



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

Terms of Reference for the Audit Committee

1. Purpose

The Board of M&G plc (the “Board”) has delegated authority to the Audit Committee (the “Committee”) for the functions and powers set out in these Terms of Reference. The Committee has a primary responsibility for oversight of matters relating to financial reporting and internal controls, with respect to the Company and, where indicated the M&G plc Group of Companies (together, the “Group”), in particular reviewing and monitoring:

- The integrity of the financial and narrative statements and market announcements, and disclosures relating to financial performance, including its annual and half yearly reports, preliminary results’ announcements and any other formal announcement relating to its financial performance;
- The assurance processes to verify the financial and non-financial information included in the Annual Report and Half-Year Report;
- The effectiveness of the Group’s internal controls;
- The effectiveness and objectivity of the internal and external audit processes and auditors; and
- The process for compliance with laws, regulations, ethical codes of practice, the UK Corporate Governance Code and the FRC Audit Committees and the External Audit: Minimum Standard (FRC Minimum Standard).

The Committee may sub-delegate any or all of its powers and authority as it thinks fit. The Committee may delegate responsibility to the Committee Chair to execute decisions on its behalf¹.

The Committee receives information, via regular reporting, on entities that are subsidiaries of the Company and form part of the Group. The Committee is not the audit committee for those entities but has responsibility for oversight of any issues escalated to it by Group subsidiaries, including but not limited to compliance with Group’s accounting policies, management judgements in relation to financial and non-financial reporting and the appointment of external auditor.

Where there is a perceived overlap of responsibilities between the Committee and the Risk Committee, the respective committee chairs will have the discretion to agree the most appropriate committee to fulfil any obligation.

The Committee reports to the Board on its activities and any matters which require escalation.

¹ In these instances, the Committee Chair would, where appropriate, solicit the views of fellow Committee members.



2. Constitution of the Committee

The Committee (including the Chair) will comprise of at least three members, all of whom shall be independent non-executive directors.

The Chair of the Risk Committee shall be a member of the Audit Committee. At least one member of the Committee will have recent and relevant financial experience. The Committee as a whole shall have competent knowledge of the financial services sector.

The Chair of the Committee shall be appointed by the Board from among the independent non-executive directors.

3. Attendance

Only members have the right to attend Committee meetings. The Committee may invite any director, executive, independent auditor or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the satisfaction of its responsibilities.

The Board shall appoint members of the Committee following recommendation by the Nomination Committee, in consultation with the Chair of the Committee.

Members are expected to attend Committee meetings in person where possible, but may also attend by telephone or video conference.

4. Meetings and Quorum

The Committee shall meet with sufficient notice and with such frequency and at such times as it may determine.

The quorum for meetings is two members, including the Chair (or his/her delegate from among the members).

The General Counsel and Company Secretary, or their nominee, shall act as the secretary of the Committee.

5. Responsibility of the Chair

The Chair's role requires:

- Fostering an open, inclusive and, where appropriate, challenging discussion;
- Ensuring the Committee has the information necessary to perform its tasks and devote sufficient attention to the matters within its remit;



- Facilitating the running of the Committee to assist it in providing independent oversight of executive decisions;
- Safeguarding the independence and overseeing the performance of Internal Audit (“IA”) function;
- Reporting to the Board on the Committee’s activities; and
- [Attending the Annual General Meeting.]

6. Areas of Responsibility

Financial reporting

- Monitor and critically assess the integrity of financial statements of the Company, and any formal announcements and supplementary regulatory information relating to the Company’s financial performance, and recommend any relevant matters for approval by the Board;
- Review significant financial reporting issues, estimates and judgements made by Management in relation to financial reporting, as well as reviewing any material changes to the Group’s accounting policies and recommending for approval by the Board;
- Review the clarity and completeness of disclosures in the financial statements and whether the disclosures made are set properly in context, as well as any changes proposed to those disclosures;
- Review the methods used to account for significant or unusual transactions (including any off balance sheet arrangements) and whether the application of these have appropriately complied with the Group’s accounting policies;
- Review going concern assumptions and the viability statement;
- Review any other statements which contain financial information ahead of approval by the Board where required²; and
- Monitor compliance with accounting standards, listing rules, corporate governance codes and other relevant requirements relating to financial reporting.

² Consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Regulation Rules or Disclosure Guidance and Transparency Rules sourcebook



Climate and non-financial reporting

- Review significant estimates and judgements made by Management in relation to climate-related and other non-financial reporting, as well as reviewing the sustainability-related metrics and targets for the Group, and recommending for approval by the Board; and
- Review the appropriateness of key assumptions and methodology used to prepare the sustainability-related and non-financial metrics and targets for the Group.

Narrative Reporting and Disclosure

- Review the content of the Company's Annual Report and Accounts ('Annual Report'), including associated narrative statements, and advise the Board on whether: (i) taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy; and (ii) they inform the Board's statement on these matters as required under the UK Corporate Governance Code.
- Review the reporting in the Annual Report and any other material public documents in respect of sustainability and climate-related matters for compliance with relevant regulations and legislation and standards, including but not limited to the climate-related financial disclosures required by the UK Listing Rules;
- Consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts;
- Consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, or misconduct, and consider whether any such failings or weaknesses are significant and therefore require disclosure;
- Approve the Audit Committee Report for inclusion in the Annual Report; and
- Review any significant or unusual items that may need to be highlighted in the Annual Report by the external auditor.

Internal Controls

- Review the effectiveness of the Group's internal controls, with input from the Board and relevant Board Committees on controls relevant to their respective responsibilities, including: (i) how effectively Management is embedding and maintaining a strong internal control environment, and (ii) (together with the



Risk Committee where appropriate) actions to remediate controls which are identified as not operating effectively;

- Review the assurance reports from: i) Management on the effectiveness of the internal control environment and ii) Internal Audit function, the external auditor and other relevant functions on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the Board to satisfy itself that they are operating effectively;
- Oversee the framework for, and outputs from, monitoring and assurance activities over the Group's internal controls including areas for enhancement;
- Consider any findings of major investigations of internal controls, including Management's response and the conclusions of any testing carried out by the business line, Risk and Compliance and Internal Audit function or the external auditor;
- Review all significant deficiencies and material weaknesses in the design or operation of internal controls related to financial reporting, and associated remediation plans. Additionally, review other material control deficiencies in the broader control environment which are identified by management, Internal Audit or the external auditors;
- Review, and recommend for approval by the Board, all internal control-related disclosures within the annual report and other reports required by applicable laws and regulation.

Internal Audit

- Approve the appointment and removal of the Head of the Internal Audit function;
- Review and approve the role and mandate of the Internal Audit function;
- Monitor and review the effectiveness of the Internal Audit function, and ensure an independent review be carried out every five years;
- On an annual basis review and approve the Internal Audit charter ensuring that it is appropriate for the Group's current needs;
- Review and approve the annual Group-wide internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reporting on any internal audit work being carried out, including any proposed changes or delay to the plan;



- Ensure coordination between the Internal Audit function and the external auditor;
- Ensure that the Internal Audit function has unrestricted scope, the necessary resources and appropriate access to information to enable it to perform its function effectively, and in accordance with the appropriate professional standards for internal auditors. The Committee shall also ensure that the function has adequate standing and is free from Management or other restrictions;
- Ensure the Internal Audit function has direct access to the Board Chair and Chair of the Audit Committee;
- Determine whether it is satisfied that the quality, experience and expertise of the Internal Audit function are appropriate for the business; and
- Review and monitor Management's responsiveness to the findings and recommendations of Internal Audit function, and Management's actions to support the effective working of the Internal Audit function.

External Audit

The Committee shall, taking into account any applicable law and legislation, other professional requirements, the UK Corporate Governance Code, FRC guidance (including the FRC Minimum Standard) and the FRC's Revised Ethical Standard (Ethical Standard):

Appointment, reappointment and resignation

- Consider and make recommendations to the Board, to be put to shareholders for approval at the Company's AGM, on the appointment, reappointment or removal of the Company's external auditor;
- Ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms and, in respect of such tender, lead and conduct such tender process and develop and oversee the selection process in accordance with applicable regulatory requirements;
- If any external auditor resigns, investigate the issues leading to this and decide whether any action is required; and
- Evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee, and consider the need to include the risk of the withdrawal of the external auditor from the market in that evaluation.



Terms of engagement

- Oversee the relationship with the external auditor and agree their terms of engagement, including any engagement letter issued at the start of each audit, the scope of the audit and approve their remuneration for audit services, ensuring that the level of fees is appropriate to enable an effective and high quality audit to be undertaken.

Independence and expertise

- Monitor, review and assess on an annual basis:
 - The external auditor's independence and objectivity taking into account the relevant law, the FRC Minimum Standard, the Ethical Standard and other professional and regulatory requirements ; and
 - The qualifications, expertise and resources of the external auditor and, taking into account relevant professional and regulatory requirements, the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- Seek reassurance from the external auditor and their staff and satisfy itself that they have no relationships with the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- On an annual basis, seek information from the external audit firm about, and monitor, the external audit firm's policies and processes for maintaining independence and its compliance with the relevant law, regulation and other professional requirements, the FRC Minimum Standard and the Ethical Standard, including guidance on the rotation of the audit partner and staff; and
- Agree with the Board the Company's policy on employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements and monitor the application of this policy.

Non-audit services

- Develop, approve and monitor the implementation of the Company's formal policy on engagement of the external auditor to supply non-audit services, including the Committee's prior approval of non-audit services, and assessment of whether non-audit services have a direct or material effect on the audited financial statements;
- Ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity, satisfying itself that there are no relationships between the auditor and the Company outside the ordinary



course of business that could adversely affect the auditor's independence and objectivity, or the audit process, and report to the Board on any improvement or action required;

- Keep the policy for the provision of non-audit services under review; and
- Ensure that the Company monitors its non-audit relationships with audit firms to ensure that it has a fair choice of suitable auditors at the next external audit tender.

Audit cycle

- Review and approve the annual audit plan at the start of the audit cycle and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without the executive directors or Management being present, review and discuss the auditor's remit and the findings of the audit including (but not limited to): any major resolved or unresolved issues that arose during the audit, the auditor's explanation of how risks to audit quality were addressed, key accounting and audit judgements, the auditor's view of their interactions with senior management and levels of errors identified during the audit and levels of errors identified during the audit;
- Consider communications from the external auditor on audit planning and findings on material weaknesses in accounting and internal control systems that come to the auditor's attention, including a review of material items of correspondence between the Company and the external auditor;
- Review and approve any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate;
- Review the external auditor's report to the directors and their management letter, including Management's response to the auditor's findings and recommendations;
- Document how effective oversight of the external auditor has been achieved throughout the year;
- At the end of the audit cycle, taking into consideration relevant UK professional and regulatory requirements, assess the effectiveness of the external audit process.



Other Responsibilities

Compliance

- Review and approve the Co-ordinated Assurance Plan, and receive regular reporting on any compliance monitoring work being carried out, including any proposed changes or delay to the compliance monitoring plan;
- Review arrangements established by Management for compliance with prudential regulatory financial reporting and best practice requirements, including comment letters, requirements and recommendations of regulatory or supervisory bodies; and
- Reviewing and approving the Group Solvency & Financial Condition Report ('SFCR').

Fraud

- Review the Company's systems and processes for detecting fraud and perform an annual assessment on the adequacy and effectiveness of these.

Whistleblowing

- Approve the Group's Whistleblowing Policy annually; and
- Review the robustness and adequacy (including the independence, autonomy and effectiveness) of the whistleblowing procedures to ensure that such arrangements allow fair treatment in handling concerns raised, proportionate and independent investigation of such matters and appropriate follow-up action.

Tax

- Approve the content of the Company's Tax Strategy Statement for publication on the Company's website.

Resourcing

- Review the adequacy of resources and expertise for the Global Finance function.

Audit committees of the Company's Principal Subsidiaries

The Group's principal subsidiary companies are shown in Appendix 1 attached to these terms of reference. The Committee's responsibilities in relation to these subsidiary companies are as follows:



- To review core terms of reference for adoption by such principal subsidiary company committees with responsibility for oversight of audit within the Group and endorse material deviations; and
- To work and liaise as necessary with the Group's principal subsidiaries and their audit committees (setting clear expectations for the latter). In exercising its responsibilities, the Committee will review reports submitted by the principal subsidiary chairs, including issues and other matters considered at their respective audit committees in relation to financial performance, financial/accounting-related issues and judgements, and the control environment.

7. Operation of the Committee

The Committee:

- Shall annually review these terms of reference and its own effectiveness as well as the quality of information it receives and recommend any necessary changes;
- May request any information it considers appropriate from any of the audit committees of the Company's subsidiaries; and
- Is authorised by the Board to engage special counsel, advisers, experts, or other consultants and have access to such resources including employees as the Committee may consider appropriate.



Appendix A

Group Audit Committee Terms of Reference

Principal Subsidiary companies of M&G plc:

- The Prudential Assurance Company Limited
- M&G Group Limited

Approved by the Board on 26 February 2025

Approval History

Date	Version	Approved By	Details
26 February 2025	V6	Board	Annual Review
28 February 2024	V5	Board	Annual Review
14 December 2022	V4	Board	Annual Review
14 December 2021	V3	Board	Annual Review
02 December 2020	V2	Board	Annual Review
22 July 2019	V1	Board	Inaugural TOR