ended 31 December	2024 £m	2023 £m
Salaries and short-term benefits	**11.8**	13.2
Post-employment benefits	**0.5**	0.5
Share-based payments	**1.5**	3.2
Total	**13.8**	16.9

Information concerning individual Directors' emoluments, interests and transactions are provided in the single figure tables in the Remuneration Report on pages 138 to 142.

36 Capital management

36.1 Capital regulations of entities within the Group

The Group is regulated under Solvency II and supervised as an insurance group by the Prudential Regulation Authority (PRA). The Group manages Solvency II own funds as its measure of capital. As at 31 December 2024 estimated and unaudited Group Solvency II own funds are £11.6bn (2023: £11.3bn).

The Solvency II surplus represents the aggregated capital (own funds) held by the Group less the solvency capital requirement (SCR). Own funds is the Solvency II measure of capital available to meet losses, and is based on the assets less liabilities of the Group, subject to certain restrictions and adjustments. The SCR is calculated using the Group's Internal Model, which calculates the SCR as the 99.5th percentile (or 1-in-200) worst outcome over the coming year, out of 100,000 equally likely scenarios, allowing for the dependency between the risks the business is exposed to.

Notes to the consolidated financial statements continued

36 Capital management (continued)

36.1 Capital regulations of entities within the Group (continued)

The regulated entities within the Group are also subject to local capital regulations. Capital is actively managed to ensure that local regulatory requirements are met. The main regulated entities in the Group and the regulatory frameworks to which they must adhere are listed below:

Entity	Main activity	Regulatory framework
M&G plc	Insurance	Solvency II
The Prudential Assurance Company Limited	Insurance	Solvency II
Prudential International Assurance plc	Insurance	Solvency II[i]
Prudential Pensions Limited	Insurance	Solvency II
M&G Group Limited (including subsidiaries)	Investment management	IFPR[ii]
Investment Funds Direct Limited	Investment services	IFPR[ii]

i Prudential International Assurance plc is included in the Group's result on the basis of the Group's internal model under Solvency II modified by UK, but is subject to local Solvency II in the EU.

ii Investment Firms Prudential Regime under MIFIDPRU – Prudential Sourcebook for MiFID Investment Firms.

All Group entities that were subject to externally imposed regulatory capital requirements complied with them throughout the year.

36.2 Group capital position

In 2020, the Government announced that it would undertake a review of the Solvency II regime. Following a consultation process, His Majesty's Treasury (HMT) has published the final proposed Solvency II reform package and plans for implementing the changes to the UK's prudential regime. The final changes were implemented during 2024. The reforms have impacted a number of areas including the calculation of the risk margin and transitional measures; reporting requirements and the matching adjustment.

The matching adjustment reforms include enhanced investment flexibility, wider liability eligibility, and require enhanced reporting and senior manager attestations going forward. The impact in the current period from the matching adjustment reforms included changes to the granularity of the credit risk (fundamental spread) allowances and the inclusion of additions to the basic credit risk allowance where the company believes these are appropriate to ensure full coverage of retained risks. Overall the changes had a £16m (unaudited) impact on the regulatory surplus capital.

As a result of these reforms the transitional measures on technical provisions (TMTP) has been recalculated as at 31 December 2024 in line with the approach taken at 31 December 2023, with no Financial Resources Requirement (FRR) restriction. From 1 January 2025 the new TMTP calculation methodology will be introduced. The new TMTP calculation methodology is simpler, removing the need to recalculate liabilities under the previous Solvency I regime to calculate the TMTP. Other changes include the removal of recalculation triggers in relation to the TMTP; with permission to recalculate at any date.

During the year, a full rebuild of the prospective with-profits modelling took place. Reflecting the With-Profits Fund's strong solvency position, a decision was made to rationalise and simplify the number of protective management actions which may be taken in extreme stress scenarios to ensure that management are not unnecessarily constrained as regards the actions that they may take in extreme stress and thereby have appropriate freedom to act to protect the long-term interests of policyholders. In isolation, this increases the capital requirements of the With-Profits Fund and reduces the regulatory coverage ratio by 8% (unaudited). Shareholder and regulatory solvency improve by £86m (unaudited) after allowing for the ring-fenced fund restriction. The With-Profits Fund retains a substantial solvency buffer and there are no changes to policyholder outcomes.

The impact of uncertainties associated with the potential future value of notes backed by residential ground rents (further explained in Note 31.8.1) has been reflected in the capital position. The overall impact is a decrease in own funds due to the fall in the valuation of the underlying assets which is offset partly by a fall in the value of the technical provisions. In addition, incremental capital has been held in the SCR which reflects the possible outcomes resulting from future legislative action, the most extreme of which effectively results in total loss of future ground rent income ('peppercorn cap'). This has resulted in a reduction in surplus of £230m (2023: £264m) (unaudited).

Notes to the consolidated financial statements continued

36 Capital management (continued)

36.2 Group capital position (continued)

36.2.1 Regulatory capital position

The regulatory capital position of the Group takes into account all Group exposures, including that of the With-Profits Fund. This view of capital recognises the ring-fenced nature of the With-Profits Fund, and on consolidation, surplus in the fund can only be recognised to the level of associated SCR with any excess surplus being eliminated as a ring-fenced fund restriction, effectively restricting the solvency coverage ratio of the With-Profits Fund to 100%. As such, the combined 'regulatory' solvency coverage ratio is highly resilient to movements in the With-Profits Fund's own funds.

The estimated and unaudited Solvency II capital position for the Group as at 31 December 2024 and 31 December 2023 is shown below:

As at 31 December	2024 £bn	2023 £bn
Solvency II eligible own funds	**11.6**	11.3
Solvency II SCR	**(6.9)**	(6.8)
Solvency II surplus	**4.7**	4.5
Solvency II coverage ratio[i]	**168%**	167%

i Solvency II coverage ratio has been calculated using unrounded figures.

The results include transitional measures, which are presented assuming a recalculation as at the valuation date, using management's estimate of the impact of operating and market conditions. As at 31 December 2024, the recalculation has been performed and the positions are aligned, reflecting changes to the UK's prudential regime allowing recalculation of the transitional measures at each reporting date. As at 31 December 2023, the recalculation has been approved for the reporting date and the positions were aligned.

36.2.2 Shareholder capital position

The Group focuses on a shareholder view of the Solvency II capital position, which is considered to provide a more relevant reflection of the capital strength of the Group. The Group's shareholder Solvency II capital position excludes the contribution to own funds and SCR from the ring-fenced With-Profits Fund. Further information on the ring-fenced With-Profits Fund's capital position is provided in Section 1.5 of Supplementary Information. Shareholder Solvency II own funds also assume TMTP which have been recalculated using management's estimate of the impact of operating and market conditions at the reporting date (regardless as to whether the recalculation was approved for the reporting date).

The estimated and unaudited shareholder Solvency II capital position for the Group is shown below.

As at 31 December	2024 £bn	2023 £bn
Shareholder Solvency II eligible own funds	**8.5**	8.9
Shareholder Solvency II SCR	**(3.8)**	(4.4)
Solvency II surplus	**4.7**	4.5
Shareholder Solvency II coverage ratio[i]	**223%**	203%

i Shareholder Solvency II coverage ratio has been calculated using unrounded figures.

36.3 Meeting of capital management objectives

The Group manages its capital on a Solvency II basis to ensure that sufficient own funds are available on an ongoing basis to meet regulatory capital requirements. This is achieved by targeting a capital buffer significantly in excess of regulatory capital requirements. This buffer is intended to absorb the impact of stressed market conditions and thus make the Solvency II balance sheet under the regulatory view resilient to stresses that affect the Group's business.

A range of stress and scenario testing is carried out across the business, including certain scenarios mandated by the regulator. The sensitivity of liabilities and other components of total capital vary, depending upon the type of business concerned, and this influences the approach to asset/liability management.

In addition, projections are performed to understand how the own funds and capital position is expected to develop and how this might be affected by adverse events taking place. Informed by the results of these projections there are a number of actions available to management to strengthen the own funds position.

As well as holding sufficient capital to meet regulatory requirements, the Group also closely manages the cash it holds so that it can:

- maintain flexibility, fund new opportunities and absorb shock events;
- meet liabilities to policyholders and other obligations;
- fund dividends; and
- cover central costs and debt payments.

Notes to the consolidated financial statements continued

37 Share-based payments

The Group operates various share-based payment schemes that award M&G plc shares to participants upon meeting the required vesting conditions. Details of those schemes are stated below:

37.1 Description of the plans

Discretionary schemes:

Scheme	Description
Performance Share Plan (PSP)	The PSP is a conditional share plan: the shares awarded will ordinarily be released to participants after a predetermined period, usually three years, to the extent that performance conditions have been met. If performance conditions are not achieved in full, the unvested portion of any award lapses. The performance conditions attached to PSP awards include market performance conditions; Relative Total Shareholder Return (TSR); and other non-market conditions, including measures linked to profit as well as sustainability related measures. The performance conditions attached to each award are dependent on the role of the participants. Threshold and maximum achievement levels will be set at the beginning of the performance periods in line with the business plan.
Deferred Incentive Plan (DIP)	Under these plans, part of the participant's Annual Bonus is paid in the form of a share award that vests after three or four years. Other than the service condition, there are no other performance conditions associated with this plan.

Approved schemes:

Share scheme	Description
Save As You Earn (SAYE) plans	The Group operates SAYE plans, which allow eligible employees the opportunity to save a monthly amount from their salaries, over either a three or five-year period, which can be used to purchase shares in M&G plc at a predetermined price subject to the employee remaining in employment for three years after the grant date of the options and satisfying the monthly savings requirement.
Share Incentive Plan (SIP)	The Group operates SIPs, which allow eligible employees to invest a monthly or annual amount from their salaries in M&G plc shares; M&G plc will then contribute a share for every two the employee purchases.

All approved and discretionary schemes are accounted for as equity-settled as the awards would be settled in M&G plc shares.

37.2 Outstanding options and awards

Movements in outstanding options and awards under the Group's share-based compensation are as follows:

	2024		
	Outstanding options under SAYE schemes	Awards outstanding under discretionary schemes	Awards outstanding under share incentive plans
Outstanding as at 1 January	**19,575,949**	**72,295,345**	**9,496,234**
Granted	**4,498,505**	**28,881,073**	**2,819,879**
Exercised	**(3,926,385)**	**(19,565,104)**	**(1,722,460)**
Forfeited/Expired	**(1,461,578)**	**(3,796,787)**	**(68,445)**
Outstanding at 31 December	**18,686,491**	**77,814,527**	**10,525,208**
Awards immediately exercisable at 31 December	**933,937**	**335,712**	**7,051,162**

	2023		
	Outstanding options under SAYE schemes	Awards outstanding under discretionary schemes (restated)[i, ii]	Awards outstanding under share incentive plans (restated)[ii]
Outstanding as at 1 January	23,265,327	85,242,726	8,287,223
Granted	7,266,101	34,246,494	2,404,701
Exercised	(9,599,874)	(40,767,440)	(1,126,136)
Forfeited/Expired	(1,355,605)	(6,426,435)	(69,554)
Outstanding at 31 December	19,575,949	72,295,345	9,496,234
Awards immediately exercisable at 31 December	2,181,057	403,251	6,415,871

i Immediately exercisable awards under discretionary schemes have been restated to remove options which have vested but are in a holding period.

ii Restated to include, and present separately, all SIP shares.

Options are exercised throughout the year; the weighted average share price over 2024 was £2.09 (2023: £2.00).

Notes to the consolidated financial statements continued

37 Share-based payments (continued)

37.2 Outstanding options and awards (continued)

The following tables provide a summary of the range of exercise prices and average remaining contractual life for the SAYE options and discretionary option awards.

	2024[i]				
As at 31 December	Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (£)	Number exercisable
SAYE options	Between £1 and £2	**18,686,491**	**1.86**	**1.58**	**933,937**
Discretionary option awards	**£nil**	**77,814,527**	**1.04**	**£nil**	**335,712**

	2023[i]				
As at 31 December	Exercise Price	Number outstanding[ii]	Weighted average remaining contractual life (years)	Weighted average exercise price (£)	Number exercisable[iii]
SAYE options	Between £1 and £2	19,575,949	2.02	1.52	2,181,057
Discretionary option awards	£nil	72,295,345	1.15	£nil	403,251

i SIP awards have been excluded as it is not possible to calculate the contractual life of the partnership awards.

ii Outstanding discretionary option awards have been restated to include Deferred Incentive Plan (DIP).

iii Exercisable discretionary option awards have been restated to remove vested options which are in a holding period.

37.3 Fair value of options and awards

The fair value of all discretionary awards is equal to the share price of M&G plc (as the exercise price and dividend yield are nil) except for PSP awards with performance conditions based on the Total Shareholder Returns (PSP TSR awards). The weighted average M&G plc share price at the date of grant was £2.21 for 2024 (2023: £1.98).

The Group uses the Black-Scholes model to value the SAYE options. The implied volatility of the M&G plc share price was used in determining the fair value of options granted, with no reliance on historical volatility.

The determination of the fair value of PSP TSR and SAYE awards requires the use of various assumptions which are disclosed below:

	Awards granted in			
	2024		2023	
As at 31 December	PSP TSR award	SAYE options	PSP TSR award	SAYE options
Dividend yield (%)	**N/A**	**9.67**	N/A	9.88
Expected pay-off (%)	**41.67**	**N/A**	41.67	N/A
Expected volatility (%)	**N/A**	**19.33**	N/A	20.97
Risk-free interest rate (%)	**N/A**	**3.92**	N/A	4.40
Expected option life (years)	**N/A**	**3.53**	N/A	3.25
Weighted average exercise price (£)	**N/A**	**1.67**	N/A	1.63
Weighted average share price at grant date (£)	**2.35**	**2.05**	1.88	2.01
Weighted average fair value at grant date (£)	**1.89**	**0.22**	1.69	0.25

37.4 Share-based payment expense charged to the consolidated income statement

Total expenses recognised in the year in the consolidated financial statements relating to equity-settled share-based compensation as at 31 December 2024 was £40m (2023: £32m). The Group has no outstanding liabilities at the year end relating to awards which are settled in cash.

Notes to the consolidated financial statements continued

38 Post-balance sheet events

On 4 February 2025, the Group, agreed to acquire a 70% controlling stake in P Capital Partners AB, a Sweden based alternative investment fund manager which provides private credit solutions to European entrepreneur and family-owned companies, and developers of sustainable infrastructure. The transaction is expected to complete later in the year, subject to all conditions necessary for execution to be met and the receipt of the necessary regulatory approvals. The Group will consolidate the results of the acquiree from the date of completion.

On 28 February 2025, the With-Profits Fund declared a bonus distribution of £2.3bn to the with-profits policyholders.

On 10 March 2025, the Group, via M&G Wealth Holding Company Limited, a wholly-owned subsidiary of the Group, acquired the final 25.05% stake in Continuum. Full details of this can be found in Note 2.2.

39 Related undertakings

In accordance with Section 409 of the Companies Act 2006, a list of the Group's subsidiaries, joint ventures, associates and significant holdings (being holdings of more than 20%), along with the classes of shares held, the registered office address, the country of incorporation and the effective percentage of equity owned at 31 December 2024 is disclosed below.

The definitions of a subsidiary undertaking, joint venture and associate in accordance with the Companies Act 2006 are different from the definition under IFRS. As a result, the related undertakings included within the list below may not be the same as the undertakings consolidated in the Group IFRS statements. The Group's consolidation policy is described in Note 1.5.

Direct subsidiary undertakings of the Parent Company, M&G plc (shares held directly or via nominees)

Key to classes of shares held: Limited by guarantee (LBG), Limited partnership interest (LPI), Ordinary shares (OS), Preference shares (PS), Units (U).

Name of entity	Share class	% held
10 Fenchurch Avenue, London, EC3M 5AG, UK		
M&G Group Regulated Entity Holding Company Limited	OS	100%
M&G Corporate Holdings Limited	OS	100%
Prudential Capital Holding Company Limited (In liquidation)	OS	100%
Prudential Capital Public Limited Company	OS	100%
Prudential Financial Services Limited	OS	100%

Other subsidiaries, joint ventures, associates and significant holdings of the Group (no shares held directly by the Parent Company, M&G plc, or its nominees)

Name of entity	Share class	% held
Australia		
Level 6, 60 Martin Place, Sydney NSW 2000		
M&G Investments (Australia) Pty Limited	OS	100%
Suite 201, Level 2, 5 Berry Street, North Sydney NSW 2060		
PAP Trusty Pty Limited	OS	100%
Canada		
22 Adelaide Street West, Suite 2600, Toronto, Ontario, M5H 4E3		
GTA W21 GP Inc.	OS	50%
GTA W21 Inc.	OS	50%
GTA W21 LP	LPI	90%
180 Dundas Street West, Toronto, M5G 1Z8		
Canada Property (Trustee) No 1 Limited	OS	100%
CJPT Real Estate Inc.	OS	100%
CJPT Real Estate No. 1 Trust	U	100%
CJPT Real Estate No. 2 Trust	U	100%
Cayman Islands		
190 Elgin Avenue, George Town, Grand Cayman, KYI-9005		
M&G General Partner Inc.	OS	100%
NB Gemini Fund LP	LPI	99%
StepStone Scorpio Infrastructure Opportunities Fund LP	LPI	100%
France		
8 Avenue Hoche, 75008, Paris		
M&G Real Estate France SAS	OS	100%
West Station 1 SCI	OS	100%
West Station 2 SCI	OS	100%
West Station SAS	OS	100%
8 Rue Lamennais, Paris, Département de Paris, IDF, 75008		
responsAbility France SAS	OS	100%
11 Av. Myron Herrick 75008, Paris		
BauMont Real Estate France SAS	OS	100%
Georgia		
4 Tamar Chovelidze Street, Tbilisi, 0108		
responsAbility Georgia LLC	OS	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Other subsidiaries, joint ventures, associates and significant holdings of the Group (no shares held directly by the Parent Company, M&G plc or its nominees) (continued)

Name of entity	Share class	% held
Guernsey		
1 Royal Plaza, Royal Avenue, St Peter Port, GY1 2HT		
M&G RED II GP Limited (In liquidation)	OS	100%
M&G RED II SLP GP Limited (In liquidation)	OS	100%
M&G RED III Employee Feeder GP Limited (In liquidation)	OS	100%
M&G RED III GP Limited (In liquidation)	OS	100%
Silverfleet Capital 2004 LP	LPI	100%
Silverfleet Capital 2009 LP	LPI	100%
Silverfleet Capital 2011/12 LP	LPI	100%
Dorey Court, Admiral Park, St Peter Port, GY1 2HT		
M&G (Guernsey) Limited	OS	100%
The Car Auction Unit Trust	U	50%
PO Box 155, Mill Court, La, Charroterie, St Peter Port, GY1 4ET		
M&G Group PCC Limited	OS	100%
Hong Kong		
6th Floor, Alexander House, 18 Chater Road, Central		
M&G Investments (Hong Kong) Limited	OS	100%
13/F, One International Finance Centre, 1 Harbour View Street, Central		
PPM Ventures (Asia) Limited (In liquidation)	OS	100%
India		
First floor Prudential House, Central Avenue, Hiranandani Business Park, Mumbai-400076		
M&G Global Services Private Limited	OS	100%
31 Green Acre, Union Park Road Number 5, Mumbai, Mumbai Suburban, MH, 400052		
responsAbility India Business Advisors Pvt Limited	OS	100%
Ireland		
Fitzwilliam Court, Leeson Cl, Dublin 2, Dublin, D02 TC95		
Prudential International Assurance plc	OS	100%
Prudential International Management Services Limited	OS	100%
Fourth floor, 35 Shelbourne Road, Ballsbridge, Dublin D04 A4EO		
Lion Credit Opportunity Fund plc - Credit Opportunity Fund XV	U	100%
Lion Credit Opportunity Fund Public Limited Company - M&G SRT Fund II	U	37%
M&G Sustainable Loan Fund	OS	62%
M&G (South Africa) Global Funds ICAV - M&G Worldwide Managed Fund	U	22%
Specialist Investment Funds (2) ICAV - M&G Real Impact Fund	U	100%

Name of entity	Share class	% held
IPC House, 35 Shelbourne Road, Dublin, D04 A4E0		
M&G SIF Management Company (Ireland) Limited	OS	100%
Second Floor, Block 5 Irish Life Centre, Abbey Street Lower, Dublin 1, D01 P767		
Folios III Designated Activity Company	U	49%
Folios IV Designated Activity Company	U	65%
Fourth Floor, 76 Baggot Street Lower, Dublin, D02 EK81		
Debt Investments Opportunities IV	U	25%
Italy		
Via Alessandro Manzoni 38, Milan, 20121		
Elle 14 S.à r.l. Company	OS	50%
MCF S.r.l.	OS	50%
Japan		
Tokyo Toranomon Global Square 13F, 1-3-1 Toranomon, Minatoku, Tokyo 105-0001		
M&G Investments Japan Co Limited	OS	100%
M&G Real Estate Japan Co Limited	OS	67%
Jersey		
Level 1 LFC1, Esplanade, St Helier, JE2 3BX		
Two Rivers One Limited	OS	100%
Two Rivers Two Limited	OS	100%
28 Esplanade, St Helier, JE2 3QA		
The Strand Property Unit Trust	U	50%
IFC 5, St Helier, JE1 1ST		
Belside Limited	OS	100%
Carraway Guildford (Nominee A) Limited	OS	100%
Carraway Guildford (Nominee B) Limited	OS	100%
Leadenhall Unit Trust	U	100%
Vanquish I Unit Trust	U	100%
Vanquish II Unit Trust	U	100%
Vanquish Properties GP Limited	OS	100%
Vanquish Properties GP Nominee 1 Limited	OS	100%
Vanquish Properties GP Nominee 2 Limited	OS	100%
Vanquish Properties GP Nominee 3 Limited	OS	100%
Vanquish Properties GP Nominee 4 Limited	OS	100%
Vanquish Properties GP Nominee A Limited	OS	100%
Vanquish Properties LP Limited	OS	100%
Liberte House, 19-23 La Motte Street, St Helier, JE1 4BP		
The Two Rivers Trust	U	100%
Kenya		
Merchant Square, Block D, 5th Floor, Riverside Drive, Westlands, P.O. 29300623 Nairobi		
responsAbility Africa Limited	OS	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Other subsidiaries, joint ventures, associates and significant holdings of the Group (no shares held directly by the Parent Company, M&G plc or its nominees) (continued)

Name of entity	Share class	% held
Luxembourg		
1, Rue Hildegard von Bingen L-1282		
Prudential Loan Investments 1 S.à r.l.	OS	100%
3, Rue Gabriel Lippmann, L-5365 Munsbach		
M&G Real Estate Debt Fund SCSp, SICAV-RAIF – REDF 8	LPI	71%
M&G REDF 8 S.à.r.l	OS	100%
M&G REDF 9 S.à.r.l	OS	100%
M&G Specialty Finance Fund 2 GBP SCSp	LPI	47%
Prudential Loan Investments SCSp	LPI	100%
Two Snowhill Birmingham S.à r.l.	OS	100%
5, Heienhaff, Nidderaanwen, 1736		
Infracapital Partners IV G.P S.à r.l.	OS	100%
Infracapital Partners IV SCSp	LPI	51%
M&G Real Estate Debt Carried Interest GP S.à r.l	OS	100%
M&G REDF 7 S.à.r.l	OS	100%
M&G SFF (CIP GP) S.à r.l.	OS	100%
M&G SFF (GP) S.à r.l.	OS	100%
M&G SFF 2 (CIP GP) S.à r.l.	OS	100%
M&G SFF 2 (GP) S.à r.l.	OS	100%
Prudential Loan Investments GP S.à r.l.	OS	100%
responsAbility BOP S.à r.l.	OS	100%
Three Snowhill Birmingham S.à r.l.	OS	100%
5, Rue Jean Monnet, L-2180		
responsAbility Asia Climate Fund, SICAV-RAIF	OS	48%
responsAbility Global Micro and SME Finance Fund	U	29%
6, Rue Eugène Ruppert, L-2453		
Infracapital Greenfield Partners II GP S.à r.l	OS	100%
Infracapital Partners III GP S.à r.l	OS	100%
8, Rue Lou Hemmer, 1748 Senningerberg Niederanven		
M&G Alternatives CV SCSp	LPI	100%
M&G Alternatives GP S.à r.l.	OS	100%
15, Boulevard F.W. Raiffeisen, L-2411		
responsAbility Agriculture Partners SLP	LPI	61%
responsAbility Sustainable Food - Asia II (GP), S.à r.l.	OS	100%
responsAbility Sustainable Food - Asia II, SLP	LPI	85%
responsAbility Sustainable Food - Latam I (GP), S.à r.l.	OS	100%
responsAbility Sustainable Food - Latam I, SLP	LPI	73%
responsAbility Sustainable Food Asia - II Partners, SLP	LPI	94%
responsAbility Sustainable Food Latam - I Partners, SLP	LPI	94%
responsAbility Agriculture (GP), S.à r.l.	OS	100%

Name of entity	Share class	% held
16, Boulevard Royal, L-2449		
Luxembourg Specialist Investment Funds (2) FCP - M&G Real Assets Fund	U	100%
Luxembourg Specialist Investment Funds (2) FCP - M&G Private Equity Opportunities Fund	U	100%
M&G (Lux) Asian Bond Allocation EUR Fund	U	100%
M&G (Lux) Asian Bond Allocation GBP Fund	U	100%
M&G (Lux) Asian Bond Allocation USD Fund	U	100%
M&G (Lux) Emerging Markets Corporate ESG Bond Fund	U	57%
M&G (Lux) Blackrock Europe ex UK Equity Fund	U	99%
M&G (Lux) Europe ex UK Equity Fund	U	100%
M&G (Lux) Global Enhanced Equity Premia Fund	U	99%
M&G (Lux) Investment Funds 1 - M&G (Lux) Better Health Solutions Fund	U	100%
M&G (Lux) Investment Funds 1 - M&G (Lux) Diversity and Inclusion Fund	U	68%
M&G (Lux) Investment Funds 1 - M&G (Lux) Emerging Markets Hard Currency Bond Fund	U	85%
M&G (Lux) Investment Funds 1 - M&G (Lux) Global Artificial Intelligence Fund	U	97%
M&G (Lux) Investment Funds 1 - M&G (Lux) Nature and Biodiversity Solutions Fund	U	96%
M&G (Lux) Investment Funds 1 - M&G (Lux) US Corporate Bond Fund	U	100%
M&G (Lux) Investment Funds 1 - M&G (Lux) US High Yield Bond Fund	U	100%
M&G (Lux) Investment Funds 1 - M&G (Lux) Emerging Markets Bond Fund	U	63%
M&G (Lux) Managed Cautious (Euro) Fund	U	100%
M&G (Lux) Managed Growth (Euro) Fund	U	100%
M&G (Lux) Pan European Smaller Comp Fund	U	98%
M&G (Lux) Reserved Investment Fund (2), SCA SICAV-RAIF	U	100%
M&G (Lux) Reserved Investment Funds (2) GP S.à r.l.	OS	100%
M&G (Lux) Sterling Liquidity Fund	U	83%
M&G (Lux) Sustainable Emerging Markets Corporate Bond Fund	U	21%
M&G (Lux) Sustainable Optimal Income Bond Fund	U	98%
M&G Asia Living Property Fund	LPI	100%
M&G Asia Property Fund	U	43%
M&G Catalyst Capital Fund	U	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Other subsidiaries, joint ventures, associates and significant holdings of the Group (no shares held directly by the Parent Company, M&G plc or its nominees) (continued)

Name of entity	Share class	% held
M&G Catalyst Credit Fund	U	100%
M&G Corporate Credit Opportunities ELTIF	U	100%
M&G European Living Property Fund (GP) S.à.r.l	OS	100%
M&G European Living Property Fund SCSp, SICAV-RAIF	LPI	45%
M&G European Property Fund SICAV-FIS	U	29%
M&G European Secured Property Income Fund FCP-FIS	OS	100%
M&G European Value Add GP S.à r.l.	OS	100%
M&G Funds (1) GSAM Global Emerging Market Equity Fund	U	99%
M&G Luxembourg S.A.	OS	100%
M&G Private Credit GP S.à.r.l.	OS	100%
M&G Private Credit SCSp SICAV-RAIF	U	100%
M&G Real Estate Debt GP S.à r.l.	OS	100%
M&G Real Estate Funds GP S.à r.l.	OS	100%
M&G Real Estate Funds Management S.à r.l.	OS	100%
M&G Real Estate Funds SCSp, SICAV-RAIF	U	99%
M&G Secure Income S.à r.l.	OS	100%
M&G UK Mortgage Income Fund	U	64%
M&G UK Property Fund	U	98%
M&G UK Residential Property Fund	U	30%
M&G Corporate Credit Opportunities S.à r.l.	OS	100%
M&G Real Estate Debt Carried Interest GP S.à r.l.	OS	100%
20, Rue de la Poste , 2346 Ville-Haute		
EUREV CI GP S.à r.l.	OS	100%
M&G European Value Add Hold Co S.à r.l.	OS	100%
M&G European Value Add Partnership SCSp	LPI	100%
Prudential Investment (Luxembourg) 2 S.à.r.l.	OS	100%
Schoolhill S.à r.l.	OS	100%
26, Boulevard Royal, L-2449		
Eastspring Investments SICAV-FIS Africa Equity Fund	U	100%
39, Avenue John F. Kennedy, L-1855		
responsAbility Management Company S.A. (In liquidation)	OS	80%
42-44, Avenue de la Gare L - 1610		
BauMont General Partner S.à r.l.	OS	65%
BauMont General Partner Two S.à r.l.	OS	100%
BauMont Real Estate Two SCSp (Luxembourg) SICAV-RAIF	U	44%
Namibia		
Unit 3, 2nd Floor, Ausspann Plaza, Dr Agostinho Neto Road, Private Bag 12012, Ausspannplatz, Windhoek		
MandG Investments (Namibia) (Pty) Limited	OS	75%
MandG Investments Unit Trusts (Namibia) Limited	OS	75%

Name of entity	Share class	% held
Peru		
Av. 28 de Julio 753, Miraflores, Provincia de Lima, 15074		
responsAbility America Latina SAC	OS	100%
Portugal		
Rua Latino Coelho, 87 1050-134, Lisbon		
Regen Blue, Unipessoal LDA	OS	89%
Rua Do Paco, No 37 - Pacos dos Negros, 2080-500 Fazendas de Almeirim		
AG-Horti-Investments-Investimentos EM Portugal, LDA	OS	100%
AG-Management, LDA	OS	99%
Poland		
02-670 Warszawa, Pulawska 182		
Prudential Polska sp. z.o.o	OS	100%
Republic of Korea		
Jongno 1-ga, Kyobo Building, Seoul		
M&G Real Estate Korea Co Limited	OS	67%
Twentieth floor, 136, Sejong-daero, Jung-gu, Seoul		
LB Professional Investors Private Real Estate Fund No. 10 (Centropolis)	U	34%
Singapore		
9 Raffles Place, #26-01 Republic Plaza, 048619		
responsAbility Singapore Pte Limited	OS	100%
138 Market Street, CapitaGreen #35-01, 048946		
M&G Investments (Singapore) Pte Limited	OS	100%
M&G Real Estate Asia Holding Company Pte Limited	OS	67%
M&G Real Estate Asia Pte Limited	OS	67%
South Africa		
PO Box 44813, Claremont, Western Cape, Cape Town, 7735		
M&G Pan African Bond Fund	U	100%
M&G SA Equity Fund	U	94%
Protea Place, 40 Dreyer Street, Claremont, 7708		
MandG Investment Managers (Pty) Limited	OS	100%
MandG Investments Life South Africa (RF) Limited	OS	100%
MandG Investments Southern Africa (Pty) Limited	OS	50%
MandG Investments Unit Trusts South Africa (RF) Limited	OS	100%
Spain		
Calle Fortuny, 6 - 4 A, 28010, Madrid		
M&G RE Espana, 2016, S.L.	OS	100%
Switzerland		
Zollstrasse 17, Zürich, ZH, 8005		
M&G International Investments Switzerland AG	OS	100%
responsAbility Investments AG	OS	100%
responsAbility Ventures I Services AG	OS	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Other subsidiaries, joint ventures, associates and significant holdings of the Group (no shares held directly by the Parent Company, M&G plc or its nominees) (continued)

Name of entity	Share class	% held
Taiwan		
Floor.33 (Unit B-1), No.7, Sec.5, Road.Xinyi,110, Taipei		
M&G Investments (Taiwan) Limited	OS	100%
Thailand		
62 Thaniya BTS Building, Silom Road, Suriyawongse, Bangrak, Bangkok, 10500		
responsAbility Thailand Limited	OS	100%
United Kingdom		
1 Carter Lane, London, EC4V 5ER		
Silverfleet Capital II WPLF LP	LPI	100%
10 Fenchurch Avenue, London, EC3M 5AG		
Active Growth Logistics Partnership LP	LPI	50%
AGLP GP Limited	OS	50%
BWAT Retail Nominee (1) Limited	OS	50%
BWAT Retail Nominee (2) Limited	OS	50%
Canada Property Holdings Limited	OS	100%
Capacity (Dartford) Management Company Limited	OS	100%
Carraway Guildford General Partner Limited	OS	100%
Carraway Guildford Limited Partnership	LPI	100%
Cribbs Causeway JV Limited	OS	100%
Cribbs Mall Nominee (1) Limited	OS	100%
Cribbs Mall Nominee (2) Limited	OS	100%
Edger Investments Limited	OS	100%
EF IV Schoolhill GP Limited	OS	100%
Embankment GP Limited	OS	100%
Embankment Nominee 1 Limited	OS	100%
Embankment Nominee 2 Limited	OS	100%
Fundsdirect ISA Nominees Limited	OS	100%
Fundsdirect Nominees Limited	OS	100%
IFDL Personal Pensions Limited	OS	100%
Investment Funds Direct Group Limited	OS	100%
Investment Funds Direct Holdings Limited	OS	100%
Investment Funds Direct Limited	OS	100%
M&G (ACS) BlackRock Japan Equity Fund	U	100%
M&G (ACS) BlackRock UK All Share Equity Fund	U	100%
M&G (ACS) Blackrock US Equity (2) Fund	U	99%
M&G (ACS) BlackRock US Equity Fund	U	99%
M&G (ACS) Value Partners China Equity Fund	U	100%
M&G (ACS) China Fund	U	98%
M&G (ACS) Earnest Partners US Small Cap Value Fund	U	99%
M&G (ACS) Granahan US Small Cap Growth Fund	U	99%
M&G (ACS) Japan Equity Fund	U	99%
M&G (ACS) Japan Smaller Companies Fund	U	98%
M&G (ACS) Manulife US Equity Fund	U	99%
M&G (ACS) Matthews China Equity Fund	U	98%
M&G (ACS) MFS US Large Cap Equity Fund	U	99%
M&G (ACS) UK Listed Equity Fund	U	97%
M&G (ACS) UK Listed Mid Cap Equity Fund	U	98%
M&G (ACS) William Blair US Large Cap Equity Fund	U	99%
M&G Alternatives GP1 Limited	OS	100%
M&G Alternatives GP2 Limited	OS	100%
M&G Alternatives Investment Management Limited	OS	100%
M&G BlackRock Canada Equity Fund	U	98%
M&G BlackRock UK 200 Equity Fund	U	99%
M&G Corporate Services Limited	OS	100%
M&G Emerging Markets Monthly Income Fund	U	93%
M&G FA Limited	OS	100%
M&G Feeder of Property Portfolio	U	69%
M&G Financial Services Limited	OS	100%
M&G Fitzrovia GP Limited	OS	50%
M&G Fitzrovia Limited	OS	100%
M&G Fitzrovia Limited Partnership	LPI	50%
M&G Fitzrovia Nominee 1 Limited	OS	50%
M&G Fitzrovia Nominee 2 Limited	OS	50%
M&G Founders 1 Limited	OS	100%
M&G Funds (1) Artisan Part Emerging Market Debt Fund	U	98%
M&G Funds (1) Asia Pacific (ex Japan) Equity Fund	U	96%
M&G Funds (1) Blackrock Asia Pacific (ex Japan) Equity Fund	U	100%
M&G Funds (1) Blackrock Emerging Markets Equity Fund	U	100%
M&G Funds (1) Franklin Temp India Equity Fund	U	98%
M&G Funds (1) India Equity Fund	U	74%
M&G Funds (1) Lazard Emerging Market Debt Fund	U	97%
M&G Funds (1) Lazard Global Emerging Markets Equity Fund	U	99%
M&G Funds (1) Manulife China Bond Fund	U	100%
M&G Funds (1) MFS Global Emerging Markets Equity Fund	U	99%
M&G Funds (1) Sterling Investment Grade Corporate Bond Fund	U	84%
M&G Funds (1) UK Gilt	U	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Other subsidiaries, joint ventures, associates and significant holdings of the Group (no shares held directly by the Parent Company, M&G plc or its nominees) (continued)

Name of entity	Share class	% held
M&G Funds (1) US Corporate Bond Fund	U	99%
M&G Funds (1) US Short Duration Corporate Bond Fund	U	88%
M&G Funds (1) Wellington Impact Bond Fund	U	100%
M&G Group Limited	OS	100%
M&G IMPPP 1 Limited	OS	100%
M&G International Investments Nominees Limited	OS	100%
M&G Investment Funds (1) - M&G European Sustain Paris Aligned Fund	U	55%
M&G Investment Funds (10) - M&G China Fund	U	95%
M&G Investment Funds (10) - M&G Global AI Themes Fund	U	90%
M&G Investment Funds (10) - M&G Global High Yield ESG Bond Fund	U	61%
M&G Investment Funds (10) - M&G Positive Impact Fund	U	32%
M&G Investment Funds (2) - M&G Gilt & Fixed Interest Income Fund	U	52%
M&G Investment Funds (2) - M&G Global High Yield Bond	U	50%
M&G Investment Funds (3) - M&G Dividend Fund	U	48%
M&G Investment Funds (4) - M&G Sustainable Multi Asset Balanced Fund	U	31%
M&G Investment Funds (4) - M&G Sustainable Multi Asset Cautious Fund	U	49%
M&G Investment Funds (4) - M&G Sustainable Multi Asset Growth Fund	U	67%
M&G Investment Funds (7) - M&G Global Convertibles Fund	U	83%
M&G Investment Management Limited	OS	100%
M&G Managed Growth Fund	U	21%
M&G Management Services Limited	OS	100%
M&G Nominees Limited	OS	100%
M&G PFI 2018 GP1 Limited	OS	100%
M&G PFI 2018 GP2 Limited	OS	100%
M&G Platform Nominees Limited	OS	100%
M&G Property Portfolio	U	89%
M&G RE UKEV (GP1) LLP	LPI	100%
M&G RE UKEV 1 Limited	OS	100%
M&G RE UKEV 1-A LP	LPI	50%
M&G Real Estate Limited	OS	100%
M&G Real Estate UKEV (GP) LLP	LPI	100%
M&G RPF GP Limited	OS	100%
M&G RPF Nominee 1 Limited	OS	100%
M&G RPF Nominee 2 Limited	OS	100%
M&G Securities Limited	OS	100%
M&G Shared Ownership LP	LPI	48%
M&G Social Investment GP1 Limited	OS	100%
M&G Social Investment GP2 Limited	OS	100%
M&G Trustee Company Limited	OS	100%
M&G UK Property GP Limited	OS	100%
M&G UK Property Limited Partnership	LPI	100%
M&G UK Property Nominee 1 Limited	OS	100%
M&G UK Property Nominee 2 Limited	OS	100%
M&G UK Shared Ownership Limited	OS	100%
M&G UK Social Investment GP LLP	LPI	100%
M&G UKEV (SLP) General Partner LLP	LPI	100%
M&G Wealth Advice Limited	OS	100%
M&G Wealth Holding Company Limited	OS	100%
M&G Social Investment GP1 Limited	OS	100%
M&G UK Social Investment InfraCap Limited	OS	100%
M&G UK Social Investment Partners LP	LPI	100%
M&G Wealth Investments LLP	LPI	100%
M&G Wealth Solutions Limited	OS	100%
Manchester JV Limited	OS	50%
Manchester Nominee (1) Limited	OS	100%
MEVA UK Propco 1 Limited	OS	100%
Minster Court Estate Management Limited	OS	56%
Pacus (UK) Limited	OS	100%
PGDS (UK One) Limited	OS	100%
PPM Capital (Holdings) Limited	OS	100%
PPMC First Nominees Limited	OS	100%
Property Partners (Two Rivers) Limited	OS	100%
Pru Limited	OS	100%
Prudence Limited	OS	100%
Prudential Corporate Pensions Trustee Limited	OS	100%
Prudential Equity Release Mortgages Limited	OS	100%
Prudential Financial Planning Limited	OS	100%
Prudential Pensions Limited	OS	100%
Prudential Portfolio Management Group Limited	OS	100%
Prudential Real Estate Investments 1 Limited	OS	100%
Prudential Real Estate Investments 2 Limited	OS	100%
Prudential Real Estate Investments 3 Limited	OS	100%
Prudential Staff Pensions Limited	OS	100%
Prudential UK Real Estate General Partner Limited	OS	100%
Prudential UK Real Estate Limited Partnership	LPI	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Other subsidiaries, joint ventures, associates and significant holdings of the Group (no shares held directly by the Parent Company, M&G plc or its nominees) (continued)

Name of entity	Share class	% held
Prudential UK Real Estate Nominee 1 Limited	OS	100%
Prudential UK Real Estate Nominee 2 Limited	OS	100%
Prudential Unit Trusts Limited	OS	100%
Prutec Limited	OS	100%
PVM Partnerships Limited	OS	100%
RD Park (Hoddesdon Phase 1) Management Company Limited	OS	64%
Selly Oak Shopping Park (General Partner) Limited	OS	100%
Selly Oak Shopping Park (Nominee 1) Limited	OS	100%
Selly Oak Shopping Park (Nominee 2) Limited	OS	100%
Selly Oak Shopping Park Limited Partnership	LPI	63%
Smithfield Limited	OS	100%
Stableview Limited	OS	100%
The First British Fixed Trust Company Limited	OS	100%
The Project Hoxton LP	LPI	100%
The Prudential Assurance Company Limited	OS	100%
Vanquish Properties (UK) Limited Partnership	LPI	100%
Wessex Gate Limited	OS	100%
Westwacker Limited	OS	100%
Wrap IFA Services Limited	OS	100%
12 Conduit Street, London, W1S 2XH		
BauMont Real Estate Capital Limited	OS	65%
BREO Neptune GP LLP	LPI	100%
Pilot Peak Capital Limited	OS	100%
19 Canning Street, Edinburgh, EH3 8EH		
BauMont Co-Invest General Partner Limited	OS	100%
BauMont Core Plus General Partner One LLP	LPI	100%
29 Wellington Street, Leeds, LS1 4DL		
M&G Credit Income Investment Trust plc	OS	22%
36-38 Botolph Lane, London, EC3R 8DE		
Global Futures and Options Holdings Limited	OS	23%
5 Central Way, Kildean Business Park, Stirling, FK8 1FT		
Prudential Distribution Limited	OS	100%
Prudential GP Limited	OS	100%
Prudential Lifetime Mortgages Limited	OS	100%
Prudential UK Services Limited	OS	100%
ScotAm Pension Trustees Limited	OS	100%
5 Westgate, North Cave, Brough, HU15 2NG		
Regenerate European Sustainable Agriculture LP	LPI	100%
50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ		
Condor F3 GP LLP	LPI	100%
Digital Infrastructure Investment Partners SLP GP LLP	LPI	100%
Genny GP 2 Limited	OS	100%
Genny GP Limited	OS	100%
George Digital GP 1 LLP	LPI	100%
George Digital GP 2 Limited	OS	100%
George Digital GP Limited	OS	100%
GGE GP Limited	OS	100%
Green GP Limited	OS	100%
Infracapital (AIRI) GP Limited	OS	100%
Infracapital (Belmond) GP Limited	OS	100%
Infracapital (GC) GP Limited	OS	100%
Infracapital (Gigaclear) GP 1 Limited	OS	100%
Infracapital (Gigaclear) GP 2 Limited	OS	100%
Infracapital (Gigaclear) GP LLP	LPI	100%
Infracapital (IT PPP) GP Limited	OS	100%
Infracapital (Leo) GP Limited	OS	100%
Infracapital (Novos) GP Limited	OS	100%
Infracapital (Sense) GP Limited	OS	100%
Infracapital (TLSB) GP Limited	OS	100%
Infracapital DF II GP LLP	LPI	100%
Infracapital DF II Limited	OS	100%
Infracapital Employee Feeder GP 1 LLP	LPI	100%
Infracapital Employee Feeder GP Limited	OS	100%
Infracapital Greenfield DF GP LLP	LPI	100%
Infracapital Greenfield Partners 1 SLP GP1 Limited	OS	100%
Infracapital Greenfield Partners 1 SLP GP2 Limited	OS	100%
Infracapital Greenfield Partners I Employee Feeder LP	LPI	76%
Infracapital Greenfield Partners I SLP EF GP LLP	LPI	100%
Infracapital Greenfield Partners I SLP LP	LPI	36%
Infracapital Greenfield Partners I SLP2 LP	LPI	100%
Infracapital Greenfield Partners I Subholdings GP Limited	OS	100%
Infracapital Partners II Subholdings GP Limited	OS	100%
Infracapital Partners IV Subholdings GP LLP	LPI	100%
Infracapital Partners IV Subholdings GP1 Limited	OS	100%
Infracapital Partners IV Subholdings GP2 Limited	OS	100%
Infracapital Partners IV Subholdings Nominee Limited	OS	100%
Infracapital Partners IV Subholdings SLP LP	LPI	100%
Infracapital SLP II LP	LPI	40%
Kestrel F4 GP LLP	LPI	100%
London Fenchurch Employee Feeder F4 SP LP	LPI	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Other subsidiaries, joint ventures, associates and significant holdings of the Group (no shares held directly by the Parent Company, M&G plc or its nominees) (continued)

Name of entity	Share class	% held
London Fenchurch F4 Employee Feeder SP GP LLP	LPI	100%
London Fenchurch GP1 Limited	OS	100%
London Fenchurch GP2 Limited	OS	100%
London Fenchurch SLP LP	LPI	100%
London Green Investments II SLP GP1 Limited	OS	100%
London Green Investments II SLP GP2 Limited	OS	100%
London Green Investments II SLP1 Employee Feeder GP LLP	LPI	100%
London Green Investments II SLP2 GP Limited	OS	100%
London Green Investments II SLP GP1 Limited	OS	100%
London Green Investments SLP GP2 Limited	OS	100%
London Stone Investments F3 Employee Feeder GP LLP	LPI	100%
London Stone Investments F3 I Limited	OS	100%
London Stone Investments F3 II Limited	OS	100%
London Stone Investments F3 SP GP LLP	LPI	100%
London Fenchurch F4 Employee Feeder SP GP LLP	LPI	100%
M&G Alternatives GP LLP	LPI	100%
M&G Black Seed GP LLP	LPI	100%
M&G Catalyst Sustainable Agriculture GP LLP	LPI	100%
M&G PFI 2018 GP LLP	LPI	100%
M&G PFI Carry Partnership 2016 LP	LPI	100%
M&G Real Estate UK Enhanced Value LP	LPI	50%
M&G RED II Employee Feeder GP Limited (In liquidation)	OS	100%
M&G RED III SLP GP Limited (In liquidation)	OS	100%
M&G UKEV (SLP) LP	LPI	80%
M&G Black Seed GP LLP	LPI	100%
M&G Catalyst Sustainable Agriculture GP LLP	LPI	100%
M&G Catalyst Sustainable Agriculture GP Mem ber No.1 Limited	OS	100%
M&G Catalyst Sustainable Agriculture GP Mem ber No.2 Limited	OS	100%
M&G Catalyst Sustainable Agriculture LP	LPI	100%
Marble SLP LP	LPI	100%
Merlin D5 GP LLP	LPI	100%
Mole GP1 Limited	OS	100%
Mole GP2 Limited	OS	100%
Ox GP1 Limited	OS	100%
Ox GP LLP	LPI	100%
PPM Managers GP Limited	OS	100%
PPM Managers Partnership CI VII (A) LP	LPI	100%
Rads Omega Limited	OS	100%
Rads Gamma Limited	OS	100%
Stein LP	LPI	100%

Name of entity	Share class	% held
7 Albemarle Street, London, W1S 4HQ		
Cathedral Approach Estate Management Company Limited	OS	50%
Barratt House, Cartwright Way, Bardon Hill, Coalville, LE67 1UF		
Optimus Point Management Company Limited	OS	52%
Berkeley House, 19 Portsmouth Road, Surrey, KT11 1JG		
St Edward Homes Limited	OS	50%
St Edward Homes Partnership	LPI	50%
St Edward Strand Partnership	LPI	50%
Bow Bells House, 1 Bread Street, London, EC4M 9HH		
Two Rivers LP	LPI	100%
Buckingham Corporate Services Limited, First Floor, 85 Great Portland Street, London, W1W 7LT		
Prudential Greenfield GP LLP	LPI	100%
Prudential Greenfield GP1 Limited	OS	100%
Prudential Greenfield GP2 Limited	OS	100%
Clearwater Court, Vastern Road, Reading, RG1 8DB		
Foudry Properties Limited	OS	50%
C/O Regenerate Group, 2nd Floor Marshalls Mill, Marshall Street, Leeds, LS11 9YJ		
RESA Holdings (UK) Ltd	OS	100%
First Floor, 85 Great Portland Street, London, W1W 7LT		
Aqua GP LLP	LPI	100%
Digital Infrastructure Investment Partners GP LLP	LPI	65%
Digital Infrastructure Investment Partners GP1 Limited	OS	100%
Digital Infrastructure Investment Partners SLP GP1 Limited	OS	100%
Digital Infrastructure Investment Partners SLP GP2 Limited	OS	100%
Dudok GP LLP	LPI	100%
Dudok GP1 Limited	OS	100%
Dudok GP2 Limited	OS	100%
Genny GP 1 LLP	LPI	100%
ICP (Finch) GP 1 Limited	OS	100%
ICP (Finch) GP 2 Limited	OS	100%
ICP (Finch) GP LLP	LPI	100%
Infracapital (Churchill) GP 1 Limited	OS	100%
Infracapital (Churchill) GP LLP	LPI	100%
Infracapital F1 GP2 Limited	OS	100%
Infracapital F2 GP Limited	OS	100%
Infracapital F2 GP1 Limited	OS	100%
Infracapital GP 1 LLP	LPI	100%

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39 Related undertakings (continued)

Other subsidiaries, joint ventures, associates and significant holdings of the Group (no shares held directly by the Parent Company, M&G plc or its nominees) (continued)

Name of entity	Share class	% held
Infracapital GP Limited	OS	100%
Infracapital Greenfield Partners I GP Limited	OS	100%
Infracapital Greenfield Partners I LP	LPI	22%
Infracapital Greenfield Partners II Subholdings (Euro) GP LLP	LPI	100%
Infracapital Greenfield Partners II Subholdings (Sterling) GP LLP	LPI	100%
Infracapital Greenfield Partners II Subholdings GP1 Limited	OS	100%
Infracapital Greenfield Partners II Subholdings GP2 Limited	OS	100%
Infracapital Partners II LP	LPI	26%
Infracapital Partners III Subholdings (Euro) GP LLP	LPI	100%
Infracapital Partners III Subholdings (Sterling) GP LLP	LPI	100%
Infracapital Partners III Subholdings GP1 Limited	OS	100%
Infracapital Partners III Subholdings GP2 Limited	OS	100%
Infracapital Partners LP	LPI	33%
Infracapital SLP Limited	OS	100%
Pesca GP LLP	LPI	100%
Prudential Greenfield LP	LPI	100%
Radler GP LLP	LPI	100%
Radler GP1 Limited (In liquidation)	OS	100%
Radler GP2 Limited (In liquidation)	OS	100%
First Floor, Boundary House, 91-93 Charterhouse Street, London, EC1M 6HR		
Innisfree M&G PPP LLP	LPI	35%
Falcon House, Eagle Road, Plymouth, Devon, PL7 5JY		
My Continuum Wealth Limited	OS	100%
Continuum (Financial Services) LLP	LPI	100%
Management Offices, The Mall at Cribbs Causeway, Bristol, BS34 5DG		
Cribbs Causeway Merchants Association Limited	OS	20%
Marble Arch House, 66 Seymour Street, London, W1H 5BX		
Highcross Leicester (GP) Limited	OS	50%
Prydis Accounts Ltd, The Parade, Liskeard, Cornwall, England, PL14 6AF		
My Continuum Financial Limited	OS	75%
My Continuum Financial Nominee Limited	OS	100%

Name of entity	Share class	% held
Sixth Floor, 65, Gresham Street, London, EC2V 7NQ		
WS Prudential Risk Managed Active 2	U	21%
WS Prudential Risk Managed Active 3	U	23%
WS Prudential Risk Managed Active 4	U	32%
WS Prudential Risk Managed Active 5	U	30%
WS Prudential Risk Managed Passive Fund 1	U	41%
The Media Centre, 7 Northumberland Street, Huddersfield, HD1 1RL		
Sandringham Financial Partners Limited	OS	100%
Sandringham Financial Partners Limited	PS	39%
York House, 45 Seymour Street, London, W1H 7LX		
Fort Kinnaird GP Limited	OS	50%
Fort Kinnaird Limited Partnership	LPI	50%
100 Victoria Street, London, SW1E 5JL		
Bluewater REIT	U	25%
United States of America		
14006 Riverside Dr Ste 17 Sherman Oaks, CA, 91423-1944		
Sherman Oaks Fashion Associates LP	LPI	50%
559 Pacific Avenue, San Francisco, CA 94133		
Sky Fund V Onshore LP	LPI	26%
300 Atlantic Street, Suite 600, Stamford, CT 06901		
HCR Canary Fund LP	LPI	99%
1209 Orange Street, Wilmington, DE 19801		
Fashion Square ECO LP	LPI	50%
Westland Garden State Plaza Sponsor 1 LP	LPI	50%
251 Little Falls Drive, Wilmington, DE 19801		
M&G Investments (Americas) Inc.	OS	100%
M&G Investments (USA) Inc.	OS	100%
2711 Centerville Road, Suite 400, Wilmington, DE 19808		
Aldwych LP	LPI	100%
Old Kingsway LP	LPI	100%
Randolph Street LP	LPI	100%
SMLLC	LPI	100%
SOFA Holding LP	LPI	100%
874 Walker Road, Suite C, Dover, DE 19904		
PPM America Private Equity Fund III LP	LPI	50%
PPM America Private Equity Fund IV LP	LPI	50%
PPM America Private Equity Fund V LP	LPI	50%
PPM America Private Equity Fund VI LP	LPI	40%
PPM America Private Equity Fund VII LP	LPI	46%
300 E Lombard Street, Baltimore, MD 21202		
NAPI REIT, Inc.	OS	99%
Garden State Plz Mall, Routes 4 &17, Paramus, NJ 07652		
Westland Garden State Plaza LP	LPI	50%

Company financial statements

Company statement of financial position

As at 31 December	Notes	2024 £m	Restated[i] 2023 £m
Assets			
Non-current assets			
Investments in subsidiaries	A	**9,678**	9,623
Deferred tax assets	B	**136**	138
Total non-current assets		**9,814**	9,761
Current assets			
Loans	C	**519**	804
Current tax assets	B	**8**	2
Accrued investment income and other debtors	D	**19**	3
Cash and cash equivalents	E	**12**	27
Total current assets		**558**	836
Total assets		**10,372**	10,597
Equity			
Share capital	F	**120**	119
Share premium	F	**383**	379
Capital redemption reserve		**11**	11
Shares held by employee benefit trust	G	**(9)**	(26)
Treasury shares	G	**(6)**	(21)
Equity-settled share-based payment reserve		**88**	81
Retained earnings			
Brought forward retained earnings		**6,285**	7,252
Profit/(Loss) for the year		**714**	(480)
Other movements in retained earnings		**(472)**	(487)
Total retained earnings		**6,527**	6,285
Total equity		**7,114**	6,828
Liabilities			
Non-current liabilities			
Subordinated liabilities and other borrowings	H	**3,176**	3,676
Provisions	I	**7**	7
Accruals, deferred income and other liabilities	J	**1**	1
Total non-current liabilities		**3,184**	**3,684**
Current liabilities			
Accruals, deferred income and other liabilities	J	**74**	85
Total current liabilities		**74**	85
Total liabilities		**3,258**	3,769
Total equity and liabilities		**10,372**	10,597

i The format of the statement of financial position has been changed to align to the requirements of IAS 1 to present subtotals for current and non-current assets and for current and non-current liabilities. In the financial statements for the year ended 31 December 2023, Provisions were presented within Accruals, deferred income and other liabilities but are now presented separately on the face of the statement of financial position.

The Notes on pages 333 to 340 are an integral part of these financial statements.

The financial statements on pages 331 to 340 were approved by the Board and signed on its behalf, by the following Directors on 18 March 2025:

Andrea Rossi
Group Chief Executive Officer

Kathryn McLeland
Chief Financial Officer

Company financial statements continued

Company statement of changes in equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Shares held by employee benefit trust £m	Treasury shares £m	Equity-settled share-based payment reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2024	**119**	**379**	**11**	**(26)**	**(21)**	**81**	**6,285**	**6,828**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**714**	**714**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**714**	**714**
Dividends paid to equity holders of M&G plc	**—**	**—**	**—**	**—**	**—**	**—**	**(468)**	**(468)**
Proceeds from shares issued to settle employee share option schemes	**—**	**4**	**—**	**—**	**—**	**—**	**—**	**4**
Shares distributed by employee trusts or from treasury shares	**—**	**—**	**—**	**37**	**—**	**—**	**(37)**	**—**
Vested employee share-based payments	**—**	**—**	**—**	**—**	**—**	**(33)**	**33**	**—**
Expense recognised in respect of share-based payments	**—**	**—**	**—**	**—**	**—**	**40**	**—**	**40**
Shares issued to, acquired by or transferred to employee trusts	**1**	**—**	**—**	**(20)**	**15**	**—**	**—**	**(4)**
Net increase in equity	**1**	**4**	**—**	**17**	**15**	**7**	**242**	**286**
As at 31 December 2024	**120**	**383**	**11**	**(9)**	**(6)**	**88**	**6,527**	**7,114**

	Share capital £m	Share premium £m	Capital redemption reserve £m	Shares held by employee benefit trust £m	Treasury shares £m	Equity-settled share-based payment reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2023	119	370	11	(70)	(47)	91	7,252	7,726
Loss for the year	—	—	—	—	—	—	(480)	(480)
Total comprehensive loss for the year	—	—	—	—	—	—	(480)	(480)
Dividends paid to equity holders of M&G plc	—	—	—	—	—	—	(462)	(462)
Proceeds from shares issued to settle employee share option schemes	—	9	—	—	—	—	—	9
Shares distributed by employee trusts or from treasury shares	—	—	—	71	4	—	(71)	4
Vested employee share-based payments	—	—	—	—	—	(42)	42	—
Expense recognised in respect of share-based payments	—	—	—	—	—	32	—	32
Shares issued to, acquired by and transferred to employee trusts	—	—	—	(27)	22	—	—	(5)
Tax effect of items recognised directly in equity	—	—	—	—	—	—	1	1
Other movements	—	—	—	—	—	—	3	3
Net increase/(decrease) in equity	—	9	—	44	26	(10)	(967)	(898)
As at 31 December 2023	119	379	11	(26)	(21)	81	6,285	6,828

The Notes on pages 333 to 340 are an integral part of these financial statements.

Notes to the Company financial statements

Basis of preparation and accounting policies

(a) Basis of preparation

These separate financial statements for the year ended 31 December 2024 have been prepared in accordance with UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and Part 15 of the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared on a going concern basis under the historical cost basis and are presented rounded to the nearest million pounds sterling, see Note 1 of the Group financial statements for information of the Directors' assessment of the going concern basis.

The format of the statement of financial position has been changed for the year ended 31 December 2024 to present subtotals for current and non-current assets and for current and non-current liabilities. This change has been made in order to provide additional information within the primary statements and comply with Schedule 1 of the Regulations. The prior year figures in respect of the year ended 31 December 2023 have been re-presented in the new format to ensure comparability.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Statement of compliance with IFRS
- Outstanding shares comparative
- Requirement for minimum of two primary statements, including statement of cash flows
- Additional comparative information
- Capital management disclosures
- Statement of cash flows
- Financial instruments disclosure
- Effect of IFRSs issued but not effective
- Related party transactions with wholly-owned subsidiaries
- Presentation of a third statement of financial position

The Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its own income statement in these financial statements. The auditors' remuneration for audit and other services is disclosed in Note 9 of the Group financial statements. During the year, the Company had two (2023: two) employees.

(b) Judgements in applying accounting policies and sources of estimation uncertainty

A full list of the Company's material accounting policies is provided in Section (c) of this Note below.

The preparation of these financial statements require management to apply judgement in relation to certain accounting policies. In addition, management have to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses arising during the year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The area which required management to apply critical accounting estimates and assumptions which were material to the financial statements is as follows:

Financial statement area	Key estimate and assumptions	Accounting policy	Note
Impairment of investment in subsidiaries	When assessing impairment of subsidiaries where indicators of impairment exist the carrying value is compared to the recoverable amount, which is the higher of fair value less cost of disposal and value in use. The determination of the recoverable amount, especially in relation to the value in use calculation requires the use of various assumptions that can have a material impact on the calculation.	(c) (ii)	A

(c) Material accounting policies

(i) Dividend income

Dividend income from investments is recognised when the right to receive payments has been established.

Notes to the Company financial statements continued

Basis of preparation and accounting policies (continued)

(c) Material accounting policies (continued)

(ii) Investment in subsidiaries

Investment in subsidiaries is stated at cost less, where appropriate, allowances for impairment. Investments are reviewed annually to assess whether there are indicators of impairment. Where indicators of impairment exist, the carrying value of the investment in the subsidiary is compared against its recoverable amount, which is the higher of the fair value less cost to sell or the value in use, with any resulting impairment recorded in the income statement.

Investment in subsidiaries under common control transactions which are acquired as part of a group reorganisation are recorded at fair value of the consideration received, which is deemed to be the cost at the point of initial recognition. Any gains and losses arising on disposal of subsidiaries are recorded in profit or loss.

(iii) Financial instruments

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at fair value plus, for financial instruments not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Classification and measurement

Financial instruments are classified and measured at either amortised cost or FVTPL.

Financial instruments measured at amortised cost

Financial instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and;
- The contractual terms of the instrument give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

Note 1.5.5 of the Group financial statements provides further details on these conditions.

Financial instruments measured at FVTPL

All financial instruments held by the Company that do not meet the criteria for being measured at amortised cost, or are mandatorily required to be measured at fair value under IFRS 9, are measured at FVTPL. This includes instruments that are held for trading or are part of a portfolio that is managed on a fair value basis.

Subsequent measurement

After initial measurement, loans, cash and cash equivalents, accrued investment income and other debtors and subordinated liabilities and other borrowings are all measured at amortised cost, using the Effective Interest Rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial instruments at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the income statement.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial instruments subsequent to their initial recognition, apart from the exceptional circumstances in which there has been a change in business model. The Company's accounting policy for derecognition mirrors the Group's which is outlined in Notes 1.5.5(ix)-(x) of the Group financial statements.

Impairment of financial assets

Impairment losses on financial assets measured at amortised cost are measured using an expected credit loss impairment model. Impairment losses representing the expected credit loss in the next 12 months are recognised unless there has been a significant increase in credit risk from initial recognition, in which case, lifetime expected losses are recognised. Where relevant, the Company makes use of the exemption available for financial instruments with low credit risk, for which, an assessment of a significant increase in credit risk is not required.

Further detail on the Company's accounting policies for cash and cash equivalents and subordinated liabilities and other borrowings are provided in (iv) and (x).

(iv) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand with an original maturity date of 90 days or less. Cash and cash equivalents are initially recognised at fair value and subsequently carried at amortised cost using the Effective Interest Rate (EIR) method and are subject to the impairment requirements of IFRS 9.

Notes to the Company financial statements continued

Basis of preparation and accounting policies (continued)

(c) Material accounting policies (continued)

(v) Tax

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. Current tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or other comprehensive income.

Deferred tax

Deferred taxes are provided under the liability method for all relevant temporary differences. IAS 12 'Income Taxes' does not require all temporary differences to be provided for, in particular, the Company does not provide for deferred tax on undistributed earnings of subsidiaries where the Company is able to control the timing of the distribution and the temporary difference created is not expected to reverse in the foreseeable future. Deferred tax assets are only recognised when it is more likely than not that future taxable profits will be available against which these losses can be utilised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period.

(vi) Share capital and share premium

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Shares are classified as equity when their terms do not create an obligation to transfer assets. The nominal value of shares issued is recorded in share capital.

Where the consideration received from the issue or sale of existing shares exceeds the nominal value recorded in share capital, the difference is recorded in share premium. Share premium is recorded net of share issue costs.

(vii) Treasury shares

Where the Company purchases its own share capital , the consideration paid, including any attributable transaction costs, is shown as a deduction from total shareholders' equity.

(viii) Capital redemption reserve

The capital redemption reserve arises from the cancellation of shares following the Company' share buy-back programme in 2022.

(ix) Dividends

Dividends are recognised when the obligation becomes certain, i.e., when the dividend is no longer at the discretion of the Company. In the case of interim dividends, this occurs when the dividends are paid. For final dividends, this occurs when they are recommended by the Board and approved by shareholders.

(x) Subordinated liabilities and other borrowings

Subordinated liabilities include loan notes issued by the Company which are classified as financial liabilities as they have a fixed repayment date and do not represent a residual interest in the net assets of the Company on liquidation. The notes rank junior to all other liabilities of the Company in the event of liquidation, but above share capital.

Subordinated liabilities are initially recognised at fair value, net of transaction costs and are subsequently accounted for on an amortised cost basis using the effective interest method. Under the effective interest method, the difference between the redemption value and the initial value at recognition is amortised through the income statement to the expected date of maturity.

(xi) Share-based payments

All share-based payments made to employees for services rendered are measured based on the fair value of the equity instrument granted. The fair value takes into account the impact of market-based vesting conditions and non-vesting conditions, but excludes any impact of non-market-based vesting conditions. The related share-based payment expense is recognised over the vesting period. The fair value may be determined using an option pricing model such as Black-Scholes, where appropriate, taking into account the terms and conditions of the award.

For equity-settled share-based payments, the fair value of service rendered is based on the fair value of the equity instrument at grant date which is not remeasured subsequently. The share-based payment expense is based on the number of equity instruments expected to vest over the vesting period, with the corresponding entry to equity.

For cash-settled share-based payments, the fair value of service rendered is based on the fair value of the related liability to the equity instrument granted. The fair value equity instrument granted is remeasured at each reporting date with any changes recognised in the share-based payment expense for the period.

A cancellation of an award without the grant of a replacement equity instrument is accounted for as an acceleration of vesting. Accordingly, any share-based payment expense that would have been recognised over the remaining vesting period is recognised immediately.

On vesting or exercise, the difference between the expense charged to the income statement and the actual cost to the Company is transferred to retained earnings.

Notes to the Company financial statements continued

Basis of preparation and accounting policies (continued)

(c) Material accounting policies (continued)

(xii) Provisions and contingent assets and liabilities

Provisions are recognised on the statement of financial position when the Company has a present legal or constructive obligation resulting from a past event, it is probable that a loss will be made in settling the obligation and the amounts can be estimated reliably.

Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are discounted and represent the present value of the expected expenditure where the effect of the time value of money is material.

Contingent liabilities are possible obligations of the Company where the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised on the statement of financial position, unless they are assumed by the Company as part of a business combination. Contingent liabilities are however disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and is recognised as a liability.

Contingent assets which are possible benefits to the Company are only disclosed if it is probable that the Company will receive the benefit. If such a benefit becomes virtually certain, it is no longer considered contingent and is recognised on the statement of financial position as an asset.

Notes to the Company financial statements continued

A. Investment in subsidiaries

As at 31 December	2024 £m	2023 £m
Cost at 1 January	**11,779**	11,759
Capital contribution into subsidiaries	**173**	30
Disposal of subsidiaries	**(1)**	(10)
Return of capital	**(3)**	—
Cost at 31 December	**11,948**	11,779
Impairment at 1 January	**(2,156)**	(1,223)
Impairment of subsidiaries	**(115)**	(933)
Disposal of impaired subsidiaries	**1**	—
Impairment at 31 December	**(2,270)**	(2,156)
Investment in subsidiaries at 31 December	**9,678**	9,623

(i) Direct subsidiaries

The direct subsidiaries of the Company as at 31 December 2024 are listed below:

Company name	Country of incorporation or registration	Nature of business	% held
M&G Corporate Holdings Limited	United Kingdom	Holding company	100%
M&G Group Regulated Entity Holding Company Limited	United Kingdom	Holding company	100%
Prudential Capital Holding Company Limited (In Liquidation)	United Kingdom	Holding company	100%
Prudential Capital Public Limited Company	United Kingdom	Service company	100%
Prudential Financial Services Limited	United Kingdom	Holding company	100%

Details of the Company's related undertakings are given in Note 39 of the Group financial statements.

(ii) Capital contributions

On 14 March 2024 the Company increased its investment in Prudential Financial Services Limited through the purchase of 172,000,000 £1 ordinary shares for cash consideration of £172m. The additional £1m relates to capital contributions arising from share-based payments to employees of subsidiaries.

On 1 March 2023 the Company increased its investment in Prudential Financial Services Limited through the purchase of 22,500,000 £1 ordinary shares for cash consideration of £23m. The additional £7m relates to capital contributions arising from share-based payments to employees of subsidiaries.

(iii) Disposals and return of capital

On 25 May 2024 the Company derecognised its fully impaired investment in Prudential Property Services Limited following the winding up of the company.

On 19 December 2024 the Company received a £3m return of capital from its subsidiary M&G Corporate Holdings Limited.

On 18 September 2023 the Company redeemed £10m of equity capital in its subsidiary Prudential Capital Holding Company Limited through the cancellation of 9,999,000 £1 ordinary shares.

(iv) Impairment

As at 31 December 2024, indicators of impairment existed for two of the Company's direct subsidiaries, M&G Group Regulated Entity Holding Company Limited (M&GGREH) and Prudential Financial Services Limited (PFSL).

M&GGREH

M&GGREH is the main subsidiary of the Company and acts as the main holding entity for the Group's regulated businesses. The continued adverse impacts of market volatility on the global economy and its resulting implications on the Company's market capitalisation and potential future business performance were considered an impairment indicator by management in the years ended 31 December 2024 and 31 December 2023.

During the year ended 31 December 2023, an impairment of £933m was recognised in relation to the Company's investment in M&G Group Regulated Entity Holding Company Limited (M&GGREH). No impairment was recognised during the year ended 31 December 2024.

An impairment assessment was undertaken in relation to the subsidiary by comparing its recoverable amount with the carrying value. The recoverable amount of the subsidiary was based on its value in use. As the subsidiary acts as a holding company with no operations, the value in use was determined as the sum of the values in use of the underlying subsidiaries in which the subsidiary has investment in. At 31 December 2024, the M&G Group Limited (MGG) and The Prudential Assurance Company Limited (PAC)

Notes to the Company financial statements continued

A. Investment in subsidiaries (continued)

(iv) Impairment (continued)

collectively represented 97% (2023: 96%) of the carrying value of M&GGREH. The values in use of these material indirect subsidiaries were determined based on discounted cash flows and standard growth models based on management forecasts.

The value in use calculation of the underlying subsidiaries is based on a set of economic, market and business assumptions used to derive the cash flow forecasts. The calculation is particularly sensitive to a number of key assumptions as follows:

- In respect of MGG, the value in use was calculated using a standard growth model, using a discount rate of 11%, based on a weighted average cost of capital approach, and a long-term growth rate of 2%. At 31 December 2024, a simultaneous increase of 50bps in the discount rate and 50bps decrease in the growth rate would result in the carrying value of MGG reducing by £235m. This would result in an impairment of £235m recorded by the Company in respect of M&GGREH.
- In respect of PAC, the value in use was calculated using a dividend discount model, using a discount rate of 10.4%, based on a cost of equity approach, and a long-term growth rate of 2.5% to determine the terminal value. At 31 December 2024, a simultaneous increase of 50bps in the discount rate and a 50bps decrease in the growth rate would result in the carrying value of PAC reducing by £644m. This would result in an impairment of £644m recorded by the Company in respect of M&GGREH.

The impairment recorded at 31 December 2023 reflected a reduction in the valuation of PAC in combination with the impact of write-downs in the value of the asset management and platform businesses, MGG and Investment Funds Direct Limited (IFDL) respectively, recorded in previous years. As the headroom on the valuation of PAC had been eroded, the impairment losses previously recognised in respect of the investment in MGG and IFDL crystallised.

PFSL

PFSL is a direct subsidiary of the Company and acts as an intermediate holding company within the Group. In 2024, the Company injected £172m into PFSL to aid PFSL in complying with regulatory capital requirements arising from the inclusion of My Continuum (Financial Services) LLP as PFSL's indirect subsidiary. Following the sale of Continuum from M&G Wealth Advice Limited to M&G Wealth Holding Company Limited (as detailed in Note 2.2 of the Group financial statements), PFSL received dividends from its subsidiaries. PFSL subsequently paid a dividend of £195m to the Company, recognised as dividend income on the Company's income statement. The resultant Company carrying value of PFSL being greater than the net asset value of PFSL was considered an indicator of impairment. An impairment of £115m was recognised in relation to the Company's investment in PFSL for the year ended 31 December 2024 (2023: £nil).

No impairment was recognised in relation to any other of the Company's subsidiaries (2023: none).

B. Tax

(i) Deferred tax assets and liabilities

Under IAS 12, deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period Deferred tax assets are recognised to the extent that they are regarded as recoverable, that is to the extent that, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted or tax losses utilised. Deferred tax assets and liabilities are only offset when there is both a legal right to set off and an intention to settle on a net basis.

Deferred tax in the statement of financial position

The table below shows movements on deferred tax assets during the year:

For the year ended 31 December	2024 £m	2023 £m
As at 1 January	**138**	141
Income statement	**(1)**	(4)
Equity and other comprehensive income	**(1)**	1
As at 31 December	**136**	138

Of the £136m (2023: £138m) deferred tax assets at 31 December 2024, £69m (2023: £77m) relates to short-term timing differences arising on the subordinated notes and £63m (2023: £56m) on tax losses carried forward. The remaining £4m (2023: £5m) relates to the deferred tax asset on share-based compensation.

Unrecognised deferred tax

Retained earnings of overseas subsidiaries are expected to be re-invested indefinitely or remitted to the UK free from further taxation by virtue of Parent Company exemptions on dividends from subsidiaries and on capital gains on disposal. Consequently, the Company does not consider there to be any significant taxable temporary differences associated with investments in subsidiaries, branches, associates and joint arrangements.

Notes to the Company financial statements continued

B. Tax (continued)

(ii) Current tax

For the year ended 31 December	2024 £m	2023 £m
Net corporation tax asset as at 1 January	**2**	8
Income statement	**62**	57
Corporation tax paid	**(56)**	(63)
Net corporation tax asset as at 31 December	**8**	2

Net current tax assets at 31 December 2024 were £8m (2023: £2m) and are expected to be settled within 12 months.

C. Loans

As at 31 December 2024 the Company had provided loans to Prudential Capital plc, a direct subsidiary of the Company, of £519m (2023: £804m) which are repayable on demand. Accrued interest as at 31 December 2024 was £1m (2023: £1m) and is presented within Accrued investment income and other debtors.

D. Accrued investment income and other debtors

As at 31 December	2024 £m	2023 £m
Amounts owed by Group undertakings	**17**	2
Other	**2**	1
Total accrued investment income and other debtors	**19**	3
Analysed as:		
Expected to be settled within one year	**2**	1
No contractual maturity	**17**	2
Total accrued investment income and other debtors	**19**	3

Amounts owed by Group undertakings are unsecured, interest free and are repayable upon demand with no fixed date of repayment, with the exception of accrued interest due on loans provided to Prudential Capital plc totalling £1m (2023: £1m).

E. Cash and cash equivalents

As at 31 December	2024 £m	2023 £m
Cash	**12**	27
Total cash and cash equivalents	**12**	27

F. Share capital and share premium

Details of the Company's share capital and share premium are given in Note 21 of the Group financial statements.

Details of the dividends paid on the ordinary shares by the Company are provided in Note 12 of the Group financial statements. Note 12 in the Group financial statements also includes information regarding the second interim dividend proposed by the Directors for the year ended 31 December 2024.

G. Shares held by employee benefit trusts and other treasury shares

Details of the Company's shares held by trusts and other treasury shares are given in Note 22 of the Group financial statements.

H. Subordinated liabilities and other borrowings

Details of the Company's subordinated liabilities are given in Note 26.1 of the Group financial statements. The Company has access to revolving credit facilities totalling £1.5bn which remained undrawn as at 31 December 2024 and 31 December 2023. Further details are given in Note 26.2 of the Group financial statements.

I. Provisions

As at 31 December	2024 £m	Restated[i] 2023 £m
Staff benefits	**7**	7
Total provisions	**7**	7

i In the financial statements for the year ended 31 December 2023, Provisions were presented within Accruals, deferred income and other liabilities on the face of the statement of financial position. Provisions are now presented separately on the face of the statement of financial position.

Notes to the Company financial statements continued

J. Accruals, deferred income and other liabilities

As at 31 December	2024 £m	Restated[i] 2023 £m
Amounts owed to Group undertakings	**32**	35
Accrued interest on subordinated debt	**33**	42
Other	**10**	9
Total accruals, deferred income and other liabilities	**75**	86
Analysed as:		
Expected to be settled within one year	**42**	50
Expected to be settled after one year	**1**	1
No contractual maturity	**32**	35
Total accruals, deferred income and other liabilities	**75**	86

i This note has been restated to exclude balances which were reported within Accruals, deferred income and other liabilities in the financial statements for the year ended 31 December 2023 but which have subsequently been presented as Provisions on the face of the statement of financial position.

Amounts owed to Group undertakings are unsecured, interest free and are repayable upon demand with no fixed date of repayment.

K. Related party transactions

The Directors and key management personnel of the Company are considered to be the same as for the Group. See Note 35 of the Group financial statements for further information.

There were no other related party transactions in the years ended 31 December 2024 and 31 December 2023 other than those noted in Note A, Note C, Note D and Note J of the Company financial statements.

L. Contingencies and related obligations

Details of the Company's contingencies and related obligations are given in Note 33 of the Group financial statements.

Intra-group capital support arrangements

The Company and PAC have put in place intra-group arrangements to formalise circumstances in which capital support would be made available by the Company. While the Company considers it unlikely that such support will be required, the arrangements are intended to provide additional comfort to PAC and its policyholders.

M. Share-based payments

Details of the Company's share-based payments are given in Note 37 of the Group financial statements.

Supplementary information

S.1 Alternative performance measures

Overview of the Group's key performance measures

The Group measures its financial performance using a number of key performance measures (KPM). The Group also uses a number of alternative performance measures (APM), which are most commonly derived from the financial statements prepared in accordance with the IFRS financial reporting framework or the Solvency II requirements, but are not defined under IFRS or Solvency II. The APMs are used to complement and not to substitute the disclosures prepared in accordance with IFRS and Solvency II, and provide additional information on the long-term performance of the Group.

A list of the APMs used by the Group along with their definitions and how they can be reconciled to the nearest IFRS or Solvency II measure, where applicable, is provided in the table below.

All information included in this section does not form part of the independent audit performed by the external auditor.

The Group's KPMs are summarised below, along with which of these measures are considered APMs by the Group.

Key performance measure	Type	Definition
Assets under management and administration (AUMA)	APM, KPM	Closing AUMA represents the total market value of all assets managed, administered or advised on behalf of clients at the end of each financial period and is a key indicator of the scale of the business. Assets managed by the Group include those managed on behalf of our institutional and wholesale clients. Assets administered by the Group include assets for which we provide investment management services, in addition to assets we administer where the client has elected to invest in a third party investment manager. Assets under advice are advisory portfolios where clients receive investment recommendations such as Strategic Asset Allocation & model portfolios but retain discretion over executing the advice. AUMA includes assets recognised on the consolidated statement of financial position, together with certain assets managed and/or administered by the Group belonging to external clients not included within the consolidated statement of financial position and, as a result, this measure is not directly reconcilable to the financial statements.
Net flows from open business	APM, KPM	Net flows from open business consists of net client flows from Asset Management, PruFund, Shareholder annuities and the elements of Other Life which are open to new business. It excludes net flows from our Traditional with-profits business, platform and certain elements of Other Life closed to new business.
Adjusted operating profit before tax	APM, KPM	Adjusted operating profit (AOP) before tax is the Group's non-GAAP alternative performance measure, which complements the IFRS GAAP measures and is useful as it allows a deeper understanding of the Group's performance over time. It is therefore key to decision-making and the internal performance management of our operating segments. 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 the IFRS result before tax to determine adjusted operating profit before tax. Adjustments are in respect of short-term fluctuations in investment returns, mismatches arising on the application of IFRS 17, costs associated with fundamental Group-wide restructuring and transformation, profits or losses arising on business and corporate transactions, impairment and amortisation in respect of acquired intangible assets, and, where relevant, profit/(loss) from discontinued operations. Included in AOP before tax are the results of the intercompany buy-in transaction executed between the trustees of M&G Group Pension Scheme (M&GGPS) and PAC which are eliminated from the IFRS results before tax on consolidation. AOP before tax for the Life segment does not include the impact of any margins on investment management fee earned by other Group entities and these are recognised in the Asset Management segment as they emerge. The AOP methodology is described in Note 3.2, along with a reconciliation of AOP before tax to IFRS result after tax.

Supplementary information continued

S.1 Alternative performance measures (continued)

Overview of the Group's key performance measures (continued)

Key performance measure	Type	Definition
Operating change in Contractual Service Margin	APM, KPM	Operating change in Contractual Service Margin (CSM) is an APM introduced on the adoption of IFRS 17 in 2023 and supplements the AOP metric for the Life segment. Operating change in CSM represents changes resulting from new business, interest accretion, experience changes and release of CSM but excludes the impact of short-term market movements, mismatches arising on the adoption of IFRS 17 and restructuring costs. The impact on these items also includes the intercompany buy-in transaction, consistent with AOP. For the Variable Fee Approach business, operating change in CSM does not include the variance between long-term expected returns and actual returns and the impact of the mismatch arising on the application of the General Measurement Model to the non-profit business written in the With-Profits Fund, similar to the methodology for AOP. The APM is a useful measure of economic value generated as it includes the impact of new business and management actions taken during the year, which are not included in AOP.
IFRS result after tax	KPM	IFRS result after tax demonstrates to our shareholders the financial performance of the Group during the relevant period on an IFRS basis.
Underlying capital generation	APM	For insurance entities and their underlying subsidiaries, underlying capital generation includes the expected Solvency II surplus capital generated from in-force business and the impact of writing new life insurance business. For non-insurance entities, underlying capital generation is equal to adjusted operating profit before tax, with certain adjustments made in respect of items that do not reflect the underlying result. It also includes other items such as head office expenses and debt interest costs that contribute to the underlying capital position of the business.
Operating capital generation	APM, KPM	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. Management use this as an indicator on the longer-term components of the movements in the Group's surplus capital as it is less affected by short-term market volatility and non-recurring items as total capital generation.
Total capital generation	APM, KPM	Total capital generation measures the change in surplus capital during the period, before dividends and capital movements. Management consider it to be integral to the running and monitoring of the business, our decisions on capital allocation and investment, and ultimately our dividend policy. Surplus capital is the amount by which eligible own funds exceed SCR under Solvency II.
Shareholder Solvency II coverage ratio	APM, KPM	Management focuses on a shareholder view of the Solvency II coverage ratio, which is considered to provide a more useful reflection of the capital strength of the Group. The shareholder view includes future with-profits shareholder transfers, but excludes the shareholders' share of the ring-fenced with-profits estate. The regulatory Solvency II capital position considers the Group's overall own funds and solvency capital requirement (SCR). The shareholder Solvency II coverage ratio is the ratio of own funds to SCR, excluding the contribution to own funds and SCR from the Group's ring-fenced With-Profits Fund. Own funds assume transitional measures on technical provisions which have been recalculated using management's estimate of the impact of operating and market conditions at the valuation date. Both the shareholder view and the regulatory view reflect eligible own funds, in line with the thresholds set by the regulator that set out how much capital of each tier can be used to demonstrate solvency.

Supplementary information continued

S.2 Adjusted operating profit before tax

(i) Reconciliation of adjusted operating profit/(loss) before tax by segment to IFRS (loss)/profit before tax

For the year ended 31 December	2024 £m	2023[i] £m
Asset Management	**289**	242
Life	**746**	755
Corporate Centre	**(198)**	(200)
Total segmented adjusted operating profit before tax	**837**	797
Short-term fluctuations in investment returns	**(643)**	(171)
Mismatches arising on application of IFRS 17	**(333)**	(41)
Amortisation of intangible assets acquired in business combinations	**(115)**	(39)
Profit on disposal of business and corporate transactions	**11**	—
Restructuring costs and other	**(106)**	(141)
IFRS (loss)/profit before tax and non-controlling interests attributable to equity holders	**(349)**	405
IFRS profit before tax attributable to non-controlling interests	**17**	16
IFRS (loss)/profit before tax attributable to equity holders	**(332)**	421

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. The comparatives for Life and Corporate Centre have been restated to reflect the revised segments and the adjustment of some advice-related costs.

(ii) Adjusted operating profit/(loss) before tax by segment and source

For the year ended 31 December	2024 £m	2023[i] £m
Core Asset Management	**218**	188
Performance fees (including carried interest) and investment return	**71**	54
Total Asset Management	**289**	242
With-profits: PruFund	**226**	236
With-profits: traditional	**222**	263
Shareholder annuities	**308**	331
Other Life	**(10)**	(75)
Total Life	**746**	755
Corporate Centre	**(198)**	(200)
Adjusted operating profit before tax	**837**	797

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. The comparatives for Life and Corporate Centre have been restated to reflect the revised segments and the adjustment of some advice-related costs.

Adjusted operating profit before tax arising from the Asset Management segment is further analysed in the table below:

For the year ended 31 December	2024 £m	2023 £m
Fee-based revenue	**1,043**	1,025
Asset Management operating expenses	**(774)**	(791)
Investment return	**36**	24
Adjusted operating profit attributable to non-controlling interests	**(16)**	(16)
Adjusted operating profit before tax	**289**	242

Adjusted operating profit/(loss) before tax arising from with-profits business is further analysed below:

For the year ended 31 December	2024		2023	
	Traditional £m	PruFund £m	Traditional £m	PruFund £m
CSM release[i]	**198**	**221**	238	242
Expected return on excess assets	**36**	**18**	35	33
Other	**(12)**	**(13)**	(10)	(39)
With-profits	**222**	**226**	263	236

i The CSM release for the with-profits business is included on an expected basis, calculated as the CSM at start of the period updated to reflect long-term expected investment returns multiplied by the expected amortisation factor for the period.

Supplementary information continued

S.2 Adjusted operating profit before tax (continued)

(ii) Adjusted operating profit/(loss) before tax by segment and source (continued)

Adjusted operating profit/(loss) before tax arising from shareholder annuities is further analysed in the table below:

For the year ended 31 December	2024 £m	2023 £m
Expected return on excess assets	**147**	205
CSM release	**113**	96
Risk adjustment unwind	**21**	19
Asset trading and portfolio management actions	**—**	2
Experience variances	**2**	9
Other provisions and reserves	**25**	—
Shareholder annuities	**308**	331

S.3 Operating change in Contractual Service Margin (CSM)

The CSM balances split by line of business disclosed in Note 24 include the CSM attributable to policyholders arising from non-profit annuities written in the With-Profits Fund and the CSM in respect of M&G Group Limited (MGG) future profits from the management of PAC assets that arises on consolidation of the Group entities. The change during the year in the CSM attributable to policyholders and the CSM from the MGG future profits from the management of PAC assets is not included in operating change in CSM and is included in non-operating and other changes in the CSM.

The CSM arising on the underlying products based on the actual investment management charges applied to the policies and excluding the CSM attributable to policyholders is shown in the tables below.

The amortisation factor for the CSM each year is based on the CSM in the table. Operating change in CSM and reconciliation to total CSM is further analysed in the tables below:

For the year ended 31 December	With-profits: PruFund 2024 £m	With-profits: Traditional 2024 £m	Shareholder annuities 2024 £m	Other Life 2024 £m	Total (before policyholder and group adjustments) 2024 £m	Policyholder and group adjustments 2024 £m	Total 2024 £m
Opening CSM	**1,721**	**1,342**	**1,221**	**187**	**4,471**	**1,012**	**5,483**
Interest accreted on the CSM	**143**	**140**	**37**	**7**	**327**	**—**	**327**
Expected return in excess of risk-free on CSM	**177**	**132**	**—**	**—**	**309**	**—**	**309**
Release of CSM to adjusted operating profit	**(221)**	**(198)**	**(113)**	**(17)**	**(549)**	**—**	**(549)**
New business	**71**	**—**	**17**	**12**	**100**	**—**	**100**
Assumption changes and variances	**(71)**	**(51)**	**231**	**(2)**	**107**	**—**	**107**
Operating change in CSM	**99**	**23**	**172**	**—**	**294**	**—**	**294**
Market and other impacts[i]	**(32)**	**244**	**(13)**	**(6)**	**193**	**231**	**424**
Release of CSM to non-operating	**(17)**	**(21)**	**—**	**(6)**	**(44)**	**(124)**	**(168)**
Non-operating and other changes in CSM	**(49)**	**223**	**(13)**	**(12)**	**149**	**107**	**256**
Closing CSM	**1,771**	**1,588**	**1,380**	**175**	**4,914**	**1,119**	**6,033**

i Market and other impacts includes measurement mismatches relating to accounting for reinsurance contracts. Note, 2024 also includes £144m reallocation from With-profits PruFund to Traditional due to a refinement of the CSM across the two sub-segments.

Supplementary information continued

S.3 Operating change in Contractual Service Margin (CSM) (continued)

For the year ended 31 December	With-profits: PruFund[iii] 2023 £m	With-profits: Traditional 2023 £m	Shareholder annuities 2023 £m	Other Life 2023 £m	Total (before policyholder and group adjustments) 2023 £m	Policyholder and group adjustments 2023 £m	Total 2023 £m
Opening CSM	1,757	1,466	1,206	170	4,599	1,117	5,716
Interest accreted on the CSM	137	142	30	7	316	—	316
Expected return in excess of risk-free on CSM	202	167	—	—	369	—	369
Release of CSM to adjusted operating profit	(242)	(238)	(96)	(14)	(590)	—	(590)
New business[ii]	108	—	42	12	162	—	162
Assumption changes and variances	39	(4)	60	3	98	—	98
Operating change in CSM	244	67	36	8	355	—	355
Market and other impacts[i, ii]	(307)	(239)	(21)	17	(550)	5	(545)
Release of CSM to non-operating	27	48	—	(8)	67	(110)	(43)
Non-operating and other changes in CSM	(280)	(191)	(21)	9	(483)	(105)	(588)
Closing CSM	1,721	1,342	1,221	187	4,471	1,012	5,483

i Market and other impacts includes measurement mismatches relating to accounting for reinsurance contracts.

ii New business includes £22m in relation to the intercompany buy-in transaction that occurred in September 2023 which is eliminated on consolidation for IFRS purposes in 2023 and appears as reconciling item in Market and other impacts in the table above. Furthermore, as noted above, the margins on investment management fee earned by Group entities are excluded. Therefore, the numbers above for New business differ to the values for contracts initially recognised in the period in Note 24.3 analysis by measurement component.

iii Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for 2023 are presented on the new segment basis. PruFund UK and non-UK business were previously presented separately in 'Wealth' and 'Life' operating segments respectively.

S.4 Assets under management and administration (AUMA) and net client flows

(i) Net client flows

For the year ended 31 December	Net flows from open business 2024 £bn	Net flows from open business 2023 £bn	Net flows other 2024 £bn	Net flows other 2023 £bn	Total net client flows 2024 £bn	Total net client flows 2023 £bn
Institutional Asset Management[ii]	**(0.9)**	(0.7)	**—**	—	**(0.9)**	(0.7)
Wholesale Asset Management[ii]	**—**	1.5	**—**	—	**—**	1.5
Other Asset Management	**—**	—	**—**	—	**—**	—
Total Asset Management	**(0.9)**	0.8	**—**	—	**(0.9)**	0.8
With-profits: PruFund	**(0.9)**	1.0	**—**	—	**(0.9)**	1.0
With-profits: traditional	**–**	–	**(4.8)**	(4.2)	**(4.8)**	(4.2)
Shareholder annuities	**(0.2)**	(0.4)	**–**	–	**(0.2)**	(0.4)
Other Life[ii]	**0.1**	0.3	**(2.8)**	(2.2)	**(2.7)**	(1.9)
Total Life[iii, iv]	**(1.0)**	0.9	**(7.6)**	(6.4)	**(8.6)**	(5.5)
Corporate assets	**—**	—	**—**	—	**—**	—
Total	**(1.9)**	1.7	**(7.6)**	(6.4)	**(9.5)**	(4.7)

Supplementary information continued

S.4 Assets under management and administration (AUMA) and net client flows (continued)

(ii) Detailed AUMA and net client flows

	2024					
For the year ended 31 December	As at 1 January £bn	Gross inflows £bn	Gross outflows £bn	Net client flows £bn	Market / Other movements £bn	As at 31 December £bn
Asset Management	**154.2**	**30.4**	**(31.3)**	**(0.9)**	**6.5**	**159.8**
Institutional Asset Management	**98.2**	**12.7**	**(13.6)**	**(0.9)**	**(1.2)**	**96.1**
Wholesale Asset Management	**55.0**	**17.7**	**(17.7)**	**—**	**7.8**	**62.8**
Other Asset Management	**1.0**	**—**	**—**	**—**	**(0.1)**	**0.9**
Life[i]	**188.0**	**10.3**	**(18.9)**	**(8.6)**	**5.7**	**185.1**
With-profits: PruFund	**61.2**	**5.6**	**(6.5)**	**(0.9)**	**3.7**	**64.0**
With-profits: traditional	**65.0**	**0.2**	**(5.0)**	**(4.8)**	**1.4**	**61.6**
Shareholder annuities	**15.8**	**0.9**	**(1.1)**	**(0.2)**	**(0.5)**	**15.1**
Other Life	**46.0**	**3.6**	**(6.3)**	**(2.7)**	**1.1**	**44.4**
Corporate assets	**1.3**	**—**	**—**	**—**	**(0.3)**	**1.0**
Total[ii]	**343.5**	**40.7**	**(50.2)**	**(9.5)**	**11.9**	**345.9**

	2023					
For the year ended 31 December	As at 1 January £bn	Gross inflows £bn	Gross outflows £bn	Net client flows £bn	Market / Other movements £bn	As at 31 December £bn
Asset Management	154.2	33.1	(32.3)	0.8	(0.8)	154.2
Institutional Asset Management	99.2	14.8	(15.5)	(0.7)	(0.3)	98.2
Wholesale Asset Management	53.9	18.3	(16.8)	1.5	(0.4)	55.0
Other Asset Management	1.1	—	—	—	(0.1)	1.0
Life[i, iii]	186.4	11.2	(16.7)	(5.5)	7.1	188.0
With-profits: PruFund	58.3	7.0	(6.0)	1.0	1.9	61.2
With-profits: traditional	67.5	0.3	(4.5)	(4.2)	1.7	65.0
Shareholder annuities	15.4	0.7	(1.1)	(0.4)	0.8	15.8
Other Life	45.2	3.2	(5.1)	(1.9)	2.7	46.0
Corporate assets	1.4	—	—	—	(0.1)	1.3
Total[ii]	342.0	44.3	(49.0)	(4.7)	6.2	343.5

i £156.1bn of AUMA of Life is managed internally by the Group's Asset Management business (31 December 2023: £160.3bn), includes the net transfers to Asset Management of £3.6bn at 31 December 2024.

ii £18.0bn of total AUMA relates to assets under advice (31 December 2023: £14.1bn).

iii Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for 2023 are presented on the new segment basis. PruFund includes both UK and non-UK.

Supplementary information continued

S.4 Assets under management and administration (AUMA) and net client flows (continued)

(iii) AUMA by asset class

	2024									
	On-balance sheet AUMA[i]					External AUMA				Total
For the year ended 31 December	With-profits £bn	Unit-linked £bn	Shareholder backed annuities & other long-term business £bn	Corporate assets £bn	Total on-balance sheet £bn	Other Life[ii] £bn	Wholesale £bn	Institutional £bn	Total external £bn	Total AUMA £bn
Investment property	**8.7**	**—**	**0.6**	**—**	**9.3**	**—**	**0.1**	**15.0**	**15.1**	**24.4**
Reinsurance contract assets	**—**	**0.1**	**1.2**	**—**	**1.3**	**—**	**—**	**—**	**—**	**1.3**
Equity securities and pooled investment funds	**77.8**	**11.4**	**0.1**	**0.1**	**89.4**	**—**	**34.9**	**13.2**	**48.1**	**137.5**
Loans	**0.5**	**—**	**1.2**	**—**	**1.7**	**—**	**—**	**8.4**	**8.4**	**10.1**
Debt securities	**31.9**	**2.5**	**12.1**	**0.8**	**47.3**	**—**	**26.4**	**55.4**	**81.8**	**129.1**
of which Corporate	**19.0**	**1.5**	**8.4**	**0.8**	**29.7**	**—**	**14.2**	**34.6**	**48.8**	**78.5**
of which Government	**12.1**	**1.0**	**3.2**	**—**	**16.3**	**—**	**12.9**	**9.3**	**22.2**	**38.5**
of which ABS	**0.8**	**—**	**0.5**	**—**	**1.3**	**—**	**(0.7)**	**11.5**	**10.8**	**12.1**
Derivatives[iii]	**(0.7)**	**—**	**(1.4)**	**(0.1)**	**(2.2)**	**—**	**(0.1)**	**(0.6)**	**(0.7)**	**(2.9)**
Deposits[iv]	**8.2**	**1.2**	**1.5**	**—**	**10.9**	**—**	**—**	**—**	**—**	**10.9**
Cash and cash equivalents	**0.8**	**0.1**	**0.5**	**0.8**	**2.2**	**—**	**1.5**	**4.7**	**6.2**	**8.4**
Other	**1.1**	**0.1**	**0.2**	**0.3**	**1.7**	**—**	**—**	**—**	**—**	**1.7**
Other AUMA										**25.4**
Total[v]	**128.3**	**15.4**	**16.0**	**1.9**	**161.6**	**—**	**62.8**	**96.1**	**158.9**	**345.9**

	2023									
	On-balance sheet AUMA[i]					External AUMA				Total
For the year ended 31 December	With-profits £bn	Unit-linked £bn	Shareholder backed annuities & other long-term business £bn	Corporate assets £bn	Total on-balance sheet £bn	Other Life £bn	Wholesale £bn	Institutional £bn	Total external £bn	Total AUMA £bn
Investment property	8.8	—	0.6	—	9.4	—	0.1	14.4	14.5	23.9
Reinsurance contract assets	—	0.1	1.2	—	1.3	—	—	—	—	1.3
Equity securities and pooled investment funds	78.1	9.9	—	0.2	88.2	4.4	27.7	14.4	46.5	134.7
Loans	0.6	—	1.3	—	1.9	—	—	8.9	8.9	10.8
Debt Securities	31.8	2.0	12.7	1.0	47.5	1.2	25.8	56.7	83.7	131.2
of which: Corporate	20.5	1.3	8.7	1.0	31.5	1.2	16.6	37.5	55.3	86.8
of which: Government	10.3	0.7	3.4	—	14.4	—	10.7	8.7	19.4	33.8
of which: ABS	1.0	—	0.6	—	1.6	—	(1.5)	10.5	9.0	10.6
Derivatives[iii]	0.1	—	(1.3)	(0.1)	(1.3)	—	0.3	(0.4)	(0.1)	(1.4)
Deposits[iv]	7.8	1.2	1.5	—	10.5	—	—	—	—	10.5
Cash and cash equivalents	0.9	0.2	0.6	0.8	2.5	0.1	1.1	4.2	5.4	7.9
Other	1.0	0.1	0.3	0.4	1.8	—	—	—	—	1.8
Other AUMA										22.8
Total[v]	129.1	13.5	16.9	2.3	161.8	5.7	55.0	98.2	158.9	343.5

i On-balance sheet AUMA does not include consolidated funds included in the segmented statement of financial position by business type in Note 32.1.

ii Further to the revision of the Group's segments, as disclosed in Note 3, balances previously included in Other Life are now in External Wholesale AUMA.

iii Derivative assets are shown net of derivative liabilities.

iv Deposits are shown net of unsettled reverse repos.

v Included in total AUMA of £345.9bn (2023: £343.5bn) is £18.0bn (2023: £14.1bn) of assets under advice.

Supplementary information continued

S.4 Assets under management and administration (AUMA) and net client flows (continued)

(iv) AUMA by geography

For the year ended 31 December	2024 £bn	2023 £bn
UK[i]	**250.2**	254.2
Rest of Europe[i]	**67.9**	63.2
Asia-Pacific	**14.1**	12.5
Middle East and Africa	**11.0**	11.4
Americas	**2.7**	2.2
Total AUMA[ii]	**345.9**	343.5

i Rest of Europe at 31 December 2023 includes £6.4bn of non-UK PruFund business previously presented in UK and now restated.

ii £18.0bn of total AUMA relates to assets under advice (31 December 2023: £14.1bn).

S.5 Solvency II capital position

Solvency II overview

The Group is supervised as an insurance group by the Prudential Regulation Authority (PRA). Individual insurance undertakings within the Group are also subject to the supervision of the PRA (or other supervisory authorities) on a solo basis under the Solvency II regime.

The Solvency II surplus represents the aggregated capital (own funds) held by the Group less the Solvency Capital Requirement (SCR). Own funds is the Solvency II measure of capital available to meet losses, and is based on the assets less liabilities of the Group, subject to certain restrictions and adjustments. Available own funds reflect all capital available to the Group and eligible own funds are net of restrictions applied in line with the thresholds set by the regulator that limit the amount of each tier of capital that can be used to demonstrate solvency. The SCR is calculated using the Group's Internal Model, which calculates the SCR as the 99.5th percentile (or 1-in-200) worst outcome over the coming year, out of 100,000 equally likely scenarios, allowing for the dependency between the risks the business is exposed to.

Estimated reconciliation of IFRS shareholders' equity to Group Solvency II own funds

As at 31 December	2024 £bn	2023 £bn
IFRS shareholders' equity	**3.3**	4.1
Deduct goodwill and intangible assets	**(1.4)**	(1.5)
Net impact of valuing policyholder liabilities and reinsurance assets on Solvency II basis	**12.4**	12.2
Impact of introducing Solvency II risk margin (net of transitional measures)	**(0.3)**	(0.3)
Impact of measuring assets and liabilities in line with Solvency II principles	**1.0**	1.0
Recognise own shares	**—**	0.1
Other	**(0.1)**	0.1
Solvency II excess of assets over liabilities	**14.9**	15.7
Subordinated debt capital	**2.5**	3.1
Ring-fenced fund restrictions	**(5.8)**	(7.2)
Deduct own shares	**—**	(0.1)
Eligible own funds restriction	**—**	(0.2)
Solvency II eligible own funds	**11.6**	11.3

The key items in the reconciliation are explained below:

- Goodwill and intangible assets: these assets are not recognised under Solvency II as they are not readily available to meet emerging losses.
- Policyholder liability and reinsurance asset valuation differences: there are significant differences in the valuation of technical provisions between IFRS 17 and Solvency II. One of the key drivers of the increase in equity moving from IFRS 17 to Solvency II is the requirement to hold a CSM and risk adjustment under IFRS 17; these are removed under Solvency II. In addition, IFRS 17 captures the shareholder share of surplus assets on the With-Profits Fund in shareholder equity whereas 100% of with-profits surplus assets are captured in Solvency II excess of assets over liabilities, however this is subsequently restricted by the ring-fenced fund restrictions. This increase in equity is partially offset by differences in the liability discount rate; the IFRS 17 discount rate includes an illiquidity premium whereas Solvency II uses a risk-free rate for with-profits business and applies a matching adjustment for annuity business. This results in an increase in with-profits and shareholder-backed annuity liabilities on moving from IFRS 17 to Solvency II.
- Solvency II risk margin (net of transitional measures): the risk margin is a significant component of technical provisions required to be held under Solvency II. These additional requirements are partially mitigated by transitional measures which allow the impact to be gradually introduced over a period of 16 years from the introduction of Solvency II on 1 January 2016.

Supplementary information continued

S.5 Solvency II capital position (continued)

Estimated reconciliation of IFRS shareholders' equity to Group Solvency II own funds (continued)

- Subordinated debt capital: subordinated debt is treated as a liability in the IFRS financial statements and in determining the excess of assets over liabilities in the Solvency II balance sheet. However, for Solvency II own funds, the debt can be treated as capital.
- Ring-fenced fund restrictions: any excess of the own funds over the solvency capital requirement from the With-Profits Fund is restricted as these amounts are not available to meet losses elsewhere in the Group.
- There are limits, prescribed by the regulator, on the amount of different types of own funds that can be used to demonstrate solvency. While the capital remains available to the Group, where the sum of capital classed as Tier 2 and Tier 3 exceeds 50% of the regulatory Group Solvency Capital Requirement, own funds must be restricted by this amount to determine eligible own funds. At 31 December 2023, the sum of capital classed as Tier 2 and Tier 3 exceeded 50% of the regulatory Group Solvency Capital requirements by £216m. At 31 December 2024 the sum of capital classed as Tier 2 and Tier 3 has not breached the limit and there is no eligible own funds restriction.

Composition of own funds

The Group's total estimated own funds are analysed by Tier as follows:

As at 31 December	2024 £bn	2023 £bn
Tier 1 (unrestricted)	**8.6**	7.9
Tier 2	**2.5**	3.1
Tier 3	**0.5**	0.5
Eligible own funds restriction	**—**	(0.2)
Total eligible own funds	**11.6**	11.3

The Group's Tier 2 capital consists of subordinated debt instruments. The terms of these instruments allow them to be treated as capital for the purposes of Solvency II. The instruments were originally issued by Prudential plc, and subsequently substituted to the Parent Company, as permitted under the terms and conditions of each applicable instrument, prior to demerger. The details of the Group's subordinated liabilities are shown in Note 26. The Solvency II value of the debt differs to the IFRS carrying value due to a different basis of measurement on the respective balance sheets.

The Group's Tier 3 capital of £0.5bn (2023: £0.5bn) relates to deferred tax asset balances.

As stated above, the eligible own funds restriction at 31 December 2023 reflects the fact that the sum of Tier 2 and Tier 3 capital exceeds the threshold set by the regulator for the purpose of demonstrating solvency, although the capital above this threshold remains available to the Group. At 31 December 2024 the sum of capital classed as Tier 2 and Tier 3 has not breached the limit and there is no eligible own funds restriction.

Estimated shareholder view of the Solvency II capital position

The Group focuses on a shareholder view of the Solvency II capital position, which is considered to provide a more relevant reflection of the capital strength of the Group.

The estimated shareholder Solvency II capital position for the Group is shown below:

As at 31 December	2024 £bn	2023 £bn
Shareholder Solvency II eligible own funds	**8.5**	8.9
Shareholder Solvency II SCR[i]	**(3.8)**	(4.4)
Solvency II surplus	**4.7**	4.5
Shareholder Solvency II coverage ratio[ii]	**223%**	203%

i Included in the SCR at 31 December 2024 is an amount of £175m (2023: £175m) held in respect of any potential future legislative change which would impact our residential ground rent portfolio.

ii Shareholder Solvency II coverage ratio has been calculated using unrounded figures.

The Group's shareholder Solvency II capital position excludes the contribution to own funds and SCR from the ring-fenced With-Profits Fund. Further information on the ring-fenced With-Profits Fund's capital position is provided in the 'Estimated With-Profits Fund view of the Solvency II capital position' section below. In accordance with the Solvency II requirements, these results include:

- A Solvency Capital Requirement which has been calculated using the Group's Internal Model.
- Transitional measures, which are presented assuming a recalculation as at the valuation date, using management's estimate of the impact of operating and market conditions.
- A matching adjustment for non-profit annuities, based on approval from the PRA.
- M&G Group Limited and other undertakings carrying out financial activities consolidated under local sectoral or notional sectoral capital requirements.

Supplementary information continued

S.5 Solvency II capital position (continued)

Estimated shareholder view of the Solvency II capital position (continued)

Breakdown of the shareholder Solvency II SCR by risk type

The shareholder undiversified capital requirement is presented by risk type below.

As at December	2024 £bn	2023[i] £bn
Equity	**1.6**	1.8
Property	**0.7**	0.8
Interest rate	**0.3**	0.4
Credit	**1.3**	1.5
Currency	**1.0**	1.1
Longevity	**1.0**	1.2
Lapse	**0.5**	0.5
Operational and expense	**2.1**	2.2
Sectoral[ii]	**0.5**	0.6
Total undiversified	**9.0**	10.1
Diversification, deferred tax and other	**(5.2)**	(5.7)
Shareholder SCR	**3.8**	4.4

i Diversification, deferred tax and other includes adjustments to the SCR for expected changes in own funds over the next year; the inclusion of this component is a presentational change at 31 December 2024, and the results at 31 December 2023 have been restated on a consistent basis.

ii Includes entities included within the Group's Solvency II capital position on a sectoral or notional sectoral basis, the most material of which is M&G Group Limited.

Sensitivity analysis of the Group's Solvency II surplus and shareholder Solvency II coverage ratio

The estimated sensitivity of the Group's shareholder Solvency II coverage ratio to significant changes in market conditions are shown below. All sensitivities are presented after an assumed recalculation of transitional measures on technical provisions and recalculation of the eligible own funds restriction. The sensitivity results demonstrate the effect of an instantaneous change in a key assumption while other assumptions remain unchanged. In reality, changes may occur over a period of time and there may be a correlation between the risks.

	2024		2023	
For the year ended 31 December	Surplus £bn	Shareholder coverage ratio %	Surplus £bn	Shareholder coverage ratio %
Base (as reported)	**4.7**	**223%**	4.5	203%
20% instantaneous fall in equity markets	**4.1**	**212%**	3.9	189%
20% instantaneous fall in property markets	**4.3**	**214%**	4.1	193%
50 bps reduction in interest rates	**4.7**	**219%**	4.4	196%
100 bps widening in credit spreads	**4.6**	**220%**	4.3	200%
20% credit asset downgrade[i]	**4.6**	**219%**	4.3	198%

i Average impact of one full letter downgrade across 20% of assets exposed to credit risk.

Estimated With-Profits Fund view of the Solvency II capital position

The With-Profits Fund view of the Solvency II capital position represents the standalone capital strength of the Group's ring-fenced With-Profits Fund. This view of Solvency II capital takes into account the assets, liabilities, and risk exposures within the ring-fenced With-Profits Fund, which includes the With-Profits Sub-Fund (WPSF) and Defined Charge Participating Sub-Fund (DCPSF).

The estimated Solvency II capital position for the Group under the With-Profits Fund view is shown below:

As at 31 December	2024 £bn	2023 £bn
With-Profits Fund Solvency II own funds	**8.9**	9.6
With-Profits Fund Solvency II SCR	**(3.1)**	(2.4)
With-Profits Fund Solvency II surplus	**5.8**	7.2
With-Profits Fund Solvency II coverage ratio[i]	**284%**	403%

i With-Profits Fund Solvency II coverage ratio has been calculated using unrounded figures.

The fall in ratio reflects a distribution of excess surplus from the With-Profits inherited estate and an increase in the SCR. A component of the increase in SCR arises from a full rebuild of the prospective with-profits modelling.

Supplementary information continued

S.5 Solvency II capital position (continued)

Estimated regulatory view of the Solvency II capital position

The estimated Solvency II capital position for the Group under the regulatory view is shown below:

As at 31 December	2024 £bn	2023 £bn
Solvency II eligible own funds	**11.6**	11.3
Solvency II SCR	**(6.9)**	(6.8)
Solvency II surplus	**4.7**	4.5
Solvency II coverage ratio [i]	**168%**	167%

i Solvency II coverage ratio has been calculated using unrounded figures.

The results include transitional measures, which are presented assuming a recalculation as at the valuation date, using management's estimate of the impact of operating and market conditions. As at 31 December 2024, the recalculation has been performed and the positions are aligned, reflecting changes to the UK' prudential regime allowing recalculation of the transitional measures at each reporting date. As at 31 December 2023, the recalculation has been approved for the reporting date and the positions were aligned.

S.6 Capital generation

The level of surplus capital is an important financial consideration for the Group. Capital generation measures the change in surplus capital during the reporting period, and is therefore considered a key measure for the Group. It is integral to the running and monitoring of the business, capital allocation and investment decisions, and ultimately the Group's dividend policy.

The overall change in Solvency II surplus capital over the period is analysed as follows:

Total capital generation is the total change in Solvency II surplus capital before dividends and capital movements, and capital generated from discontinued operations. As set out in the overview of the Solvency II capital position, as at 31 December 2024 there is no restriction to eligible own funds (2023: £216m restriction) as the sum of Tier 2 and Tier 3 capital does not exceed the threshold set by the regulator.

Operating capital generation is 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 as defined under adjusted operating profit before tax. It has two components:

i Underlying capital generation, which includes: the underlying expected surplus capital from the in-force life insurance business; the change in surplus capital as a result of writing new life insurance business; the adjusted operating profit before tax and associated regulatory capital movements from Asset Management; and other items, including head office expenses and debt interest costs.

ii Other operating capital generation, which includes non-market related experience variances, assumption changes, modelling changes and other movements.

Dividends and capital movements primarily represent external dividends paid to shareholders, the impact of any share buy-back programme and changes to the capital structure of the Group, such as issuing or repaying debt instruments. Also included within capital movements are the Solvency II impact of the Group's share-based payment awards over and above the amount expensed in respect of those awards, and the surplus utilised or generated from transactions relating to the acquisition of business as defined by IFRS.

The expected surplus capital from the in-force life insurance business is calculated on the assumption of real-world investment returns, which are determined by reference to the risk-free rate plus a risk premium based on the mix of assets held for the relevant business. For with-profits business, the assumed average return was 6.8% for the year ended 31 December 2024 (2023: 6.0%). For annuity business, the assumed average return on assets backing capital was 5.6% for the year ended 31 December 2024 (2023: 6.6%).

The Group's capital generation results in respect of the years ended 31 December 2024 and 31 December 2023 are shown below alongside a reconciliation of the total movement in the Group's Solvency II surplus. The reconciliation is presented showing the impact on the shareholder Solvency II own funds and SCR, which excludes the contribution to own funds and SCR from the Group's ring-fenced With-Profits Fund. The shareholder Solvency II capital position, and how this reconciles to the regulatory capital position, is described in detail in the previous section of this supplementary information.

Supplementary information continued

S.6 Capital generation (continued)

For the year ended 31 December	Asset Management 2024 £m	Asset Management 2023 £m	Life 2024 £m	Life 2023[i] £m	Corporate Centre 2024 £m	Corporate Centre 2023[i] £m	Total 2024 £m	Total 2023 £m
Underlying capital generation	**261**	246	**616**	726	**(233)**	(220)	**644**	752
Other operating capital generation	**51**	50	**233**	229	**5**	(35)	**289**	244
Operating capital generation	**312**	296	**849**	955	**(228)**	(255)	**933**	996
Market movements							**(59)**	(507)
Restructuring and other							**(135)**	49
Tax							**153**	36
Eligible own funds restriction reversal/ (restriction)							**216**	(216)
Total capital generation							**1,108**	358

For the year ended 31 December		2024 Own funds[ii] £m	2024 SCR[ii] £m	2024 Surplus £m	2023 Own funds[ii] £m	2023 SCR[ii] £m	2023 Surplus £m
Underlying capital generation							
Asset Management	Asset Management	**254**	**7**	**261**	215	31	246
	Asset Management underlying capital generation	**254**	**7**	**261**	215	31	246
Life[i]	With-profits: PruFund	**292**	**(53)**	**239**	337	(97)	240
	In-force	**217**	**47**	**264**	247	14	261
	New business	**75**	**(100)**	**(25)**	90	(111)	(21)
	With-profits: traditional	**158**	**32**	**190**	165	17	182
	Shareholder annuities	**215**	**(18)**	**197**	349	18	367
	Other	**(8)**	**(2)**	**(10)**	(54)	(9)	(63)
	Life underlying capital generation	**657**	**(41)**	**616**	797	(71)	726
Corporate Centre[i]	Interest & head office cost	**(235)**	**2**	**(233)**	(226)	6	(220)
Underlying capital generation		**676**	**(32)**	**644**	786	(34)	752
Other operating capital generation							
	Asset Management	**21**	**30**	**51**	15	35	50
	Life	**12**	**221**	**233**	(23)	252	229
	Corporate Centre	**(7)**	**12**	**5**	(17)	(18)	(35)
Operating capital generation		**702**	**231**	**933**	761	235	996
	Market movements	**(281)**	**222**	**(59)**	(417)	(90)	(507)
	Restructuring and other	**(160)**	**25**	**(135)**	16	33	49
	Tax	**44**	**109**	**153**	(46)	82	36
	Eligible own funds restriction	**216**	**—**	**216**	(216)	—	(216)
Total capital generation		**521**	**587**	**1,108**	98	260	358
Dividends and capital movements		**(924)**	**—**	**(924)**	(440)	(1)	(441)
Total (decrease)/increase in Solvency II surplus		**(403)**	**587**	**184**	(342)	259	(83)

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. The comparatives for Life and Corporate Centre have been restated to reflect the revised segments and the adjustment of some advice-related costs.

ii Own funds and SCR movements shown as per the shareholder Solvency II capital position, and do not include the own funds and SCR in respect of the ring-fenced With-Profits Fund.

Supplementary information continued

S.7 Financial ratios

Included in this section are details of how some of the financial ratios used to help analyse the performance of the Asset Management business are calculated.

(i) Cost/income ratio

Cost/income ratio is a measure of cost efficiency which analyses costs as a percentage of revenue.

For the year ended 31 December	2024 £m	2023 £m
Total Asset Management operating expenses	**774**	791
Adjustment for revaluations[i]	**(4)**	(5)
Total Asset Management adjusted costs	**770**	786
Total Asset Management fee-based revenue	**1,043**	1,025
Less: Performance fees and carried interest	**(35)**	(30)
Total Asset Management underlying fee-based revenues	**1,008**	995
Cost/income ratio	**76%**	79%

i Reflects the revaluation of provisions relating to performance based awards that are linked to underlying fund performance. M&G Group hold units in the underlying funds to hedge the exposure on these awards.

(ii) Average fee margin

This represents the average fee revenue yield on fee business and demonstrates the margin being earned on the assets we manage or administer.

	2024			2023		
For the year ended 31 December	Average AUMA[i] £bn	Revenue £m	Revenue margin[ii] bps	Average AUMA[i] £bn	Revenue £m	Revenue margin[ii] bps
Wholesale Asset Management	**57**	**316**	**56**	54	310	58
Institutional Asset Management	**97**	**368**	**38**	96	376	39
Internal	**160**	**324**	**20**	155	309	20
Total Asset Management	**314**	**1,008**	**32**	305	995	33

i Average AUMA represents the average total market value of all financial assets managed and administered on behalf of clients during the financial period. Average AUMA is calculated using a 13-point average of monthly closing AUMA for full-year periods.

ii Fee margin is calculated by annualising underlying fee-based revenues earned, which excludes performance fees, in the period divided by average AUMA for the period. Fee margin relates to the total margin for internal and external revenue.

Supplementary information continued

S.8 Credit risk

The Group's exposure to credit risk primarily arises from the annuity portfolio, which hold substantial volumes of public and private fixed income investments on which a certain level of defaults and downgrades are expected.

While the with-profits and unit-linked funds have large holdings of assets subject to credit risk, the shareholder results of the Group are not directly exposed to credit defaults on assets held in these components of business. However, the shareholder is indirectly exposed to credit risk from these components of business in relation to the future value of shareholder transfers from with-profits business and charges levied on unit-linked and asset management business. The direct exposure of the Group's shareholders' equity to credit default risk in the Other component is small in the context of the Group.

Credit risk is managed through a robust credit and counterparty framework which includes: policies, standards, appetite statements, limits and triggers (including relevant governance and controls); investment constraints and limits on the asset portfolios, in relation to credit rating, seniority, sector and issuer, and counterparties in particular for derivatives, reinsurance and cash; and a robust credit rating process.

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Exposure of debt securities by sector

The exposure of annuities and other long-term business to debt securities is analysed below by sector:

As at 31 December	2024 £m	2023 £m
Government	**3,311**	3,470
Real Estate	**2,805**	2,906
of which residential	**1,634**	1,735
of which commercial	**1,171**	1,171
Financial	**2,627**	2,852
Utilities	**1,551**	1,772
Industrial	**424**	370
Consumer	**414**	387
Communications	**312**	315
Other	**735**	685
Total	**12,179**	12,757

Other information

Supplementary climate information

Climate metric and modelling information

Scenario modelling results (public assets)

As part of our forward-looking analysis we use Aladdin Climate to model our public asset portfolios (equities, corporate debt and sovereign debt) against three scenarios to help us to assess the relative financial impacts of climate change across different global decarbonisation outcomes. This analysis is based on a bottom-up approach, and provides estimates of the financial impact on all issuers modelled, including on asset valuations. This year we have added exposure data, to show the proportion of modelled assets invested in each sector. We have also split out corporate bonds with known use of proceeds (UoP), where debt is tied to specific sustainability objectives. As last year, the orderly and disorderly scenarios show transition impacts only, and hot house physical effects.

Unlike our top-down ORSA scenario modelling, which is about testing the resilience of our balance sheet, this exercise is more focused on interrogating our portfolios, to understand potential risk exposures and outliers, including so-called asset stranding where issuers could experience a significant deterioration in their financial strength and prospects. There are a few high-level observations from our modelling for 2024:

- Equity valuations are affected the most across all three scenarios, with the corporate debt transition-related impacts concentrated in a few sectors. The valuation effects on known use of proceeds are more muted, reflecting smaller transition and physical risk exposure of this group of assets.
- Looking at the sectoral breakdown it is clear that the orderly and disorderly scenario impact is most pronounced in the energy sector (excluding listed corporate debt with known use of proceeds), with downside risk in other resource-intensive sectors such as materials and industrials – where significant change is required align with the transition. Our exposure to energy and materials is relatively small, but we have more sizeable holdings in industrials. We continue to focus our climate-related stewardship on high-emitting issuers, notably through our asset manager Hot 100 engagement programme. Consumer discretionary issuers are also impacted more severely by transition effects, and we have fairly large exposure to this sector.
- The results continue to indicate that the negative impacts on asset values will be felt more evenly across all sectors in the hot house scenario given that the model only considers physical risk impacts (with weak global efforts to transition). We acknowledge that the model very likely understates the risks in this scenario, including potential climate system tipping points and second-order impacts on economies.

We are very wary of 'false precision', given significant complexity and uncertainties involved in modelling climate impacts, so these results need to be viewed alongside other qualitative and quantitative information. Further details on limitations of the modelling can be found on page 359.

Climate adjusted value impact by sector (current to 2050)[i]

Sector	Exposure[ii]	Orderly			Disorderly			Hot house		
		Debt	UoP[iii]	Equity	Debt	UoP[iii]	Equity	Debt	UoP[iii]	Equity
Real Estate	£7.8bn (5.2%)									
Consumer Discretionary	£14.1bn (9.3%)									
Consumer Staples	£8.6bn (5.7%)									
Health Care	£8.1bn (5.3%)									
Financials	£51.9bn (34.1%)									
Communication Services	£9.6bn (6.3%)									
Materials	£7.6bn (5.0%)									
Utilities	£11.1bn (7.3%)									
Information Technology	£9.4bn (6.2%)									
Industrials	£16.0bn (10.6%)									
Energy	£6.1bn (4.0%)									
Sovereign debt	£40.6bn		N/A	N/A		N/A	N/A		N/A	N/A

% change in value as a result of scenario conditions: > 0% | 0% -2% | -2% -5% | -5% -15% | -15% -35% | < -35%

i The orderly and disorderly scenarios presented in this heatmap reflect transition risk impacts only with a coverage of 95%, and the hot house scenario reflects physical risk impacts only having a coverage of 95%. Further details on methodology and limitations can be found on page 359.

ii Exposure refers to the proportion of modelled listed equity and listed corporate bonds with known and unknown use of proceeds AUMA (£151.9bn) invested in each sector. Issuers with no sector designation (£1.6bn, 1% of AUMA) are not included in the heatmap.

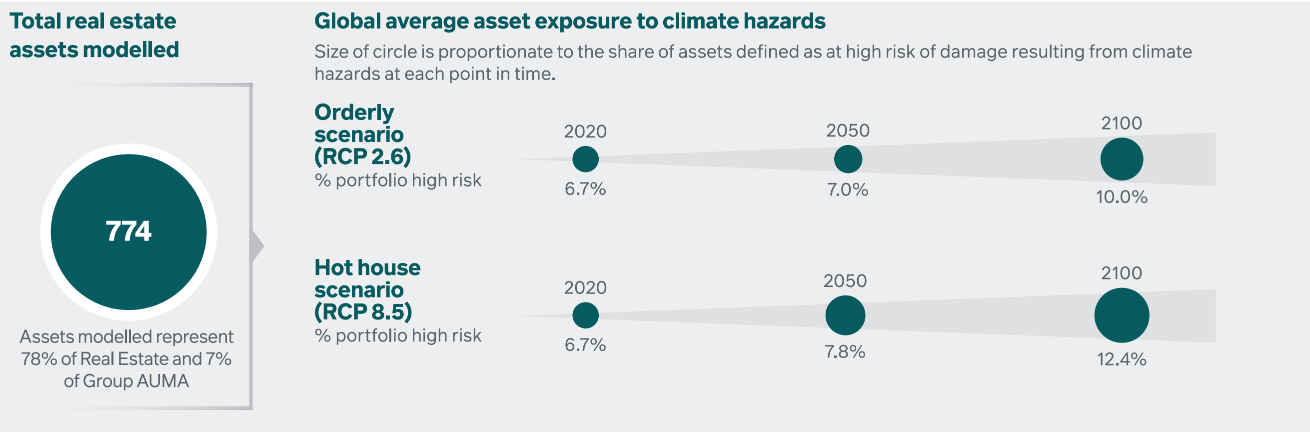
iii Known use of proceeds (UoP) refers to green, sustainability and social bonds, where the debt funding is tied to specific sustainability-related objectives. For sovereign debt the results do not differentiate between known and unknown use of proceeds.

Supplementary climate information continued

Scenario modelling results (Private assets)

We continue to use the global insurance broker and risk adviser Marsh to assess our real estate and infrastructure exposure to physical climate risk. Marsh uses XDI which quantifies the cost of extreme weather and climate change impacts to physical assets, taking into account asset-specific information – how different types of assets in a specific location will perform in different physical conditions. The scenarios used in this model are based on Representative Concentration Pathway (RCP) 2.6 and 8.5, as produced by the IPCC. These broadly align to the public asset orderly and hot house scenarios. Importantly, the modelling does not consider transition and second-order impacts which could affect asset values. Further details on limitations can be found on page 359.

Real estate

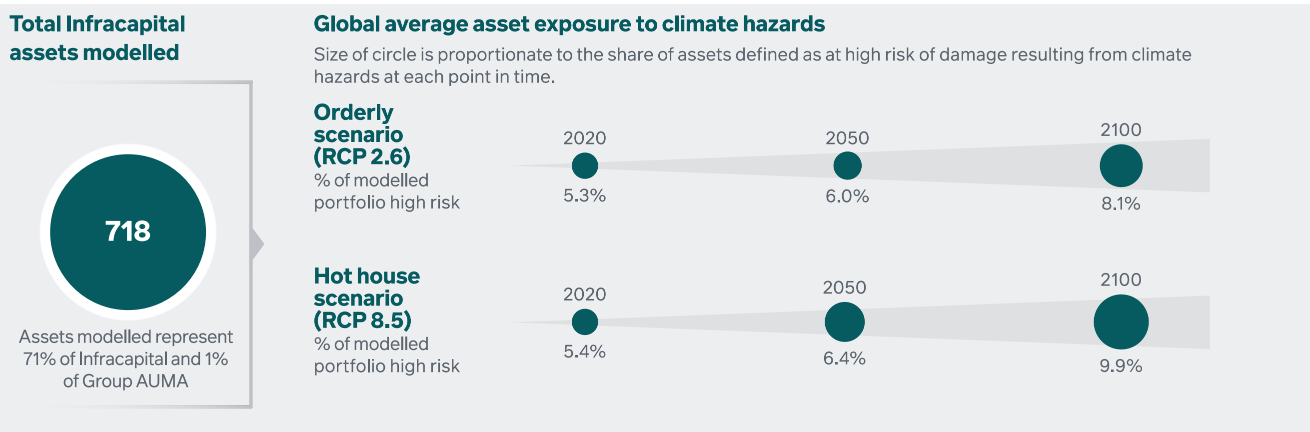


For our directly owned real estate equity portfolio, the physical risk exposure has increased slightly from last year's levels, although it is still a relatively small share of assets that are at high risk from climate-related hazards. Under each scenario, assets were rated low, medium or high risk (high risk meaning at least 1% of an asset's value being at risk of damage per year).
The key findings of our real estate analysis are:

- under an orderly scenario (RCP 2.6) between 7.0% (2023: 5.9%) and 10.0% (2023: 8.8%) of assets will be rated high risk by 2050 and 2100 respectively; and
- under a hot house scenario (RCP 8.5) these percentages increase to 7.8% (2023: 6.5%) and 12.4% (2023: 11.3%).

For real estate assets, the physical risk is driven by exposure to hydro-meteorological hazards such as floods (eg as a result of their proximity to the coast). The outputs presented here are limited to the aggregate risk level per scenario, but in our analysis we also look at reinstatement value, which refers to the estimated cost of rebuilding an asset after complete destruction.

Infracapital



Model results were analysed for asset locations that were identified as medium or high risk. Compared with last year the results have fallen across the two scenarios, partly due to the disposal of assets that were categorised as high risk. The key findings from our Infracapital assessment are:

- under an orderly scenario (RCP 2.6) between 6.0% (2023: 8.3%) and 8.1% (2023: 10.3%) of assets will be rated high risk by 2050 and 2100 respectively; and
- under a hot house scenario (RCP 8.5) these percentages increase to 6.4% (2023: 8.6%) and 9.9% (2023: 11.6%).

Supplementary climate information continued

Metric definitions

Financed Carbon Emissions (FCE) represent the absolute greenhouse gas emissions associated with a portfolio of investments where there is available reported data or estimates. Financed emissions can be influenced by factors such as market movements, coverage and portfolio transactions, which are unrelated to real-world emissions.

Carbon footprint refers to FCE normalised by the market value of a portfolio (GHG emissions per million pounds of investment). This indicator is useful for comparative purposes, but similar to FCE is sensitive to financial factors that do not relate to decarbonisation, including changes in market value. Carbon footprint is used to monitor progress against our net zero interim targets.

Weighted Average Carbon Intensity (WACI) provides a single metric summing the individual emissions intensities of issuers in a portfolio based on their weightings, indicating our portfolio exposure to carbon-intensive issuers.

For both carbon footprint and WACI the current portfolio value is based on market value and is limited to assets for which all data necessary for the calculation of financed carbon emissions is available. For private assets, the emissions-related metrics reported are FCE and carbon footprint only.

We use data sourced from third-party data providers (eg MSCI and Bloomberg) to calculate the emissions metrics. While we perform high-level checks on the data received, we are reliant on the accuracy of the source data received from these third-party vendors.

Details on the calculation methodology, data sources and limitations of each metric produced are available in our Environmental Metrics Basis of Reporting 2024 available on our website.

High-level methodology

We have licensed two different climate models from third-party providers to undertake scenario analysis at the asset/issuer level: Aladdin Climate for financial assets (the 'equities and bonds model' covering public listed equities, corporate and sovereign public debt) and Marsh for assessing the private portfolio's real estate and infrastructure exposure to physical climate risk. Physical climate risk of the private portfolio is modelled by Marsh using XDI, which quantifies the cost of extreme weather and climate change impacts to physical assets, taking into account asset-specific information – how different types of assets in a specific location will perform in different physical conditions.

Both models are leveraging the extensive expertise and experience from third-party providers with strong capabilities in climate scenario modelling, and were selected following extensive proof-of-concept exercises. However, climate change scenario modelling is an inherently complex area, so the results presented on pages 80-81 and 356-357 need to be interpreted with assumptions, judgements and limitations in mind.

These include the nature of scenario modelling itself, data limitations and specific model limitations from our modelling counterparties.

The models provide outputs based on the following scenarios:

- **An orderly scenario,** which is aligned with Representative Concentration Pathway (RCP) 2.6 and predicts a temperature rise below 2°C by the end of the century, aligned with the Paris Agreement. Important context for this scenario is that the world currently remains significantly off target in restricting the temperature rise to below 2°C, yet the industry often refers to this as a 'best case' and it provides a valuable reference point against other scenarios.
- **A disorderly scenario,** which is aligned with RCP 2.6 and predicts a temperature rise lower than 2°C by the end of century. However, climate action to achieve this is not taken until 2030, which delays transition impacts and makes them more drastic. This scenario is limited in that it assumes coordinated policy action at a global level by 2030. This scenario is useful to explore disruptive transition risk dynamics, and is only applicable to the equities and bonds model.
- **A hot house scenario,** which is aligned with RCP 8.5 and predicts an average temperature change above 3°C by the end of the century, assuming no global response to climate change beyond what has already been committed to. This scenario is widely used in industry to represent a 'worst-case' outcome and provides a valuable comparison with the RCP 2.6 scenario as a high-risk future.

Key assumptions: transition risk

As countries around the world increase energy demand and transition to greener energy sources, a key assumption is the energy requirements and mix in each region under each of the three scenarios. Projections include both energy reduction and change in the energy mix, and show the high-level requirement of a complete phase-out of coal in the transition assumptions, as well as significant reductions in gas, replaced primarily by renewables such as solar, wind and hydro energy.

These impacts – notably emissions trajectories, energy demand and supply mix, carbon prices and electrification assumptions – drive major model results.

Key assumptions: physical risk

For the equities and debt modelling, macro-level assumptions about how physical risks will impact GDP pathways are applied across all sectors, essentially allowing for implicit estimation of second-order impacts (eg supply chain impact). By contrast, for the real estate and infrastructure model, physical risk data from Marsh, using XDI, is used to calculate direct impacts at specific location, meaning that outputs of the model represent the projected impact due to direct physical damage to each asset, and do not take into account second-order financial impacts (eg business interruption and rising insurance premiums).

Supplementary climate information continued

Data limitations of scenario analysis

There are a number of limitations impacting our scenario analysis, reflecting the current industry-wide challenges of climate modelling.

The scenarios adopted do not account for non-linear change and the possible crossing of climate system tipping points. As a result, there are financial impacts, including at a regional level, that are not fully captured, leading to a likely underestimation of risk.

An important aspect is the input data, since for most assets modelled we have used company-specific data sourced from third parties such as Aladdin, Evora or Bloomberg. Many publicly-listed companies are measuring and reporting their emissions, which is a required data point for the calculation of climate-related metrics. However, among smaller and privately owned companies, this data is not commonly reported.

Another area of data limitation relates to lack of high-quality, comprehensive and reliable data upon which the model assumptions are based. Models are developed using proxies where data gaps are present, to ensure we obtain the widest coverage possible.

Another aspect of data limitations relates to the lack of historical data points to calibrate and validate the model outputs. In particular, the lack of historical data on the relationship between climate risks and financial outcomes makes it difficult to interpret modelled outcomes far into the scenario horizon with confidence.

Despite these limitations, scenario analysis provides us with useful information that can inform investment decision-making.

Limitations of the public assets climate change model

At the counterparty and portfolio level, the model assumes no change to the composition of investment portfolios. While such assumptions are necessary for model feasibility, they do impact on the reliability of the results. One of the other limitations of the equities and debt model is the timeline. The scenario analysis provides outputs up to 30 years in the future, and while this helps to provide an estimate of the adjustment in valuation by 2050, there are aspects of the scenario interplay beyond 2050 that are not explored. Importantly, the current version of the equities and bonds model provides separate assessments of physical and transition risks, which reduces our ability to assess the interdependencies across those climate risk transmission mechanisms.

This transition module in particular only takes into account Scope 1 & 2 GHG emissions. There are some industries, such as automotive, that are known to be significant climate contributors owing to high Scope 3 emissions, yet these impacts are not explicitly explored. Measurement and reporting of Scope 3 emissions is expected to improve and will be incorporated into the analysis in future as scenario analysis matures.

When assessing physical risk, the geographic distribution of a company's financial activity and dependencies is crucial. In the absence of such information, the model follows a top-down approach in determining climate shocks at sectoral level through macroeconomic pathways.

As a result of these limitations, the model results need to be interpreted taking the following caveats into consideration:

- Being a static asset portfolio, we have not modelled likely investment or asset allocation actions to mitigate against climate-related impacts. For example, in a disorderly scenario we would likely have to carry out significant reallocation across both asset classes and geographies to align with rapidly changing policies.
- We recognise the transmission pathway interdependencies across physical and transition risks, so the model results need to be interpreted taking this limitation into consideration.

Limitations of the private assets climate change model

The real estate and infrastructure model uses climate peril data to model the direct impact of physical climate impacts globally. In some geographies there is limited data, and the model uses a range of underlying source data at various resolutions to provide the necessary coverage for the projected perils. Similar to the equities and debt securities climate change model, the outputs provided by the real estate and infrastructure modelling assumes a number of key factors remain constant, in particular the current level of regional physical defence actions is assumed to remain unchanged. Although national defences may be upgraded in the future this is not considered within the physical climate risk projections.

Importantly, the scenario analysis for private assets only assesses direct physical risk and does not capture other potential climate-related impacts for those assets. It is important to bear this in mind when interpreting the results and also consider possible second-order impacts of physical risk (eg business disruption) as well as the impacts from transition modelling (eg asset valuation change due to a deterioration in economic conditions).

Shareholder information

M&G plc maintains a corporate website containing a wide range of information relevant for private and institutional investors, including the Company's financial calendar: www.mandg.com

Annual General Meeting

M&G plc's Annual General Meeting (AGM) is expected to be held at our offices at 10 Fenchurch Avenue, London EC3M 5AG on 30 April 2025 at 10:30am. A poll will be called on all resolutions and the voting results, including all proxies lodged prior to the meeting, will be displayed at the meeting and subsequently published on the Company's website. Full details will be included in the AGM Notice.

In accordance with relevant legislation, shareholders holding 5% or more of the fully paid up issued share capital are able to require the Directors to hold a general meeting. Written shareholder requests should be addressed to the General Counsel and Company Secretary at the registered office.

Documents on display

The terms and conditions of all Directors' appointments are available for inspection at the Company's registered office during normal business hours and at the AGM. Inspection of these documents may also be undertaken virtually. Please email Group Secretariat at GroupSecretariat@mandg.com if you wish to view any of these documents and arrangements will be made with you.

Company constitution

M&G plc is governed by the Companies Act 2006, other applicable legislation and regulations, and provisions in its Articles of Association (Articles) which are available on the Company's website. The Company's Articles state that the Board may appoint Directors but that those Directors are required to offer themselves up for re-election annually at the AGM. The Articles can only be amended with shareholder approval.

Electronic communications

Shareholders are encouraged to elect to receive shareholder documents electronically by registering with Shareview at www.shareview.co.uk. Shareholders who have registered will be sent an email notification whenever shareholder documents are available on the Company's website and a link will be provided to that information. When registering, shareholders will need their shareholder reference number which can be found on their share certificate or other correspondence from the Company.

Please contact Equiniti if you require any assistance or further information.

Share dealing services

The Company's registrar, Equiniti, offer a postal dealing facility for buying and selling M&G plc ordinary shares; please see the Equiniti address below. They also offer a telephone and internet dealing service, Shareview, which provides a simple and convenient way of selling M&G plc shares. For telephone sales, call +44 (0)345 603 7037 between 08:00 and 16:30, Monday to Friday, and for internet sales log on to: www.shareview.co.uk/dealing.

ShareGift

Shareholders who have only a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating them to ShareGift (Registered Charity 1052686).

The relevant share transfer form may be obtained from Equiniti.

Further information about ShareGift may be obtained on +44 (0)20 7930 3737 or from www.ShareGift.org.

Shareholder enquiries

For enquiries about shareholdings, including dividends and lost share certificates, please contact the Company's registrar:

Registrar

M&G plc's share register is managed and administered by Equiniti.

Online

www.shareview.co.uk

By post

Equiniti Limited, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH UK

By telephone

Tel +44 (0)371 384 2543

Lines are open from 08:30 to 17:30 (UK), Monday to Friday.

Glossary

Term	Definition
Adjusted operating profit before tax (AOP)	Is one of the Group's non-GAAP alternative performance measures, which complements the IFRS GAAP measures and is useful as it allows a deeper understanding of the Group's performance over time. It is defined in the alternative performance measures section on page 341.
Alternative performance measure (APM)	Is a financial measure of historic or future financial performance, financial position or cash flows, other than a financial measure defined under IFRS or under Solvency II regulations.
Asset-backed security (ABS)	A security whose value and income payments are derived from and collateralised (or backed) by a specified pool of underlying assets. The pool of assets is typically a group of small and illiquid assets that are unable to be sold individually.
Asset Management cost/ income ratio	Represents total operating expenses, excluding revaluation of provisions for employee performance awards divided by total fee-based revenues, excluding performance fees.
Assets under management and administration (AUMA)	Represents the total market value of all financial assets managed, administered or advised on behalf of clients.
Asset Management average fee margin	Is calculated from fee-based revenues earned in the period, excluding performance fees, divided by average AUMA for the period. It demonstrates the revenue margin that was earned on the assets we manage and administer.
Board	The Board of Directors of the Company.
Bonuses	Bonuses refer to the non-guaranteed benefit added to participating life insurance policies and are the way in which policyholders receive their share of the profits of the policies. There are normally two types of bonus: – Regular bonus: expected to be added every year during the term of the policy. It is not guaranteed that a regular bonus will be added each year, but once it is added, it cannot be reversed, also known as annual or reversionary bonus. – Final bonus: an additional bonus expected to be paid when policyholders take money from the policies. If investment return has been low over the lifetime of the policy, a final bonus may not be paid. Final bonuses may vary and are not guaranteed.
Business Plan	A written document that describes our business, containing objectives, strategies, sales, marketing and financial forecasts.
Chief Operating Decision Maker	The Group Executive Committee.
Climate Action 100+ (CA100+)	CA100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
Company/Parent Company	M&G plc, a public limited company incorporated in England and Wales with registered number 11444019 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, United Kingdom.
Contractual Service Margin (CSM)	Represents unearned profit on contracts, recognised in profit or loss as the service is provided over the life of the contracts.
Demerger	The demerger from the Prudential Group in October 2019.
Director	A Director of the Company.
Earnings per share (EPS)	Refer to accounting policy 1.5.23 on page 212.
Employee benefit trust (EBT)	Is a trust set up to enable its Trustees to purchase and hold shares to satisfy employee share-based incentive plan awards.
Energy Attribute Certificates (EAC)	EACs allow businesses to track the origin of electricity, prove the consumption of renewables, and meet clean energy targets.
Enterprise Value Including Cash (EVIC)	Is the sum of a company' market capitalisation and total debt, without deduction of cash and cash equivalents.
ESG	ESG stands for Environmental, Social, and Governance. ESG is a framework that helps stakeholders understand how an organisation is managing risks and opportunities related to environmental, social and governance criteria.
Expected Credit Loss (ECL)	Expected credit loss impairment loss being the present value of the difference between contractual cash flows due and expected to be received, based on the lifetime probability of default. It applies to all credit exposures not measured at fair value through profit or loss.
Fair value through profit or loss (FVTPL)	Is an IFRS measurement basis permitted for assets and liabilities which meet certain criteria. Gains or losses on assets or liabilities measured at FVTPL are recognised directly in the income statement.
Financial Conduct Authority (FCA)	The body responsible for supervising the conduct of all financial services firms and for the prudential regulation of those financial services firms not supervised by the Prudential Regulation Authority (PRA), such as asset managers and independent financial advisers.

Glossary continued

Term	Definition
FRC Stewardship Code	The UK Stewardship Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. It comprises a set of 12 'apply and explain' principles for asset managers and asset owners, and a separate set of six principles for service providers.
Group	The Company and its subsidiaries.
Group Executive Committee (GEC)	Is composed of board officers and senior-level executive management. It is the Group's most senior executive decision-making forum.
Institutional Investor Group on Climate Change (IIGCC)	Works with business, policy makers and fellow investors to help define the investment practices, policies and corporate behaviours required to address climate change.
International Financial Reporting Standards (IFRS)	Are accounting standards issued by the International Accounting Standards Board (IASB). Our consolidated financial statements are prepared in accordance with UK-adopted International Accounting Standards (IAS). Any reference to IFRS refers to those which have been adopted for use in the UK unless specified otherwise.
Intergovernmental Panel on Climate Change (IPCC)	Created to provide policymakers with regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options.
International Sustainability Standards Board (ISSB)	The IFRS Foundation announced the formation of the ISSB in November 2021 at COP26; the intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.
Key performance measure (KPM)	The Group measures its financial performance using the following key performance measures: IFRS result after tax, adjusted operating profit before tax, operating change in CSM, net flows from open business, AUMA, shareholder Solvency II coverage ratio, total capital generation and operating capital generation.
Leverage ratio	The leverage ratio is calculated as the nominal value of debt as a percentage of the Group's shareholder Solvency II available own funds.
Long-Term Incentive Plan (LTIP)	The part of an executive's remuneration designed to incentivise long-term value for shareholders through an award of shares, with vesting contingent on employment and the satisfaction of stretching performance conditions linked to the Group's strategy.
M&G Group Limited (MGG)	MGG is a private limited company incorporated in England and Wales with registered number 00633480 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, United Kingdom. MGG is the holding company of the Group's asset management business, M&G Investments.
Net client flows	Represents gross inflows less gross outflows. Gross inflows are new funds from clients. Gross outflows are withdrawals made by clients during the period.
Net flows from open business	Net flows from open business consists of net client flows from Asset Management, PruFund, Shareholder annuities and the elements of Other Life which are open to new business. It excludes net flows from our Traditional with-profits business, platform and certain elements of Other Life closed to new business.
Net promoter score (NPS)	Net promoter score is a measure of the willingness of a company's clients to recommend its products or services to others.
Network for Greening the Financial System (NGFS)	Is a group of central banks and supervisors committed to sharing best practices, contributing to the development of climate and environment-related risk management in the financial sector and mobilising mainstream finance to support the transition toward a sustainable economy.
Net-Zero Asset Owner Alliance (NZAOA)	Is a member-led initiative of institutional investors committed to transitioning their investment portfolios to net-zero GHG emissions by 2050 – consistent with a maximum temperature rise of 1.5°C.
Non-profit business	Contracts where the policyholders are not entitled to a share of the company's profits and surplus, but are entitled to other contractual benefits. Examples include pure risk policies (such as fixed annuities) and unit-linked policies.
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 costs.
Operating change in Contractual Service Margin (CSM)	Is one of the Group' key alternative performance measures and represents changes resulting from new business, interest accretion, experience changes and release of CSM but excludes the impact of short-term market movements, mismatches arising on the adoption of IFRS 17 and restructuring costs.

Glossary continued

Term	Definition
Own Risk and Solvency Assessment (ORSA)	The ORSA is the Group' ongoing processes for identifying, assessing, controlling, monitoring and reporting the risks to which the business is exposed, and of assessing the own funds necessary to ensure that the Group's solvency needs are met at all times.
Own funds	Own funds refers to the Solvency II measure of capital available to meet losses, and is based on the assets less liabilities of the Group, subject to certain restrictions and adjustments. Available own funds reflect all capital available to the Group. Eligible own funds are net of restrictions applied in line with the thresholds set by the regulator that limit the amount of each tier of capital that can be used to demonstrate solvency.
Paris Agreement	Is an agreement within the United Nations Framework Convention on climate change, dealing with greenhouse gas emissions mitigation, adaptation, and finance, agreed in 2015.
Partnership for Carbon Accounting Financials (PCAF)	Is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas emissions (GHG) associated with their loans and investments.
Principles for Responsible Investment (PRI)	PRI is a United Nations-supported international network of financial institutions. It works together to understand the investment implications of ESG factors and support its network of investor signatories in incorporating these factors into their investment and ownership decisions.
Prudential Regulation Authority (PRA)	Is the body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.
Prudential Assurance Company (PAC)	The Prudential Assurance Company Limited (PAC) is a private limited company incorporated in England and Wales with registered number 00015454 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, United Kingdom.
PruFund	Our PruFund proposition provides our retail customers with access to smoothed savings contracts with a wide choice of investment profiles.
Renewable Energy Guarantees of Origin (REGO)	The REGO scheme provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation.
Sustainability Accounting Standards Board (SASB)	Is a framework that sets standards for the disclosure of financially material sustainability information by companies to their investors.
Science Based Targets initiative (SBTi)	The SBTi defines and promotes best practice in science-based target setting. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. Science-based targets show organisations how much and how quickly they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change.
Scope 1 emissions	Emissions from: fuel combustion; company vehicles; fugitive emissions.
Scope 2 emissions	Emissions from: purchased electricity, heat and steam.
Scope 3 emissions	Emissions from: purchased goods and services; business travel; employee commuting; waste disposal; use of sold products; transportation and distribution (up and downstream); investments; leased assets; and franchises.
Sustainable Finance Disclosure Regulation (SFDR)	The EU's SFDR is a regulation designed to make it easier for investors to distinguish and compare between the many sustainable investment strategies that are now available within the European Union; the framework classifies asset managers' funds as either an article 6, 8, or 9 funds depending on their level of sustainability, and regardless if they are promoting their fund as an ESG investment.
Shareholder Solvency II coverage ratio	Is the ratio of eligible own funds to solvency capital requirement (SCR), excluding the contribution to own funds and SCR from our ring-fenced With-Profits Fund.
Société d'investissement à Capital Variable (SICAV)	A SICAV is an open-ended investment fund offered by European financial companies, similar to the UK's unit trust. SICAVs are effectively share companies aimed at collectively investing the assets collected through the public offering of shares, whose value amounts to the net worth of capital account divided by their number.
Solvency capital requirement (SCR)	SCR represents the 99.5th percentile (or 1-in-200) worst outcome over the coming year, out of 100,000 equally likely scenarios, allowing for the dependency between the risks the business is exposed to. The SCR is calculated using our Solvency II Internal Model.
Solvency II	A regime for the prudential regulation of insurance companies that was introduced by the EU on 1 January 2016, now modified by the PRA's 2024 reforms.
Solvency II surplus	Solvency II surplus represents the eligible Own Funds that we hold less the solvency capital requirement.

Glossary continued

Term	Definition
Taskforce on Nature-Related Financial Disclosures (TNFD)	Is an international initiative that builds on a model developed by the TCFD. Its mission is to provide a framework for how organisations can address nature-related risks and opportunities with the ultimate goal of channelling capital flows into positive action.
Task Force on Climate-Related Financial Disclosures (TCFD)	Created by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures. The FCA require all premium listed companies to disclose, on a comply or explain basis, against the recommendations of the TCFD. The TCFD has now been disbanded with the IFRS Foundation (ISSB) taking over the monitoring of companies climate-related disclosures from the FSB.
Total capital generation	Is the total change in Solvency II surplus capital, on an eligible own funds basis, before dividends and capital movements, and capital generated from discontinued operations.
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.
Transitional Measures on Technical Provisions (TMTP)	Transitional measures on technical provisions are an adjustment to Solvency II technical provisions, to smooth the impact of the change in the regulatory regime on 1 January 2016. This decreases linearly over 16 years following the implementation of Solvency II, but may be recalculated in certain cases, subject to agreement with the PRA.
UK Corporate Governance Code (The Code)	Corporate Governance is the system of rules, practices and processes that are put in place to manage and control a company. It is underpinned by the UK Corporate Governance Code issued in 2018.
Unit-linked policy	A policy where the benefits are determined by the investment performance of the underlying assets in the unit-linked fund.
Value Share BPA	A transaction which comprises a traditional BPA buy-in arrangement and a separate reinsurance contract with a captive reinsurer that transfers some of the insurance and investment risk back to the sponsor of the originating pension scheme, thereby allowing the sponsor to participate in the risk and reward generated from the transaction.
With-profits business	Contracts where the policyholders have a contractual right to receive, at the discretion of the Company, additional benefits based on the profits of the fund, as a supplement to any guaranteed benefits.
With-Profits Fund	The Prudential Assurance Company Limited's fund where policyholders are entitled to a share of the profits of the fund. Normally, policyholders receive their share of the profits through bonuses. It is also known as a participating fund as policyholders have a participating interest in the With-Profits Fund and any declared bonuses.

Contact us

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Telephone

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Registered number

11444019

M&G plc is incorporated and registered in England and Wales. M&G plc is a holding company, some of whose subsidiaries are authorised and regulated, as applicable, by the Prudential Regulation Authority and the Financial Conduct Authority.

Disclaimer on forward-looking statements

This document may contain certain 'forward-looking statements' with respect to M&G plc (M&G) and its affiliates (the Group), its plans, its current goals and expectations relating to future financial condition, performance, results, operating environment, strategy and objectives. Statements that are not historical facts, including statements about M&G's beliefs and expectations and including, without limitation, statements containing the words 'may', 'will', 'could', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks', 'outlook' and 'anticipates', and words of similar meaning, are forward-looking statements. These statements are based on plans, estimates and projections which are current as at the time they are made, and therefore persons reading this announcement are cautioned against placing undue reliance on forward-looking statements. By their nature, forward-looking statements involve inherent assumptions, risk and uncertainty, as they generally relate to future events and circumstances that may not be entirely within M&G's control. A number of factors could cause M&G's actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. Such factors include, but are not limited to: changes in domestic and global political, economic and business conditions; market-related conditions and risk, including fluctuations in interest rates and exchange rates, the potential for a sustained low-interest rate environment, corporate liquidity risk and the future trading value of the shares of M&G; investment portfolio-related risks, such as the performance of financial markets generally; legal, regulatory and policy developments, such as, for example, new government initiatives and regulatory measures, including those addressing climate change and broader sustainability-related issues, and broader development of reporting standards; the impact of competition, economic uncertainty, inflation and deflation; the effect on M&G's business and results from, in particular, mortality and morbidity trends, longevity assumptions, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; the impact of internal projects and other strategic actions, such as transformation programmes, failing to meet their objectives; changes in environmental, social and geopolitical risks and incidents, pandemics and similar events beyond the Group's control; the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change and broader sustainability-related issues effectively; the impact of operational risks, including risk associated with third-party arrangements, reliance on third-party distribution channels and disruption to the availability, confidentiality or integrity of M&G's IT systems (or those of its suppliers); the impact of changes in capital, solvency standards, accounting standards or relevant regulatory frameworks, and tax and other legislation and regulations in the jurisdictions in which the Group operates; and the impact of legal and regulatory actions, investigations and disputes. These and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. Any forward-looking statements contained in this document speak only as of the date on which they are made. M&G expressly disclaims any obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to the UK Prospectus Rules, the UK Listing Rules, the UK Disclosure and Transparency Rules, or other applicable laws and regulations. This report has been prepared for, and only for, the members of M&G, as a body, and no other persons. M&G, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed. Nothing in this report should be construed as a profit forecast. The information contained in this document does not constitute an offer to sell or otherwise dispose of or an invitation or solicitation of any offer to purchase or subscribe for any securities in the Group.

Information provided in climate and sustainability disclosures

Climate and sustainability-related disclosures are subject to greater uncertainty than other disclosures, given challenges with current data availability and reliability, the nascent and evolving nature of relevant models and methodologies and other factors, such as the developing regulatory landscape and market practice. As such, the disclosures included in this Annual Report and Accounts may be amended and updated, as market practice and data quality and availability develop, and underlying judgements, assumptions and estimates change. These factors could also lead to actual achievements, results, performance or other future events or conditions differing from those stated, implied and/or reflected in any forward-looking statements or metrics included in our climate and sustainability disclosures.

Disclaimer

In preparing the climate and sustainability content included within the Group's Annual Report and Accounts, we have:

- made key judgements, estimations and assumptions, for example in relation to financed emissions, measurement of climate risk and scenario analysis.
- used climate and sustainability models, methodologies and data most appropriate and suitable as at the date on which they were used, but which are subject to certain limitations. These limitations relate to (but are not limited to): the nascent and evolving nature of methodologies in this area which results in limited availability of reliable climate and sustainability-related data; data gaps; limited ability to rely on historical data; the limited standardisation of climate and sustainability-related data; and future uncertainty (due to, amongst other factors, changing projections arising from technological development and legal, regulatory and policy change).
- used climate and sustainability models, methodologies and data in this Annual Report and Accounts that may have been made available by third parties or other public sources – The methodologies, interpretations or assumptions underpinning that information may not be capable of being independently verified and may therefore be inaccurate. While the Group bears primary responsibility for the information included in this annual report, it does not accept responsibility for the external input provided by any third parties for the purposes of developing the information included in this Annual Report and Accounts;
- noted that there are external factors which are outside of our control, such as changes in accounting and/or reporting standards, improvements in data quality and data availability, or updates to methodologies and models and/ or updates or restatements of data by third parties, which could affect the climate and sustainability content within the Annual Report and Accounts. In particular, we note that, as climate and sustainability-related models, methodologies and data, market principles and reporting standards evolve and mature, and data quality and availability in this area improves, this may impact the metrics, data, and targets included in the climate and sustainability content within this Annual Report and Accounts. As such, we may look to review and further develop our approach accordingly to reflect such developments. In future reports, we may present some or all of the information for this reporting period, using updated or more granular data or improved models or methodologies. We may also need to re-baseline, restate, revise, or recalculate information included in our climate and sustainability-related data on the basis of such updated information.

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