News release

22 March 2022

M&G plc Annual Report and Accounts 2021

Following the release by M&G plc (the "Company") on 8 March 2022 of the Company's 2021 Full Year Results Announcement for the year ended 31 December 2021, the Company announces that it has today issued the 2021 Annual Report and Accounts ("Annual Financial Report").

The document is available to view on the Company's website and, in accordance with Listing Rule 9.6.1, a copy has been submitted to the National Storage Mechanism and will shortly be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism

Printed copies of the Annual Financial Report are expected to be mailed to shareholders on or around 13 April 2022, together with the Company's 2021 Notice of Annual General Meeting, in line with shareholder communication preferences.

Enquiries

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Notes to Editors:

Information required under the Disclosure & Transparency Rules ("DTR")

The following information is extracted from the M&G plc Annual Report 2021 (page references are to pages in the Annual Report) and should be read in conjunction with M&G plc's Full Year Results announcement issued on 8 March 2022. Together they constitute the material required by DTR 6.3.5(1) to be communicated to the media in unedited full text through a Regulatory Information Service. This material is not a substitute for reading the M&G plc Annual Report 2021 in full.

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Classification: 1.1 Annual Financial Report

About M&G plc
M&G plc is a leading international savings and investments business, managing money for both individual savers and institutional investors in 28 markets. As at 31 December 2021, we have £370 billion of AUMA, over 5 million retail customers and more than 800 institutional clients.

With a heritage dating back more than 170 years, M&G plc has a long history of innovation in savings and investments, combining asset management and insurance expertise to offer a wide range of solutions. We serve our savings and insurance customers under the Prudential brand in the UK and Europe, and under the M&G Investments brand for asset management clients globally.

News release

Principal risks and uncertainties

1 Business environment

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
Changing customer preferences and economic and political conditions could adversely impact our ability to deliver our strategy and have implications for the profitability of our business model. **The markets in which we operate are highly competitive while customer needs and expectations are changing rapidly.** **Economic factors, including those resulting from the COVID-19 pandemic, may impact the demand for our products and our ability to generate an appropriate return. In addition, increased geopolitical risks and conflicts, and policy uncertainty, may impact our products, investments and operating model.** **Our key savings proposition, PruFund, accounts for a significant proportion of our total sales and we are also significantly reliant on the intermediated channel for sales of savings solutions. This heightens our exposure to changing economic conditions and customer preferences.** **Our success depends upon our capacity to anticipate and respond appropriately to such external influences.**	We conduct an annual strategic planning process, which is subject to oversight by the Risk function and the Board, and results in an approved strategy. The process considers the potential impact of the wider business environment and, throughout the year, we monitor and report on the delivery of the plan. We continue to diversify our savings and investments business to respond to developing customer needs in terms of products, distribution and servicing. We are also implementing a significant digital transformation programme to deliver a more diversified distribution strategy. We have expanded our operations in Europe to ensure that we can continue to grow and service our European customer base following the UK's departure from the European Union.	In spite of the successful vaccine roll-out in many developed countries (and to a lesser extent in developing countries), COVID-19 and its economic impact continues to be a risk to investment performance across our funds. These headwinds could impact solvency and reduce the value of AUM and therefore fee income. Additionally, we believe competition across all market segments will intensify in response to consumer demand, technological advances, the need for economies of scale, regulatory actions and new market entrants. We have launched a number of new products and work is ongoing to develop new propositions and expand our institutional and international businesses. The conflict in Ukraine has potential to impact our risk profile including but not limited to: adverse and volatile economic and market conditions; impacts on investment performance and underlying assets; increased cyber risk; and regulatory risk from sanctions. The uncertainty around these impacts requires us to continually monitor and assess developments. We have responded to events by mobilising resources and standing up incident response protocols. This includes bringing together colleagues from across the business to provide an enhanced monitoring and decision-making capability. These protocols allow us to effectively manage risks for our stakeholders and respond to potential adverse impacts in a timely manner.	2 3 4 5 6	Neutral

2 Sustainability and ESG

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last
Our stakeholders increasingly expect that we meet the needs of the present without compromising the ability of future generations to meet their own needs. In addition we recognise that sustainability, including issues concerning the climate, diversity and inclusion, corporate governance and biodiversity, is crucial to our success and that of the companies in which we invest. **A failure to address and embed sustainability within our products, business and operating model could adversely impact our profitability, reputation and plans for growth.**	Sustainability risks are identified, assessed and managed under the M&G plc ESG Risk Management Framework and Policy, which was developed in 2021 and is currently being embedded. Consideration of ESG Risk is built into the decision-making processes and a requirement of key strategic board risk assessment papers. Climate change risk is being integrated into our scenario analysis process with both top down and bottom up consideration over a range of time horizons leveraging the Bank of England's	Following COP26, governments have committed to take action to reduce emissions in the coming years, with further more ambitious action needed to meet the goal of restricting end Century temperature increases to well below 2C. We have made specific firm-wide public commitments in respect of Sustainability issues and we continue to embed sustainability and ESG principles within our products (e.g. launch of PruFund Planet), business and operating model to ensure that we meet the expectations of a wide range of stakeholder groups.	1 2 3 4 5 6	Increased

3 Investment performance

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last
The investment objectives and risk profiles of our funds and segregated mandates are agreed with our customers and clients. A failure to deliver against these objectives (including sustained underperformance of funds), to maintain risk profiles that are consistent with our customers and clients expectations, or to ensure that fund liquidity profiles are appropriate for expected redemptions may all lead to poor customer outcomes and result in fund outflows. If these risks materialise for our larger funds or a range of funds, our profitability, reputation and plans for growth may be impacted.	Our fund managers are accountable for the performance of the funds they manage and the management of the risks to the funds. An independent Investment Risk and Performance team monitors and oversees fund performance, liquidity and 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	The impact of the COVID-19 pandemic on economies may continue to cause sharp movements in market values, interest rates, dividend levels, rental income and defaults, all of which could adversely impact investment performance and fund flows. While market volatility persists and customer confidence remains low, there is a risk of a deterioration of fund flows. Ensuring that our customers understand the risks to which they are exposed, including liquidity risk, and delivering strong fund performance will be key to our success.	2 3 4 5 6 7	Neutral

4 Credit

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last
We are exposed to the risk that a party to a financial instrument, banking transaction or reinsurance contract causes a financial loss to us by failing to discharge an obligation. In the case of invested assets this relates to the risk of an issuer being unable to meet their obligations, while for trading or banking activities this relates to the risk that the counterparty to any contract the business enters into is unable to meet their obligations. Our solvency is also exposed to changes in the value of invested credit assets arising from credit spread widening and/or	Our Credit Risk Framework sets standards for the assessment, measurement and management of credit risk, which are monitored by a dedicated, independent team. We set and regularly review limits for individual counterparties, issuers and ratings, and monitor exposures against these limits. Our policy is to undertake transactions with counterparties and invest in instruments of high quality. We have collateral arrangements in place for derivative, secured lending, reverse repurchase and reinsurance transactions.	Our credit risk exposure is expected to reduce over time as our annuity business runs off. In the near term, there remains a risk of deterioration in credit conditions as a result of the ongoing market effects of the COVID-19 pandemic. Through our annuity portfolios in particular, we are exposed to excess downgrades and defaults, and to credit spread widening. However, trading over the last decade has led to a significant increase in the proportion of secured assets and a defensive and diversified credit portfolio.	**2** **3** **4** **5** **6** **7**	**Decreased**

5 Market

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last

Our profitability and solvency are sensitive to market fluctuations. Significant changes in the level or volatility of prices in equity, property or bond markets could have material adverse effects on our revenues and returns from our savings and investment management businesses, while exchange rate movements could impact fee and investment income denominated in foreign currencies. Furthermore, material falls in interest rates may increase the amount that we need to set aside in order to be able to meet our future obligations.	Market risk appetite is set and monitored to limit our exposure to key market risks, and we have prescribed limits on the seed capital provided for new funds. Where appropriate, and subject to risk limits and procedures, we use derivatives for risk reduction, for example, to hedge equities, interest rates and currency risks, and we carry out regular reviews of hedging and investment strategies, including asset-liability matching, informed by stress testing. We have procedures in place to respond to significant market events and disruptions, bringing together colleagues from across the business to provide an enhanced monitoring and decision-making capability.	Our market risk exposure is expected to decrease given the majority of new products being sold contain minimal exposure to financial risks. Due to unusually accommodative monetary policies implemented by central banks globally, there is a risk of market volatility as and when these are unwound, in particular if this is carried out in an un-coordinated manner. In the course of this process, sentiment in the financial markets may also be impacted by potential rising inflation expectations, with subsequent negative impacts on the value of some asset classes, in particular fixed income securities.	**2** **3** **4** **5** **6** **7**	**Decreased**

6 Corporate liquidity

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last
We must carefully manage the risk that we have insufficient cash resources to meet our obligations to policyholders and creditors as they fall due. This includes ensuring each part of our business and M&G plc as a whole has sufficient resources to cover outgoing cash flows, under a range of severe but plausible scenarios.	Risk appetite is set such that we maintain adequate liquid resources and our liquidity position is regularly monitored and stressed. We have detailed liquidity contingency funding plans in place to manage a liquidity crisis. Liquidity, cash and collateral is managed for the Group by Prudential Capital, which holds liquid, high grade assets and has	We expect the nature of our exposure to liquidity risk, and our approach to managing the risk, will remain materially unchanged in the short term.	**2** **3** **4** **5** **6** **7**	**Neutral**

7 Longevity

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last

We make assumptions regarding the life expectancy (longevity) of our customers when determining the amount that should be set aside to pay future benefits and expenses. Unexpected changes in the life expectancy of our customers could have a material adverse impact on both profitability and solvency. This risk mainly arises from our large annuity book and, although we no longer write new annuity business in the open market, the size of the back-book remains significant.	We conduct annual reviews of longevity assumptions, supported by detailed assessments of actual mortality experience and have a team of specialists undertaking longevity research. We perform regular stress and scenario testing to understand the size of the longevity risk exposure. We have undertaken longevity risk transfer transactions, where attractive financial terms are	The pace of longevity improvements among the annuitant population has slowed in recent years. Additionally, as our closed non-profit annuity book runs-off our longevity exposure is expected to reduce over the longer term.	6 7	Neutral

8 Operational

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last
A material failure in the processes and controls supporting our activities, that of our third party suppliers or of our technology could result in poor customer outcomes, reputational damage, increased costs and regulatory censure. We have a high dependency on technology and the loss or sustained unavailability of key hardware or software, inadequate information security arrangements and ineffective use of digital solutions could impact our ability to operate effectively. Additionally, serious failings in the delivery and/or persistent under performance of third party supplier arrangements could impact the delivery of services to our customers.	Our Operational Risk Framework defines our approach to the identification, assessment, management and reporting of operational risks and associated controls across the business including IT, data and outsourcing arrangements. Our security control environment has matured as a result of continued focus from the Technology leadership team and the multi-year Strategic Secure Programme continues to strengthen the cyber posture. We have enhanced our oversight and risk management of third parties across M&G plc, including our approach to selection, contracting and	Exposure to technology risk remains material, driven by our digital footprint, higher levels of hybrid working and the evolving external cyber-threat landscape. Our strategic technology programmes will continue to enhance our control environment through 2022. Our dependency on third parties for critical activities such as customer engagement, investment management, fund administration is reflected in our ongoing focus on managing third party risks. Our enhanced approach is designed to provide a scalable and sustainable oversight model.	1 2 3 4 5 6 7	Decreased

9 Change

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last

We have a number of significant change and transformation programmes underway to deliver our strategy for growth, key financial and non-financial benefits (including cost savings, improved customer experiences, greater resilience and strengthening our control environment) and regulatory change. Failure to deliver these programmes within timelines, scope and cost may impact our business model and ability to deliver against our business plan and strategy.	Project governance is in place (including oversight) with reporting and escalation of risks to management and the Board. Our Strategic Investment Board is responsible for prioritization decisions, ensuring that the activities that maximise our ability to achieve the business plan, key regulatory items and growth activity are delivered and funded appropriately. We employ a suite of metrics to monitor and report on the delivery, costs and benefits of our transformation programmes. We conduct	One of the most visible impacts of COVID-19 has been the rapid acceleration of digital transformation and digital adoption in the general population. We remain committed to our extensive change programme which underpins our strategy for growth, meet appropriate cost base targets, deliver a number of key non-financial benefits (including improved customer experiences and outcomes, digital transformation and strengthened resilience), and meet regulatory requirements. Our exposure to change risk will therefore remain material.	**1 2 3 4 5 6 7**	**Neutral**

10 People

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last
The success of our operations is highly dependent on our ability to attract, retain and develop highly qualified professional people with the right mix of skills and behaviours to support our business strategy and culture. **As a large and listed public company, and as we continue to implement our change programme, our people risk and associated reputational impact is heightened in a number of areas including our pay practices, staff workloads and morale, the conduct of individuals or groups of individuals and industrial relations (our own and that of key third party providers).**	Our HR Framework includes policies and standards for Diversity and Inclusion, Employee Relations, Remuneration, Talent, Resourcing, Performance and Learning. The framework is designed to align staff objectives and remuneration to our business strategy and culture. Our management and Board receive regular reporting on people issues and developments, for example, the succession plans for critical talent, the management of industrial relations, pay, culture and diversity.	With the reduction of COVID-19 related restrictions in the UK, a cautious and structured approach to the "Return to Office" for UK colleagues, following the reopening of all UK offices in October 2021, is being implemented with consideration of individuals' preferences and safety concerns, whilst ensuring that a sense of community and organisational synergies are maintained. Competition for top talent is expected to remain intense. We continue to increase our investment in leadership and manager development in order to be successful and drive the right culture, behaviour and norms in today's fast changing world.	**1 2 3 4 5 6 7**	**Neutral**

11 Regulatory compliance

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last
We operate in highly regulated markets and interact with a number of regulators across the globe, in an environment where the nature and focus of regulation and laws remain fluid. There are currently a large number of national and international regulatory initiatives in progress, with a continuing focus on solvency and capital standards, financial crime, conduct of business and systemic risks. The consequences of non-compliance can be wide ranging and include customer detriment, reputational damage, fines and restrictions on operations or products.	Accountability for compliance with regulatory and legal requirements sits with our senior management. Our Compliance function supports our businesses by providing guidance to, and oversight of, the business in relation to regulatory compliance and conflicts of interest, and carries out routine monitoring and deep-dive activities to assess compliance with regulations and legislation. A dedicated Group Financial Crime Compliance function is leading the implementation of a strengthened financial crime compliance framework across M&G plc. In 2021, we increased our capabilities and introduced new systems in line with our target operating model and ongoing transformation programme. National and global regulatory developments are monitored	As we continue to expand our international presence and deliver our business transformation, there is an increased dependency on having good working relationships across regulators. The Financial Crime programme continues to progress, and is entering a key phase in the implementation of the operating model and enhancing tools to comprehensively scan and monitor activity. Regulators have an increased focus on governance, senior management, conflicts of interest, culture, fair outcomes for customers, risk management and the control environment.	1 2 3 4 5 6 7	Neutral

12 Reputational

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last

Our reputation is the sum of our stakeholders' perceptions, which are shaped by the nature of their expectations and our ability to meet them. Consequently, there is a risk that through our activities, behaviours or communications, we fail to meet stakeholder expectations in ways which adversely impact trust and reputation. Failure to effectively manage reputational risk could therefore have an adverse impact on our revenues and cost base, our ability to attract and retain the best staff and could also result in regulatory intervention or action.	Our Reputational Risk Management Framework and dedicated Reputational Risk team monitor and report on reputational risks utilizing a suite of metrics to monitor stakeholder groups. We have embedded reputational risk champions within our business and they perform an active role in identifying and monitoring key reputational risks and drivers. The reputational risk champions also support our businesses in creating processes that include full consideration of reputational risks in key decisions.	We still have a relatively new corporate identity, and, as such, we are subject to significant scrutiny over our strategy, commitments and disclosures. Whilst driving our sustainability agenda remains a priority, the ongoing management of other key stakeholders remains key. Additionally, the socio-political climate, together with an increase in activities being undertaken by the business, means that we could face an increasing range and severity of reputational events. The effective management of all stakeholder groups will be necessary for the successful delivery of our strategy and for the ongoing sustainability of the business.	**1** **2** **3** **4** **5** **6** **7**	**Neutral**

[1]Our strategic pillars are:
1. One M&G
2. Revitalise UK
3. Expand Institutional
4. Grow Europe
5. Build International
6. Protect Heritage
7. Active Capital Management and Operational Efficiency

Responsibility statement of the Directors in respect of the annual financial report

The Directors are responsible for preparing the Annual Report and the consolidated and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare consolidated and Company financial statements for each financial year. Under that law they are required to prepare the consolidated financial statements in accordance with UK adopted international accounting standards and applicable law and have elected to prepare the Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that period.

In preparing each of the consolidated and Company financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable, relevant, reliable and prudent;

– for the consolidated financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;

– for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;

– assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

– use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

– the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

– the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

John Foley

Chief Executive

7 March 2022

36 Related party transactions

The Group and its related parties comprise members of the M&G plc Group, as well as the Group's joint ventures and associates, and any entity controlled by those parties.

36.1 Transactions with the Group's joint ventures and associates

The Group received dividends and interest of £21m for the year ended 31 December 2021 (2020: £21m) and made additional capital injections of £nil in the year ended 31 December 2021 (2020: £3m) into joint ventures or associates accounted for using the equity method. In addition, the Group had balances due from joint ventures or associates accounted for using the equity method of £105m as at 31 December 2021 (2020: £133m) and balances due to joint ventures or associates accounted for using the equity method of £nil as at 31 December 2021 (2020: £nil). As stated in note 2, PPMSA was no longer accounted for as an associate from 4 July 2021 following the acquisition of a controlling interest.

Furthermore, in the normal course of business a number of investments into and divestments from investment vehicles managed by the Group were made. This includes investment vehicles which are classified as investments in associates and joint ventures measured at FVTPL. The Group entities paid amounts for the issue of shares or units and received amounts for the cancellation of shares or units. These transactions are not considered to be material to the Group.

36.2 Compensation of key management personnel

The members of the Board and the Group Executive Committee are deemed to have power to influence the direction, planning and control the activities of the Group, and hence are also considered to be key management personnel.

Key management personnel of the Company may from time to time purchase insurance, asset management or annuity products marketed by the Group companies in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other persons.

Other transactions with key management personnel are not deemed to be significant either by virtue of their size or in the context of the key management personnel's respective financial positions. All of these transactions are on terms broadly equivalent to those that prevail in arm's length transactions.

The summary of compensation of key management personnel is as follows:

For the year ended 31 December	2021 £m	2020 £m
Salaries and short-term benefits	**12.2**	11.7
Post-employment benefits	**0.6**	0.6
Share-based payments	**7.2**	4.0
Total	**20.0**	**16.3**

Information concerning individual Directors' emoluments, interests and transactions are provided in the single figure tables in the Remuneration Report on pages 130 and 137.

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