

M&G Investments MIFIDPRU 8 Disclosures

As at 31 December 2023



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1. Introduction and Scope

This document sets out public disclosures on risk management and capital adequacy for the MIFIDPRU Investment Firms within M&G Group Ltd (“MGG”) as at 31 December 2023. MGG is regulated by the Financial Conduct Authority (“FCA”). As at 31 December 2023 it was subject to rules set out in the FCA’s the Prudential sourcebook for MiFID Investment Firms (“MIFIDPRU”), including MIFIDPRU 8 rules on disclosures. This disclosure is prepared in accordance with the requirements of MIFIDPRU 8.

1.1 Application

The basis of consolidation for financial accounting under International Financial Reporting Standards (“IFRS”) is described in the annual financial statements. It is based on the inclusion of all entities controlled by MGG at 31 December each year.

MGG uses the same basis for its prudential and accounting consolidations with the exception of investments in funds which are consolidated for accounting purposes but are not included in the regulatory consolidation as they do not meet the definition of financial institutions. Significant insurance related entity investments are deducted as material holdings to calculate capital resources.

MGG consists of a number of FCA regulated operating entities, including two MIFIDPRU Investment Firms, M&G Investment Management Limited and M&G Financial Services Limited:

- **M&G Investment Management Limited (“MAGIM”)** – provides asset management services in equities, fixed income and other asset classes to wholesale and institutional clients, operating and managing funds, mandates and portfolio solutions. MAGIM is also regulated by the National Futures Association and the Commodity Futures Trading Commission.
- **M&G Financial Services Limited (“MGFS”)** – provides administrative support and distribution services to M&G Guernsey.
- **M&G Alternatives Investment Management Limited (“MAGAIM”)** – provides asset management services along with MAGIM. It is an Alternative Investment Fund Manager (“AIFM”) under the Alternative Investment Fund Managers Directive (“AIFMD”).
- **M&G Securities Limited (“MGSL”)** – provides dealing and custody services to wholesale customers. MGSL acts as the Authorised Fund Manager of a range of UK funds, for which it acts as Authorised Corporate Director (“ACD”) or unit trust manager. The Company also acts as an AIFM under the Alternative Investment Fund Managers Directive (“AIFMD”), on a range of UK Alternative Investment Funds (“AIFs”), is the ISA Manager for the MGG Wholesale fund range and Authorised Contractual Scheme (“ACS”) manager.
- **Prudential Unit Trusts Limited (“PUTL”)** – no longer carries out regulated activities. An application has been made to remove regulatory permissions.

These entities are governed by their own Boards, which retain control and oversight of key responsibilities, including strategy execution, product development, compliance, risk management, fair treatment of customers, and client money/assets. All five FCA regulated and authorised MGG entities are subject to minimum regulatory capital requirements on an individual basis and along with other direct and indirect subsidiaries, form MGG for the purposes of the Group ICARA.

1.2 Proportionality

In complying with the rules, a MIFIDPRU investment firm must provide a level of detail in its qualitative disclosures that is appropriate to its size and internal organisation, and to the nature, scope, and complexity of its activities. MGG’s operations are managed as a single business due to the interdependencies between the legal entities and risks of material harms are managed across all entities under a single risk management framework. Therefore, the qualitative disclosures provided for the Group in respect of governance arrangements, the approach to assessing adequacy of own

funds and remuneration policies and practices, are consistent for all MGG entities including the two MIFIDPRU Investment Firms. The quantitative disclosures are provided for the two MIFIDPRU Investment Firms as required in MIFIDPRU 8.

1.3 Frequency

MGG has an accounting reference date of 31 December and disclosures are published annually, consistent with the publication of the financial statements within the Group. However, disclosures may be published more frequently in light of any material changes.

1.4 Location and Verification

These disclosures have been approved by the boards of MAGIM and MGFS. These disclosures are not subject to audit and have been produced solely for the purposes of satisfying the MIFIDPRU 8 regulatory requirements. The disclosures are made available on the M&G plc corporate website.

Disclosures on Diversity and Inclusion and on Investment policies required by MIFIDPRU 8.3 and 8.7 respectively are published separately on the M&G plc corporate website.

Diversity and Inclusion:

<https://www.mandg.com/who-we-are/diversity-and-inclusion>

Investment policies:

<https://www.mandg.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments>

2. Risk Management Objectives and Policies

2.1 Risk Management Structure and Operations

MGG's risk governance is based on a three lines of defence ("3LOD") model in line with Senior Manager and Certification Regime ("SMCR") accountabilities.

Figure 1: Three lines of defence model

1LOD	2LOD (Risk and Compliance)	3LOD (Internal Audit)
Risk Identification and Management <ul style="list-style-type: none"> Identify, own, manage and report risks Owner of specific Risk and Compliance policies Execute business plan and strategy Establish and maintain controls Instil conduct requirements and individual monitoring Stress/scenario modelling Operate within systems and controls Ongoing self-assessment of control environment effectiveness 	Oversight, advice and Challenge <ul style="list-style-type: none"> Owner of Risk and Compliance Framework Stress/scenario setting and oversight Proactive and reactive advice and guidance Risk and compliance monitoring and assurance activities Risk and compliance reporting Strategy and approach for regulatory engagements 	Independent Assurance <ul style="list-style-type: none"> Independent assurance of first line of defence and second line of defence Independent thematic reviews and risk and controls assessment

The first line business areas identify and manage risks, including complying with regulatory requirements and are overseen by the second line Risk and Compliance function. The second line is structurally independent of the first line, providing risk and compliance oversight, advice and challenge. Third line Internal Audit is empowered by the Audit Committee to audit the design and effectiveness of internal controls, including the risk management system.

The Risk Management Framework ("RMF") describes the approach, arrangements and standards for risk management that support MGG's compliance with statutory and regulatory requirements.

The risks resulting from MGG's activities and the potential harms to its customers, markets and the firm itself, as a result of its business strategy are understood and managed through the RMF and the risk taxonomy. The RMF is designed to manage risk within agreed appetite levels that are aligned to delivering the strategy and creating long-term value for shareholders and clients. This is achieved through:

- describing the philosophy and approach to risk management and the principles for taking and managing risk;
- outlining the governance structure and allocation of accountabilities;
- providing a common language to describe risks through the risk taxonomy, which provides M&G plc-wide definitions, risk categories and risk hierarchy for consistent understanding the overall risk exposure;
- defining and describing the company's risk management principles, risk appetite, risk taxonomy, risk policies, risk culture and risk management cycle;
- promoting a responsible risk culture across the whole business, supported by senior management and reinforced by the M&G plc-wide 'I Am Managing Risk' programme, which requires colleagues to take personal

responsibility for identifying, assessing, managing and reporting risk. All colleagues have risk management accountabilities as part of their core objectives.

In relation to risk management, the MGG Board, supported by the Board Risk Committee is responsible for:

- ensuring and monitoring that policy, practices and behaviours are aligned to M&G plc culture, values and risk appetite;
- meeting the regulatory requirements of FCA Consumer Duty principles, rules and guidance;
- ensuring an effective system of internal control and risk management is in place, maintained and reviewed annually as part of M&G plc processes;
- ensuring the overall risk appetite and tolerance of MGG and its subsidiaries adheres to the RMF, policies and limits;
- approving MGG's risk appetite and risk framework and policies within the limits set by M&G plc; and
- overseeing, and approving where applicable, material regulatory engagement.

To support the RMF, an assessment of risk management and internal control effectiveness is performed annually. The assessment is driven by Risk and Control Self Assessments (RCSAs), along with consideration of issues; notifiable events; compliance with policy requirements; risk appetite assessment; and regulatory feedback.

2.2 Risk Policies

The RMF is structured around a Risk Taxonomy which provides a single common language to describe risks with a clear hierarchy across the risk universe. It provides M&G plc-wide definitions and risk categories prescribed at two levels across the risk universe with an additional third/fourth level to the risk categorisation, where extra granularity is required. Risk policies set out specific requirements to be applied in the management of each risk category/type. Risk and Compliance policies are in place for material risk categories, as illustrated in Figure 2 below.

The Policy Governance Framework ("PGF") is a core component of the Group Governance Framework and supports the overall system of risk management and internal control. A key element of the PGF is the suite of Risk and Compliance policies that covers the key risk areas faced by the organisation and supports effective risk management. These cover level 1 risks and other key and material risks, and relevant regulatory and legislative requirements. The policies apply to all M&G plc business areas and entities (including MGG and its subsidiaries) unless otherwise stated. In addition to the policies listed above, the RMF is supported by a set of standards. These standards support the effective implementation of the Risk Management Policy and associated policies and aim to allow consistent meeting of requirements across M&G plc (including MGG and its subsidiaries) by establishing operational standards for key processes.

Figure 2: Risk and Compliance policies

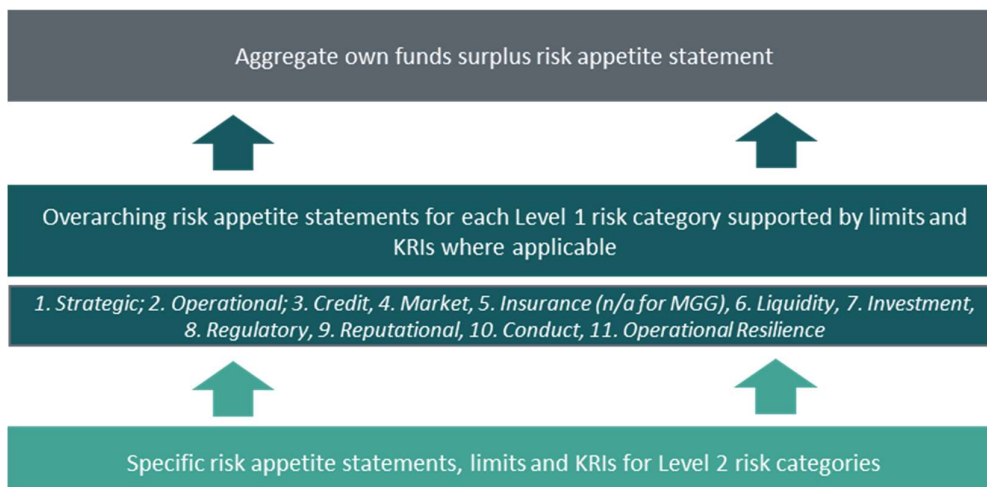
Risk Management Policy		
Risk policies		Compliance policies
<u>Non-financial Risk</u>	<u>Financial Risk</u>	Conduct Risk
Business Plan Execution & Decision Making	Asset-Liability Management	Conflicts of Interest
ESG Risk	Credit Risk	Financial Crime Risk
Information Technology Risk	Insurance Risk	Regulatory Compliance Risk
Privacy and Data Protection	Investment Risk	Whistleblowing
Reputational Risk	Market Risk	Market Abuse
Social Media Risk	- Liquidity Risk	
Tax Risk	Reinsurance	
Third Party Risk Management		
<u>Model Governance</u>	<u>Solvency and Regulatory Reporting</u>	
Internal Model Risk	ORSA	
Model & UDA Risk	ICARA	
	Group Valuation (MGG only)	

2.3 Risk Appetite

MGG's Risk Appetite Statement ("RAS") is a key risk management tool for the business. It articulates the types and level of risk of potential material harm that MGG is willing to take or accept in order to achieve its business objectives. The statement and its associated limits, triggers and Key Risk Indicators ("KRIs") enable the business and the MGG Board to monitor and assess MGG's performance against its stated appetite thresholds and to understand how effectively potential material harms, whether to MGG, its clients or the market, have been managed.

The MGG RAS is underpinned by the M&G plc Risk Taxonomy. The Risk Appetite framework contains an own funds surplus aggregate risk appetite statement as well as risk appetite statements, limits, triggers and KRIs for the Level 1 and/or Level 2 risks. This is summarised in the diagram below.

Figure 3: Risk appetite framework



The RAS applies to MGG and its subsidiaries. However, legal entities within MGG may adopt risk appetite statements with more stringent requirements than those specified within this document for local escalation, reporting or regulatory purposes. MGG's RAS is set in the constraints of the M&G plc RAS.

The MGG Board is responsible for ensuring the overall risk appetite, limits, triggers and KRIs for MGG and its subsidiaries adhere to the Group Risk Framework, policies, risk appetite and limits. The MGG Board is also responsible for approving the MGG RAS which is compatible with this and appropriate for an asset manager and the potential harms they are exposed to.

2.4 Approach to Assessing Own Funds Requirements, Concentration Risk and Liquidity

Under MIFIDPRU 7.4.7R, MAGIM and MGFS are required to hold at all times own funds and liquid assets which are adequate, both in amount and quality, to ensure that both firms remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from their ongoing activities; and that both firms can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

MAGIM and MGFS carry out an Internal Capital Adequacy and Risk Assessment ("ICARA") process and document the results, in order to identify and manage potential material harms that may arise from the operation of their business, and to ensure that their operations can be wound down in an orderly manner.

The ICARA is undertaken as part of the MGG Group ICARA in accordance with MIFIDPRU rules. It assesses own funds requirements, concentration risk and liquidity and ensures that MAGIM and MGFS hold own funds and liquid assets that are adequate for the business they undertake. This is done by identifying the most material risks of harm to the business model and strategy. These risks are assessed using bottom-up aggregation of functional RCSA process with a top-down overlay from the MGG Executive. As part of this process the position of each risk against appetite is assessed, along with the overall control status and residual risk exposure, including potential material harms to clients, the firm or markets.

In conducting the ICARA, MGG have:

- identified risks that may result in material harms to the firms' clients and counterparties, the markets in which the firms operate and the firms themselves;
- ensured they have appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of their business or winding down their business;
- considered on a forward-looking basis the own funds and liquid assets that will be required to meet the overall financial adequacy rule, taking into account any planned future growth; and
- considered relevant severe but plausible stresses that could affect the firms' business and considered whether the firm would still have sufficient own funds and liquid assets to meet the overall financial adequacy rule.

The following risks can cause potential material harm to clients, firms and market:

Strategic Risk

The risk of material harm to the firm and/or clients resulting from an adverse change in performance of the business against strategy resulting from external factors (e.g. changes to the competitive landscape) or a failure to implement the strategy (e.g. due to inadequate governance, capability, culture or management decision making).

In designing and executing its strategy, MGG must have a clear understanding of key internal and external risks that could significantly change planning assumptions and the fundamental drivers underpinning successful implementation of MGG's strategy and business plan. The management of strategic risk addresses risk in the design and execution of MGG's strategy and of strategic commitments to MGG's stakeholders, including the impact of external risk in achieving that strategy or those commitments.

Operational Risk

The risk of material harm to the firm and/or clients resulting from inadequate or failed internal or outsourced processes, colleague errors, technology issues or from external events.

MGG is exposed to operational risk as part of normal business activities but does not actively seek to take operational risk to generate returns. Instead, it accepts a level of risk that means the controls in place should prevent material impacts but should not also excessively restrict business activities. A robust and consistent approach to operational risk helps to keep customers, colleagues and other stakeholders safe. The approach enables MGG to protect its customers and improve customer service, manage costs in a sustainable manner and protect capital.

Credit Risk

The risk of material harm to the firm resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (e.g. downgrade or spread widening).

MGG is inherently exposed to credit/counterparty risk through cash and cash equivalents, loan facilities provided, derivative positions, receivables from customers, and financial guarantees. Also, MGG has short-term counterparty exposures to fund subscriptions and redemptions between investors and underlying funds, where it acts as a principal in such transactions (UK unit trust/OEIC debtors), as a client may default on payment. In order to help ensure the profitability and solvency of MGG, management must manage the exposure to credit risk on the balance sheet.

Market Risk

The risk of material harm to the firm resulting from changes in market prices, such as FX rates, interest rates and equity prices will affect the value of MGG's assets and liabilities, resulting in gains and losses impacting the P&L.

Market risk appetite is set and monitored to limit exposure to key market risks. Where appropriate, and subject to risk limits and procedures, derivatives are used for risk reduction to hedge equities, interest rates and currency risks, for example. MGG has a low appetite to take market risk on its balance sheet and has established hedging principles for the seed capital held on the balance sheet. These principles include hedging currency risk.

Liquidity Risk

The risk of material harm to the firm and / or client resulting from MGG being unable to meet its financial obligations (e.g. creditors) as they fall due because it does not have or is unable to generate sufficient liquid assets.

MGG is exposed to liquidity risks from its operating model, which are considered within the liquidity thresholds and the stress testing performed. The RAS and associated thresholds set out MGG's acceptance of its corporate liquidity risk and the limits in place to manage it. Risk appetite is set such that M&G plc maintains adequate liquid resources and our liquidity position is regularly monitored and stress tested. It has detailed liquidity contingency funding plans in place to manage a liquidity crisis.

Investment Risk

The risk of material harm to the firm and / or client resulting from a failure to set appropriate investment strategy and make investment decisions, or manage fund liquidity and fund profiles / mandates in line with client expectations.

MGG seeks to deliver investment performance that meets or exceeds expectations communicated to customers over the fund specific investment horizon indicated to customers (which is typically a three-five year investment horizon). Failure to do so could lead to poor outcomes for customers and have a subsequent impact on MGG's ongoing viability and profitability. Investment performance is monitored at an individual mandate or fund level to flag potential issues and implement mitigating actions where necessary.

The fund managers are accountable for the performance of the funds they manage, and management of the risks within the funds. Independent Investment Risk and Performance teams oversee fund performance, fund liquidity and investment risks, reporting to the Chief Risk and Compliance Officer. Such activities feed into established oversight and escalation forums to identify, measure and oversee investment performance, investment risk and fund liquidity risks.

Regulatory Risk

The risk of material harm to the firm, client and / or markets resulting from a failure to meet the regulatory requirements or a failure to adequately consider regulatory expectations, standards or principles.

As a global firm, MGG is subject to a wide range of rules and regulations from its supervisors in the markets within which it operates. The exact nature and application of these requirements differ, however, they are broadly established to protect consumers and ensure good customer outcomes; maintain market integrity; promote competitions; and ensure solvency and the financial soundness of a firm. MGG is committed to prevent and detect financial crime, while paying due regard to its customers and the competitive nature of its business operations.

Accountability for compliance with regulatory and legal requirements sits with MGG senior management. The Risk and Compliance function supports MGG businesses by providing guidance to, and oversight of, the business in relation to regulatory compliance matters, and carries out assurance activities to assess the adequacy of systems and controls designed to comply with regulations and legislation. The Risk and Compliance function monitors regulatory developments and consultations and engages with government policy teams, industry bodies and regulators.

Reputational Risk

The risk that MGG's activities, behaviours and/or communications do not align to its purpose or meet stakeholders' expectations in ways which adversely impact trust and its reputation.

MGG's reputation is the sum of its stakeholders' perceptions, which are shaped by the nature of their expectations and its ability to meet them. Thus, reputation is driven by both the outcome of the businesses' engagement with its stakeholders (either through its processes and service delivery and/or communications) and the behaviours adopted by MGG (and those who represent the business).

Strong reputational risk management is therefore important to minimise the risk of adverse stakeholder perceptions and to maximise the benefits of a positive corporate brand and stakeholder trust. It should be recognised that reputational risk is a pervasive risk, which not only arises from process and delivery failures, but also from people's behaviours and/or ineffective communication. MGG uses a suite of metrics to monitor stakeholder groups. M&G plc has embedded Reputational Risk Champions throughout its business areas, including MGG. The Reputational Risk Champions perform an active role in identifying and monitoring key reputational risks and drivers.

Conduct Risk

The risk that acts or omissions of MGG, or individuals within MGG, deliver poor or unfair outcomes for customers and clients, employees, other stakeholders or affect market integrity.

Observing the proper standards of conduct in all its forms is essential at MGG. Due to the broad nature of conduct risk, management is pervasive and reflected in policy and processes including but not limited to: our Code of Conduct and our Conflict of Interest, Market Abuse and Investment Communications Recording policies. MGG has a Conduct Management Framework to provide a consistent process for conduct management.

There is an expectation from MGG's supervisors and other stakeholders that, in addition to addressing 'poor conduct', firms should pay more attention to developing and safeguarding positive behaviour and 'good conduct' in its own right and that diversity and inclusion have a positive impact on both a firm's financial and overall performance.

Operational Resilience Risk

The inability to prevent, adapt, respond to, recover and learn from operational disruptions whether foreseen or not.

Operational Resilience is key to maintaining trust with MGG's key stakeholders through both stable times and period of internal or external disruption. MGG is committed to improving customer outcomes, protecting policyholders and increasing resilience. For the most important Business Services and the critical shared services that they are reliant on, it is recognised that an enhanced approach is required. This is supported by a risk-based approach considering the harm that a Service could cause if disrupted by: identifying what is most important; mapping how services are delivered end-to-end; analysing the harm to set a tolerance for disruption; testing its ability to operate within the tolerances; defining response, recovery and communication plans; prioritising the design of resilience into our services; and investing in

service resilience to confirm that we can remain within our tolerance for disruption through a range of severe but plausible scenarios.

2.5 Approach to Assessing the Effectiveness of Risk Management Processes

To support the RMF, an assessment of risk management and internal control effectiveness is performed annually. The assessment is performed for each business area by the first line, with an independent second line opinion. It is driven by RCSAs conducted over the year, along with consideration of issues; notifiable events; compliance with policy requirements; risk appetite assessment; and regulatory feedback. The business area assessments are aggregated to provide a material subsidiary and an overall M&G plc group-wide assessment. Internal Audit also provide an independent assessment of the overall control environment. Please refer to the M&G plc Annual Report published on the M&G plc corporate website for further details. MGG has engaged PwC to provide an independent Service Auditor's Assurance Report, pursuant to the AAF 01/20 Technical Release, on the internal control environment of MAGIM.

3. Governance Arrangements

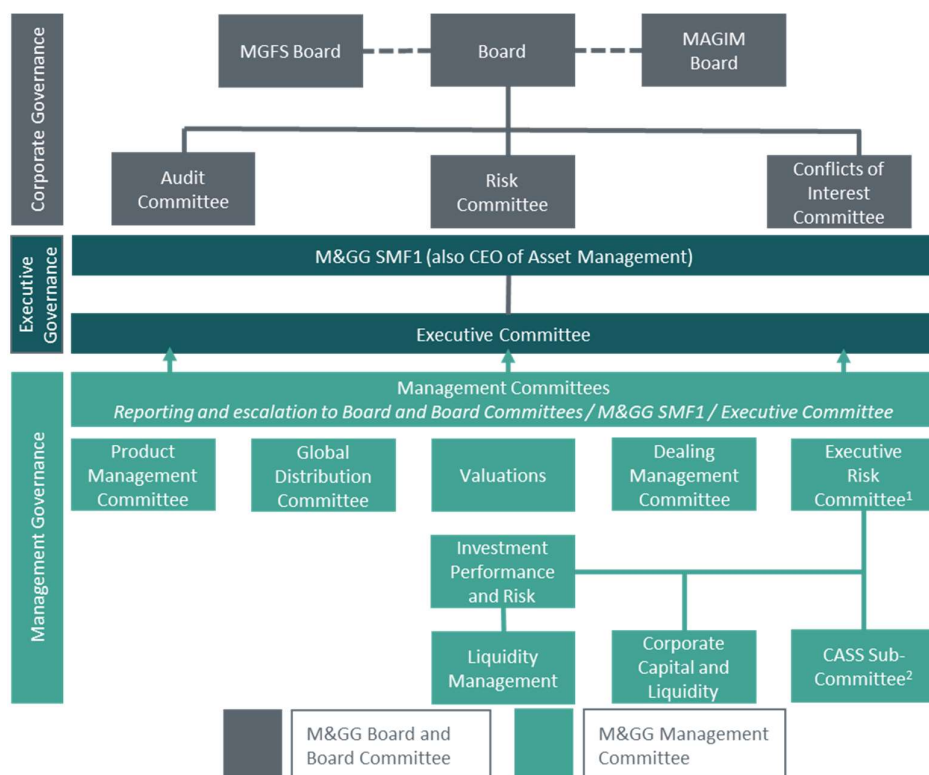
3.1 Governance Structure

The MGG Board defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of MGG, including the segregation of duties and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

The MGG Board provides independent oversight of MGG and is authorised to exercise all the powers of MGG within applicable legislation and the provisions of its articles of association, subject to the limits imposed, approvals required, and policy set by M&G plc, including the RMF. Oversight of the governance of MGG is undertaken by the M&G plc Nomination Committee, a committee of the M&G plc Board. In addition, the M&G plc Audit Committee and Risk Committee (also committees of the M&G plc Board) are responsible for reviewing the activities of the respective MGG Board Committees. The MGG Board Risk Committee is in place as required under MIFIDPRU 7.3.1. The committee provides the MGG, MAGIM and MGFS Boards with assistance in discharging their responsibility for overseeing the effectiveness of risk and capital management.

The MGG Board delegates operational management of the business to the MGG SMF 1 (who also holds the role of Chief Executive Officer of Asset Management), who is supported by a team of Executives forming the MGG Executive Committee. An MGG executive governance framework is in place to oversee all key MGG activities and supports the MGG Executive Committee and the MGG Board and Board Committees. This is set out in Figure 4 below. The MGG management committees are established by the relevant M&G plc Group or MGG executive to collectively approve or provide support or advice to the respective executive in line with their delegated authority.

Figure 4: Simplified M&GG committee structure



Note 1: The Executive Risk Committee has a direct escalation route to both the M&G plc Executive Risk Committee and the MGG Board Risk Committee.

Note 2: The CASS Committee has dual escalation lines to the Asset Management CEO and M&G plc Chief Risk and Compliance Officer.

A summary of the duties of the committees specified in Figure 4, are as follows:

- **Risk Committee** – assists the Board in discharging its responsibility for overseeing the effectiveness of risk and capital management for all financial and non-financial risks faced by the Company. It oversees compliance with the M&G plc Risk Management Framework, related M&G plc risk and compliance policies and Group Approved Limits;
- **Audit Committee** – assists the Board in discharging its responsibility for the integrity of the Company's financial statements, for the effectiveness of the Company's internal control and risk management systems and for monitoring the effectiveness and objectivity of the internal and external auditors;
- **Conflicts of Interest Committee** – assists the Board in discharging its responsibilities for embedding an appropriate culture and acting consistently with its duty to deliver fair outcomes to customers. It provides challenge and oversight of actual and potential conflicts of interest impacting MGG, together with attendant mitigating controls, along with review and maintenance of the Conflicts of Interest Disclosure Statement and Register;
- **Executive Committee** – exercises executive management responsibility for all of MGG's activities which include: Investment Management (including investment activities undertaken by other MGG companies operating under the regulatory licence of MAGIM), Operations and IT support, Distribution and Product, Finance, Risk, Compliance, Legal and HR. It supports the Asset Management CEO in fulfilling his responsibilities;
- **Executive Risk Committee (ERC)** – oversees risk management across MGG, including application of the RMF to MGG and review of the MGG risk appetite statement, ICARA and related disclosures to the MGG Risk Committee. The ERC has the following sub-committees:
 - **Corporate Capital and Liquidity Committee (CoCAL)** – which reviews and monitors material risk exposures that could impact the corporate capital or liquidity profile of MGG and its subsidiary legal entities;
 - **Investment Performance and Risk Committee** – oversees investment performance and investment risk across MGG ensuring it is managed within risk appetite. It has one subcommittee, the **Liquidity Management Sub-Committee**, which oversees client portfolio liquidity management across MGG;
 - **CASS Sub-Committee** – oversees the holding of client money and client assets as defined by the FCA CASS rules across M&G plc (including MGG).
- **Valuations Committee** – provides oversight and independent challenge in relation to all valuation activity across MGG, in order to help deliver fair outcome to customers and support market integrity;
- **Product Management Committee** – oversees and approves (or recommends for approval, as appropriate) product development and management activities across MGG, ensuring that they are managed in line with risk appetite; and
- **Global Distribution Committee** – oversees the global distribution strategy implementation across MGG, ensuring good outcomes for customers and adherence to risk appetite.
- **Dealing Management Committee** – oversees global dealing activities undertaken within all of MGG's regulated entities including those outside of the UK and/or within the scope of intra-group dealing arrangements.

In addition to the above, the M&G plc Board Remuneration Committee is responsible for oversight of the Group-wide remuneration policy and applicable regulations, including MGG and assists the Board in its remuneration responsibilities.

In terms of governance of the M&G plc Internal Capital Model, which MGG use for specific Own Funds capital calculations (market risk and operational risk), the M&G plc Board assisted by the M&G plc Board Risk Committee provide governance and oversight. The M&G plc Board Risk Committee is supported by the M&G plc Executive Risk Committee and the M&G plc Finance Capital and Liquidity Committee. The model's appropriateness for the MGG business is assessed through the CoCAL and MGG Risk Committee as part of the ICARA process.

3.2 Board Membership as at 31 December 2023

Under MIFIDPRU 8.3.1 and 8.3.2 MAGIM and MGFS are required to disclose the number of external directorships (executive and non-executive) held by each member of the management body. The following directorships are not within the scope of this disclosure requirement: (1) executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and (2) executive and non-executive directorships held within the same group or within an undertaking in which the firm holds a qualifying holding.

The MAGIM Board is comprised of six members – four independent non-executive directors (one of whom is Chair (SMF9)) and two executive directors (the CEO of Asset Management (SMF1) and the MGG Chief Financial Officer (SMF2)).

Table 1: MAGIM and MGFS Board membership and number of external directorships.

Board member	Number of external directorships
MAGIM Board	
Massimo Tosato (Chair)	4
Alison Morris (NED)	4
Chris Chaloner (NED)	1
Richard Turnill (NED)	0
Sean Fitzgerald	0
Joseph Pinto	0
MGFS Board	
Laurence Mumford	0
Sean Fitzgerald	0
Philip Jelfs	0

4. Own Funds

4.1 Composition of Regulatory Own Funds

Under MIFIDPRU 8.4.1R, MAGIM and MGFS are required to disclose:

- a) a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of both firms – see Table 2 below;
- b) a reconciliation of (a) with the capital in the balance sheet in the audited financial statements of both firms – see Table 3 for MAGIM and Table 4 for MGFS below; and
- c) a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by both firms – see Table 5 below.

Own funds (i.e., capital resources) for both MAGIM and MGFS comprise exclusively common equity tier 1 capital.

4.2 Common Equity Tier 1 (“CET1”)

Common Equity Tier 1 for both MAGIM and MGFS is primarily constituted of share capital and retained earnings. Own funds have been calculated in accordance with MIFIDPRU 3.

Profits are only included within capital reserves once they have been verified by independent auditors and, for interim profits, approved for inclusion by the FCA.

For MAGIM, called up share capital represents 9,350,000 allotted, called up and fully paid ordinary shares of £1.00 each. For MGFS, called up share capital represents 3,200,000 allotted, called up and fully paid ordinary shares of £1.00 each.

Both entities’ ordinary shares are wholly owned by M&G FA Limited. Further details of the features of the ordinary shares are in Table 5 below.

4.3 Deductions from Common Equity Tier 1 Capital

Under MIFIDPRU 3.3.6R, MAGIM and MGFS are required to deduct several items (if applicable) from their common equity tier 1. The only relevant item is deferred tax assets that rely on future profitability for MAGIM (item 11 in Table 2 below), which have been deducted from MAGIM’s common equity tier 1 items for the calculations of own funds.

4.4 Own Funds Quantitative Disclosures

Table 2: Composition of regulatory own funds as at 31 December 2023

Item		MAGIM		MGFS	
		Amount (£ '000s)	Source/Reference in audited financial statements	Amount (£ '000)	Source/Reference in audited financial statements
1	Own Funds	287,339	Sum below	3,933	Sum below
2	Tier 1 Capital	287,339	Sum below	3,933	Sum below
3	Common Equity Tier 1 Capital	287,339	Sum below	3,933	Sum below
4	Fully paid up capital instruments	9,350	Note 13	3,200	Note 11
5	Share premium	-		-	

Item		MAGIM		MGFS	
6	Retained earnings	278,041		733	
7	Accumulated other comprehensive income	-		-	
8	Other reserves	(50)		-	
9	Adjustments to CET1 due to prudential filters	-		-	
10	Other funds	-		-	
11	(-) Total Deductions from Common Equity Tier 1	(2)		-	
19	CET1: Other capital elements, deductions and adjustments	-		-	
20	Additional Tier 1 Capital	-	Sum below	-	Sum below
21	Fully paid up, directly issued capital instruments	-		-	
22	Share premium	-		-	
23	(-) Total Deductions from Additional Tier 1	-		-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-		-	
25	Tier 2 Capital	-	Sum below	-	Sum below
26	Fully paid up, directly issued capital instruments	-		-	
27	Share premium	-		-	
28	(-) Total Deductions from Tier 2	-		-	
29	Tier 2: Other capital elements, deductions and adjustments	-		-	

Table 3: Reconciliation of MAGIM regulatory own funds to the audited financial statements as at 31 December 2023

Item		Balance sheet in audited financial statements (£ '000s)	Under regulatory scope of consolidation	Cross-reference to Table 2 above
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Debtors: amounts falling due within one year	217,766	-	Not applicable
2	Cash at bank and in hand	107,370	-	Not applicable
	Total Assets	325,136	-	Sum above
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	37,795	-	Not applicable
	Total Liabilities	37,795	-	Sum above

Item		Balance sheet in audited financial statements (£ '000s)	Under regulatory scope of consolidation	Cross-reference to Table 2 above
Shareholders' Equity				
1	Called up share capital	9,350	-	4
2	Foreign exchange reserve	(50)	-	8
3	Profit and loss account	278,041	-	6
	Total Shareholders' equity	287,341	-	Sum above

Table 4: Reconciliation of MGFS regulatory own funds to the audited financial statements as at 31 December 2023

Item		Balance sheet in audited financial statements (£ '000s)	Under regulatory scope of consolidation	Cross-reference to Table 2 above
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Debtors: amounts falling due within one year	2,294	-	Not applicable
2	Cash at bank and in hand	1,641	-	Not applicable
	Total Assets	3,935	-	Sum above
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	2	-	Not applicable
	Total Liabilities	2	-	Sum above
Shareholders' Equity				
1	Called up share capital	3,200	-	4
2	Profit and loss account	733	-	6
	Total Shareholders' equity	3,933	-	Sum above

Table 5: Main features of own instruments issued by MAGIM and MGFS

Capital Instruments main features	MAGIM	MGFS
Issuer	M&G Investment Management Limited	M&G Financial Services Limited
FRN	119328	122058
Governing law(s) of the instrument	England	England
Regulatory treatment		
Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Ordinary Shares

Capital Instruments main features	MAGIM	MGFS
Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	Not Applicable	Not Applicable
Amount recognised in regulatory capital (£ '000s), as of most recent reporting date)	9,350	3,200
Nominal amount of instrument	9,350	3,200
Issue price	£1.00 per share	£1.00 per share
Redemption price	Not Applicable	Not Applicable
Accounting classification	Called up shared capital	Called up shared capital
Perpetual or dated	Perpetual	Perpetual
Maturity date	Not Applicable	Not Applicable
Issuer call subject to prior supervisory approval	Not Applicable	Not Applicable
Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable
Subsequent call dates, if applicable	Not Applicable	Not Applicable
Coupons/dividends	Not Applicable	Not Applicable
Coupon rate and any related index	Not Applicable	Not Applicable
Fixed or floating dividend/coupon	Not Applicable	Not Applicable
Existence of a dividend stopper	Not Applicable	Not Applicable
Eligible at solo/ (sub)-consolidated/ solo & (sub)-consolidated	Not Applicable	Not Applicable
Fully discretionary, partially discretionary, or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
Fully discretionary, partially discretionary, or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
Existence of step-up or other incentive to redeem	Not Applicable	Not Applicable
Noncumulative or cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	Not Applicable	Not Applicable
If convertible, fully or partially	Not Applicable	Not Applicable
If convertible, conversion rate	Not Applicable	Not Applicable
If convertible, mandatory, or optional conversion	Not Applicable	Not Applicable
If convertible, specify instrument type convertible into	Not Applicable	Not Applicable
If convertible, specify issuer of instrument it converts into	Not Applicable	Not Applicable
Write-down features	No	No
If write-down, write-down trigger(s)	Not Applicable	Not Applicable
If write-down, full or partial	Not Applicable	Not Applicable
If write-down, permanent or temporary	Not Applicable	Not Applicable
If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable	Not Applicable
Non-compliant transitioned features	Not Applicable	Not Applicable

Capital Instruments main features	MAGIM	MGFS
If yes, specify non-compliant features	Not Applicable	Not Applicable
Public or private placement	Private	Private
Original date of issuance	Various	Various
Link to the terms and conditions of the instrument	Not Applicable	Not Applicable

5. Own Funds Requirements

5.1 Overall Financial Adequacy Rule (OFAR) Compliance

As a minimum to comply with the OFAR, MAGIM and MGFS must meet their own funds requirement (“OFR”) and their basic liquid assets requirement (“BLAR”). The approach to assessing the adequacy of own funds and liquid assets is described in the ‘Risk management objectives and policies’ section above.

Under MIFIDPRU 4.3, MAGIM and MGFS are required to maintain at all times own funds that are at least equal to its OFR, which is calculated as the highest of:

- 1) Their permanent minimum capital requirement (“PMR”) (set out in MIFIDPRU 4.4);
- 2) Their fixed overheads requirement (“FOR”) (set out in MIFIDPRU 4.5);
- 3) Their k-factor requirement (“KFR”) (set out in MIFIDPRU 4.5).

Table 6: Investment firms’ own funds requirement

MIFIDPRU investment firms’ own funds requirement	MAGIM (£’000)	MGFS (£’000)
(1) PMR	75	75
(2) FOR	92,500	4
(3) KFR, being the sum of (a), (b) and (c)	37,482	-
(a) \sum K-AUM, K-CMH and K-ASA	31,490	-
(b) \sum K-DTF and K-COH	5,933	-
(c) \sum K-NPR, K-CMG, K-TCO and K-CON	-	-
Own funds requirement (being the higher of 1, 2 and 3)	92,500	75

The PMR for both MAGIM and MGFS of £75k is a fixed requirement determined by their regulatory permission profile and the activities they undertake.

The FOR is an amount equal to one quarter of the firms’ expenditure, net of certain non-fixed expenditure items, from the most recent audited financial statements. However, if the firm experiences a material change in its forecasted fixed expenditure, the projected amounts are used instead.

The KFR methodology is a concept introduced by the IFPR from 1 January 2022. K-factors are designed to be proxy measures for the operational risk of the MIFIDPRU activities undertaken by a firm. They are business model specific and will not necessarily all apply to any one firm. The only two k-factors relevant to MAGIM’s activities are K-AUM and K-COH. None apply to MGFS.

In the event MAGIM and MGFS were to expand their portfolio of activities or receive additional MiFID permissions, other k-factors may become relevant, and the impact of those activities would be assessed as additional KFRs.

Under MIFIDPRU 6.2, MAGIM and MGFS are required to hold an amount, as their BLAR, of core liquid assets equal to the sum of:

- 1) one third of FOR; and
- 2) 1.6% of the total amount of any guarantees provided to clients.

In addition, MAGIM and MGFS are required to perform an internal assessment through their ICARA to establish if additional own funds and liquid assets are required to support their ongoing operations and/or an orderly wind-down,

as prescribed by MIFIDPRU 7. This assessment allows MAGIM and MGFS to derive their own funds threshold requirement (“OFTR”) and their liquid assets threshold requirement (“LATR”). The assessment of own funds and liquid assets against OFTR and LATR, respectively, ensures the full compliance with the OFAR.

Both firms maintain own funds and liquid assets which are adequate, both in amount and quality, to ensure that both firms remain financially viable.

5.2 OFAR Monitoring

In addition to the FCA prescribed requirements and those internally derived to support the ongoing operations and/or an orderly wind-down, MAGIM and MGFS have set out risk appetite statements and limits to aid the monitoring of own funds and liquid assets and to ensure compliance with the OFAR.

MAGIM and MGFS’ monitoring and reporting of their own funds and liquid assets positions is undertaken through an established regular reporting process against the key capital and liquidity metrics. Any triggers or breaches would be immediately escalated in line with the internal escalation framework.

6. Remuneration Policy and Practices

This remuneration disclosure has been prepared in order to satisfy the requirements of the FCA's Handbook, and specifically MIFIDPRU 8.6 Remuneration Policy and Practices.

MAGIM and MGFS are subject to the 'standard' remuneration requirements of the MIFIDPRU Remuneration Code and therefore this disclosure has been undertaken in line with the provisions for non-small and non-interconnected ("non-SNI") MIFIDPRU investment firms under the Investment Firms Prudential Regime's ("IFPR") firm categorisation thresholds. The information disclosed is proportionate to MAGIM and MGFS' size and organisation, and to the nature, scope and complexity of its activities and sets out remuneration practices for all staff in respect of MAGIM and MGFS.

6.1 Remuneration Governance

The Board of M&G plc (the "Group") has established a Remuneration Committee (the "Committee") to ensure the alignment of the remuneration policies and structures with the business strategy, risk management policies and appetite limits, conduct, culture and behaviours, sustainability and long-term interests of customers and shareholders. The Committee is comprised of four independent non-executive directors. The Committee's principal responsibilities are determining the design, implementation and operation of remuneration arrangements for the Chair of the Board, the Executive Directors, members of Senior Management, "identified staff" for all remuneration regulations that apply to the Group and overseeing remuneration for individuals whose total remuneration exceeds an amount determined by the Committee from time to time.

The Committee met 7 times during 2023.

An independent remuneration consultant is appointed as advisor to the Committee on remuneration design and compliance with regulatory guidance. Deloitte were formally appointed as the advisor to the Committee on 2 December 2020. The Committee assesses the performance of its external advisers annually, to ensure that the advice provided is independent of any support provided to management.

The Committee takes full account of the Group's strategic objectives, values and long-term goals when setting remuneration policy and seeks to ensure the successful retention, recruitment and motivation of employees. Appropriate input is provided by representatives from Finance, Compliance, Human Resources and Risk to assist the Committee in determining the policy and managing remuneration outcomes.

The Committee regularly reviews the remuneration policy to ensure that it continues to promote sound and effective risk management and does not encourage risk taking in excess of levels of tolerated risk. Annual awards are subject to receipt by the Committee of a report from the Chief Risk and Compliance Officer.

The Committee may, from time to time, delegate certain responsibilities to operational committees which govern the day-to-day decision-making process in respect of certain remuneration arrangements. Where this is the case, the operational committee reports at least annually to the Committee on any decisions taken by the operational committee during the year in respect of individuals falling under the remit of the Committee.

6.2 Remuneration Policy and Practice

The Group has a remuneration strategy/structure in place that is designed to support the achievement of the Group's short and long-term business objectives, underpinned by the following principles:

- Promotes the long-term success of the Group;
- Attracts, motivates and retains the best talent with the necessary skills, knowledge and expertise to help ensure continued growth and success of the Group;

- Supports the Group's purpose and values to build a safe, respectful and inclusive culture through remuneration policies and schemes that promote and reward good conduct and behaviours for the benefit of its customers and colleagues;
- Aligns the interests of the Executive Directors, Senior Managers and employees with the interests of current and future Shareholders and other stakeholders;
- Strikes an appropriate balance between short-term and long-term performance with strong linkage to Group performance, effective risk management, management of conflicts of interest, customer outcomes, the culture and values of the Group and long-term shareholder value creation;
- Is simple and transparent, both externally and to Colleagues; and
- Is compliant with relevant remuneration regulation requirements.

Remuneration Composition

Remuneration is comprised of fixed pay and variable performance-related pay. Fixed pay includes base salary, allowances, benefits and pension. Variable pay includes short-term incentive, long-term incentive, carried interest and performance fees.

Base Salary

Base salaries are set at a competitive and sustainable level taking into account a range of factors including, but not limited to the individual's skills, performance and experience; internal relativities and wider workforce salary levels; external benchmark data; the size and responsibility of the role; and geographical scope of the role.

Base salary levels must be sufficient so that in circumstances where no short-term incentive payment is warranted, the Group is neither contractually nor morally bound to make any short-term incentive payment. Circumstances where no short-term incentive payment may be awarded include if all or part of a business has made a loss, or if an employee's behaviour materially breaches accepted risk or compliance behaviours (in the context of their role).

Base salaries are reviewed annually within an approved budget aligned with the business plan in effect at the time of the review.

Benefits

Benefit packages are designed to be competitive; aligned with local market practice; compliant with legal, regulatory and tax regimes; proportionate and affordable for the business to which they apply; and aligned with the culture and values of the Group.

Retirement benefits are delivered through defined contribution arrangements with consistent terms for all employees irrespective of seniority unless there is a legal or regulatory requirement to operate alternative arrangements.

The Group Remuneration Policy does not allow the award of discretionary pension benefits in excess of approved schemes operated in each location.

Variable Remuneration

All employees are eligible to be considered for a variable remuneration award.

In line with the requirements of the MIFIDPRU Remuneration Code, the Committee has set an appropriate ratio between variable and fixed remuneration to ensure that the variable and fixed components of total remuneration are appropriately balanced. The fixed component of remuneration is designed to be a sufficiently high proportion of total remuneration to allow the Group to operate a fully flexible policy on variable remuneration. This includes having the ability to award no variable remuneration should individual, business unit/team and/or company performance warrant this (by reference to both financial and non-financial performance, including risk management, controls and conduct).

Guaranteed variable remuneration must only be awarded to new hires where a commercial requirement exists, where it only applies to the performance period for the year of hire and where the Group has a sound and strong capital base. Short term incentive guarantees are subject to deferral in line with the Group's deferral policy with the cash element of any guaranteed award subject to clawback provisions.

Retention awards must only be awarded after a defined event or at a specified point in time and may be dependent on the achievement of defined performance criteria.

Short-term Incentive

The Group operates several discretionary short-term incentive arrangements. Consideration is given to a range of financial and non-financial measures relating to individual, business unit/team and overall company performance. The extent to which each aspect of performance affects the overall payment level depends on the variable remuneration scheme as well as the role and responsibilities of the individual.

Annual short-term incentive arrangements are discretionary in nature and operated to support the alignment of colleagues to the Group's financial and strategic objectives, customer outcomes, culture, values, risk management policies and pay-for-performance principles.

The total cost of short-term incentives must be affordable and justifiable in the context of the overall financial performance of the Group and shareholder interests. The funding of short-term incentive plans must have clear and transparent linkages to:

- Financial performance relative to business plan objectives for the year;
- Effectiveness of risk management; and
- Delivery of non-financial objectives (including customer outcomes) determined in accordance with the approved strategy and business plan for the year, of which non-financial criteria will form a significant part of the performance assessment.

Individual incentive outcomes reflect individual performance in accordance with the Group's performance management policy and process, adherence to risk management policies and conduct and behaviour, including reference to customer impacts and culture/values.

The Group operates a short-term incentive deferral policy whereby an element of the short-term incentive is deferred for a period of three years. Deferral is normally into M&G plc shares or notional fund units (or a combination of both) to ensure appropriate alignment to customer outcomes and the long-term sustainable performance of the business. Typically, the rate of deferral will be set so as to ensure that those in receipt of higher amounts of incentive pay are required to defer more.

Where regulation requires for regulated roles the application of higher levels of deferral than those set out in the Group's deferral policy, different deferral vehicles or the application of retention periods, these specific requirements must be satisfied in full.

Long-Term Incentive

The Group operates a long-term incentive plan ("LTIP") over the Group's shares which may have performance conditions aligned with its long-term financial and strategic/non-financial objectives and shareholder value creation. The performance/vesting period is determined prior to the award and will be for a minimum of 3 years. The performance conditions applicable to the 2023 grant are as follows:

- Cumulative operating capital generation (50%)
- Diversity – Gender (8.33%)
- Diversity – Ethnicity (8.33%)
- Sustainability – own operations emissions reduction (8.33%)
- Relative Total Shareholder Return (TSR) ranking (25%)

Participation in the LTIP is reserved for senior colleagues who have significant accountability and ability to influence the delivery of the Group's long-term business objectives.

Awards are granted annually and participation is at the complete discretion of the Committee.

Business unit or subsidiary long term incentive plans will not be operated except in exceptional circumstances where there is a compelling commercial/strategic rationale and the Committee is satisfied that such an arrangement can be justified to shareholders. For example, selected colleagues may participate in carried interest or performance related fee sharing arrangements designed to reward the performance of individuals and teams where the operation of a

carried interest plan is considered market appropriate and necessary in order to align the interests of investors and investment management teams.

The Committee must approve the introduction of a new or a material amendment to an existing long term incentive plan before it can be implemented.

All long term incentive plans must be subject to an uncapped downward risk adjustment.

Severance Pay

Any payments made relating to the early termination of employment must adhere to contractual entitlements and the rules of any relevant incentive plans. Severance payments must be determined in accordance with Group policy taking into account length of service, seniority, performance over time and adhere to the principle of avoiding payments that reward failure.

6.3 Control Function Remuneration

In order to support a robust and appropriate risk culture within the business and preserve the independence of control function staff (Risk, Compliance, Internal Audit and Actuarial), the performance assessment and remuneration of these staff is determined independently of the business(es) they oversee, with measures predominantly focused on the objectives of the function and individual.

Remuneration decisions for senior individuals in control functions are reviewed by the Group Chief Executive and approved by the Committee after consultation with the relevant Board and material subsidiary Board Committee Chair(s).

6.4 Risk Adjustment

All short-term incentive arrangements operated include a provision whereby the Committee has complete discretion to apply an uncapped downward risk adjustment either to the funding of the plan or on an individual outcome basis.

The Committee retains the discretion to reduce unvested variable remuneration (malus) and to clawback vested variable remuneration (clawback) in specific circumstances. The circumstances include but are not limited to a material misstatement of published accounts; an error in the calculation of performance outcomes or such calculation being based on inaccurate information; material risk management failures; reasonable evidence of individual misconduct or material error; breach of an applicable law, regulation or code of practice and/or failure by the individual to meet standards of fitness and propriety; actions or responsibility for conduct leading to significant loss(es) and/or reputational harm to the company or any Group Member; material downturn in financial performance; or corporate failure.

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

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

- the appropriateness of scheme design for the coming year; and
- the effectiveness of the risk and control environment (including consideration of both current and likely future risks facing the business), material events and specific conduct and compliance issues over the one and three-year performance periods of awards to enable the Remuneration Committee to determine if the outcome of schemes are appropriate or if any adjustments should be applied at scheme or individual level.

Input from the report is also used to assess whether there have been any events that warrant the consideration of malus and/or clawback on previously determined awards.

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

6.5 Material Risk Taker Identification

Material Risk Takers are individuals carrying out roles that can materially affect the risk profile of MAGIM/MGFS or the assets it manages.

The Material Risk Taker population is identified in accordance with the MIFIDPRU Remuneration Code (SYSC 19G.5.3R of the FCA Handbook) which establishes qualitative criteria to identify categories of staff whose professional activities have a material impact on the firm's risk profile. These categories broadly include the relevant Board of Directors, senior management, senior control function staff and other key risk takers.

In addition to the categories referenced above, the Group also takes into account additional factors when identifying Material Risk Takers such as consideration of heads of key areas in respect of portfolio management, the level of supervision that an individual is subject to, individuals responsible for key strategic decisions and criteria in relation to responsibility for material AuM.

The Committee approves the identification and remuneration outcomes of Material Risk Takers on an annual basis.

The Group ensures that it applies all the necessary remuneration requirements that are required with consideration for the size, complexity and risk profile of the regulated entity in question. In some circumstances, this may require the Group to increase the level of deferral for certain employees (irrespective of the level of their variable remuneration) and to ensure that a portion of this is delivered in particular instruments.

Malus provisions may be applied to deferred short-term incentive awards or awards made under the long-term incentive plan to support the required risk management and conduct standards of the firm.

The Group operates a fully flexible policy on variable remuneration, which would enable it to award no variable remuneration should individual, business unit/team and/or company performance warrant this (by reference to both financial and non-financial performance, including risk management, controls and conduct).

6.6 Conflicts of Interest

The Group remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives. No individual is in attendance for decisions in respect of their own remuneration. The performance assessment and remuneration for control function staff, including Audit, Risk and Compliance, is determined independently of the businesses they oversee, with measures predominantly focused on the objectives of the function and individual.

The operation of the Committee and, in accordance with its terms of reference, engagement with material subsidiary boards, ensures that there is appropriate independent oversight of the Group's compliance with the remuneration policy and review of conflicts that may arise from the Group's remuneration practices. An assessment of the principles and processes for managing conflicts of interest from a remuneration perspective is documented and reviewed periodically. Overall accountability for the identification and management of conflicts of interest rests with the business, however, any conflicts must be taken into consideration in the context of remuneration outcomes with the Committee receiving input from the Group Risk and Compliance Officer on an annual basis.

6.7 Quantitative Remuneration Disclosures

A total of 106 individuals were identified as Material Risk Takers ('MRTs') in respect of MAGIM and MGFS in accordance with SYSC 19G.5 in respect of the 2023 performance year.

Table 7: Total amount of remuneration awarded to MRTs and all staff

	Senior Management	Other MRTs	Other Staff	Total (All Staff)
Fixed Remuneration (£m)	£12.1	£14.2	£183.7	£210.0
Variable Remuneration (£m)	£25.5	£46.7	£111.5	£183.7
Total Remuneration (£m)	£37.6	£60.9	£295.2	£393.7

Table 8: Total amount of guaranteed variable remuneration and severance pay awarded to MRTs

	Senior Management	Other MRTs	Total
Guaranteed variable remuneration awards			
Guaranteed variable remuneration awards made during financial year – Number of MRTs	1	0	1
Guaranteed variable remuneration awards made during financial year – Total amount (£m)	0.33	0	0.33
Severance payments			
Severance payments awarded during the financial year – Number of MRTs	1	7	8
Severance payments awarded during the financial year – Total amount (£m)	0.12	1.32	1.44
The amount of the highest severance payment awarded to an individual MRT (£m)	0	0.29	0.29

Notes:

MAGIM and MGFS do not employ any staff members. The 'Other Staff' category therefore includes any individual supporting MGG, the Asset Management arm of M&G plc, as at 31 December 2023.

It should be acknowledged that staff members provide support on a multi-entity basis.

The remuneration disclosures include the following:

- Non-Executive Director fees paid during 2023.
- Annual base salaries as at 31 December 2023 (or as at termination date for leavers).
- Allowances including non-pensionable allowances and fixed allowances paid during 2023.
- The employer pension contribution rate can vary based on individual contributions and location. For reporting purposes this has been assumed at a contribution rate of 13% of base salary. This is the maximum employer contribution rate for colleagues who participate in M&G plc's defined contribution pension plan.
- Discretionary variable remuneration awards relating to the 2023 performance year, including carried interest and performance related fee sharing payments.
- 2024 LTI awards based on the face value of the award at grant.
- Any other awards for new hires, for example, guaranteed short term incentive awards in respect of the 2023 performance year and buy-out of forfeited deferred/long term incentive awards granted in the 2023 performance year.

- Severance amounts paid to leavers in 2023.

In addition, all staff members, other than Non-executive Directors, are eligible to receive employee benefits, such as private medical insurance, life assurance and critical illness.

