

**M&G plc**  
**(company number: 11444019)**  
**( the “Company”)**

**Terms of reference for the Remuneration Committee**

**1. Purpose**

The board of directors of the Company (the “**Board**”) has established a Remuneration Committee (the “**Committee**”) whose duties and responsibilities are discharged with respect to the Company and, where indicated, the M&G plc group of companies (together, the “**Group**”).

The Committee is responsible for matters including but not limited to:

- (i) establishing, approving and maintaining the principles and framework of the remuneration policies of the Group; and
- (ii) determining the design, implementation and operation of remuneration arrangements for the Chair of the Board, the Executive Directors, members of Senior Management<sup>1</sup>, “identified staff” for all remuneration regulations that apply to the Group and overseeing remuneration for individuals whose total remuneration exceeds an amount determined by the Committee from time to time.

**2. Constitution of the Committee**

- 2.1 **Membership** – There shall be at least three members. All of the members of the Committee shall be Independent Non-Executive Directors. The Chair of the Board may additionally be a member of the Committee, provided they were considered independent on appointment as Chair, but should not chair the Committee.
- 2.2 **Attendees** – At the discretion of the Chair of the Committee, other Non-Executive Directors may attend Committee meetings, as may other individuals such as the Chief Executive, Chief Financial Officer, Chief Risk & Compliance Officer, Chief People & Corporate Affairs Officer, and external advisers for all or part of any meeting, as and when appropriate, provided that no director or senior manager shall be present when their own remuneration is being discussed.
- 2.3 **Appointment term** – Appointments to the Committee are made by the Board, following recommendation by the Nomination Committee, in consultation with the Chair of the Committee (the “**Committee Chair**”), and shall be for a period of up to three years which may be extended by a further two additional periods of up to three years each, subject to the Director still meeting the criteria for membership of the Committee.
- 2.4 **Chair** – The Committee Chair should be recommended by the Nomination Committee and shall be appointed by the Board. The Committee Chair should be an Independent Non-Executive Director who has previously served on a remuneration committee for at least 12 months.

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<sup>1</sup> The definition of “Senior Management” for this purpose is the executive committee, the Audit Director and the Company Secretary.

- 2.5 **Quorum** – The quorum for meetings shall be two members, one of whom should be the Committee Chair or their appointed deputy. In the absence of the Committee Chair (or their appointed deputy), the remaining members present shall elect one of themselves to chair the meeting.
- 2.6 **Secretary** – The Company Secretary of the Company (the “**Secretary**”), or their nominee, shall act as secretary to the Committee and will ensure that the Committee receives information in a timely manner to enable full and proper consideration to be given to the issues and matters laid before it.
- 2.7 **Frequency of meetings** – The Committee shall meet at least four times per annum and at any other time as the Committee’s role and responsibilities require. Meetings may be conducted by telephone or video conference and decisions made by such means shall be appropriately recorded and shall have the same effect as those conducted in person.
- 2.8 **Notice of meetings** – Meetings of the Committee shall be convened by the Secretary at the request of the Committee Chair or any other Committee member. Unless otherwise agreed, and except where a situation of urgency otherwise requires, wherever practicable, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each Committee member no later than five business days before the date of the meeting.
- 2.9 **Minutes of meetings** – The Secretary shall minute the proceedings and all decisions made at the Committee meetings. Draft minutes will be circulated to all members of the Committee promptly, after a meeting.

### **3. Annual General Meeting**

The Committee Chair shall attend the Annual General Meeting (the “**AGM**”) of the Company to answer shareholder questions with respect to the Committee’s activities as they relate to the Company.

### **4. Responsibility**

The Committee shall carry out the following duties:

#### ***Remuneration strategy and policy***

- 4.1 Establishing and approving:
- (i) the Group Remuneration Policy (“**GRP**”), ensuring that the principles and framework of remuneration for all employees within the Company and the Group align to the Group’s strategy, risk appetite and solvency management practices, culture, purpose and values and the long-term interests of shareholders and customers;

- (ii) for submission to shareholders the Directors' Remuneration Policy ("DRP"), aligning with the overarching principles of the GRP and supporting the long term strategy and sustainability of the Group.

4.2 With respect to the policies under 4.1 above, to:

- (i) review and approve the structure of incentive awards, including performance metrics and targets and the proportion of awards to be delivered in shares, ensuring that they promote sound risk management and align employees with the long-term success of the Company and the interests of customers and shareholders;
- (ii) work with the Risk Committee of the Board to ensure that risk management is appropriately represented in the principles and framework of remuneration policies;
- (iii) review and approve the remuneration framework and principles that govern remuneration arrangements for identified staff and those performing control function roles;
- (iv) consult and receive advice from the Board Risk Committee, the Audit Committee, the Heads of Control Functions, and subsidiary Boards as it considers necessary or appropriate;
- (v) explain to the workforce on an annual basis how the DRP reflects the Company's pay policy;
- (vi) feedback to the Board on workforce reward and the evaluation and monitoring of whether the Company's policies and practices support the desired culture and strategy;
- (vii) enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums under appropriate specified circumstances; and
- (viii) ensure that the GRP and remuneration practices are gender neutral.

4.3 Receive independent assurance annually that the Group operates in accordance with the principles and processes established in the remuneration policies and in compliance with all relevant remuneration regulations.

4.4 Review and approve pension and benefit arrangements for Executive Directors, Senior Managers and identified staff taking consideration of arrangements in place for the wider workforce across the Group. The Committee shall also approve any material changes to pension arrangements for the wider workforce.

4.4 Review and approve the annual salary review for Executive Directors, Senior Managers and identified staff taking consideration of salary review budgets for the wider workforce across the Group. The Committee shall also review the salary review budget for the wider workforce across the Group.

4.5 Review and approve the funding of annual incentive schemes in accordance with agreed performance criteria and the outcome of long-term incentive awards in accordance with the performance criteria established at the grant of the awards, having regard to input from the

Risk Committee of the Board including the effectiveness of risk management, culture, behaviours and customer engagement across the Group.

- 4.6 Approve a shareholding policy to promote the alignment of the interests of the Company's Directors with the long-term interests of the Company's shareholders.
- 4.7 The Committee shall consider a report prepared by the Group Chief Risk & Compliance Officer at least annually, detailing the performance of the Group against its key risk indicators, including any relevant risk and/or conduct events occurring during the relevant year, and any issues relating to current and/or future risks and/or conduct events to be taken into account when reviewing remuneration outcomes. The Committee will also ensure that total remuneration levels do not limit the ability of the Group and/or its regulated entities to strengthen its capital base.
- 4.8 Approve the Material Risk Taker ('MRT') identification framework on an annual basis, as well as review and approve the final list of MRTs annually.
- 4.9 Ensure that the implementation of the GRP and remuneration practices are subject to a central and independent internal review at least annually.

#### ***Specific Remuneration Arrangements***

- 4.10 Review and approve the annual remuneration packages and, where applicable, the outcome and delivery of incentive awards for the:

- Chair of the Board;
- Executive Directors and Senior Management;
- Identified staff; and
- Material Subsidiary Board Chairs and Non-Executive Directors

Review the annual remuneration packages and the outcome and delivery of incentive awards for individuals whose total remuneration exceeds an amount determined by the Committee from time to time, currently £1 million.

- 4.11 In reviewing proposals in respect of this population, the Committee shall have regard to remuneration trends and employment conditions across other employees of the Group and other relevant organisations.
- 4.12 Ensure no director or senior manager shall be present for or party to any decisions in relation to their own remuneration outcomes.
- 4.13 Review and approve the packages and buy-out of forfeited rights in connection with the hire of any Chair of the Board, Executive Director, Senior Manager and identified staff member.
- 4.14 Review the packages and buy-out of forfeited rights in connection with the hire of individuals whose total remuneration exceeds the threshold under 4.7 and approve for individuals where the value of the buy-out exceeds £1.0 million.
- 4.15 Review and approve, on termination, the compensation payments, if any, due to any Chair of the Board, Executive Director, Senior Manager and identified staff member having regard to the circumstances of the termination and terms of the relevant employment contract and

performance-based plans, ensuring that failure is not rewarded and that the duty to mitigate loss is fully recognised.

- 4.16 Review, on termination, the compensation payments, if any, due to individuals whose total remuneration exceeds the threshold under 4.7 and approve for individuals where the total value of non-contractual/discretionary payments exceed £1.0 million.
- 4.17 Review and approve the grant of discretionary share awards annually, ensuring that all awards are structured and administered in accordance with Group remuneration policies and rules of the applicable share plans approved by shareholders.

## **5. Reporting Responsibilities**

- 5.1 The Committee Chair shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and shall make its minutes available to the Board.
- 5.2 The Committee Chair shall report formally to the Boards of material subsidiaries at least annually on the Committee's proceedings
- 5.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 5.4 The Committee shall produce a Directors' Remuneration Policy for binding shareholder approval at least every 3 years and an Annual Remuneration Report for inclusion in the Company's Annual Report and Accounts and advisory shareholder vote.
- 5.5 The Committee shall compile a report on its activities to be included in the Company's Annual Report and Accounts which should describe the work of the Committee, including:
  - (i) the identity of any appointed remuneration consultants together with any other connections with the Company or Group;
  - (ii) an explanation of the strategic rationale for the DRP, structures and any performance metrics;
  - (iii) reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;

- (iv) whether the GRP and DRP operated as intended in terms of Company performance and quantum and, if not, what changes are necessary;
  - (v) what engagement has taken place with shareholders and how shareholder feedback has been reflected in the remuneration policy and its' implementation;
  - (vi) what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company remuneration policies; and
  - (vii) to what extent discretion has been used in the implementation of the DRP, including remuneration outcomes, and the reasons for exercising such discretion.
- 5.6 The Committee shall make its terms of reference available to the public and the Company's shareholders via its website. The Committee shall review the terms of reference annually and recommend any changes it considers necessary to the Board.

## **6. Authority**

- 6.1 The Committee shall be authorised, at the Company's expense, to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board.
- 6.2 The Committee shall be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 6.3 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.
- 6.4 The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyse particular issues or themes and report back to the Committee.
- 6.5 The Committee shall liaise with other Board committees as appropriate.

## **7. Other**

- 7.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.
- 7.2 Each member will receive an induction upon appointment to the Committee. The level of induction needed will be considered by the Committee Chair and the Secretary. The Committee will receive training on an ongoing basis.
- 7.3 The Committee shall give due consideration to laws and regulations, the provisions of the Companies Act 2006, the UK Corporate Governance Code, guidance as issued by the Prudential Regulation Authority, the Financial Conduct Authority (and/or any and all regulators of the Company or the Group or any one of its constituent entities) and the

requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate.

- 7.4 The Committee shall undertake a formal and rigorous annual review of its own performance and review its terms of reference at least annually, to ensure it is operating at maximum effectiveness. Any changes to the Committee's terms of reference must be approved by the Board.

**Approved by the Board on 14 December 2022**