News release

23 March 2023

M&G plc Annual Report and Accounts 2022

Following the release by M&G plc (the "**Company**") on 9 March 2023 of the Company's 2022 Full Year Results Announcement for the year ended 31 December 2022, the Company announces that it has today issued the 2022 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 2023, together with the Company's Notice of Annual General Meeting, in line with shareholder communication preferences.

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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 2022 (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 9 March 2023. 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 2022 in full.

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Classification: 1.1 Annual Financial Report

About M&G plc

M&G plc is an international savings and investments business, managing money for around 5 million retail customers and more than 800 institutional clients in 26 markets. As at 31 December 2022, we had £342 billion of assets under management and administration. Our purpose is to help people manage and grow their savings and investments, responsibly.

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 retail and savings customers under the M&G Wealth and Prudential brands in the UK and Europe, and under the M&G Investments brand for asset management clients globally.

Principal risks and uncertainties

Key:
Strategic Priorities
1. Maintain our financial strength
2. Simplify our business
3. Deliver profitable growth

1 Business environment and market forces

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
Changing client preferences, together with economic and political conditions, could adversely impact our performance against our strategy. **We operate in highly competitive markets, while our client needs and expectations are changing rapidly. Economic factors, including heightened levels of inflation, may impact product demand and our ability to generate an appropriate return.** **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 inflows. We are also reliant on our intermediated channel for savings solutions sales. This heightens our exposure to changing economic conditions and client preferences.** **Our success depends upon our capacity to anticipate and respond to these external influences.**	Our annual strategic planning process is overseen by the Risk function and the Board, and results in our approved strategy. The process of strategy approval considers the potential impact of the wider business environment and economy. Throughout the year, we monitor and report on the delivery of this plan. The new M&G plc Group Chief Executive Officer commenced in role during 2022, with changes to M&G plc Executive Committee and the organisational structure made shortly thereafter. This included decentralisation and increased accountability for delivery of the Business Plan for the CEOs of the Retail and Savings and Asset Management business units.	Macroeconomic headwinds are expected to continue during 2023 including inflationary pressures, rising interest rates, UK political instability, heightened recessionary fears in Europe and US and geopolitical instability. These headwinds may have an impact on investment performance and strategy. The market continues to evolve with a convergence of asset management and wealth, and changes to the value chain. There continues to be competitive pressure on fees and an acceleration of pension de-risking. Prioritisation of investment and the successful delivery of initiatives is required to achieve our Business Plan.	1, 2, 3	Increased

2 Sustainability and ESG

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

A failure to address and embed sustainability considerations within our strategy, products, operating model, communication approach and our internal/ external changing landscape could adversely impact on our financial performance, reputation and future growth. Consequently we recognise the risk and opportunity of sustainability in our business and the companies we invest in. **We consider and act upon a broad range of issues including those concerning greenwashing, climate impact, diversity and inclusion, and corporate governance.** **ESG Risk is considered in three broad dimensions: Inside out – how our business impacts on the planet and society, as we seek to create and drive value for our clients; Outside in – the impact of ESG factors on our organisation, ensuring that any "real time" response aligns to our positioning on ESG; Reputation – Our ability to meet a range of key stakeholder expectations on sustainability and ESG issues, whilst reinforcing our brand values of care and integrity.**	Recognising the complex range of risks that sit under ESG, we have developed a specific ESG risk management framework to further enhance our approach to the identification, assessment and management of ESG risks, based on the three lines of defence model. The framework is supported by the ESG Risk Policy, which articulates our ESG risk appetite and sets out key business requirements. The ESG risk management framework consists of five core components: ESG risk culture; identifying and assessing ESG risk; managing and reporting effectively on ESG risk; embedding risk governance; and protecting reputation. Consideration of ESG Risk is built into the decision-making processes and a requirement of key strategic board risk assessment papers and regular reporting. Climate change risk is integrated into our scenario analysis process with both top down and bottom up consideration over a range of time horizons.	The importance of robust ESG risk management and controls will continue to grow as the industry further develops its approach to ESG, addressing issues such as the quality of ESG data, greenwashing, enhancement of climate change methodologies and implementation of regulatory requirements. We anticipate the external ESG risk environment to continue to develop, with climate physical and transition risks accelerating, biodiversity emerging and social issues continuing to be important. As ESG approaches continue to mature, we expect enhanced scrutiny from various stakeholder groups, including clients, investors and regulators. Associated with increased scrutiny is the ability to manage greenwashing risk. Greenwashing has the potential for long-term impact upon reputational risk if expectations and deliverables are not met. Sustainability disclosures, driven by regulatory reporting requirements, will continue to improve transparency, consistency and comparability. We will implement enhancements to our reporting capabilities to meet developing reporting requirements.	1, 2, 3	Neutral

3 Investment risk

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
We agree investment objectives and risk profiles of our funds and segregated mandates with our clients. **A failure to deliver against these objectives (including sustained underperformance of funds), to maintain risk profiles that are consistent with our clients' expectations, or to ensure that fund liquidity profiles are appropriate for expected redemptions may all lead to poor client outcomes and result in fund outflows.** **If these risks materialise for our larger funds or a range of funds, it may impact our profitability, reputation and growth plans.**	Our fund managers are accountable for the performance of the funds they manage, and management of the risks to the funds. Independent Investment Risk and Performance teams monitor and oversee 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 liquidity risks.	Strong investment performance underpins the success of our business. Absolute performance was impacted by headwinds of rising interest rates, inflation and recessionary fears during 2022 with these set to continue in 2023. Sustainable strategies have also faced headwinds as they are underweight in energy and materials sectors which have performed well recently. Underperformance is expected to be recovered over the longer term as these trends are expected to be cyclical in nature.	1, 3	Increased

4 Credit

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
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. **For 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, or credit rating downgrades.**	Our Credit Risk Policy sets standards for assessing, measuring and managing credit risk, 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 for derivatives, secured lending, reverse repurchase agreements and reinsurance transactions.	Our credit risk exposure is expected to reduce over time as our annuity business runs off. In the near term, threats to credit sectors arise from the deteriorating economic environment. We continue to monitor and review our credit risk exposures, including assessments of the impact (including any indirect/second order impacts) for the shareholder annuity fund of a potential downgrade of the UK government credit rating. 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.	1, 3	Increased

5 Market

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
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.** **Exchange rate movements could impact fee and investment income denominated in foreign currencies.** **Material falls in interest rates may increase the amount we need to set aside 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 - to hedge equities, interest rates and currency risks, for example. We review regularly our hedging and investment strategies, including asset-liability matching, informed by stress testing. We have procedures to respond to significant market events and disruptions, bringing together colleagues across M&G to provide an enhanced monitoring and decision-making capability.	Our market risk exposure is expected to remain broadly level over the Business Plan period, primarily driven by PruFund new business sales offset by the runoff of existing in-force business. 2022 was a challenging year for most global equity and fixed income markets. Persistent inflationary pressures, recessionary fears across Europe, central bank tightening (through increase in interest rates and unwinding of quantitative easing) and rising geopolitical risk continue to drive negative market sentiment. Surging energy prices and supply chain disruptions driven by China's zero Covid policy continue to adversely impact markets, posing a longer-term risk to market stability, although gas prices have started to reduce in late 2022/ early 2023 and China has relaxed some Covid restrictions.	1, 3	Neutral

6 Corporate liquidity

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
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 access to external funding.	We expect the nature of our exposure to liquidity risk to remain materially unchanged in the short term. We maintain strong liquidity buffers and continue to investigate options and management actions to further strengthen the liquidity position.	1	Neutral

7 Insurance

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
We are exposed to the risk of loss or of adverse change in the financial situation of our business, or that of our clients, resulting from changes in the level, trend, or volatility of mortality; longevity; morbidity; persistency; expense and margin pricing experience. **We make assumptions regarding the life expectancy (longevity) of our clients when determining the amount that should be set aside to pay future benefits and expenses. Unexpected changes in the life expectancy of our clients could have a material adverse impact on both profitability and solvency. This risk mainly arises from our large annuity book and, although we currently do not 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 insurance risk exposures. We have undertaken longevity risk transfer transactions, where attractive financial terms are available from suitable market participants.	Our exposure to insurance risk is expected to reduce over the near term mainly driven by a projected reduction in longevity risk, as the closed non-profit annuity book runs-off. Expense risk is also projected to reduce, driven by the run-off of the non-profit annuity business partially offset by increases in PruFund new business.	1, 3	Neutral

8 Operational

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
A material failure or operational disruption in the processes and controls supporting our activities, that of our third-party suppliers or of our technology could result in poor client outcomes, reputational damage, increased costs and regulatory censure. **We are highly dependent 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, or persistent under performance of third-party supplier arrangements, could impact the delivery of services to our clients.**	Our Operational Risk Policy defines our approach to identifying, assessing, managing and reporting operational risks and associated controls across the business - including IT, data and outsourcing arrangements. We apply business continuity and crisis management requirements across M&G. Our key business services and the critical shared services on which they rely need an enhanced approach to avoid causing intolerable harm. We achieve this through our risk-based approach, which considers the harm a service could cause if disrupted. We created our Technology Key Control framework in line with recognised best practice, including the Information Security Forums Standard of Good Practice and Control Objectives for Information and Related Technologies Governance and Management Objectives. We have enhanced oversight and risk management of third parties across M&G, including our approach to selection, contracting and onboarding, management and monitoring, and termination and exiting.	Positive progress was made across the business during 2022 in building on the risk and control framework foundations previously put in place. We are focused on fully embedding the framework and reaching operational maturity. The increased cyber-security threat arising from geopolitical tensions and the continually evolving external cyber-threat landscape, technological disruption and data loss remains a significant threat both to our business and that of our third party suppliers. Our sustainable secure programme continues to improve the control environment by delivering additional security capabilities.	1, 2	Neutral

9 Change

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
We have a number of significant change programmes underway to deliver our strategy for growth, key financial and non-financial benefits (including cost savings, improved client experiences, greater resilience and strengthening our control environment) and regulatory change. Failure to deliver these programmes within timelines, scope and cost with our available people and skill-set capacity 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 Efficiency Board is responsible for prioritisation 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 regular deep-dive assessments of transformation programmes, individually and collectively.	Our strategy and the business plan is underpinned by a number of change activities which are expected to drive fund flows and efficiencies. As we simplify the way we operate, our change activities will strengthen critical capabilities to streamline how we serve our clients. Careful prioritisation of investment spend and delivery within expected timescales is required to achieve our Business Plan outcomes.	1, 2, 3	Neutral

10 People

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
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 positive culture and growth. **As a large and listed public company, and as we continue to re-focus our strategy, our people risk and associated reputational impact is heightened in areas including our pay practices, workloads and morale, the conduct of colleagues or groups of colleagues, and industrial relations (our own and that of key third-party providers).**	Our HR framework is designed to align colleague objectives and remuneration to our business strategy and culture. It includes policies and standards for diversity and inclusion, employee relations, remuneration, talent, resourcing, performance and learning. Our management and Board receive regular reporting on colleague issues and developments, for example: succession plans for critical talent; management of industrial relations; pay; culture and diversity. We conduct regular surveys to better understand our colleagues' views on our business and culture. Findings from these surveys drive actions that improve our colleagues' experience.	We remain focused on culture and work on our culture programme continues with our core foundations of having a safe and respectful organisation. Colleague responses to our regular surveys reflected their belief that people are treated with respect and dignity in our organisation, and that they feel it is safe to speak their mind. Our surveys have also highlighted some uncertainty amongst colleagues, this being predominantly driven by the cost of living crisis. Our 2023 annual salary review focused on giving a greater percentage increase to staff at the lower end of the salary scale and a cost of living support payment was also made to UK Colleagues during 2022 with a commitment for a further payment to be made in 2023.	2, 3	Neutral

11 Regulatory compliance

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
We operate in highly regulated markets and interact with regulators across the globe, in an environment where the nature and focus of regulation and laws remain fluid. **There are a large number of national and international regulatory initiatives in progress, with a focus on solvency and capital standards, financial crime, conduct of business and systemic risks.** **There are wide-ranging consequences of non-compliance or failing to adequately consider regulatory expectations, standards or principles, including client 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, Financial Crime Compliance and conflicts of interest, and carries out routine monitoring and deep-dive activities to assess compliance with regulations and legislation. National and global regulatory developments are monitored and form part of our engagement with government policy teams and regulators, which includes updates on our responses to the changes.	In December 2022, the Chancellor of the Exchequer announced a set of reforms to drive growth and competitiveness in the financial services sector. These 'Edinburgh Reforms' will increase the volume and pace of regulatory change that will be introduced in the coming years and are also likely to accelerate the UK's regulatory divergence from the EU. Aligned to our strategic objectives, ESG and international expansion will also be key areas of focus. We have activities underway addressing these priorities and are engaged with our regulators on delivery in line with their expectations.	1, 2, 3	Neutral

12 Reputational

Principal risk	Management and mitigation	Outlook	Strategic Priorities[1]	Change from last year
Our reputation is the sum of our stakeholders' perceptions, which are shaped by the nature of their expectations and our ability to meet them. There is a risk that through our activities, behaviours or communications, we fail to meet stakeholder expectations and adversely impact trust and reputation in M&G or our brands. **Failure to effectively manage reputational risk could impact our revenues and cost base, our ability to attract and retain the best staff and potential regulatory intervention or action.**	Our Reputational Risk Management framework and dedicated Reputational Risk team monitor and report on reputational risks, using a suite of metrics to monitor stakeholder groups. We have embedded Reputational Risk Champions throughout our business. They perform an active role in identifying and monitoring key reputational risks and drivers. They also support our businesses by creating processes that include full consideration of reputational risks in key decisions.	We have a relatively new corporate identity, with a newly appointed Group Chief Executive Officer and so we are subject to significant scrutiny from different stakeholders. Key to managing evolving stakeholder expectations is the need to address the material aspects of sustainability risk, in addition to our current sustainability priorities – climate change and diversity and inclusion.	1, 2, 3	Neutral

13 Conduct				
Principal risk	**Management and mitigation**	**Outlook**	**Strategic Priorities[1]**	**Change from last year**
There is a risk that through the acts or omissions of the firm, or individuals within the firm, we deliver poor or unfair outcomes for clients, colleagues, or other stakeholders, or that we affect market integrity.	Observing the proper standards of conduct in all its forms is essential at M&G. Due to the broad nature of conduct risk, management is pervasive and reflected in policy and processes including our Code of Conduct and our Conflict of Interest, Market Abuse and Investment Communications Recording policies. Our Asset Management business has launched a Conduct Management Framework to provide a consistent process for conduct management in relation to these policies and our Retail and Savings business is undertaking a Consumer Duty programme.	The FCA Consumer Duty regime which will come into effect on 31 July 2023 (for new and existing products and services) requires firms to deliver good client outcomes with focus on four areas (products and services, price and value, consumer understanding and consumer support) and to consider the needs, characteristics and objectives of clients at every stage of the customer journey.	1, 2, 3	Neutral

Statement of Directors’ Responsibilities and Financial information

The Directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law).

Under company law, 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 profit or loss of the Group for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s and Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors’ Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that 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 and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Directors' Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors

Andrea Rossi
Group Chief Executive Officer
9 March 2023

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 £91m for the year ended 31 December 2022 (2021: £21m) from 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 £88m as at 31 December 2022 (2021: £105m) and balances due to joint ventures or associates accounted for using the equity method of £nil as at 31 December 2022 (2021: £nil).

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	2022 £m	2021 £m
Salaries and short-term benefits	**11.4**	12.2

Post-employment benefits	**0.5**	0.6
Share-based payments	**4.8**	7.2
Total	**16.7**	20.0

Information concerning individual Directors' emoluments, interests and transactions are provided in the single figure tables in the Annual Report on Remuneration on pages 141 and 145.

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