



Our purpose is to help people manage and grow their savings so they can live the life they want while making the world a little better along the way



This is our first sustainability report as an independent company. It introduces our plan to address long term challenges facing our business and wider society, so we can continue to help generations now, and in the future, live the lives they want.

TCFD reporting in this document

The Task Force on Climate-related Financial Disclosures (TCFD) have provided recommendations to help businesses disclose their climate-related financial information. Our TCFD aligned disclosures can be found on the following pages:

Governance: **page 32**

Strategy: **pages 10-12, 14-21, 26-28, 33-34**

Risk management: **pages 33-34**

Metrics and targets: **pages 7, 11-12, 26-27**

Introduction

Alignments and memberships
Page 3

CEO introduction
Page 4

Why sustainability matters for us
Page 5

Priorities and targets
Page 7

Principles and ambitions
Page 8

How we'll achieve our ambition – our 10 point sustainability plan



1
Develop our pathway to net zero 2050
Page 11



2
Integrate ESG into our investments and accelerate engagement
Page 13



3
Grow Planet+ fund range
Page 20



4
Set standards in sustainability and ESG policies
Page 22



5
Set standards in disclosure and measurement
Page 23



6
Help customers and their advisers understand the opportunities, risks and outcomes of sustainable investing
Page 24



7
Lead collective action to deliver change
Page 25



8
Develop pathway to net zero 2030 and set an example with our corporate sustainability practices
Page 26



9
Be diverse and inclusive as a business and as an investor
Page 29



10
Align all our people behind our sustainability ambition
Page 30

How we manage our plan

Governance
Page 32

Sustainability and ESG risk management
Page 33

Doing business responsibly

Working with local communities
Page 36

Responsible business policies
Page 38

Our alignments and memberships

M&G plc













Since 2021 M&G plc has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption.

Asset Manager (M&G Investments)























Welcome to our first sustainability report



We believe that a well-governed business, run in a sustainable way, will deliver better overall outcomes for customers and stronger, more resilient returns to shareholders, as well as making a positive contribution to our communities and our planet.”

John Foley
Chief Executive



As a global investor and steward of £367.2 billion of assets on behalf of more than five million clients and customers, we have the opportunity to make the world a better place.

We can do this by helping our customers to save for a better financial future for themselves and their families, and by putting those savings to work to help create a more sustainable future for the planet.

This is why we are committed to putting sustainability at the heart of everything we do: as an investor, employer and business partner and as a company run in the long-term interests of our shareholders.

We believe that a well-governed business, run in a sustainable way, will deliver better overall outcomes for customers and stronger, more resilient returns to shareholders, as well as making a positive contribution to our communities and our planet.

We know that when it comes to sustainability it's not enough to have good intentions, so we've set ourselves some ambitious targets. This, our first standalone sustainability report as an independent company, sets out our plan to achieve our targets: what we've done so far, what we are doing next, and how we're planning to measure our progress. It covers our business operations as a company, as an asset owner, and as an asset manager.

We are not naïve about the challenge of these ambitions. Embedding the principles of sustainability throughout our business means embracing constant change, at a pace far greater than any we have experienced in our 170-year history.

The science, technology and data guiding much of our activity towards long-term sustainability is evolving daily. Social values and economic thinking are also shifting. And the needs and preferences of our customers and clients are changing rapidly.

As a global investor, we can – and do – play our part in finding solutions for some of the most challenging issues for humankind, from climate change to societal inequality. We think M&G can change the future for the better, and we're determined to deliver.

John Foley
Chief Executive, M&G plc

Why sustainability matters for us

Sustainability means being viable for the long term. That means taking action now to address long-term challenges, including environmental, social and governance (ESG) risks and opportunities, to ensure we can continue to help current and future generations to live the lives they want

The global forces shaping our world

The climate emergency

We must act now on climate change. The world is heading for a global temperature rise of 3.2°C by the end of the centuryⁱ, which if unchecked would melt the polar ice sheets, potentially cause sea levels to rise by more than two metresⁱⁱ and increase the zone of desertification. This means large areas of land would become uninhabitable, resulting in mass migration and catastrophic environmental, social and economic impact.

There is no safe level of global warming, but 197 nations have committed to restricting their carbon emissions to limit global warming by 2100 to 1.5°C, relative to pre-industrial times, under the 2015 Paris Climate Agreement. Effectively, this means that the world should be adding to the atmosphere no more emissions than it is removing.

To achieve this goal, governments, businesses and individuals need to work together to reduce carbon emissions by more than 50% between now and 2030 – in other words, around a 7% reduction every year. Achieving this will require big changes to manufacturing industries, transport, agriculture, the built environment and much more. Taking some of this action now means we can avoid sharp, disruptive change in future years which might worsen social inequalities, particularly in developing countries.

Ahead of the COP26 United Nations Climate Summit in November 2021, many governments are revising their commitments to carbon reduction including significant pledges from China, Japan, South Korea and the US.

However, there are still a lot of differences in national approaches. The route the world follows to net zero emissions will have major implications for the risks we need to plan for as a business: for example, the risk that investors may be left with stranded assets with declining value.

We do know that addressing climate change will require a large amount of capital investment. The International Energy Association estimates the deep transformation necessary to decarbonising energy production and increasing energy efficiency and consumption will require investment of \$3.5 trillion on average each year until 2050, which is about twice current investment levelsⁱⁱⁱ. This creates exciting opportunities for investors to create value by being part of the solution, helping companies increase resilience and adaptation to climate change as well as investing in cleaner technology, buildings and infrastructure.

Sustainable development

In 2015, the United Nations set 17 Sustainable Development Goals (SDGs), designed to end poverty, protect the planet and ensure all people enjoy peace and prosperity by 2030. Governments across the world are implementing policies aligned to SDGs, including action to secure clean water and energy, improve gender equality, education and health, provide more opportunities for work, and use land and ocean resources more sustainably.

According to research by M&G's Impact Investing team the COVID-19 pandemic has disrupted progress towards achieving the SDGs. While good progress is still being made in clean and renewable energy, infrastructure, and sustainable communities, 12 goals are now materially behind schedule, with socio-economic goals most badly affected by the pandemic.

Over 71 million people were pushed into extreme poverty in 2020, according to the UN – causing the first increase in extreme global poverty in decades. With less than ten years to go to deliver the SDGs, there is more need – and opportunity – than ever before for investors to collaborate to guide capital towards sustainable and societally positive investments which address these challenges.

Legislation and regulation

Governments and regulators are still to agree common global sustainability standards and regulatory frameworks to avoid fragmentation, duplication and greenwashing. They are debating what activities should be regarded as sustainable; how to improve transparency and disclosure requirements; how to remove subsidies for 'brown' energy and incentivise investing in 'green' assets, and how to incorporate climate change and other non-financial considerations into traditional fiduciary duties. This fast-moving landscape poses many challenges for asset managers, asset owners and business leaders, as well as individual savers who want to know whether or not their investments are sustainable.

i UN Environment Programme Emissions Gap Report 2020

ii European Environment Agency – Indicator Assessment: Global and European sea level rise

iii IEA <https://www.iea.org/news/deep-energy-transformation-needed-by-2050-to-limit-rise-in-global-temperature>

Why sustainability matters for us

However, new initiatives bringing together governments, regulators and financial institutions have given momentum to environmental sustainability issues over the past 18 months. The need to 'build back better' following the COVID-19 pandemic is also a priority, with policymakers regarding financial institutions as key enablers of the transition to a more sustainable economy.

What M&G is doing to help

Helping customers invest sustainably

As people live to an older age and are required to become more self-reliant in retirement, they need to make their personal savings last longer. This means thinking about how and where their savings are invested for the long term, and how risks like climate change may affect their future financial returns and their ability to live the life they want.

Both older and younger people are also increasingly concerned about the state of the planet that future generations will inhabit. The growing popularity of impact investment products shows that more people want to know that their money is having a positive impact on society and the environment, as well as delivering financial returns.

To reflect these changes, over the last four years we have been developing a range of products to make investing sustainably more accessible. We aim to give individuals and institutional investors alike the opportunity to fulfil their needs and express what they care about in the way they invest. You can read more about these on page 20.

Channelling capital to sustainable investment

Businesses developing new technical solutions and building new infrastructure, as part of the transition to clean energy, need large amounts of capital. Other businesses need investment to help them provide answers to different urgent global needs, such as sustainable access to clean water and better health outcomes. This provides more opportunities to put savers' money to work by investing in companies and projects which are transforming our environment and society for the better, as well as offering the potential for sustainable long-term financial returns.

M&G is helping to meet this demand for capital. Today, we are a leading global investor in real assets and private assets, including renewable energy, infrastructure and housing, where our scale, expertise and long-term view means we can lend and invest in flexible and innovative ways. Ninety years ago, M&G started to help cities improve their infrastructure: our long-term investment capabilities mean we are very well placed to support the energy transition today.

Investing for a better future with Catalyst

Launched in February 2021, Catalyst is a new team within M&G which has a £5 billion mandate from the Prudential With-Profits Fund to invest in new and emerging privately owned businesses. Catalyst's focus is investing in businesses working on sustainable solutions to environmental and societal challenges.

One of Catalyst's recent investments is Vaccitech, a UK-based biotech company spun out of the University of Oxford whose technology helped make the Oxford/AstraZeneca COVID-19 vaccine possible. Catalyst's \$50 million investment in Vaccitech, on behalf of over five million Prudential policyholders and savers, will help growing companies address serious global public health challenges from both infectious disease and cancer, with their T-cell inducing immunotherapy platform.

This is a great example of how M&G is able to channel long-term savings into investments tackling long-term problems: aiming to deliver financial returns while also helping make the world a better place.



Our sustainability priorities and targets

We believe that well-governed businesses, run in a sustainable way, deliver stronger, more resilient investment returns in the long term for shareholders, and better outcomes for society

We have identified two priorities which we think are particularly important for the environment, society and our long-term sustainability as a business

These are climate change, and diversity and inclusion, and we have made specific firm-wide commitments in respect of each

Climate change

We commit to being carbon net zero in our own business operations by 2030 at the latest

We commit to achieve carbon net zero investment portfolios by 2050, across our total assets under management, to align with the Paris Agreement on Climate Change

[Read more](#)
Pages 11-12, 26-28

Diversity and inclusion

We are committed to achieving greater representation of gender and ethnicity in our senior leadership (Executive Committee and their direct reports) with goals of achieving 40% female representation and 20% representation from Black, Asian and minority ethnic backgrounds by 2025

We will aim to evaluate the diversity policy of investment managers that manage assets on our behalf, including how an investment manager challenges its investee companies to improve and maintain diversity in their business models

We commit to continuing to achieve external benchmarks such as the National Equality Standard and LGBT Great equality index

[Read more](#)
Page 29

Our principles and ambitions

We approach sustainability from three perspectives: an asset owner, an asset manager, and as a company in our own right

While our responsibilities and obligations in each of these three roles may differ, as we discuss below, our approach in all three is united by a common set of principles and ambitions, set out in the box at the bottom of the page.

We serve as an asset owner on behalf of Prudential With-Profits policyholders, and our pensions and annuity customers.

This means we make decisions about how to allocate money to different asset classes and which asset manager should manage our money.

We also have the important responsibility of deciding the financial outcomes we want our asset managers to deliver for us, and the sustainability considerations we require them to apply.

For example, if we think that a certain industry does not have a sustainable future, we may require that the asset manager does not invest in that industry. Our responsibility as an asset owner is to create the best customer outcome in terms of general well-being in line with our fiduciary duty, taking into consideration financial security.

We also invest as an asset manager on behalf of individual savers and asset owner clients. As at 31 December 2020, we manage over £233.4 billion for external clients and £133.8 billion on behalf of our internal client.

As an asset manager, we must aim to deliver the financial outcomes and any sustainability requirements set out in the objectives of each of our mutual funds, or in the mandates we receive from institutional clients.

Sometimes there may be differences in the sustainability criteria that external clients mandate, and in turn these may differ from the requirements of our internal client.

While our values of care and integrity inform all our sustainability work, the asset manager and asset owner are separately regulated businesses with independent Boards and governance processes, and their policies may diverge on occasion.

Sustainability principles and ambitions across our business

Our sustainability commitments, principles and ambitions apply across the investments we make as an asset manager and asset owner, and to our own business operations.

Customer led

We aim to: be relevant, innovative and accessible; meet customer demand for sustainability and impact solutions; communicate clearly about our products, policies, processes and potential outcomes.

Capability enabled

We will use: world class people, research and proprietary tools and data to understand ESG risks and identify opportunities across all asset classes; our influence as a leading active investor to advocate for sustainable performance; our financial strength to make investments which create positive change.

Sustainably delivered

We will do this with: an inclusive, accountable culture focused on our purpose and our values of care and integrity; sustainability embedded in all we do, from customer service to risk management.

Our sustainability principles:

- We will consider sustainability and ESG factors when determining our corporate strategy and new business initiatives
- We will embed sustainability considerations throughout our business
- We identify and incorporate ESG risk factors into our general risk management process
- We consider the interests of all our stakeholders and ensure our views on sustainability are consistent with our long-term approach
- We will manage our businesses to the same principles of acting responsibly that we hold our investee companies to account on
- We review our sustainability thinking regularly in order to align with scientific and technological improvements, and changes in the global economy, ethics and consumer preferences
- We aspire to be a thought leader, to innovate, and to advance understanding of sustainability issues
- We aim to use our influence as a global investor and asset owner to drive positive change in sustainability policy and corporate standards
- We believe in active asset ownership and management which encourages companies to transition towards a sustainable future

How we'll achieve our ambition

Our 10 point sustainability plan: **Page 10**

- 1** Develop our pathway to net zero 2050 **Page 11**
- 2** Integrate ESG into our investments and accelerate engagement **Page 13**
- 3** Grow Planet+ fund range **Page 20**
- 4** Set standards in sustainability and ESG policies **Page 22**
- 5** Set standards in disclosure and measurement **Page 23**
- 6** Help customers and their advisers understand the opportunities, risks and outcomes of sustainable investing **Page 24**
- 7** Lead collective action to deliver change **Page 25**
- 8** Develop pathway to net zero 2030 and set an example with our corporate sustainability practices **Page 26**
- 9** Be diverse and inclusive as a business and as an investor **Page 29**
- 10** Align all our people behind our sustainability ambition **Page 30**



Our plan to achieve our sustainability ambitions and targets

In 2020, we set ourselves specific and ambitious targets in our two sustainability priority areas: climate change and diversity and inclusion

But we have also set ourselves the broader goal of embedding sustainability in everything we do, to ensure we remain able to deliver on our purpose: helping people live the lives they want while making the world a little better on the way, and continue to deliver strong returns for shareholders and customers in the long term.

Our ten point plan to achieve this goal is set out over the following pages. It reflects where we are on our journey to becoming a fully sustainable business: having already achieved a great deal, but still with much more to do as scientific knowledge, data, regulation, and consumer habits and preferences evolve at lightning pace alongside us.

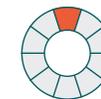
We believe achieving material progress towards all these ten goals is imperative for us – as all play a key role in our sustainability ambition and many are dependent on each other.

While our plan will accordingly evolve and become richer over time, it sets out clearly what we think is most important, what we have achieved so far, and what our next steps will be to remain on track to deliver our ambitions.

Then on pages 32-34, we set out how we will deliver our plan, in terms of governance and risk management.



1 Develop our pathway to net zero 2050



Why this matters

Our net zero 2050 ambition

As a steward of long-term capital, actively managing the savings of millions of people around the world, M&G will use our influence to accelerate the transition to a greener, cleaner economy.

We will invest to enable sustainable economic development that benefits society as a whole, while at the same time fulfilling our fiduciary duty to generate the financial returns our clients require.

We will align our influence as a global investor and asset owner with the Paris Agreement, and use it to drive positive change, to decarbonise the energy system and increase energy and resource efficiency. As an asset owner we have discretion over sustainability policy and strategy, and as an asset manager we will work in partnership with our clients to achieve their investment objectives while transitioning their investments to net zero by 2050.

Investment beliefs

The international political landscape is moving fast – to date 127 countries responsible for around 63% of global emissions are considering or have adopted net zero targets. Whilst regulations do not yet reflect political ambitions, it is expected that they will follow to expedite the adoption of new technologies to decarbonise the energy system.

We recognise the need to avoid value traps and stranded assets by prescient divestment. We understand that economies are not starting from the same place in their transition to net zero, and decarbonising energy could exacerbate social inequalities for communities impacted. So, we need to ensure this happens in a fair way – a ‘just transition’ – leaving no country or region behind.

We believe in active asset ownership and management which encourages companies to transition towards a sustainable future. Where there is a financially viable pathway to adapting and mitigating climate change impact, we will proactively engage for necessary changes in investee governance, strategy, disclosures, target setting and incentives. We will look to align our investments with corporates that have credible carbon transition plans to net zero, and can demonstrate early evidence of being aligned to scientific sectoral decarbonisation plans for their industry aligned with Paris.

Net zero 2050 investment strategy

As an asset owner we will tilt our strategic asset allocation and redesign our underlying mandates to lower our portfolio carbon emissions. As an asset manager we will identify and invest in climate solutions; engage with investee companies to lay out credible transition plans and targets and encourage the necessary emissions reductions; and reduce contentious high carbon exposures.

Because, as an asset owner, we appoint asset managers that are external to M&G plc, we will also work with these managers to achieve similar outcomes. Over time, the proportion of our portfolios which are not aligned will be reduced to zero.

Investment policies

We develop investment policies to define our approach to contentious carbon investments, such as thermal coal, within the context of climate change. Reducing these contentious carbon exposures is critical to the decarbonisation of our portfolios and meeting our net zero commitments.

What we have achieved so far

Net zero by 2050 commitments

We have committed to reduce our carbon emissions across our total investments to net zero by 2050, for both asset owner and asset manager.

M&G is a founder member of the Net Zero Asset Manager initiative, and we are working together with the Paris Aligned Investment Initiative (Institutional Investor Group on Climate Change) on evaluating how we can set appropriate objectives to accelerate alignment to the goals of the Paris Agreement.

Phase out of thermal coal

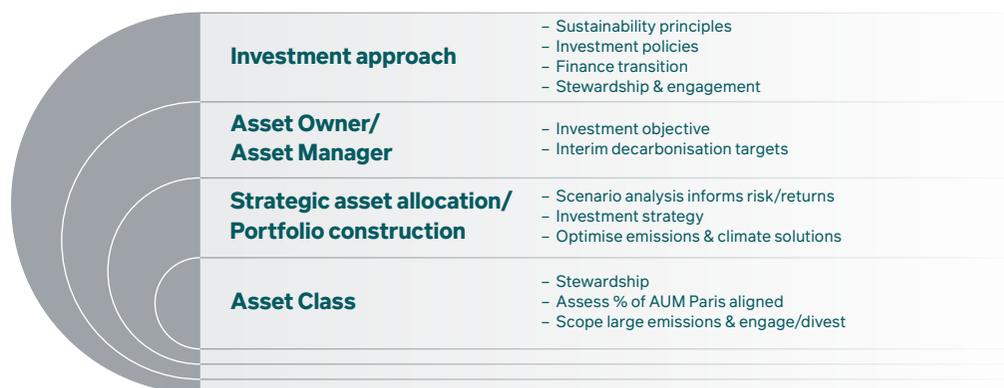
We have joined the Powering Past Coal Alliance and announced we will end thermal coal-related investments by 2030 across OECD and EU member states and by 2040 in developing countries. You can read more about this in Goal 4 on page 22.

We have published our **comprehensive position on thermal coal investments** which covers the whole coal value chain and applies a forward-looking approach to support a just energy transition. As an asset owner, M&G will be updating its coal policy to implement this approach to coal-related investments across its own internal portfolios over the coming year. As an asset manager, M&G will be working with clients to align existing mandates and funds to this position.

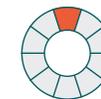
Understanding current emissions

In order to plan our journey to carbon net zero by 2050 and report on progress with confidence, we need an accurate picture of emissions across our entire portfolio.

Net Zero Investment Framework



Develop our pathway to net zero 2050



We have performed detailed analysis of the quality of external emissions data for our public assets and have invested in internal options for our private assets. Our weighted average carbon intensities for listed equity and corporate bonds, as at 31 December 2020, are detailed in the table below. We continue to devote significant resources to increase coverage of emissions reporting in line with TCFD recommendations both at a group, business unit level and fund level for client reporting.

Understanding our exposure

We are acutely aware that the effects of climate change continue to be driven by particular sectors and companies to which we have exposure, characteristic of the wider economy.

Our Climate Technical Working Group includes climate subject matter experts from across our Stewardship & Sustainability, Research, and Data Science teams. They activate and co-ordinate capabilities across the business, integrating climate analysis into research and investment decision-making, validate, find and develop data sources and climate tools, co-ordinating across asset classes, departments, and between the asset manager and asset owner.

Portfolio Emissions Intensities

| As at 31 December 2020 | | Listed Equity | Coverage | Corporate Bonds | Coverage |
|--|-------------|---------------|----------|-----------------|----------|
| Weighted Average Carbon Intensities (tons CO ₂ e/\$m sales) | Scope 1 & 2 | 194.9 | 94.00% | 151.8 | 81.90% |

Source: MSCI Carbon footprint calculator.

We have developed proprietary tools to assist investment professionals in identifying the prevalence of climate and related ESG issues within companies and their portfolios, and enable us to evidence to third parties the integration of climate and ESG within the investment process.

We believe in active investment and influencing the behaviour of our investee companies for the better: we want to take them on our journey rather than to leave them behind. We have therefore identified the largest and worst performers amongst our various mandates so that we can emphasise the importance of setting credible transition plans to the low carbon economy, challenge their emissions records and promote stronger climate ambitions. For further information see Goal 2 on page 13.

Understanding the risks

We have conducted detailed work with analytics providers on scenario analysis to evaluate how various climate scenarios could affect the future value, income, or credit ratings of our investments. These climate scenario models serve as a lens to assist better awareness and understanding showing physical and transition risks present across our holdings. This will better equip us to enact mitigation and adaptation planning in our portfolios, while steering our sizeable assets towards net zero.

Carbon positive investments

In order to reach net zero across our investment portfolios, we will need to increase the amount we invest in assets with very low carbon intensity, or which remove carbon from the atmosphere. We recently launched the M&G Climate Solutions Fund, a positive impact strategy investing in companies tackling climate change, including those developing clean energy and carbon capture.

Our Infracapital private infrastructure investment arm, with its investments in renewables and energy efficiency solutions across its portfolios, will play a significant role in helping M&G achieve our net zero target by 2050.

Real estate

The built environment contributes over 40% of global carbon emissions. M&G Real Estate, one of the world's largest real estate investors, has committed to achieve net zero by 2050 across its £32.5 billion of assets under management, as of 31 December 2020. We are founding signatories of the Better Building Partnership Climate Change Commitment and chair its Net Zero working group.

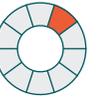
Our net zero target will be achieved by a combination of reducing operational and embodied (i.e. associated with development or refurbishment) carbon emissions from our properties as far as possible through improved efficiency or lower carbon product specification, generating renewable energy onsite, use of offsite renewable energy, and where emissions cannot be eliminated, offsetting remaining emissions. Our current net zero strategic priorities are to establish real time energy and carbon data across our portfolio, and to achieve third-party green building certifications. You can read more about these on page 16.

How we will measure our progress

- We will be transparent in reporting our interim plans, portfolio emissions and percentage of our holdings that are Paris-aligned.
- As part of our objective setting for emissions reduction across our business, asset classes and funds, we are developing a taxonomy of measurement and reporting. We will also look to increase the proportion of assets for which interim targets are published.

Next steps

- We are developing our Net Zero Investment Framework with interim targets so we can demonstrate our progress.
- We will set science-based targets so our ambitions are in line with experts' expectations and guidance.
- Following the announcement of our position on thermal coal, both asset owner and asset manager thermal coal investment policies will be fully rolled out by March 2022.
- We will develop investment policies for other contentious high carbon assets.
- We are continuing to improve transparency and coverage of emissions across our investments.
- We will assess whether our investee companies have Paris-aligned climate ambitions.
- We will introduce robust climate scenario analysis across our portfolios.
- In 2021, we will undertake a full GHG emissions analysis for funds in our net zero pathway.



Principles of ESG integration at M&G

We take our responsibilities as long-term stewards of our customers' and clients' money seriously and believe that long-term investment returns are underpinned by good governance and sustainable business models.

At M&G, we subscribe to the UNPRI-endorsed definition of ESG integration as being the explicit and systematic inclusion of ESG factors in investment analysis and investment decisions.

Our implementation of these principles rests on three pillars:

1. Integration of ESG issues into investment research
2. Integration of ESG issues into investment decision making and portfolio construction
3. Periodic ESG portfolio review

The following pages set out how we do this as an asset owner and asset manager.

Why we integrate ESG at M&G

At M&G, we integrate ESG because we believe in holistic, fundamental, forward-looking analysis

Holistic research

By integrating financial and non-financial factors, we aim to drive informed investment decision-making and better outcomes

Better outcomes

We believe that well-governed businesses, run in a sustainable way, can deliver more resilient returns for investors

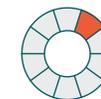
Resilient returns

We believe in engagement to enact change – harnessing our strong invest relationships to influence decision-making and foster best practice

Driving change

We believe that ESG integration drives sustainable and financial outcomes

Integrate ESG into our investments and accelerate engagement



Asset Owner

Why this matters

Our asset owner has a long history of strong decision-making that has served our customers and shareholders through all market conditions. Sustainability is now a key part of these decisions, particularly in considering how environmental, social and governance (ESG) factors may materially impact our customer outcomes.

Our belief is that businesses and behaviours that reflect ESG best practices, and which are aligned with our values of care and integrity, are better positioned to deliver sustainable success over time horizons that meet customer needs.

What we have achieved so far Investment Strategy Setting

Our Long Term Investment Strategy team sets the risk tolerance and asset allocation of the majority of Asset Owner funds. ESG risks which may be rewarded, that is which deliver investment returns ahead of our target benchmarks, or those which are unrewarded, delivering negative investment returns or investment returns under our target benchmarks, are considered at a geographic level alongside other risks.

Both ESG and non-ESG risks are then translated into capital market assumptions and asset class risk/return profiles, which are in turn factored into how we allocate capital. This process seeks to steer funds away from unrewarded or under-rewarded risks so that we can deliver better investment performance over the long term.

Manager Selection

Our Manager Oversight team is responsible for the assessment, selection and monitoring of asset managers across our funds.

We have appointed a number of different asset managers, including ones external to M&G plc, because we believe their investment processes and skill in various asset classes are likely to deliver better investment performance over the long term. Their initial and ongoing due diligence processes now incorporate assessment and challenge of each manager's ESG investment policies and practices and ambitions. In this way, we ensure the managers we award mandates to are aligned with our own values and ambitions.

Catalyst

Our position as a significant allocator of capital gives us the power to provoke change. Catalyst is a team of 25 investment professionals that has been created to identify privately-owned enterprises working to create a more sustainable world. The Asset Owner has committed to allocating up to £5 billion of capital towards these companies, which have historically been underserved by providers of institutional finance.

How we will measure our progress

- We will continue to monitor the managers we appoint from various perspectives. This will now include the managers' performance in the ESG space, which will encompass their progress and success in engaging with investee companies on our ESG priorities, especially with respect to the climate emergency.
- In the long term the incorporation of ESG factors into our decision-making processes will lead to portfolios that are even more resilient across a range of market conditions.

Next steps

- We are improving our analytics and scenario modelling across our business, improving emissions data, ESG scoring and climate scenario modelling to ensure all decisions are well informed.
- We will explicitly introduce an ESG Risk Management Framework and ESG Risk Policy, to which all governance forums and decision-makers must adhere, and include consideration of ESG factors across the terms of reference for each forum.
- We are developing positions on specific ESG topics and on controversial sectors that will more explicitly outline our engagement objectives and introduce a process that ensures our managers are engaging as intended and reporting on outcomes.
- We are finalising our Asset Owner ESG Investment Policy which will define the ESG investment principles and procedures required of our asset managers.
- We will make our first submission to the UK Stewardship Code, outlining how we comply with their 12 principles that demonstrate effective investment stewardship.

Integrate ESG into our investments and accelerate engagement



Asset Manager

Why this matters

Across asset classes, M&G believes that ESG factors can have a material impact on long-term investment outcomes. Our goal is to achieve the best possible risk-adjusted returns for our clients, taking into account all factors that influence investment performance.

Consequently, ESG issues are systematically integrated into company research and portfolio decisions wherever they are material to the investment case. Working with issuers to address ESG risks through our active stewardship programme is also a core part of how we add value to investments, and as an active asset manager we are also able to divest or exclude companies where we conclude they cannot or will not align with our sustainability priorities, such as our net zero emissions targets.

What we have achieved so far

Proprietary ESG tools

While external tools have a role in some investment processes, we prefer to use our own proprietary ESG research in most investment decision-making as we believe our in-house research capabilities can provide the most valuable insight. During 2020, we have developed a number of internal ESG tools, which are now used by investment teams across asset classes.

Our new Scorecard App and ESG Dashboard bring a consistent framework to how we integrate ESG considerations, capturing our distinctive approach of rigour, judgement and perspective. With the Scorecard, we can expose the risks and opportunities of the companies we invest in and measure their materiality.

High scores suggest good governance and a sustainable business model with minimum exposure to – or prudent management of – the ESG risks they face. We plan to integrate our internal ESG scores into our trading platform allowing increased visibility of material ESG factors and further integrating ESG into our investment decisions.

The ESG Dashboard accompanies the ESG Scorecard and forms a key component of the Analyst Scoring workflow. The Dashboard summarises around 1,000 data points for approximately 4,000 companies enabling our analysts to develop the research and viewpoints that they need.

Private assets

Carbon data disclosure is less readily available for private assets. To address this we have developed the ‘Carbonator’ tool for leveraged loans, which uses machine learning models to estimate Scope 1 and 2 carbon emissions for companies where there is limited carbon disclosure. This helps with research, decision-making and provides a basis for climate engagement with target companies.

Diversity and inclusion

As part of our engagement programme, during 2020 we wrote to over 50 investee companies whose Board composition has not reached our minimum expectations in terms of gender diversity, asking for action on this issue.

More information about our active stewardship on climate change, diversity and inclusion and other sustainability issues during 2020 can be found on our website at [here](#).

Climate Hot List

Climate change is a central focus of our top-down engagement programme for investee companies, focusing on strategy, disclosure, goals and targets to achieve decarbonisation. We have mapped our holdings to determine a targeted engagement “hot list” of 100 companies based on highest emissions and largest M&G Investments-wide exposure. For each target, we have devised a specific engagement strategy with a clear objective, key performance indicators to determine progress to delivery, and a timetable for engagement. Overall, we expect companies to commit to reaching net zero carbon emissions in line with the Paris Agreement, and to provide credible targets and metrics for how they will do so. We have already met with nine of the top 20 companies to which we have highest carbon exposure in 2020.

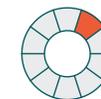
How we will measure our progress

- Our Scorecard coverage of indexes sets our investment professionals aggressive but reachable targets, that will further extend/expand the application of our internal views of ESG factors on the companies we analyse and potentially invest with.
- We will track quality and quantity of issuer engagements (including shareholder votes) across Public and Private assets.
- Our ESG integration heatmap provides a visual representation of how ESG is being integrated into our investment processes, at individual investment desk level. We have categorised integration into three standards (Fundamental/Confident/Advanced), so we monitor progress and advancement across each team.

Next steps

- We are engaging with investee companies with high thermal coal exposure to understand their plans to phase out coal by 2030/40. Where companies do not align with our position on thermal coal they will be candidates for divestment from March 2022.
- We continue to engage with companies on our Climate Hot List and use our votes to encourage alignment to Paris goals on climate change.
- During 2021 we will engage with an additional target list of over 80 companies not meeting expected TCFD disclosure standards.
- We are continuing to engage with companies on improving gender diversity.
- We continue to enhance our proprietary tools as we expand their application and incorporate building breadth and depth of content and capability – e.g. rolling out the Carbonator Tool to further classes of private assets.
- We will conduct more thematic research on biodiversity and increase engagements with investee companies on the topic.
- We will continue to improve, extend and collectively build our ESG policies.

Integrate ESG into our investments and accelerate engagement



Real estate

Why this matters

Our approach to sustainability within our real estate portfolio is to create and manage exceptional places that enrich the lives of people and communities to deliver long-term value for our investors, society and the environment. We focus on environmental excellence; health, well-being and occupier experience; and contributing to communities and society.

Each of our funds has objectives to deliver positive environmental and social value opportunities across our portfolio, and we gather metrics to evidence improvements and outcomes.

Improving the environmental performance of our buildings is a top priority for us, and this requires good data. Having an accurate understanding of energy and carbon use across our real estate portfolio means we can analyse performance, identify where improvements are required and track progress to our goals. We are also focusing on achieving independently verified Green Building Certification across our estate, and when available, net zero building certification.

What we have achieved so far

Understanding our emissions

During 2020, we completed a comprehensive measurement and analysis of our Scope 1, 2, and 3 emissions across eight of our real estate funds.

This shows that in aggregate, only 13% of emissions fall into Scope 1 & 2, and are within our direct control.

However, 43% of emissions come from our occupiers' use of energy, and 35% are associated with development and refurbishment works. These numbers vary by investment strategy and geography however, indicating that specific strategies must be developed at fund level.

External validation

In 2020, 34% of our buildings worldwide achieved Green Building certification, up from 31% in 2019. In the 2020 Global Real Estate Sustainability Benchmark (GRESB) survey, which assesses the sustainability performance of real estate portfolios and assets in public, private and direct sectors worldwide, our 10 participating funds all achieved a Green Star rating with an average score of 4 Green Stars.

Renewable energy use

Having aimed to achieve a 25% reduction in landlord-procured energy intensity across our portfolio by 2025 (from a 2012/13 baseline), we surpassed this goal five years early with a 27% reduction by March 2020, along with a 33% reduction in absolute emissions. This was achieved by engagement with our supply chain to identify areas for improvement and investment to unlock efficiencies: for example, upgrading lighting to LED. 92% of electricity in our UK assets is bought on a zero carbon tariff backed by Renewable Energy Guarantees of Origin.

Occupier engagement

Over the last year we have engaged with a wide range of occupiers on sustainability issues, including identifying who has net zero targets and plans to achieve them.

Tenant well-being

We have reached over 1.1 million people with our health, well-being and inclusivity programmes since 2018.

Smart metering

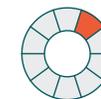
Our European portfolios have piloted smart metering in their assets, to help tenants easily assess their energy performance.

How we will measure our progress

- We will monitor and report on metrics including energy intensity and carbon intensity; the amount of our assets achieving net zero energy efficiency and net zero emissions alignment; the proportion of our buildings with Green Building certification; the proportion of electricity from renewable sources used by landlords and occupiers; and proportion of emissions offset.
- You can read more about our real estate net zero pathway [here](#).

Next steps

- We are carrying out a full greenhouse gas emissions analysis in 2021 across all real estate funds included in our net zero pathway, incorporating the learning into our net zero strategy.
- We will continue to invest in development of new buildings to high environmental specification and in improvements to existing buildings in order to achieve Green Building status for at least 50% of our portfolio by 2025 and 75% by 2030.
- We will work with our international (ex-UK) property management teams to ensure that renewable energy tariffs are adopted wherever possible.
- We will explore the use of Purchase Power Agreements to access renewable energy and support generating infrastructure.
- We will work with occupiers to identify opportunities to support their sustainability ambitions, particularly in renewable energy and onsite generation.
- We will roll out smart metering to more assets in more portfolios during 2021.

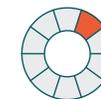


Pushing the boundaries in green building development

Through our Asia Property Fund we are funding the development of an office campus for Surbana Jurong, one of Asia's largest urban and infrastructure consulting firms. Due to complete in 2021, the campus has been designed as a 'holistic green building', ensuring it is environmentally less impactful, highly energy, water and resource efficient and enhances the wellness and productivity of occupants. The campus is designed to deliver a 40% (4,800MWh/year) saving in net energy consumption against the baseline requirement through the use of features such as photovoltaic solar panels to meet 4% of total building energy consumption. While efficient water management systems, including rain gardens and bio-swales should save 36,500m³ of water per year. The project is one of the first to achieve a Platinum (Super Low Energy) rating under Singapore's BCA Green Mark programme for environmentally sustainable buildings.



Integrate ESG into our investments and accelerate engagement



Infrastructure equity

Why this matters

Our Infracapital business makes equity investments in private infrastructure assets. As such, we have both the opportunity and the responsibility to make economic growth more inclusive and sustainable. Taking as our compass the UN Sustainable Development Goals, we are committed to investing in and managing infrastructure businesses which are similarly committed to sustainability. We believe this will deliver both attractive returns for investors and real benefits for society.

We recognise that sustainable growth will deliver long-term value for investors and is consistent with our fiduciary duty to manage clients' capital responsibly. Full consideration of environmental, social and governance (ESG) issues is embedded throughout our investment lifecycle.

Infracapital's ESG management system has four pillars:

- Investment strategy to deliver environmental, social and financial value
- Investment appraisal to identify the key ESG risks and opportunities
- Active asset management
- Monitoring and oversight

As the controlling investor or the owner of significant minority stakes, we work closely with the management teams of investee companies to ensure effective management of ESG issues and strong governance. We require regular reporting on relevant key performance indicators (KPIs) and ESG metrics.

What we have achieved so far

During 2020, we focused on enhancing our ESG management system to drive continual improvements in what is an evolving process, reflecting the rapid pace of change on a number of global issues.

Climate impact

Support for the clean energy transition is one of our most important investment opportunities and key to many of our investment strategies. This transition has been given added impetus by governments looking to build back better and greener in response to the COVID-19 pandemic.

Our 2020 investments include:

- Zenobe, provider of emission-free energy and transport solutions to electric vehicle (EV) operators, utilities and industrial and commercial businesses
- Recharge, market leader for public EV charging in the Nordics, owning and operating over 2,500 charging points

Both companies are helping with the international effort to meet binding carbon reduction targets.

As part of our active asset management approach, we seek to ensure that all companies have an environmental policy, measure their carbon footprint, and specifically are able to evidence initiatives to reduce their climate impact. We are undertaking a comprehensive measurement and analysis of our Scope 1, 2 and 3 carbon emissions across our strategies. This will allow us to formulate a net zero framework including net zero roadmaps for each of our portfolio companies.

Diversity and inclusion

We are committed to promoting a diverse and inclusive workforce both at Infracapital and at our portfolio companies. During 2020, we undertook a review of our current make-up and D&I practices. Striving to enhance our approach, we are committed to increasing representation of Black, Asian and minority ethnic groups, addressing gender imbalance and promoting social mobility at Infracapital by 2030, in addition to working with each portfolio company to set relevant and specific diversity and inclusion goals.

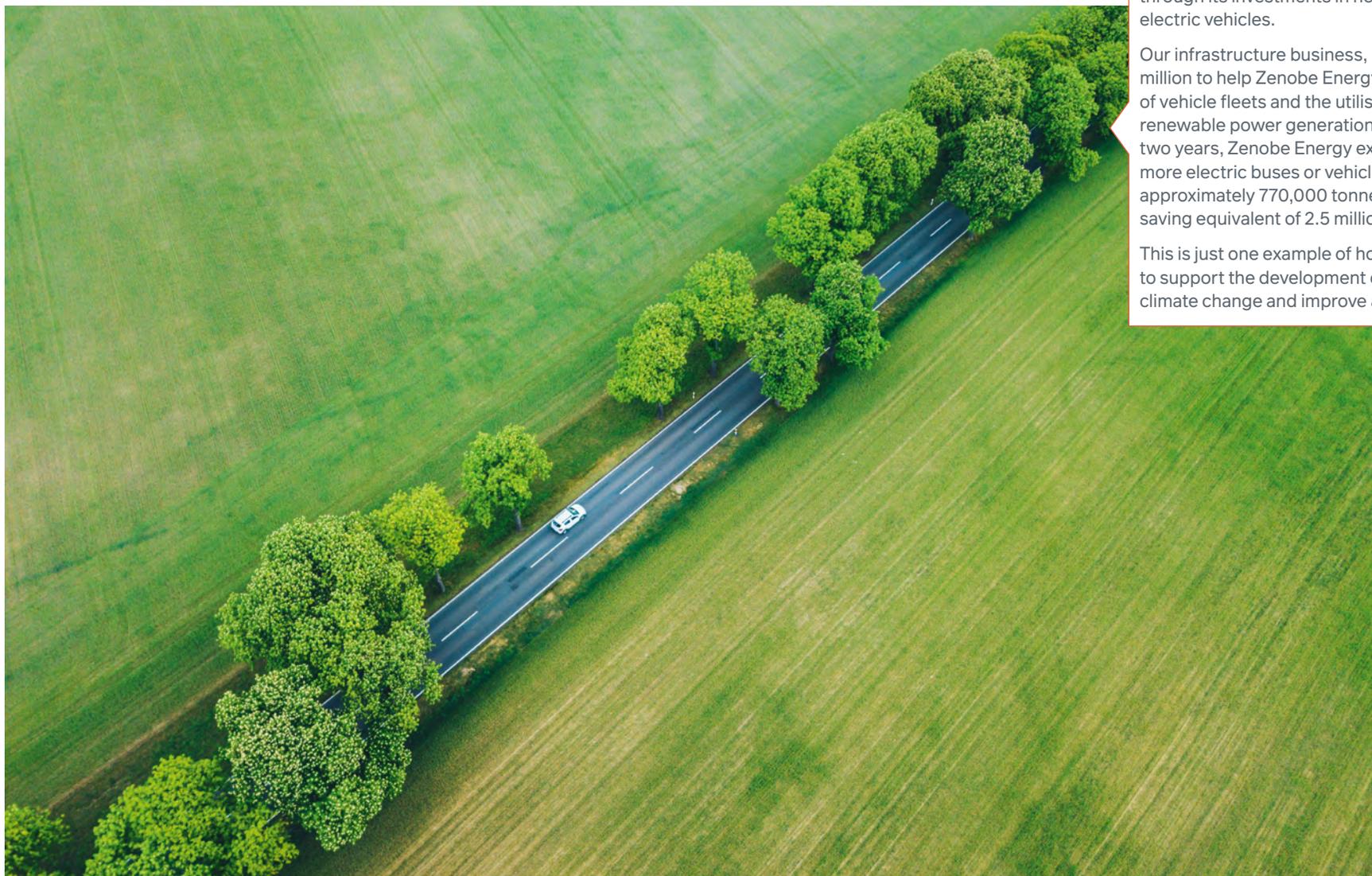
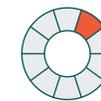
ESG measurement tools

In 2020, we implemented an internal ESG rating system, whereby all investments, both prospective and existing, are assigned a rating against our core areas of focus which include environmental and climate impact; waste management; diversity and inclusion; data and cyber security; employee well-being; stakeholder engagement; and governance and cultural practices.

Our proprietary ESG tool provides a visual representation of key ESG risks and opportunities to be discussed as part of the investment decision-making process prior to investment. Following investment, we continue to use the tool to stimulate board discussions on ESG and track progress year-on-year.

How we will measure our progress

- Measurement of performance is an important part of any strategic and operational company decision-making process. KPIs across our core ESG focus areas are collected on a quarterly basis in addition to a more detailed template annually. An integral part of our ESG commitments is transparency with our investors, and we endeavour to share the outputs of such reporting as appropriate.

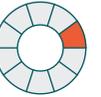


Investing in the green economy

M&G is helping the UK to move to cleaner forms of transport through its investments in new battery technology and electric vehicles.

Our infrastructure business, Infracapital, has invested £150 million to help Zenobe Energy accelerate the electrification of vehicle fleets and the utilisation of batteries to support renewable power generation in the UK and overseas. Within two years, Zenobe Energy expects to deploy around 1,000 more electric buses or vehicles through its network, saving approximately 770,000 tonnes of CO₂ over 15 years – a carbon saving equivalent of 2.5 million trees.

This is just one example of how institutional capital can be used to support the development of new technology that will combat climate change and improve air quality for us all.



Why this matters

We know from listening to our customers and their advisers that more people are becoming aware of the need to consider the environmental and social impact of their investments to ensure a positive future for themselves and their families, and their preferences and needs are changing.

Older people need to make their savings last for longer and may be concerned about the impact of climate-related uncertainty and change on their investments and about the society that future generations will inherit. Younger people are also taking an increasing interest in where their money is invested and their ability to influence positive change on the environment and society.

To help meet these needs, we've developed a Planet+ range of funds and strategies, and our goal now is to grow this range so that a substantial amount of our assets under management are in these solutions.

We will do this by attracting new flows into the funds, launching new funds, launching Planet+ versions of existing funds, and transitioning funds to Planet+ by changing investment objectives or policies.

Our actively managed funds outside the Planet+ range typically integrate environmental, social and governance factors in investment analysis and decision-making, usually as part of considering the financial impact of such factors. Planet+ includes a range of solutions for people who are seeking sustainable long-term financial returns and those who would like to use their money to help towards making a positive difference to the environment and society.

M&G ESG product framework

As at 16 April 2021

Impact Funds

- Positive Impact Fund
- Climate Solutions Fund
- Impact Financing Fund

Sustainable Funds

- Sustainable Allocation Fund
- Global Select Fund
- Pan European Select Fund
- Global Listed Infrastructure Fund
- Sustainable Multi Asset Range (Balanced)
- Sustainable Multi Asset Range (Cautious)
- Sustainable MA Range (Growth)

ESG+ Funds

- Global High Yield ESG Fund
- EM Corporate Bond ESG Fund
- ESG Global Loans

All Planet+ funds exclude certain investments for these reasons, and several specifically target sustainability and/or impact objectives as well as their financial objectives, including where appropriate explicit links to UN Sustainable Development Goals (SDGs). While we support the UN SDGs, we are not associated with the UN and our funds are not endorsed by them.

What we have achieved so far

New Planet+ products

In addition to the nine Planet+ strategies already established since 2018, during 2020 we launched:

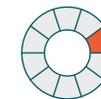
- a new range of three risk-adjusted sustainable multi-asset funds for the UK market, to complement our existing Sustainable Multi Asset Fund OEIC and SICAV.
- the M&G Climate Solutions Fund in the UK and internationally. This is a positive impact strategy investing in companies that aim to provide solutions to the challenge of climate change, focusing on three main areas: clean energy, green technology and the promotion of the circular economy.
- the M&G Global High Yield ESG Fund in the UK market, following its successful launch to international customers as a SICAV in October 2017.

How we will measure our progress

- We will measure progress to this goal with the year-on-year growth of assets under management in Planet+ products.

Next steps

- We are developing new ESG+, Sustainable and Impact products across asset classes, including institutional strategies, to meet the needs of our customers and clients in different markets.
- We will work with our Investment teams to transition as many strategies as possible to deliver sustainability outcomes for our investors.
- We are exploring opportunities to develop Planet+ versions of successful existing strategies. For example, in 2021, we plan to launch a new sustainable version of our PruFund proposition. This will share similar features to PruFund, but will also provide environmental and social impact outcomes.
- We will seek to incorporate explicit net zero 2050 objectives into fund mandates and terms as necessary, in line with our corporate commitment to achieve net zero across all portfolios by 2050.



Our new sustainable multi-asset fund range

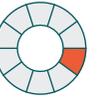
In Q4 2020, we added to our range of existing Planet+ solutions by launching a family of retail multi-asset funds which combine impact investment, adherence to high ESG standards, and volatility management with our dynamic approach to markets.

The new range has three individual funds to suit different risk tolerances: 'Cautious', 'Balanced' and 'Growth'. Part of each fund's portfolio includes a core holding of positive impact assets, while maintaining the ability actively to allocate capital across asset classes globally – including equities, bonds and infrastructure.





Set standards in sustainability and ESG policies



Why this matters

As a leading international business and an active global investor, our policies and the way we govern them are crucial tools in helping achieve our sustainability commitments and encouraging others to make similar changes.

While we may have different responsibilities as an asset owner and an asset manager, the policies we set provide clarity on the objectives, actions and behaviours we believe are important across our business.

As well as making sure we are leading by example, through our policies we can influence stakeholders to play their part: for example, by setting clear expectations of investees on transition to net zero; requiring our suppliers to integrate net zero alignment and action on Modern Slavery across our procurement practices and supply chain; and through championing diversity and supporting an open and inclusive culture.

What we have achieved so far

We have a clear governance framework with Board-level oversight of sustainability and CEO sponsorship of a firm-wide sustainability programme, which you can read more about in the Governance section of this report on page 32.

We have established business-wide sustainability principles which underpin our governance and operations (see page 33).

For the asset manager, we have a set of **ESG investment principles** applicable to all investments we make on behalf of clients.

In March 2021, we signed the UN Global Compact reflecting our commitment as M&G plc to include its principles in human rights, labour, environment and anti-corruption in our own business policies.

You can read more about the policies and standards helping us to manage our business in a sustainable way on pages 38-44 of this report.

Thermal coal policies

In March 2021, M&G plc published an ambitious comprehensive position on thermal coal investments which covers the whole coal value chain and applies a forward-looking approach to support a just energy transition.

As an asset owner, M&G will be updating its coal policy to implement this approach to coal-related investments across its own internal portfolios over the coming year.

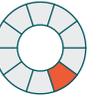
As an asset manager, M&G will be working with clients to align existing mandates and funds to our thermal coal position, as we bring them along the journey to carbon net zero. Full details can be found on our website [here](#).

How we will measure our progress

- We will continue to benchmark our policies against best practice standards and peers through our participation in CDP, UNPRI and other voluntary disclosures, as well as our regulatory TCFD and SFDR disclosures.

Next steps

- We are rolling out the ESG investment policy we have developed, which sets out how the asset manager fully integrates ESG into the investment process and navigates delivery of client responsibilities with meeting corporate commitments in line with our purpose. The investment policy is applicable to all asset classes.
- We are continuing to improve, extend and collectively build our ESG policies across plc, Asset Owner and Asset Manager, working in partnership with our stakeholders to influence and implement the firm's sustainability commitments.
- We will broaden and deepen our understanding of systemic sustainability issues such as the preservation of biodiversity and how companies consider and value natural capital; and improvement of social equality through protection of human rights and the promotion of diversity and inclusion.
- We are finalising our Asset Owner ESG Investment Policy which will define the ESG investment principles and procedures required of our asset managers.



Why this matters

As investors, we know that better information makes for better decision-making. Our goal is to set standards in the disclosure of sustainability-related data and information about our business: both what we report and how we report it.

This will empower shareholders – and other stakeholders – to form a clear and accurate view of our business, how we compare to industry standards, and whether we are on track to reach our net zero commitments. Full alignment with Task Force on Climate-related Financial Disclosure recommendations and high quality carbon data submissions to CDP are key to this, as internationally recognised disclosure standards.

Sustainability increasingly matters to our customers, too. As always, our customers want clear and transparent disclosure of product performance, costs and value for money. However, we also want to give customers access to the information they need to understand the environmental and societal footprint of their savings or investment, and how our investment teams are managing ESG risks and opportunities.

What we have achieved so far

Task Force on Climate-related Financial Disclosures (TCFD)

We have included improved TCFD reporting in our 2020 Annual Report, ahead of the mandatory introduction of TCFD in 2021.

CDP

In only our second year of reporting as an independent listed business, we're delighted to have achieved a CDP rating of A- for the quality of our carbon data disclosure as a business and as an investor, an improvement from B the previous year.

UNPRI

In our eighth year of UNPRI disclosure of our responsible investment activities as an asset manager, M&G Investments again received A+ for overall strategy and governance. A+ was awarded to six of our asset classes, and A to the remaining two we reported on. Notably Infrastructure was rated A+ on its first time of inclusion.

Sustainable Finance Disclosure Regulation (SFDR)

In April 2021, we started publishing SFDR information for all 41 of our SICAV funds, as of 31 March 2021, so that international customers have transparency on the level of ESG integration of the fund.

Value assessment

In July 2020, the M&G Securities Limited Board published its first Value Assessment report, showing the value for money delivered for the UK customers of our M&G wholesale fund range. This was designed in consultation with a panel of our customers to ensure it reflected how they view value for money and the information they want to see.

Stewardship reporting

As Tier 1 signatories of the UK Stewardship Code, we publish an annual stewardship report which sets out what we have done to add value to our investments by active engagement with companies, which is available [here](#). This year we've also started publishing quarterly reports to keep customers better informed about our latest activity, including voting and engagement on climate change towards our net zero 2050 commitment.

How we will measure our progress

- We will continue to benchmark ourselves against best practice standards and peers through our participation in CDP, UNPRI and other voluntary disclosures, as well as our regulatory TCFD and SFDR disclosures.
- We will also ratchet up the proportion of our assets under management with published interim net zero targets year-on-year, in line with our commitment as a member of the Net Zero Asset Managers Initiative.

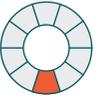
Next steps

- We will continue to evolve and improve the quality of our TCFD reporting as we gain better information and tools.
- We will publish interim carbon reduction targets including 50% reduction in carbon by 2030 at the latest for a defined book of our assets under management as an asset manager, in line with our commitment as a member of the Net Zero Asset Managers Initiative.
- We are about to start reporting to customers the carbon intensity of individual OEIC and SICAV mutual funds, where source data is available.
- We are on track to meet SFDR Phase 1b requirements in June 2021, which will add further detail to the information available to customers about the sustainability of our SICAV funds.
- Sustainability will be incorporated into the 2021 Value Assessment for the M&G UK wholesale fund range.
- We aim to join UNPRI as an asset owner in 2021.
- During 2021, we aim to publish our first stewardship reporting for Prudential customers.
- During 2021, we will be adding data on our ethnicity pay gap to our existing gender pay gap reporting.
- We will publish Sustainable Accounting Standards Board (SASB) aligned disclosures or publish a SASB index, in line with good practice, in our reporting for the financial year 2021.

6



Help customers and their advisers understand the opportunities, risks and outcomes of sustainable investing



Why this matters

As our customers switch, or consider switching, to sustainability-focused investments, it's more important than ever that we are clear about what our products aim to do. Our goal is to ensure that customers, clients and advisers understand the objectives of our funds, both financial and sustainability-related; the risks and opportunities associated with them; and what kind of investments the funds will and will not make. With this information, customers will be better able to make the right choices for their own needs and preferences.

Creating our ESG product framework (see Goal 3, pages 20-21), which establishes three clear categories for our sustainability-focused funds, was the first step in this process. Now we want to make it as easy as possible for customers and advisers to navigate our fund range, making fund-level information clear and accessible with consistent terms and helpful data.



Sustainability matters to our customers

M&G customer James Clarke from York says: "As an investor, sustainability is increasingly important to me – I'm looking for long term investments with a sustainable approach but which also provide competitive financial returns. It's even more the case for my children's generation: they are going to be very thoughtful about the way they want their money to be invested, and the environmental and social consequences of those investments."

What we have achieved so far

During 2020, we have focused on improving transparency and disclosure on the types of sustainability risks that can affect a product and what the results of these could be, depending on the type of investments held in a funds. We have already published these disclosures for our Luxembourg-domiciled fund ranges available for international customers, and we will continue to add disclosures during 2021 across our UK range.

Also in 2020, we developed a tool which allows financial advisers to compare the ESG features of different products available in the market and helps them to find products that are most likely to meet their sustainability needs.

Our fund factsheets already include a section on the investment approach of the fund, including the type of sustainability focus and the main sectoral or issuer exclusions that are applied, but we have now added a new glossary to explain all the terms used.

How we will measure our progress

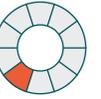
- We will continue to engage with our clients, seek advisers and customer councils' feedback on information we provide about the sustainability outcomes that our Planet+ range offers. We will also gather feedback on proposed enhancements to our ESG fund reports to ensure they meet the needs of our customers.
- We will continue to benchmark our fund disclosures against best practice evolving in the market.

Next steps

- From 2021, we will include carbon data (weighted average carbon emissions) in the fund factsheet for all our products invested in public securities, so all customers in these funds can see the environmental impact their investment has.
- We will show customers, both with data and real-life examples, the sustainability outcomes products are delivering and how these are improving over time. We are developing market leading digital apps that allow customers to understand the environmental and social impact of their investments, as well as financial performance.
- In 2021, we will publish ESG and sustainability criteria documents which explain how all UK Planet+ products are managed.
- We will publish asset owner stewardship reports for UK retail savings and insurance customers and advisers, including those in PruFund and PruFund Planet, showing how their money is being invested.



Lead collective action to deliver change



Why this matters

As a leading active investor, we have a responsibility as stewards of our customers' assets to use our expertise to identify ESG risks and opportunities, and to use our influence and our votes to press for change – whether for an accelerated transition to a low carbon economy, greater diversity, or improvements in governance standards and human rights. This perspective informs all our investment decision-making and we believe it adds material value for our customers.

As an asset manager, M&G has long been known for our successful engagement with investee companies in which we are shareholders, particularly on governance and strategic issues. In the last few years, we have also been widening our research and engagement activities to investee companies in other asset classes, such as fixed income, and focusing on more environmental and social topics.

While bilateral engagement between M&G and the management of an investee company can be extremely effective, there are times when collective action by a group of investors is required to secure change.

What we have achieved so far

Climate Action 100+

On behalf of 570 other investors, M&G co-leads active engagement with two companies on the Climate Action 100+ list of the world's largest corporate greenhouse gas emitters: miner Rio Tinto, and chemicals company BASF.

Following M&G's engagement with the board of BASF, the company has announced its commitment to achieving net zero carbon emissions by 2050. M&G has also co-organised a net zero roundtable with mining companies including Rio Tinto, BHP and Anglo-American.

Institutional Investors Group on Climate Change (IIGCC)

In 2020, we continued our active participation with the IIGCC, serving on the Corporate Programme Advisory Group, sharing best practice on approaches to addressing climate change, and encouraging joined up action from across the investment industry.

Powering Past Coal Alliance (PPCA)

M&G joined PPCA in March 2021, at the same time as publishing an ambitious and comprehensive commitment to phase out all thermal coal from its portfolios by 2030 in the OECD and EU, and 2040 in developing countries. M&G will be working with investee companies exposed to coal over the next 12 months to understand their plans to transition away from thermal coal by 2030/40.

Diversity and inclusion

M&G is a member of the 30% Club, a campaign group seeking to increase gender diversity on boards and senior management teams. We hosted the first 30% Club meeting of 2020, where we talked through progress made by various workstreams, including the FTSE 350 letter campaign for 'one and done' boards, all male executive committees and those companies at less than 30%.



BASF's climate commitment

As well as being a shareholder in BASF, M&G is also the co-lead for Climate Action 100+ on engagement with the German chemicals company. In 2020, M&G's Stewardship and Engagement team, led by Rupert Krefting (left), engaged with the board of BASF to start dialogue on BASF's plans to transition to a lower carbon future. Following this engagement, BASF announced in March 2021 a new commitment to achieving net zero carbon emissions by 2050, and a more ambitious target for reductions by 2030.

How we will measure our progress

Engagement Framework

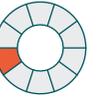
- Our engagement process around engagements in which we have a specific objective and seek particular outcomes. Prior to commencing an engagement, that objective is clearly set out, with actions and outcomes recorded through the life of the engagement.
- At the beginning of 2020 we began using a 'traffic light' system within our reporting to highlight if an engagement's objective has been achieved, or not, or if the engagement is ongoing.

Next steps

- We will continue to lead collective action on behalf of Climate Action 100+ and advise on engagement within the IIGCC. We will look to join other sector working groups as the need arises such as the auto sector.



Develop pathway to net zero 2030 and set an example with our corporate sustainability practices



Why this matters

Businesses have a crucial role to play in the achievement of global and regional carbon reduction targets. In March 2020, we announced our target to achieve net zero carbon emissions across our operations by 2030 at the latest.

Our corporate strategy to achieve this goal has three pillars, summarised as Places, Partnerships and People. “Places” includes actions to reduce emissions and across our global office estate and transport. “Partnerships” aims to achieve net zero emissions in our supply chain, which accounts for the majority of our carbon emissions. “People” will drive improvement across other areas, such as the way we serve customers, and how we build a culture of sustainability among colleagues.

What we have achieved so far

We have developed a roadmap to deliver net zero by 2030 at the latest for our corporate activities. Our over-arching net zero goal comprises two targets:

- Reducing carbon emissions linked to our office estate and travel by 4.2% year-on-year (from a 2019 baseline).
- Engaging with suppliers of capital goods and purchased goods and services which account for at least 67% of our supply chain emissions to make progress on their own science-based climate targets.

Our buildings

We use renewable energy in all our offices where we have operational control and purchase energy attribute certificates (EACs) for all other reported electric use. This means we have achieved our RE100 commitment in 2020, four years early.

Around 89% of our electricity data is from actual office consumption records, with the remaining 11% a mixture of estimated and modelled use. In 2020, we expanded the environmental data points we are tracking to include home working energy and supply chain emissions.

Our main office in London has a BREEAM Excellent rating and we continue to incorporate sustainability into our office design and use. We have a focus on reducing use of single use items and have a zero-waste-to-landfill policy in all offices where we have operational control.

Travel offsets

We have offset carbon emissions attributed to business travel since 2019. In 2020, we extended the scope of offsets to include all reported business travel and estimated commuting, a total of 2,742 tCO₂e.

Working from home

In 2020, working from home became a material carbon impact for us. We have calculated estimates of these emissions and have begun implementing projects to reduce and offset this impact, for example through purchase of renewable energy off-sets and colleague engagement programmes.

Supply chain

In 2020, we calculated our supply chain emissions for 2019 using Defra’s Emissions Factors Toolkit, this accounted for around 90% (182,200 tCO₂e) of our total corporate carbon emissions. Our supplier code of conduct, buying policies and procedures are all being adjusted to ensure new suppliers enable our objective and recent material agreements have contained commitments for suppliers to work with us to achieve our target. In parallel, our supply chain teams continue working with key existing suppliers supporting us in achieving our net zero 2030 target, and other sustainability improvements.

Customer service

We have moved more of what we do with, and for, customers online, which allows us to be more interactive, personalised and timely, with a smaller environmental footprint. In 2020, we took 1.1 million pages of paper out of physical print.

During the COVID-19 pandemic, M&G Wealth offered customers video or phone consultations so they can access advice from home and complete transactions digitally, even if they are isolating. This has cut carbon emissions from adviser travel by around 80%.

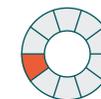
How we will measure our progress

- We will continue to track and report our greenhouse gas emissions to determine progress against our net zero target.
- We also have a number of key performance indicators to measure our progress against our net zero target, for example tracking our suppliers’ performance and engagement levels on net zero targets.

Next steps

- Roll out of green leases and agreements to enable better environmental data for all our offices.
- Continue to measure and offset travel emissions, whilst also implementing projects and initiatives to reduce the impact of travel, including electrical vehicle infrastructure.
- Baseline our digital carbon footprint and develop a roadmap to reduce these impacts alongside increased technology adoption.
- Launch a green energy switching service to help UK colleagues reduce the carbon impact of working at home.
- Design and deliver sustainable investment events for clients, focused on reducing carbon impact and use of resources.
- Continue to look for opportunities to reduce paper use in the customer journey.
- Wider roll out of video/phone consultations to M&G Wealth customers.

Develop pathway to net zero 2030 and set an example with our corporate sustainability practices



Greenhouse gas emissions statement

We have compiled our Global Greenhouse Gas (GHG) emissions 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 and 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, 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 includes business travel booked through our central travel management company, car travel in colleague-owned cars, global water consumption (where data is available) and UK waste generated from our occupied properties with operational control.

We continue to review the extent of our Scope 3 reporting and increase coverage where practicable. Please refer to our Basis of Reporting on our website www.mandgplc.com for further detail on our methodology.

In the period covered by the report, M&G plc has maintained certification to RE100 and has purchased either green energy or energy attribute certificates for its electricity use globally. We have also purchased off-sets for a proportion of our 2020 home-working energy use, as well as all business travel and estimated commuting for period October 2019 to December 2020. In the period covered by the report, M&G plc has not completed any energy efficiency projects due to restrictions imposed by COVID-19 across our estate and reduced occupancy of buildings. During 2020, we have a 16% reduction in carbon emissions (market based) from building use.

| | | 2020 | | | 2019 | | |
|---|--|--------|-----------------------|--------|--------|-----------------------|--------|
| | | UK | Global (excluding UK) | Total | UK | Global (excluding UK) | Total |
| Scope 1 (tCO ₂ e) | Natural gas, oil (generators), vehicle fleet, refrigerants | 1,487 | 122 | 1,609 | 1,936 | 191 | 2,127 |
| Scope 2 (tCO ₂ e) Location based | Electricity, purchased heat and steam | 2,268 | 1,244 | 3,512 | 4,213 | 1,636 | 5,849 |
| Scope 2 (tCO ₂ e) Market based (supplier and residual mix) | Electricity, purchased heat and steam | 188 | 1,329 | 1,517 | 105 | 1,775 | 1,880 |
| | Scope 1 and 2 (tCO ₂ e) ⁱ | 1,675 | 1,451 | 3,126 | 2,041 | 1,966 | 4,007 |
| Scope 1 and 2 | Energy use (MWh) | 16,191 | 2,527 | 18,718 | 22,941 | 3,264 | 26,205 |
| | tCO ₂ e per FTE | | | 0.56 | | | 0.74 |
| | | 2020 | | | 2019 | | |
| Scope 3 (tCO ₂ e) | Air travel (booked through central travel booker) | | | | 1,281 | | 8,946 |
| | Land travel | | | | 50 | | 127 |
| | Water (global where available data) | | | | 4 | | 11 |
| | Waste (UK only) | | | | 163 | | 365 |
| | Total | | | | 1,498 | | 9,449 |
| | Global Scope 1, 2 and 3 (tCO ₂ e) ⁱ | | | | 4,624 | | 13,456 |

Data Notes:

| | |
|---|---|
| Reporting Period: | 1 January 2020 to 31 December 2020 |
| Baseline year: | 2019 |
| Independent Assurance: | Deloitte LLP has provided limited assurance over selected environmental metrics in accordance with the International Auditing and Assurance Standards Board's (ISAE3000 (Revised)) international standard |
| Consolidation (boundary) approach: | Operational Control |
| Consistency with financial statements: | M&G plc owns and manages assets which are held on its balance sheet in the financial statements over which it does not have operational control due to fund governance structures. These are excluded from the scope of reporting under the operational control approach |
| Emission factor: | Scope 1 and 3 reporting uses the UK Defra 2020 GHG Conversion Factors. Scope 2 calculations use the IEA GHG 2020 Conversion Factors for location-based reporting. Market-based reporting uses supplier emission factors for our UK REGO-backed supply and RE-DISS factors where available |
| Accounting Methodology: | The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard |
| Materiality threshold: | 5% of total emissions |
| Data Restatements: | 2019 data has been re-stated to calendar year. Previously disclosed October 2018 to September 2019 |

ⁱ When reporting totals market-based emissions are used



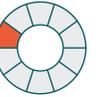
Helping customers and helping the planet

We're working hard to reduce the amount of paper we use in our business, including providing digital alternatives for processes and documents that were previously all done on paper. However, we know that some of our customers still prefer or need paper documents, perhaps because they don't have access to the internet. As always, we only use Forest Stewardship Council (or equivalent) approved, chlorine-free paper products from well-managed forests or recycled sources for our mailings. And this year, for our UK Tax Year End mailing to M&G customers who've chosen to continue receiving paper correspondence, we've planted new trees to capture around 13.6 tonnes of CO₂ generated by the mailing.





Be diverse and inclusive as a business and as an investor



Why this matters

Greater diversity and inclusion offers benefits for our own business and wider society, and as such is a strategic priority for M&G. By bringing together and listening to people with diverse backgrounds and experiences, we – and our investee companies – can better engage customers, colleagues and external partners, benefit from different thinking, and widen our talent pool.

What we have achieved so far

At the start of 2020, we published our **five year strategy** to improve diversity and inclusion in gender, ethnicity, disability, LGBT+, nationality, social-economic background and life stages, and committed to some ambitious targets.

We have already made progress against our targets of 40% women and 20% ethnicity in leadership roles by 2025, with 30% women and 14% people of Black, Asian and minority ethnic backgrounds at the Executive Committee and direct reports level, reflecting a 1% and 3% point improvement respectively during 2020. We have a gender balanced board, in which 4 out of 7 Directors are women. Throughout the business we are working with diversity-focused search firms to deliver shortlists of candidates for senior roles that are at least 33% diverse.

We have seen a strong improvement in colleagues' sense of belonging at M&G during 2020, with our inclusion index improving by 11% to 85% in our annual One Voice survey.

We have been accredited with the National Equality Standard, which sets clear equality, diversity and inclusion (EDI) criteria against which companies are independently assessed; achieved Department for Work and Pensions Disability Confident Leader (Level 3); and recognised as Top 75 companies in the Social Mobility Employers Index for the 4th consecutive year.

During 2020, we implemented modern and inclusive people policies, as well as campaigns to promote an inclusive and supportive working environment and colleague well-being.

Our colleague affinity networks (for gender; cultural awareness; LGBT+; mental health awareness; disability and carers support) have provided support, mentoring and development opportunities.

Our apprenticeship scheme ranked fourth nationally in RateMyApprenticeship's Top 100 UK Employers, and we have participated in internship programmes that support improved access to employment for those from diverse backgrounds, such as the Leonard Cheshire Change 100 programme and the 10,000 Black Interns initiative.

How we will measure our progress

- We will hold ourselves accountable to deliver against our D&I strategy and 2025 goals for gender and ethnicity: 40% female and 20% ethnicity representation in senior leadership and will measure our success through delivering year-on-year improvement in our One Voice colleague inclusion index. In addition, we will continue to benchmark ourselves to ensure we are leading the way on diversity and inclusion within financial services.

Next steps

- Building on our progress to date, we intend to build our reputation as a champion of diversity and inclusion, and to use our influence to encourage the companies in which we invest to deliver improvements as well.
- We also plan to evaluate the diversity policy of investment managers that manage assets on our behalf, including how an investment manager challenges its investee companies to improve and maintain diversity in their business models.



A Disability Confident employer

In 2020, we achieved one of our key corporate diversity and inclusion targets when we were recognised as a Disability Confident Leader (Level 3) by the UK Department for Work and Pensions. This is the highest level in the Scheme, and came just 12 months after M&G received Disability Confident Level 2 accreditation.

This is due to the work we have undertaken to enable those of all abilities to succeed, including our work with the Leonard Cheshire Change 100 programme to increase the opportunities in the workplace for disabled young people; a review of our recruitment processes to make them as accessible as possible, and the launch of our 'Technology for All' series.

Becoming a Disability Confident Leader demonstrates that we are thinking differently about disability and makes it clear that we welcome people of all abilities at M&G. We're proud of the steps we've taken and have made good progress, but there is still more that we can do.

30%

women in leadership in 2020

14%

ethnicity in leadership in 2020

+11%

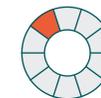
improvement in our colleague inclusion index in 2020

57%

female representation on the M&G plc Board



Align all our people behind our sustainability ambition



Why this matters

Our sustainability plan is ambitious, and we need the active help, support and engagement of all 6,000 plus M&G colleagues to deliver it successfully. We're doing this by helping our people to understand:

- what sustainability means to us, and why it is so important for the long-term success of our business and fulfilling our purpose.
- what are our sustainability priorities and targets – what we think are most important and most urgent to tackle, and how we are approaching these.
- the role that each individual has to play in embedding sustainability into everything we do.
- how environmental, social and governance risks and opportunities may affect their role, so they are able to adapt their work accordingly.
- what sustainable investing means for our customers and their financial futures.

This is part of our work to create a strong, cohesive culture which fosters the right behaviours and encourages all our people to feel a sense of belonging at M&G plc.

What we have achieved so far

Communicating our intent

Sustainability is a thread which now runs through all our internal communications, led from the top.

Our Chief Executive, John Foley, and his Leadership team have communicated explicitly and regularly that sustainability is at the top of their priorities. John and members of the Executive Committee have held a series of 'virtual townhall' meetings to set out their thinking and expectations. People at all levels of our organisation have had the opportunity to ask questions and deepen their understanding of the topic.

We have also sought to show the personal commitment of the Leadership team through a series of 'Sustainability Talks' programmes published on our internal social channels.

Aligning rewards

From this year, all of our people are encouraged to set an objective connected to M&G's ESG goals as part of their performance management. From 2020, executive LTIP arrangements will also include sustainability criteria. There is a 7.5% weighting attributed to Diversity & Inclusion targets, namely increasing the proportion of females within senior leadership positions, and also a 7.5% weighting attributed to sustainability, focusing on reducing the Company's Scope 1, 2 and 3 emissions, relative to a 2019 base year.

In 2020, we also added two additional questions to the sustainability index in our annual One Voice employee engagement survey. These resulted in encouraging scores of 81% for how environmentally responsible M&G is perceived to be by colleagues, and 83% for how socially responsible our colleagues consider M&G to be.

Training

We have launched a series of mandatory learning modules on a quarterly basis which are helping our people reach a shared understanding of what sustainability means to us. Integrating this into our existing programme sends a clear signal of its importance to us all. This will work alongside specialist training on sustainability and ESG data and products already undertaken by investment professionals and sales people.

In 2020, M&G plc's Non-Executive Directors undertook bespoke training in ESG risks and opportunities which will be refreshed in 2021.

How we will measure our progress

- We will monitor progress against past performance, and against peer benchmarks, in our annual One Voice employee engagement survey and periodic pulse check surveys. We will also measure participation in the digital hub and learning content.
- In practice, progress towards this goal will be evident through the success in achieving the other goals in our sustainability programme, relating to how we invest our customers' money, how and where we spend our shareholders' money and how we behave with our stakeholders and each other.

Next steps

- We are creating a new digital hub to ensure that everyone can easily access informational and educational content to grow their understanding and enable them to better serve our customers and clients.
- We will measure the understanding of our people through regular all company research to find out if and where we are making progress to deliver impactful and consistent results. We will also use the research to address any areas of concern.
- We will continue to source colleague and customer stories that show the outcome of our actions, and make them relevant, and share them on our internal channels.

81%
scores for how environmentally responsible M&G is perceived to be by colleagues

83%
scores for how socially responsible colleagues consider M&G to be

How we manage our plan

Governance **Page 32**

Sustainability and
ESG risk management **Page 33**



Governance

The M&G plc Board and Executive Committee are responsible for setting our business strategy, including purpose, values, culture and our strategic approach to sustainability and ESG risks

The Executive Committee also sets our sustainability priorities. Different ESG factors affect our global investment portfolio and aspects of our operations to different degrees, but we have identified two focus areas which we think are especially important for the long-term sustainability of our business and society as a whole. These are climate change and diversity and inclusion, and M&G has made specific firm-wide commitments with respect to these priorities which are set out on page 7.

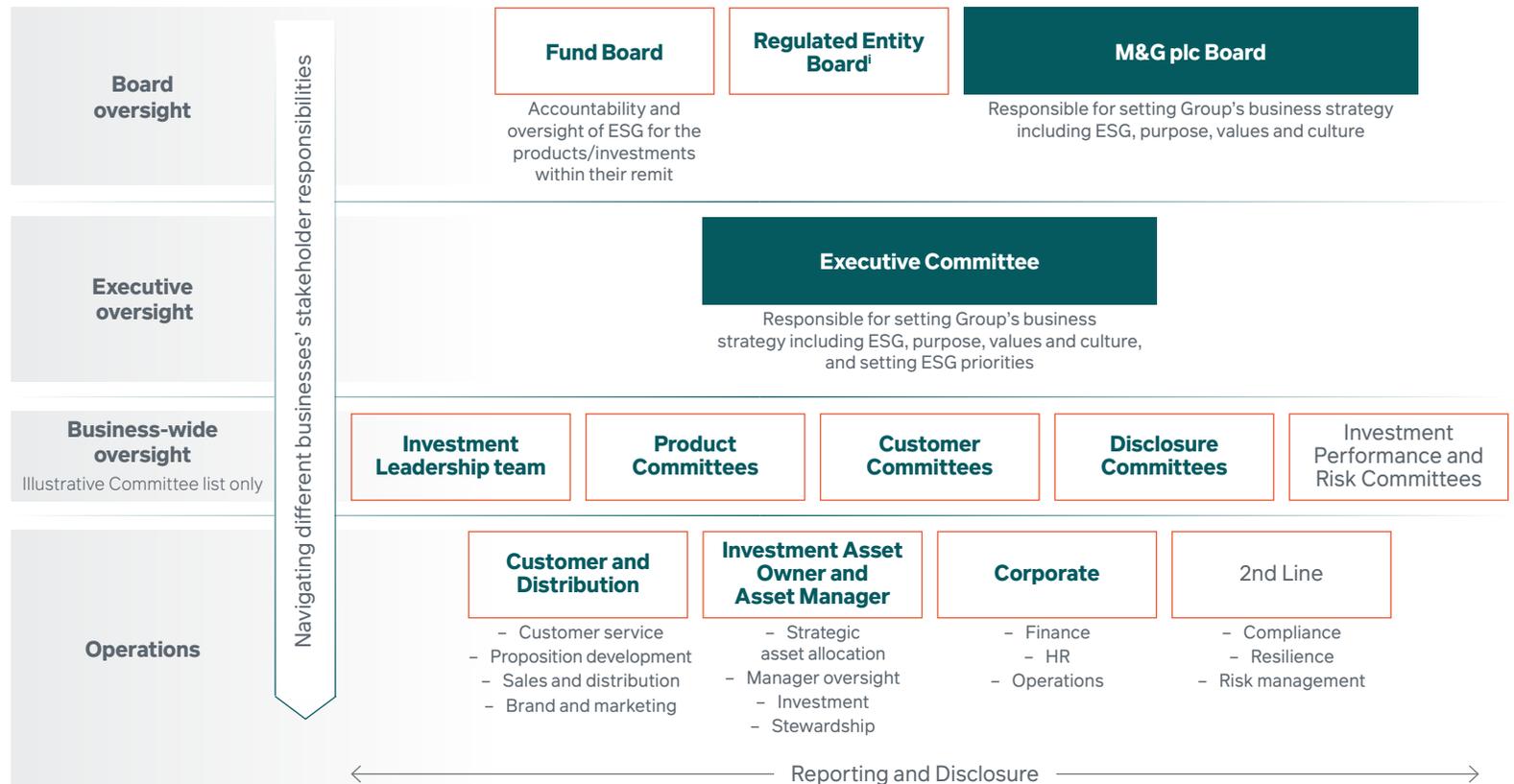
In 2020, the M&G plc Board refreshed its terms of reference to formalise its responsibility for setting sustainability strategy, principles and values. This was to reiterate the importance of sustainability governance and oversight taking place at the highest level and having a regular place on the Board's agenda.

We recognise that climate change has the potential to impact our business materially. Our Chief Financial Officer (CFO) and the Chief Investment Officer (CIO) are responsible for identifying and managing the financial risks associated with climate change. The CFO is also the appointed Board member responsible for climate-related matters.

Reflecting the scale and scope of our sustainability commitments and ambitions, our company-wide ESG Programme is sponsored by our Group Chief Executive. The overall strategic priorities of the programme are agreed by senior leaders across the organisation. The implementation of the strategic priorities is by the ESG Programme, which is overseen by an ESG Steering Committee, which also includes senior leaders from across the business.

The Board of M&G plc has a fiduciary responsibility to promote the long-term success of the Company for its shareholders, while considering all its wider stakeholders. Our regulators require that our pensions and investment business and our asset management arm are separately regulated groups with independent boards with a fiduciary duty to act in the best interests of their respective policyholders and customers.

Our governance structure is designed to ensure we deliver on all these responsibilities to our stakeholders and manage conflicts between the interests of stakeholder groups. Our sustainability principles set out on page 8 underpin the policies within our Group Governance Framework.



ⁱ Includes the With-Profits Committee

Sustainability and ESG risk management

Sustainability is crucial to our success and that of the companies in which we invest

A failure to address and embed consideration of sustainability within our products, business and operating model could adversely impact on our business. Therefore, as outlined in our 2020 Annual Report we consider sustainability as a 'principal risk' which means that we recognise the considerable threat and the potential benefits sustainability risk could have to our business model, future performance, solvency, liquidity and reputation, irrespective of how it is classified or where it arises.

Our stakeholders increasingly expect that we consider a range of sustainability issues, arising across a broad spectrum of themes. Therefore, like many, we use an environment, social and governance (ESG) lens to identify, assess and manage risk, enabling us and others to benchmark our success.

We currently consider ESG risk (including specific issues like climate change) broadly in three dimensions:

1. ESG risk from 'inside out', arising from how the business impacts on the planet and society as it seeks to create and drive value for its customers;
2. ESG risk from 'outside-in', arising from the impact of ESG factors on our organisation, ensuring our 'real time' response aligns to our positioning on ESG; and
3. Our ability to meet a range of key stakeholder expectation on Sustainability and ESG issues, whilst reinforcing our brand values of care and integrity.

Our ESG risk management approach

Our ESG Risk Management approach is built on the M&G plc Risk Management Framework and the 'Three Lines of Defence' (3LoD) model. First line business areas (1LoD) identify and manage risks and are overseen by the second line Risk and Compliance functions (2LoD). The second line Risk and Compliance functions are structurally independent of the first line, providing risk oversight, advice and challenge, as well as compliance monitoring assurance. This promotes an environment where risks can be quickly identified by those closest to the issue, where risk assessments are undertaken, with appropriate governance and oversight from our second line of defence. The third line Internal Audit is empowered by the Audit Committee to audit the design and effectiveness of internal controls, including the risk management system.

To provide further granularity on the identification, management, monitoring and reporting processes required specific to ESG risk, a team of reputational and ESG risk specialists are developing an ESG Risk Management Framework, which is due to launch in 2021.

This framework will outline how we provide risk oversight and assurance in key areas such as ESG risk management culture; ensuring that risk management activity aligns to our ESG Risk Appetite statement(s); and support our ESG-related commitments and targets; with consideration of key stakeholder expectations on ESG linked to our approach to management of Reputational Risk.

ESG risks are escalated within risk reporting, which is reported at both the M&G plc Executive and Board Risk Committees, reporting to the M&G plc Board.

During 2020, ESG considerations have also been built into our Supplier Assessments, and our Inherent Supplier Risk Assessment process now requires an ESG evaluation of potential suppliers to be undertaken using rating measures to determine the climate impact of a proposed partner.

Climate-related Risks

Key physical risks Identified

| Risk Driver | Impact Identified | Horizon |
|----------------|--|---------|
| Acute | The occurrence of extreme weather events resulting in: <ul style="list-style-type: none"> – issues with supply chain management resulting in lower revenues – physical damage and changes to property values – impact on our actuarial liabilities from changes to mortality | MT/LT |
| Chronic | Climate changes such as global warming and changed weather patterns (including extreme weather conditions such as heat or cold waves and droughts) will impact human health (for example impacting mortality rates, and increasing spread of vector borne diseases). This would impact upon economic growth, monetary policy and lifestyle choices potentially affecting the value of financial assets, expense inflation, lapse behaviours and lifestyle choices with consequences for the propensity to save | MT/LT |

Key liability risks identified

| Risk Driver | Impact Identified | Horizon |
|-----------------------------|---|----------|
| Liability/litigation | <ul style="list-style-type: none"> – Failure to identify investors exposure to loans or funding that results in loss due to climate-based events or otherwise failing to disclose or manage climate risks leading to litigation of the firm and/or directors – Failure to comply with climate regulations could lead to fines or other regulatory sanctions | ST/MT/LT |

Sustainability and ESG risk management

Key transition risks identified

| Risk Driver | Impact Identified | Horizon |
|------------------------------|--|---------|
| Policy and regulation | Sectors with high carbon emitters leading to increased costs in terms of: <ul style="list-style-type: none"> – regulatory changes – decarbonisation/new products – data collection and disclosure – potential legal fines | ST/MT |
| Technology | <ul style="list-style-type: none"> – Associated financial impacts from investing in innovative solutions that reduce, minimise or mitigate the impact of climate change – Time and resource involved in decommissioning legacy systems | ST/MT |
| Strategic | Changes to tax revenues, health and social care funding, or policy incentives to save | MT/LT |
| Market | Change/fluctuations due to: <ul style="list-style-type: none"> – demand for products/services as clients and stakeholders demand more and become more climate aware, or from knock-on impacts from changes to taxes, health and social care funding or policy incentives to save – revenue mix and sources resulting in decreased revenues: (e.g. shift in revenue from oil supply to gas supply for customers in the Oil and Gas sector) – fire sales or liquidity issues in carbon intensive assets – the price for energy as the move to greener resources is made – lending limitations and failed repayments | ST/MT |
| Reputation | Failure to meet targets and commitments made to stakeholders within the required timeframes | ST/MT |

Climate Change Risk

The Task Force on Climate-related Disclosures (TCFD) requires that businesses disclose clear, comparable and consistent information about the risks and opportunities presented by climate change. It recognises the severity of climate risk and challenges misconceptions about the nature and timeframe of the impact of climate change. We take a holistic view of climate change risk across transition, physical and liability risks and across a range of

timeframes (Short-Term (ST): <3 years; Medium-Term (MT): 3-10 years; Long-Term (LT): 10+ years).

The main categories of these risks are illustrated in the tables above and are applicable across our different legal entities and business areas.

Climate change risk management

Climate-related risks, along with other ESG types, are identified, assessed and managed under the M&G plc Risk Management Framework.

Within M&G plc, climate change is considered as one of the strategic thematic priorities within ESG Risk with oversight from second line Risk & Resilience teams. Consideration of climate risk is built into the decision-making and governance processes and a requirement of key strategic board risk assessment papers. Climate change risk is also being integrated into our scenario analysis process with both top down and bottom up consideration over a range of time considerations.

Climate change risk identification

We combine a range of approaches to help us to identify, understand and articulate climate risk, including academic research, industry-shared learning, scanning tools and relevant data sources, and best-practice guides.

Scenario analysis is an important tool in assessing the impacts of these risks over a range of time horizons and potential climate pathways.

In 2020, M&G undertook initial climate change scenario analysis, with a number of climate change scenarios defined by the Intergovernmental Panel on Climate Change (IPCC) modelled over short (3-5 years) and longer-term (20 year) time horizons. This analysis was used to assess the climate-related financial risks arising from both transition risk and physical risk on our Solvency II balance sheet across our shareholder and policyholder business.

We also continue to actively participate in various external forums, including the Bank of England's Climate Financial Risk Forum (CFRF) and CRO Forums, which provide a useful platform to identify key ESG and climate change risks.

Integrating climate change risk management

We are integrating climate change risk into a range of activities across the three lines of defence in all areas of M&G plc and legal entities. At a corporate level this has included putting climate change at the heart of the risk assessments of our business strategy to help guide major decisions, investment and resource across the business. Our ESG risk management framework, in addition to identifying new areas of risk management activity linked to climate change, will also require existing risk specialist areas to fully integrate ESG considerations into their processes by the close of 2021.

Throughout the past year, our technology teams have developed new capabilities in climate analytics, including initiating market engagement for the development of technical climate and scenario modelling tools, and engaging in proofs of concept involving technology teams, investment professionals and second line of defence functions. The identified solutions will deliver fully integrated capabilities for use within first line of defence decision-making and risk management oversight.

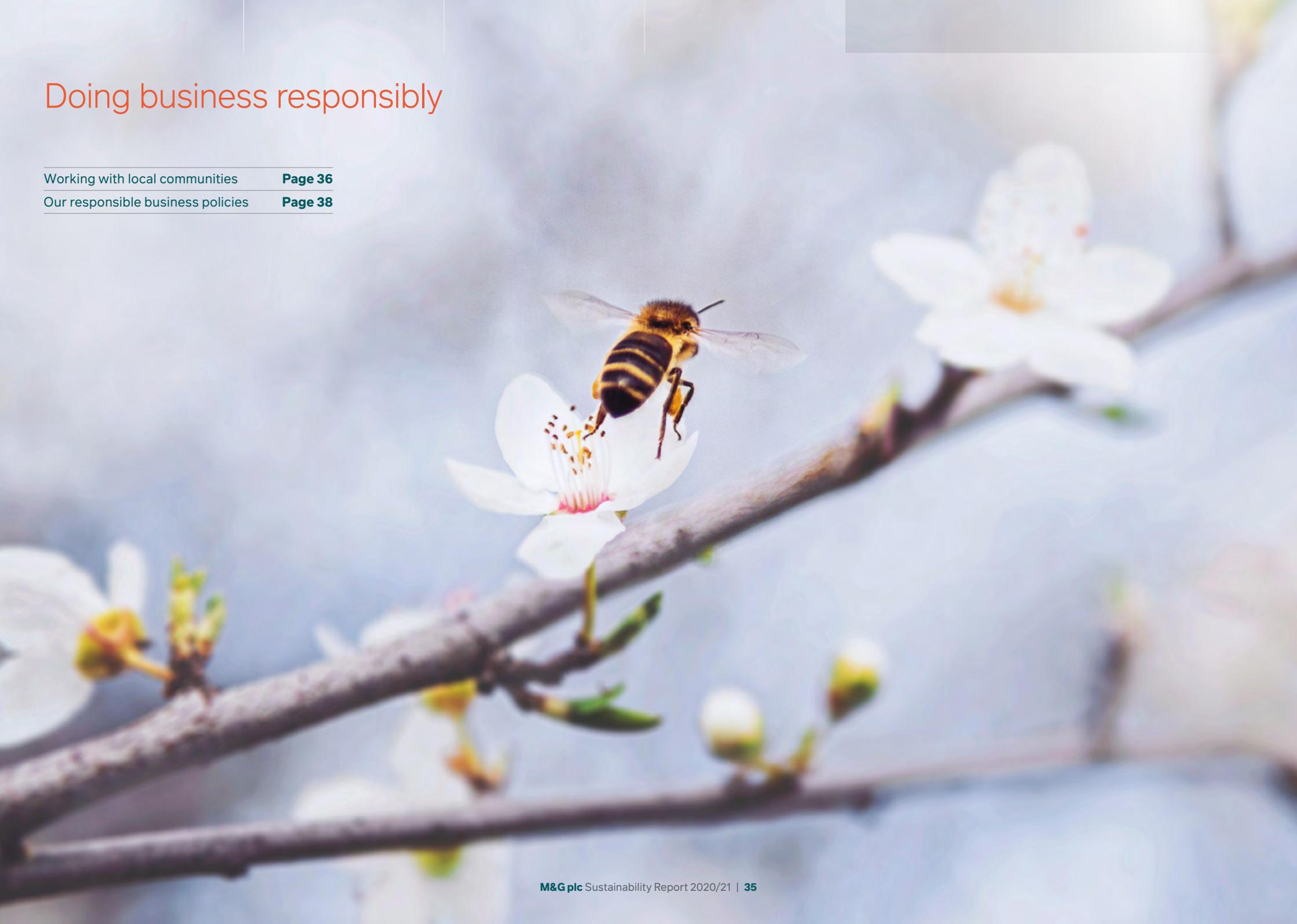
Considerations of ESG and climate change risk have also been built into our ORSA (own risk and solvency assessment) with detail on climate change scenario analysis undertaken to date.

We are now in the process of embedding consideration of climate change into People and Behavioural Risk assessment and annual deep-dive process, with a specific focus on 'the future of work' in respect to our employees to create working practices that support a low carbon footprint post lockdown.

Doing business responsibly

Working with local communities **Page 36**

Our responsible business policies **Page 38**



Working with local communities

Our global social purpose and vision for the next three years is to help empower a million people to build better futures for themselves, their families and their communities

Why this matters

Our global flagship programme Breaking Barriers, Building Futures has three strategic pillars:

UR Urban regeneration

EE Economic empowerment

S&E Skills and education

We work with international charity partners, and the commitment of our highly skilled workforce, to help us deliver our goals.

We support urban regeneration by investing in the essential needs for communities to thrive, helping drive positive change in society. And we contribute to stronger and more inclusive communities by equipping people with the tools to be financially secure and supporting education projects to enable the next generation to achieve their full potential.

Our core focus is social mobility and we are using community investment to help break down social and economic barriers that prevent people from living the life they want.

Governance

The ultimate responsibility for Corporate Responsibility (CR) lies with the M&G plc Board and the Executive Committee. The responsibility is delegated to the CR Governance Committee which includes representation from senior management. The CR team is responsible for managing all CR activities across the business.

£3.7m

total community investment

£1.3m

donated to frontline charities as part of our COVID-19 emergency

How we are supporting our communities



Habitat for Humanity **UR**

250,000

people over three years

Our Stopping Homelessness in its Tracks programme is building a coalition of the public, voluntary and private sectors to release and re-purpose public spaces to reduce homelessness across Europe. In year one, we are focusing on commissioned research, formation of a coalition of like-minded partners and commencement of construction in the UK and Poland to build future homes for vulnerable groups.



The Tree Council **UR**

100,000

pupils over three years with more than 1,000 trees planted

Young Tree Champions is giving young people across the UK the skills and confidence to become advocates for trees and nature. This digital platform and educational programme is inspiring teachers and young people in some of the most deprived areas to tackle the big issues that affect their future.



Working with local communities



Age UK S&E

19,500

vulnerable older people in need reached across the UK over three years

The Building Resilience programme provides an in-depth information and advice service delivered at a local level, as well as support, advice and referrals to appropriate services through Age UK's National Advice Line. Specially trained advisers provide in-depth, one-on-one support to vulnerable older people facing complex challenges – such as retirement, bereavement or a health diagnosis.



The Talent Foundry S&E

2,691

students in this calendar year

Skills for Life is a suite of employability initiatives that includes a numeracy focused workshop, an employability mentoring programme and a digital platform which helps students from disadvantaged backgrounds to take that next step into the world of work. Students develop core employability skills such as communication, networking, interview preparation, as well as managing budgets and finance. Our people across the UK are supporting the programme in a range of different ways such as CV reviews and mock interviews.



Junior Achievement Europe EE

100,000

secondary school students over three years across Europe

10X Challenge is an enterprise programme accessed via a digital platform that teaches students important soft skills readying them for the world of work. The programme also teaches financial capability skills around the theme of investment and longer-term saving, as well as supporting more teachers to be confident about teaching financial capability. After a successful first year, the programme has been introduced in six European countries.



SOS Children's Villages EE

121,000

young people and parents each year

We are helping young people realise their full potential through digital mentoring and employability skills. The three-year Empowering Families programme supports family strengthening and youth employability in France, Germany, India, Italy, Poland and Spain. M&G colleagues in the UK and India, are mentoring young people as they become active members of their communities.



Age UK

Doing business responsibly

This section of the report contains the values, policies and standards which help us manage our business responsibly and sustainably

Our business is built on our core values of care and integrity



Care

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



Integrity

We empower our people at M&G 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.

Based on these core values, we have a set of clear policies and frameworks that help us ensure we work with our business partners, customers, employees, investors and other stakeholders in a responsible way.

Clients and Customers

Treating customers and clients fairly

We promote, sell and advertise without exaggeration or false and misleading information and ensure that products and services offered to customers and clients are appropriate to their requests and needs. We ensure we treat all clients, including vulnerable customers and clients, with care and integrity. We make it easy for them to get help and support, design with their needs in mind and in some markets, like the UK, we have vulnerable customer champions.

Communicating and interacting with customers and clients

It's critical to our strategy that we are transparent and treat our customers and clients with respect. We follow the regulatory guidelines of the markets we operate in, in the development of our communications and ensure our communications are clear, fair and not misleading. We keep it simple in communications and do not tolerate manipulation and/or misrepresentation of information to customers and clients. This includes ensuring we never hide important information as 'small print' and always making sure we present information in a balanced way to show both the benefits and the risks. Our rigorous communications development and sign-off processes, as well as our marketing standards, ensure we deliver against this at all times.

Inclusive design and customer feedback

We strive to understand our customers' and clients' needs and respond to them accordingly, ensuring products and services offered are right for our customers and clients. We undertake ongoing insight development with our audiences when developing our propositions, customer experiences and communications to ensure they meet the needs of our customers, are clear and can be understood by our audiences based on their level of understanding. We take the needs of our vulnerable customers into account throughout our product development lifecycle as well as the corresponding customer journeys and communications.

We also run 'voice of the customer' surveys that ask our customers' opinions on a regular basis. This ranges from a representative cross section of customers providing their perceptions of us, feedback on recent end-to-end journey experiences and in the moment feedback on an interaction.

In 2020, in the UK we gathered over 35,000 pieces of customer feedback. These were analysed and the insights brought into the business on a monthly basis through insight reporting and tracking of key metrics such as: NPS (recommendation), customer satisfaction and the ease of doing business with us. This infrastructure allows us to deep dive into different areas of the business including product, journey, department and type of customer.

From time to time, we also engage third-party specialists, including charities and expert organisations, to help us understand the evolving needs of our customers in an ever changing world. For example, our work with Three Hands in the UK on vulnerable customers.

Three Hands is a societal impact organisation who work with us to represent the needs of customer profiles that we can't reach easily via traditional market research e.g. vulnerable customers.



Doing business responsibly

This approach allows us to delve into the needs of our customers in sensitive circumstances e.g. serious illness, bereavement and financial hardship. It also allows us to gather detailed insight about the societal impacts on our customers and how we can support these, e.g. climate change, diversity and inclusion.

Responding to client concerns

We take care of client and customer concerns and complaints attentively, and we endeavour to make it right by understanding what went wrong, taking corrective action and providing lasting solutions. We also take personal accountability in speaking up if we find a mistake or a problem in order to resolve the issue as soon as possible.

Customer feedback is a priority for our customer teams and we use a variety of tools to ensure we monitor and act on feedback directly from customers. We actively request feedback along customer journeys and touchpoints and review the feedback on a regular ongoing basis to ensure customer needs are being met. We also use this feedback to look for opportunities for improvement. Complaints feedback is actively monitored with targets in place to reduce the volume of complaints and strive for ongoing improvements in managing complaints received.

We also provide our customers and clients with proactive educational support on areas where they may be concerned or confused, including providing materials for clients to use with their end customers. For example, supporting customers in making difficult and irreversible decisions about retirement or supporting retirement fund trustees with simple investment guides. Where appropriate we'll also refer customers to experts who can help them with decisions, so they don't make decisions which they may regret and which may cause them financial detriment.

COVID-19

Throughout the COVID-19 pandemic we've continually sought to reassure our customers that we're here for them, been proactive in providing updated messages and Q&As about how our business continuity plans are running and helped them to navigate their concerns about the financial impact of the crisis on their own investments.

The COVID-19 pandemic has seen a dramatic rise in scams looking to exploit customers in the financial services sector as well as many other sectors. We've worked proactively to keep customers and clients informed via a range of communications channels of known scams where our brands have been exploited. Behind the scenes we've worked hard with our fraud teams to report the scams and get them taken down as quickly as possible. Our continuous monitoring keeps us informed of emerging scams so we can act fast and protect our customers and clients.

Embracing digital communications channels

We have been developing our online tools and functionality, so that more and more customers can access information quickly and easily, exchange information securely with us and contact us outside of normal business hours. This has been especially key during the COVID-19 pandemic and we accelerated some of our plans to deliver essential services for customers as quickly as possible to minimise disruption.

If a customer registers for the online service, they go paperless, but also have the option to retain paper. This, alongside active campaigning to existing customers is an effort to give customers an online service they want and meets their needs, while at the same time reducing our carbon footprint / paper consumption.

We've also adapted our servicing model for wholesale and institutional clients to reflect the pandemic and also our own carbon footprint ambitions. This means we've switched entirely to virtual events and webcasts to maintain contact with our clients and we've invested in this technology as we see it as a core part of our strategy for serving and communicating with clients going forwards. We're investing further in 2021 in our digital client service offering to deliver a multi-media platform for our global client base that offers responsiveness, customisation, convenience and accessibility whilst also saving carbon through reduced paper and travel to face-to-face meetings. This is part of our wider strategy to embed sustainability into our end-to-end customer and client journeys.

Responsible sales

Prudential UK retail intermediary sales

Under the Prudential brand, we sell retail products and services in the UK through financial advisers who are Approved Persons and who maintain relationships with the end customer. No Prudential UK retail employees have contact with end customers.

Professional standards and training

Our sales account managers are required to attain RQF level 4 Diploma in Financial Planning and to maintain it through annual continuing professional development. They are also required to complete our own accreditation process to ensure they have appropriate knowledge and competence to sell our products.

Our Sales Support Staff are required to pass the CII Financial Services Regulations and Ethics exam.

Doing business responsibly

Sales bonuses and commissions

A full independent external review of the Sales Bonus scheme was completed in 2020, with recommendations approved and implemented for 2021. The scheme uses a Quality Balanced Scorecard to assess conduct and behavioural requirements. In 2021, 50% of the total sales bonus package will be supported by “non-financial” elements in the Scorecard. This ensures even more focus on good Adviser and end-client outcomes as well as stringent measurements on expected colleague conduct and behaviours in line with our plc Code of Conduct. Sales Support staff do not receive sales bonuses but also follow the Scorecard approach to ensure adherence to the conduct and quality requirements ensuring good customer outcomes are achieved.

Prudential Financial Planning

Prudential Financial Planning provides restricted advice to end customers in the UK.

Professional standards and training

All sales staff undergo rigorous continued professional development training and testing on best practice. They are monitored in line with Training and Competence scheme requirements, and there is ongoing risk-based quality assessment of suitability and evidential files.

Sales bonuses and commissions

Prudential Financial Planning does not set sales targets for colleagues, although bonuses for some sales staff are influenced by revenue. Bonus schemes for sales staff are designed with weightings towards achieving good client outcome in the context of quality of advice, service standards and compliance requirements.

Ascentric

Professional standards and training

All Ascentric staff must complete an annual mandatory training programme covering anti-bribery and corruption, gifts and hospitality (including inducements), competition law, conflicts of interest, financial crime and anti-money laundering. Additional training is provided on regulation and the Ascentric platform. An induction programme for new colleagues ensures they are competent in their understanding of Ascentric's proposition, with ongoing competency training for all staff. All client facing staff undergo a quarterly observation to assess competence.

Sales bonuses and commissions

Ascentric does not pay any commission on product sales. Business is based on the performance of a particular panel of firms aligned to our target customer (60% weighting) and on the individual demonstrating and evidencing good conduct, behaviours and risk management (40% weighting).

Employees

Employment security and types of employment

Working in partnership with an external trade union plays an important part in ensuring that we continue to be a fair and inclusive employer, committed to ensuring that we have a strong colleague voice within our decision-making. We have a voluntary recognition agreement with the trade union Unite which details the ways in which both parties work in partnership to achieve these aims. Our agreement with Unite commits us to always doing everything that we can to mitigate redundancy and follow Advisory, Conciliation and Arbitration Service (ACAS) best practice with regards to the processes that we follow.

In terms of employment, we offer permanent employment, fixed-term contracts, apprenticeship graduate scheme and contingent opportunities through Resource Solutions. With regard to employment options, we have an ACAS aligned flexible working policy and we consider flexible hours, part-time working, job shares, compressed working patterns and also have some examples of term-time working arrangements (e.g. increased flexibility during school holidays).

Collective bargaining agreements and freedom of association

M&G has an internal Colleague Forum which represents all of our people based in the UK. Outside the UK, M&G also has internal colleague fora that meet any local requirements of us as an employer in those jurisdictions. M&G has a voluntary recognition agreement in the UK with trade union Unite that includes collective bargaining overpay and a commitment to transparently consult on any proposed changes across M&G that have the potential to impact our people.

Whistleblowing Programme

Our company values and behaviours require all our employees to conduct themselves with the highest professional and ethical standards. We promote and value a culture of care, integrity, openness, honesty and accountability. M&G's Whistleblowing programme, known as “Speak Out”, allows anyone to confidentially report suspicions of misconduct and wrongdoing.

Doing business responsibly

The “Speak Out” programme is underpinned by the provision of a secure, externally hosted, communications channel to enable employees to report concerns confidentially (and anonymously if preferred, where permissible by local law) and assurance that any form of retaliation is strictly prohibited. Our Whistleblowing Policy states that anyone raising concerns in good faith will not be subject to any form of retaliation.

Code of Conduct

In August 2020, we released the M&G plc Code of Conduct, our guide to the standards of behaviour that we expect all of our colleagues, across the world, to follow. Our Code is designed to ensure that we conduct ourselves ethically – with care and integrity, and in accordance with our policies and procedures as well as the laws and regulations that apply to us, globally. For more information about the M&G plc Code of Conduct please click [here](#).

Financial Crime and Compliance

M&G plc and our regulated subsidiaries are subject to a wide range of regulatory and legislative requirements for supervisors in the jurisdictions that they operate in. We maintain regular dialogue with our supervisors on a range of matters relevant to our regulated activities.

Reporting to the M&G plc Director of Public Policy & Regulation, our UK-based Asset Management and Insurance businesses each have a nominated Chief Compliance Officer, who hold the regulatory status under the FCA’s Senior Managers Regime of SMF16 (Compliance Oversight). Outside of the UK, Local Chief Compliance Officers are appointed, subject to the relevant regulatory requirements, with Compliance personnel located in Singapore, Japan, India, USA, Luxembourg, Ireland and Poland.

M&G has implemented policies, procedures and controls designed to ensure compliance with our legal, regulatory and fiduciary duties. To support these, all employees receive periodic training on matters including, but not limited to, Market Abuse, Conduct, Vulnerable Customers and Conflicts of Interest.

The Compliance Monitoring & Assurance team undertakes risk-based oversight and assurance of the M&G regulated entities and relevant third parties, through thematic and regular inspections activities based on a risk-based compliance monitoring plan. The plan consists of a formal programme of monitoring tests aligned to each regulatory risk, including thematic and inspection testing, and is approved annually by the M&G Group Audit Committee. The plan is executed by a dedicated team, with actions arising from monitoring activity tracked with progress reported to the relevant M&G forum.

Anti-corruption and anti-bribery

M&G plc is committed to the highest levels of integrity and business conduct and has a no-tolerance approach to bribery and corruption. All employees are required to adhere to the M&G plc Anti-bribery and Corruption Policy and carry out their duties with openness and transparency. Periodic training and reporting requirements ensure that employees are aware of their obligations under the M&G plc Anti-bribery and Corruption Policy as well as its supporting standards. Non-compliance could lead to criminal prosecution, fines or reprimands and/or cause significant damage to M&G plc’s reputation.

Financial crime compliance

M&G has a no-tolerance approach to financial crime and we are committed to playing our part in creating a safe and secure global financial system and detecting and reporting criminal conduct to law enforcement agencies wherever we operate.

M&G plc has a dedicated Group Financial Crime Compliance team (GFCC), led by the Group Director of Financial Crime Compliance. The team has specialist financial crime experience and expertise to oversee and support financial crime teams and the business with its systems and controls across the 22 locations in which we operate. The teams ensure robust measures are maintained to prevent our products being used for the purposes of financial crime (including money laundering; terrorist financing; sanctions; fraud; bribery and corruption; and the facilitation of tax evasion).

Anti-financial crime policies are produced by M&G’s GFCC team and approved by the Group Director of Financial Crime Compliance and the Board (e.g. Money Laundering Policy). All employees are bound by the policy requirements and these are covered within the mandatory training for all M&G employees that are required to be completed periodically.

As part of the GFCC framework, we apply Customer Due Diligence (CDD) in respect of all business relationships we enter into. This is done in accordance with anti-financial crime policies and business standards underpinned by guidance issued by the Joint Money Laundering Steering Group (JMLSG) on compliance with the relevant regulations and the Financial Conduct Authority financial crime guide.

Enhanced due diligence is applied to relationships involving Politically Exposed Persons (PEPs) and other high-risk customers. Such relationships are approved by senior management and reviewed periodically. Where necessary, we conduct an investment due diligence to ensure the funds invested are not to be used to further financial crime.

M&G is also subject to the following sanctions regulations issued by the following global regimes including the EU; UN; OFAC; HMT; CSSF; MAS; HKMA; and DFAT. We have a sanctions programme in place, to ensure that we adhere to all applicable sanctions laws and regulations in the jurisdictions in which we operate.

Doing business responsibly

Human Rights and Modern Slavery

Human rights

We apply our values of care and integrity beyond our company, into the communities and societies within which we operate. Human rights concern all of us and are core to our business interests. We comply with local laws and regulations in every jurisdiction in which we operate and strive to uphold the principles and expectations outlined in our **Statement of Human Rights**.

We are committed to working with our suppliers and stakeholders to help end slavery, human trafficking, child labour or any other abuse of human rights. We believe in supporting human rights whilst acting responsibly and with integrity, and our policies are guided by the Universal Declaration of Human Rights and the International Labour Organisation's core labour standards.

Modern Slavery

M&G plc recognises our responsibility to comply with all relevant legislation included within the Modern Slavery Act 2015. Our Modern Slavery Transparency Act Statement (to be published in May 2021), confirms our approach to comply with all relevant legislation. It will include the steps we take to assess and mitigate against the risk of modern slavery and human rights violations within our business and supply chains and how we have managed and will continue to proactively monitor those risks.

During 2020, in line with the goals of our corporate sustainability strategy, our procurement and supplier risk management teams have stepped up focus on addressing ESG risks in our supply chain, including any potential risk exposure to modern slavery.

Procurement teams across our UK business have continued to improve our visibility of modern slavery risk, and to reinforce our expectations with our suppliers and business partners. During 2020, our procurement teams have completed CIPS certified refresher training on best practice in ethical procurement, including identifying modern slavery risk. They are supported by a new supplier segmentation tool to help identify, manage, and mitigate supply chain risks including modern slavery, applied across the lifecycle of the deal to precontract, contracting, deployment and service monitoring.

All our tenders now highlight our expectations around modern slavery, regardless of a supplier's size and statutory position.

We have introduced an additional sustainable procurement questionnaire to our RFP process, giving us increased insight into supplier policies and practices in relation to modern slavery. All M&G plc contracts contain up-to-date modern slavery provisions. Where existing suppliers are not seen to have appropriate standards in place, we will work in close collaboration to improve standards.

As part of M&G plc's Speak Out programme, we have updated our Whistleblowing Policy which outlines different types of misconduct, including human rights violations and modern slavery. Mandatory training for all M&G plc employees on whistleblowing was introduced in June 2020, to ensure that everyone in the business understands when and how to raise a concern about potential human rights violations, including modern slavery.

Public policy: the themes that shape our engagement with governments

Helping adapt to demographic change

In countries where individuals are encouraged to take on more of the responsibility for their own long-term financial security, it is vital that public policy supports them to do that. We share our expertise with legislators and regulators to help to ensure that the new policies and rules support, not hinder, successful development of long-term savings products.

Taking a global perspective

We have colleagues, customers and investments across the world and public policy determines whether and how cross-border activities can flourish. We participate in discussions with international bodies and national administrations to encourage openness and coherent global standards.

Investing responsibly for future prosperity

How we invest the money that our customers have entrusted to us matters to them and to the wider societies of which we are part. Public policy influences the types of assets into which we can invest and the conditions under which we can do so. And with sustainability at the heart of our business, we work with governments to ensure that the policy frameworks help us to play our part in making finance green and sustainable.

Our engagement includes work on climate change, promoting the better integration of ESG into financial market regulation more broadly, including prudential standards, and the further development of disclosure, reporting and ESG taxonomies.

The engagement we undertake is done both directly in our own name and via industry bodies of which we are part. We are voluntary participants in the EU's Transparency Register (our registration number is 167169536278-67): our entry provides further public information on our activities in the EU and can be consulted at www.ec.europa.eu/transparencyregister.

Doing business responsibly

Political donations and public policy engagement

It is our policy as a firm not to donate to or otherwise back political parties or candidates. We do, however, participate actively in discussions on public policy. Government policy shapes the environment in which we operate and we take seriously our responsibility to all of our stakeholders to be a responsible participant in the public debate. The knowledge and expertise that we gain from helping our customers save and invest for the long term, and in supporting economies and society through our investments, give us an insight that we believe can make a useful contribution to policymaking. We use our influence as a global investor and asset owner to drive positive change in government policies that will encourage sustainability.

Security

Customer data privacy

Three key elements support customer trust in M&G: using customers' personal information only to provide the service they expect, taking very robust steps to protect their personal data, and being transparent and accountable to our customers as custodians of their personal data.

Since 2018, the EU General Data Protection Regulation (GDPR) has set a high standard for the way that businesses must use, manage and process personal information.

At M&G, we take our privacy responsibilities very seriously, reflecting our values of care and integrity. Our overriding focus is on having robust processes and procedures in place to ensure that customers' personal data remain secure.

Our Chief Privacy Officer/Data Protection Officer and a team of Privacy specialists work with the business to ensure that privacy risks are identified early and are pragmatically managed at both a strategic and operational level.

Privacy risk is appropriately controlled and managed with practical, pragmatic and proportionate measures to mitigate its impact. One way we do this is by conducting Data Privacy Impact Assessments (DPIAs) for activities that involve the processing of personal data. DPIAs in turn demonstrate our wider approach to support ways of working which are privacy compliant by default.



Embedding the principles of sustainability throughout our business means embracing constant change, at a pace far greater than any we have experienced in our 170-year history.”

John Foley
Chief Executive

Our customers are kept informed about how we use their information at the point of data collection, and throughout our relationship with them, including through product-specific and service-specific Privacy Notices. We've also developed operational processes to fulfil data subject rights specified in GDPR and have a dedicated team responsible for servicing all Data Subject Access Requests.

We have a process to manage our relationship with the UK's Information Commissioner's Office and equivalent supervisory authorities outside the UK. This helps us engage with regulators, manage any complaints or enquiries and maintain appropriate registrations.

Our privacy policy

Our Privacy and Data Protection Policy operates across all group companies and covers the requirements of all six GDPR Data Protection Principles and a further principle that runs across all GDPR compliance: accountability. The policy supports both showing and documenting our compliance with GDPR.

Our Privacy team delivers ongoing guidance to reflect changes in law, regulatory guidance, and industry best practice. The team also provides ongoing privacy advice across the business as well as supporting ways of working with our strategic business partners.

Training on data protection

Privacy compliance starts with the embedding of a culture of data protection across M&G. This is supported by senior management sponsorship and mandatory Data Protection Privacy training and awareness for all employees. Employees are reminded of the importance of the training and are required to refresh their training periodically.

Looking ahead

We are committed to the continuous improvement of our privacy programme to enhance our sustainable compliance with GDPR, as well as other applicable data laws around the world, as they arise. To that end, we keep updated on developments in the privacy and data protection landscape, both in the UK and internationally.

Cyber security

Cyber security is a growing threat to businesses and their customers. Approximately 9% of M&G's technology budget is now spent on cyber security, alongside a multi-channel cyber security transformation programme.

M&G has adopted a three line of defence model, with control areas designed to respond to 17 key technology risks, one of which is cyber security. The technology control environment is managed by the Chief Information Technology Officer (CITO) with oversight and review by Chief Risk Officer (CRO) and Group Internal Audit.

Doing business responsibly

Cyber security training is delivered to the M&G Board annually. This keeps them informed of cyber threats and what we are doing to mitigate these threats. Any emerging issues are also flagged to the Board via the Executive Audit Committee.

In the event of a cyber security event, M&G has a Data Incident Plan with a structured methodology to be followed, including processes for establishing the risk, isolation and containment, and recovery and notification. The plan also contains escalation routes for triggering the Emergency Incident Management procedures where applicable. Notification plans cover both internal stakeholders within M&G and external stakeholders, including customers and regulators.

M&G also has an Emergency Incident Management procedure for core activities that ensures all incidents are managed effectively and responded to within an appropriate timescale. We also have linked procedures for specialist services such as those covering digital incidents, loss of a building, data loss and other security-related breaches.

We conduct annual tests of our network perimeter and an annual red team assessment that aims to target specific systems based on the latest threat intelligence. We also perform an annual purple team assessment using ethical hackers and our defenders working collaboratively to enhance our logging and monitoring capabilities. In addition, tests of significant system changes and implementations are conducted prior to implementation.

Supply chain

Supply chain emissions accounted for over 90% of corporate emissions in 2019 and more than 85% in 2020. Working with our suppliers, to understand and contribute to their environmental plans, is critical to M&G achieving ours.

Our Commercial and Corporate Sustainability teams are working together to reduce our supply chain emissions and help us achieve our net zero 2030 commitment, as well as addressing wider social and governance topics.

In 2020, we conducted in-depth analysis of our supply chain, identifying the areas that represent the greatest opportunity for improvement. Our aim for 2021 is to agree net zero science-based targets with the majority of our material suppliers, and to support improvement plans aligned to our social and governance goals.

Tax

We manage our tax affairs to provide responsible and sustainable support to our business strategy. We deliver this through our day-to-day operations following a set of guiding principles:

1. Tax compliance

We act responsibly in all of our tax matters. We understand the importance to governments and societies of paying the right amount of tax at the right time in the right place.

2. Approach to tax

We take an objective view of the generally understood interpretation of the tax laws and regulations in each jurisdiction in which we operate.

3. Governance

We manage tax (including uncertainties and risks) in line with our governance framework and risk management procedures.

4. Transparency and engagement with stakeholders

We provide transparent disclosure of our tax affairs to better inform our stakeholders of how tax works in our business and our tax governance practices. We respect the tax authorities with which we interact. Where possible and following prevailing practice, we seek to build constructive relationships with tax authorities, discussing and resolving matters in real time.

We place great importance on having an effective relationship with those who supervise us and our markets. Our customers' interests are best served when we work constructively with our regulators. Therefore, positive and transparent engagement with tax authorities, which leads to the timely and accurate payment of taxes, helps the societies in which we operate, provide valuable public services and build infrastructure for the benefit of the wider community and the economy.

We do not provide tax advisory services. Our customers and investors are responsible for their own tax affairs. In all jurisdictions that we operate, we fully comply with legislation that requires us to provide information to our customers and investors to meet their legal obligations.

We published our first Tax Strategy in 2020 (**2019 Group Tax Strategy**) which outlines our approach to being a responsible taxpayer, our total tax contribution, how we manage our tax affairs and governance and management of tax risk. Our second Tax Strategy, covering the reporting year 2020, will be published in May 2021.

Find our 2020 Group Tax Strategy in the **Our business\Policies** section on our website (available May 2021).

M&G plc

10 Fenchurch Avenue
London
EC3M 5AG
United Kingdom

+44 (0)207 626 4588

mandgplc.com