



## M&G plc Remuneration Policy

M&G plc operates a company-wide remuneration policy (the “Policy”) which is subject to independent oversight and control by the M&G plc Board Remuneration Committee (the “Committee”) and applies to all subsidiaries within M&G plc (the “Group”) as well as to any Joint Venture where the Group exercises complete management control.

The Policy does not apply to Executive Directors and Non-Executive Directors of the Group who are subject to the Directors’ Remuneration Policy, which is approved by shareholders and can be found in the Annual Report of Accounts (ARA).

Parts of the Group are subject to the Alternative Investment Fund Managers Directive (AIFMD) and/or the Undertakings for Collective Investment in Transferable Securities (UCITS) V Directive. As such, the remuneration policy is designed to ensure that it is consistent with the principles outlined in both SYSC19B (AIFM Remuneration Code) and SYSC19E (UCITS Remuneration Code) of the FCA Handbook, as required.

The following sections set out a summary of the Policy and present our overarching principles and practice for remuneration.

### 1. Remuneration Governance

The Committee is comprised of four independent non-executive directors: Clare Chapman (Chair), Clare Thompson, Fiona Clutterbuck and Massimo Tosato. The Committee is responsible for matters including but not limited to:

- establishing, approving and maintaining the principles and framework of the remuneration policies of the Group and for ensuring compliance with those policies;
- determining the design, implementation and operation of remuneration arrangements for the Chair of the Board, the Executive Directors, members of Senior Management, individuals identified as Solvency II Staff and Material Risk Takers under remuneration regulations that apply to the Group and individuals whose total remuneration exceeds an amount determined by the Committee from time to time; and
- changes to employee benefit structures (including pensions).

An independent remuneration consultant is appointed as advisor to the Committee on remuneration design and compliance with regulatory guidance. Deloitte was appointed as external advisor to the Committee on 1 December 2020.

#### *1.1 Risk Management and Business Strategy*

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 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 the Group's levels of tolerated risk. Annual awards are subject to receipt by the Committee of a report from the Chief Risk and Resilience 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.

### *1.2 Conflicts of Interest*

The 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 involved in decisions relating to their own remuneration. The appraisal and remuneration processes for control function staff, including Risk and Compliance, ensure that their performance management is based on the objectives of the function and individual. All remuneration decisions for such staff are taken independently from the businesses they support.

### *1.3 Identification of Code Staff*

M&G identifies individuals who have the ability to have a material impact on the risk profile of either the company or any of M&G's authorised AIFMs or UCITS Managers (or any of the individual AIFs or UCITS funds). These populations are identified in line with the criteria included within relevant guidance but broadly include the relevant Boards of Directors, senior management, senior control function staff and other key risk takers.

M&G ensures that it applies all of the necessary remuneration requirements that are required with consideration for the size, complexity and risk profile of the regulated entities in question. In some circumstances, this requires M&G to increase the level of deferral for certain staff (irrespective of the level of their variable remuneration) and to ensure that a portion of this is delivered in particular instruments.

## 2. Remuneration Policy and Practice

The Group's remuneration strategy is to have a Policy in place that:

- 1 Promotes the long-term success of the Group;
- 2 Attracts, motivates and retains the best talent to help ensure continued growth and success of the Group as a separately listed Group;
- 3 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 our customers and colleagues;
- 4 Aligns the interests of the Executive Directors, Senior Managers and employees with the interests of current and future Shareholders and other stakeholders;



- 5 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;
- 6 Is simple and transparent, both externally and to Colleagues; and
- 7 Is compliant with relevant remuneration regulation requirements.

Our remuneration structures are designed to support the achievement of the Group's short and long-term business objectives, underpinned by the principles listed above.

### *2.1 Remuneration Structure*

Remuneration is made up of fixed pay (salary and benefits) and performance-related pay. Performance-related pay aligns the interests of participants with the business objectives of the company and the investment objectives of its clients.

M&G operates a number of discretionary short term incentive arrangements. In most cases, 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 role and responsibilities of the individual. M&G 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, depending on the role undertaken) to ensure appropriate alignment to 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 performance pay are required to defer more.

M&G operates a long-term incentive plan over M&G plc shares ("LTIP"). 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.

Performance based LTIP awards are only used for the most senior executives with performance conditions aligned with M&G's long-term financial/strategic objectives and shareholder value creation. All other eligible senior roles receives non-performance based awards.

The performance period is determined prior to the award and is for a minimum of 3 years.

M&G 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 (including with relation to financial and non-financial (including against risk and compliance objectives) performance).



## 2.2 *Risk Adjustment*

All incentive arrangements operated within the Group must include a provision whereby the Committee (with appropriate input from HR, Risk and Compliance) has complete discretion to apply an uncapped downward risk adjustment either to the funding of the plan or an individual award (including consideration of sustainability risk). Risk adjustment may also be applied through the application of malus and/or claw back.

## 2.3 *Sustainability Risk*

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

## 2.4 *Malus and clawback*

All share or notional fund unit based variable remuneration, and where required, cash-based remuneration, must include discretion to reduce unvested variable remuneration (malus) and discretion to clawback vested variable remuneration (clawback) in circumstances deemed appropriate by the Committee. Circumstances include but are not limited to a material misstatement of the Group's audited financial statement; any failure of risk management, fraud or other material financial irregularity; material corporate failure; an error in the information or assumptions on which the award was granted, vests or is released as a result of erroneous or misleading data or otherwise and serious misconduct by a participant or otherwise.