



M&G plc

Annual Report and Accounts 2025

2025 Financial highlights

KPM APM
Assets Under Management and Administration (AUMA)[i]
£375.9bn
(2024: £345.9bn)

KPM APM
Shareholder Solvency II coverage ratio
242%
(2024: 223%)

KPM APM REM
Net flows from open business
£7.8bn inflow
(2024: £1.9bn outflow)

KPM
IFRS result after tax
£314m
(2024: £(347)m)

KPM APM REM
Adjusted operating profit before tax
£838m
(2024: £837m)

KPM APM REM
Operating capital generation
£765m
(2024: £933m)

KPM APM REM
Operating change in Contractual Service Margin (CSM)
£246m
(2024: £294m)

KPM
Dividend per share (ordinary)
20.5p
(2024: 20.1p)

Key

KPM Key performance measure
APM Alternative performance measure
REM Linked to remuneration measures for Executive Directors

i All financial measures are defined in Supplementary Information on pages 323-324.

Actively invested

At M&G, we have 175 years of experience navigating challenges and opportunities – whether that's managing investments, supporting saving, providing financial advice or offering retirement solutions – to help give people and businesses the confidence to put their money to work.



Actively invested in...

peace of mind

Through access to our PruFund offering we help customers grow their money over the long term while smoothing the impact of short-term market volatility.

A steadier way to grow and protect customers' money

PruFund is a group of globally diverse, multi-asset funds, designed to deliver more predictable long-term returns for customers, by reducing the impact of short-term market volatility through its smoothing mechanism. PruFund is part of M&G's £134 billion With-Profits Fund and through access to our market leading investment expertise, PruFund invests in a wide range of assets in the UK and internationally, including private and public markets, real estate and infrastructure: assets as diverse as Seeker Music's chart topping back catalogue, Manchester's Arndale shopping centre and African solar energy distributor Sun King. Trusted by over 500,000 customers, PruFund hit a record £69.8 billion assets under management at the end of 2025.

▶ **Find out more about Seeker Music** on page 10

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group.mandg.com

▶ **A Glossary of terms used in this report is available** at group.mandg.com

Parts 1 and 2 together comprise M&G plc's Annual Report and Accounts for the purposes of Section 423 of the Companies Act 2006.

The Strategic Report presented in our Annual Report and Accounts for the year ended 31 December 2025 has been prepared in accordance with the Companies Act 2006 and the Disclosure and Transparency Rules (DTR) issued by the FCA. The Risk management section describes the principal risks and uncertainties on pages 42-48.

In preparing this Strategic Report we have considered the guidance issued by the Financial Reporting Council.

The Strategic Report was approved by the Board of Directors on 11 March 2026 and signed on their behalf by:

Andrea Rossi
Group Chief Executive Officer

A guide to using this report

For optimal experience, it is recommended that this document is viewed in Adobe Acrobat Reader. Interactive functionality may not work when viewed in a web browser or other PDF readers.

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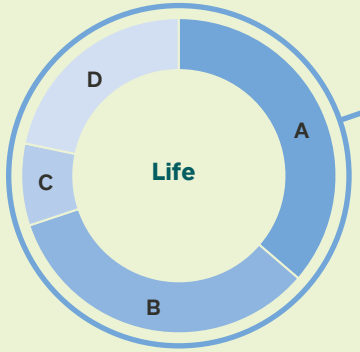
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M&G at a glance

Who we are

We are an internationally recognised active asset manager and an established life business, with a well capitalised With-Profits Fund

With our international presence and £375.9 billion of assets under management and administration, we use our strong investment capabilities to help our customers and clients invest for the long-term, in line with our purpose to give everyone real confidence to put their money to work.



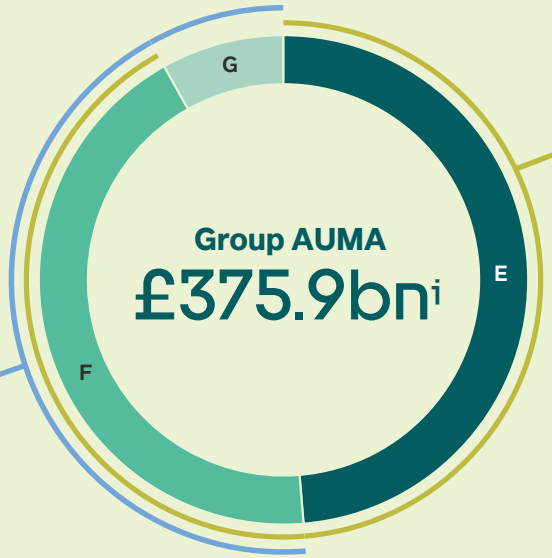
Life

£192.2bn

Our Life business offers savings and retirement products, including access to PruFund which forms part of our With-Profits Fund. We maintain a portfolio of annuities, including Bulk Purchase Annuities (BPA). The Life business also offers wealth and advice services.

- **A** PruFund
- **B** With-profits traditional
- **C** Shareholder annuities
- **D** Other (incl. Wealth)

▶ **Find out more about Life** on pages 16-17



- **E** Asset Management (external clients)
- **F** Life (managed by internal asset manager)
- **G** Life (not managed by internal asset manager)
- i Includes corporate assets of £0.8 billion

Who we serve

4.2+ million retail customers and more than 1,000 institutional clients such as pension funds and insurance companies, as well as other financial partners around the world.



Asset Management

£345.2bn

We sell our active asset management capabilities to retail and institutional clients, including a range of investment strategies and propositions that utilise our market-leading investment expertise across private assets, public fixed income, public equities, and multi-asset solutions.

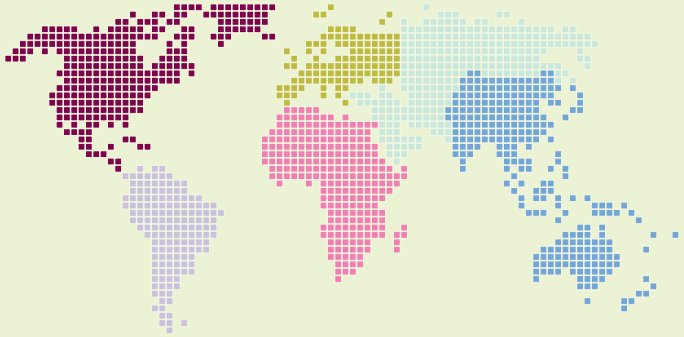
- **H** Public assets
- **I** Private assets

▶ **Find out more about Asset Management** on pages 14-15

Where we operate

We have a global presence, with 38 offices across six continents.

▶ **See our global investments** at group.mandg.com



M&G at a glance continued

Our purpose and values

Everything we do flows from our purpose. Through our values of care and integrity, our global workforce is actively invested in delivering on our strategy and supporting our communities

Our purpose

To give everyone real confidence to put their money to work

Our values

Care

We act with care - treating customers, clients and colleagues with respect.

Integrity

We empower our colleagues to do the right thing, honouring our commitments to others and acting with conviction.

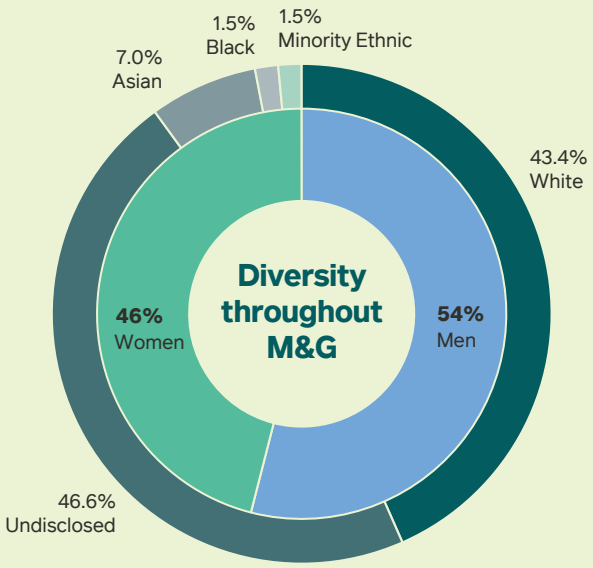
▶ **Read more on our behaviours** on pages 37-39

Delivering against our strategic pillars

- **Maintain our financial strength**
- **Simplify our business**
- **Deliver profitable growth**

▶ **Read more on our strategy** on pages 12-13

Our diverse workforce[i]



▶ **Read more about our colleagues** on pages 37-39

Our communities

Our community investment strategy focuses on two strategic priorities: Building Financial Confidence and Building Resilient Communities. Through our charity partnership with The Tree Council we are 'greening' urban areas by planting trees to support biodiverse community habitats.

▶ **Read more on resilient societies** on pages 75-77



i Based on data from our core HR data system, which is configured to record ethnicity data in the UK and Ireland only. The 'undisclosed' figure therefore includes a large proportion of overseas colleagues where ethnicity data is not captured. Data from some recently acquired subsidiaries is not included.

Chair's statement

Confidence in our business model

Strengthening our capabilities and international presence

I am proud of how M&G has continued to support our customers, clients and shareholders during 2025.

We have executed against our strategy – prioritising investment performance, sustainable profitable growth, and successfully navigating market volatility. Once again demonstrating our resilience and the unique strength of M&G's balanced and integrated business model.

In our Asset Management business, we've seen strong growth across Europe and Asia with positive investment flows. We also agreed a landmark partnership with Dai-ichi Life HD – one of Japan's largest listed life insurers – becoming their preferred asset manager in Europe.

Our Life business has attracted positive PruFund net inflows in the second half of the year, closed more bulk purchase annuity deals and launched a fixed-term annuity product, building on our wide range of tailored retirement solutions.

The business is generating momentum and our strategic execution is enabling growth across the Group, strengthening both our capabilities and international presence.

Whether it's new partnerships, winning new investment mandates or enhancing our customer and client offering, our results demonstrate how we are delivering our purpose: to give everyone real confidence to put their money to work.

As we look ahead, we're committed to going further – supporting more people in more places and capitalising on opportunities to deliver attractive products and improved services that meet customer and client needs.

We continue to enrich our decision-making, engaging with a series of valued partners including Government, regulators, shareholders, trade associations, Non-Governmental Organisations (NGOs) and charities.

I remain very fortunate to collaborate with such a committed and highly capable management team under Andrea's leadership and I deeply value the continued insight and support of my Board colleagues.

My focus is ensuring our Board brings together a rich breadth of perspectives, expertise and challenge to support the effective delivery of our strategy.

> "Our strategic execution is enabling growth across the Group."
>
> **Sir Edward Braham**
> Chair

Reflecting our strategic progress, the Board has announced a second interim dividend of 13.8 pence per share, resulting in a total dividend of 20.5 pence per share for 2025. The Board's intention is to maintain a progressive and sustainable dividend policy.

An inclusive culture contributed to our success. Once again, I would like to thank our over 6,000 colleagues for their dedication in delivering all of the progress we have seen in 2025.

Against a backdrop of geopolitical uncertainty, our diversified business, strong balance sheet and disciplined long term approach provides strong foundations for future profitable growth.

I have confidence that with the strength of our business model and the expertise of our people, the Group will continue to grow and deliver for shareholders, as well as continuing to best serve the interests of our customers, clients and communities.

Sir Edward Braham
Chair



Group Chief Executive Officer's statement

A year of real momentum

Delivering our strategic priorities to drive profitable growth



It is now three years since we launched our refreshed strategy and we have continued to deliver on our priorities in 2025. Our performance shows real momentum, as we position M&G for the next phase of sustainable, profitable growth.

Our balanced and integrated business model continues to underpin our progress, enabling us to deliver for our colleagues, customers, clients, shareholders and communities. This was never more important as we navigated a sharp period of market volatility at the start of the year.

Despite this, we remained resilient and continued to innovate, expand our international presence and forge new business partnerships that make M&G stronger. Our focus remains on thriving together with colleagues and driving shareholder value by delivering against our strategic pillars – financial strength, simplification and growth.

> "We remain confident that the strength of our business model, international footprint and depth of our investment expertise will continue to be a source of competitive advantage."

Andrea Rossi
Group Chief Executive Officer

Financial strength

We have continued to strengthen our balance sheet, building on the momentum of previous years, while investing for growth by expanding distribution and investment capabilities across the Group, which is supporting new business volumes.

This is underpinned by strong financial results generating £928 million of operating capital excluding new business strain, marking a strong start towards our new three-year cumulative target of £2.7 billion by the end of 2027.

We end the year having maintained a strong balance sheet with a shareholder Solvency II coverage ratio of 242%, reinforcing the commitment to our progressive dividend policy.

Simplification

We are streamlining our business through a number of operational initiatives, allowing us to deliver £250 million of cost savings, exceeding our upgraded target of £230 million for the three years to the end of 2025.

Our transformation programme continues to reflect our commitment to operational excellence and improved client outcomes. We have strengthened capability in our global operations, continuing to improve customer experience with the use of advanced technology.

AI will be an enabler for growth and we remain focused on increasing adoption across the business to strengthen processes, drive productivity and enhance the services we deliver.

The external environment, driven by geopolitical events and continued economic uncertainty, underlines the importance of effective risk management. Therefore, in 2025 another ongoing focus has been to enhance our control environment and the tools we use to manage risk across the business.

Group Chief Executive Officer's statement continued

Growth

Over the year we have seen strong growth with increased net flows from open business, the launch of new retirement solutions and entering into a landmark partnership with Dai-Ichi Life HD – giving M&G real momentum.

Net inflows of £7 billion from external asset management clients during 2025 is an outstanding result – our highest since listing in 2019 – powered by strong investment performance, with over 80% of our Institutional funds by AUMA outperforming their benchmarks on a three-year basis (76% over five years), and the success of our European and Asian operations. Today, nearly 60% of Asset Management's third-party AUMA come from clients outside the UK, up from 37% five years ago.

> "The £7 billion of net inflows from external clients during 2025 is an outstanding result."
>
> **Andrea Rossi**
> Group Chief Executive Officer

Asset Management revenue increased by 6% year-on-year and our transformation programme has driven a reduction in costs with the cost-to-income ratio falling from 79% to 75% since 2023.

A highlight of the year has been the formation of our long-term strategic partnership with Dai-ichi and we have already seen net client inflows of £0.4 billion in 2025 from this collaboration. As Dai-ichi's preferred asset manager for Europe, we expect to generate at least US$6 billion of new business over five years, with US$3 billion allocated to high-alpha strategies.

The partnership increases M&G's profile in Asia, with Dai-ichi's intention to increase their current holding to a c.15% stake in M&G, aligning our interests for mutual success.

In our Life business, we continue to innovate and offer clients attractive retirement solutions driving growth. During 2025, we launched a fixed-term annuity with our Prudential Guaranteed Income Plan, backed by our £134 billion With-Profits Fund.

Our flagship proposition, PruFund, which offers a smoothed solution to help customers navigate volatile markets, has seen positive momentum with an increase in gross client inflows and stable gross client outflows.

We have also continued to invest in our Bulk Purchase Annuity (BPA) capabilities by scaling our Origination, Proposition and Pricing teams and implementing new longevity reinsurance.

We wrote £1.5 billion of BPAs in 2025 which is a 65% increase year-on-year, meaning we are on track to meet our ambition for £3-4 billion annual sales by 2027. Our differentiated offering, including an innovative Value Share BPA, positions us strongly in an increasingly competitive market.

Adjusted operating profit remained stable at £838 million (2024: £837 million). Due to the actions we have taken on growth and simplification in the year we remain confident that we are on track to achieve our target of 5% annual average growth in adjusted operating profit over the three years to the end of 2027.

Empowering colleagues who continue to deliver

I want to say thank you to all of my colleagues and our many partners who have helped us achieve so much during 2025.

Our people are at the core of our success as we continue to foster a workplace where everyone can flourish. Our new brand identity is indicative of the momentum colleagues are creating.

Our Group-wide sustainable engagement score remains strong, supported by an inclusive culture, enabling colleagues to deliver on our priorities and make a real difference to wider society through our investment expertise and community initiatives.

I would also like to say thank you to my leadership team who continue to drive the business forward in meeting our strategic priorities.

We said goodbye to Benoît Macé in 2025, who played a pivotal role in delivering M&G's transformation agenda and spearheading acquisitions with BauMont, P Capital Partners and negotiating our partnership with Dai-ichi, and welcomed Simon Tasker as our new Chief Transformation Officer with over three decades of experience of delivering large-scale growth initiatives.

Employee sustainable engagement score

71

(2024: 69)

Our colleague OneVoice surveys over 2025 highlighted that our culture is a strength, with colleagues treating one another with respect and dignity.

▶ **Find out more about our colleagues** on pages 37-39

Outlook

Geopolitical events continue to have the potential to present challenges and impact market sentiment for financial institutions around the world. Against this backdrop, we remain confident that the resilience and strength of our business model, international footprint and depth of our investment expertise – particularly across Europe and Asia, where global investors are looking to diversify – will continue to be a source of competitive advantage.

Since setting out our refreshed strategy we have worked hard to transform M&G. As we enter the next phase, I am excited about the opportunities to drive sustainable, profitable growth for shareholders and excellent outcomes for customers and clients in 2026 and beyond.

Andrea Rossi
Group Chief Executive Officer

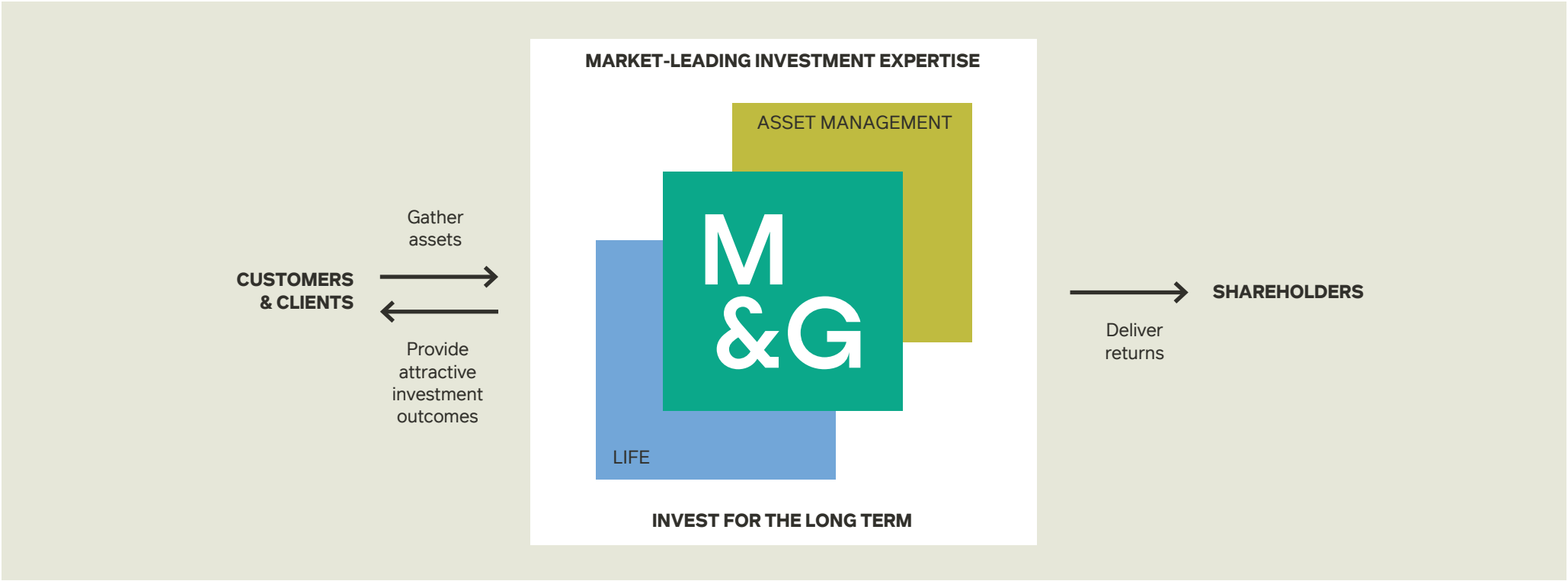
Our business model

Our balanced and integrated business model

Our business model is to gather assets and invest for the long term to deliver attractive financial outcomes for our customers and clients, as well as superior returns for our shareholders. We leverage our capital strength and investment expertise, allowing us to develop innovative savings and investment propositions that meet customer and client needs through our Asset Management and Life businesses.

We are an internationally recognised active asset manager with market-leading expertise in private assets, public fixed income, public equities and multi-asset solutions, including our expanding range of thematic sustainability-driven products.

We are an established Life business with a strongly capitalised With-Profits Fund. With a heritage of 175 years and a strong brand, through our advice business and distribution network, we are well-positioned to understand and meet the needs of customers and advisers. We have a long-standing track record of successfully managing a scaled balance sheet to provide security to our customers.



Our strong investment capabilities underpin all that we do

Our business model continued

How we create value

We create value by attracting net client inflows across our business and leveraging our strong investment capabilities to invest for the long term

Attracting net inflows

How do we do this?

Through our expertise in Asset Management and Life we develop innovative propositions to meet real needs of customers and clients, who can access these solutions through our wide distribution network. Underpinning this is our consistently strong investment performance.

How does it create value?

Flows into our business drive our earnings and long-term capital generation. Flows also allow us to scale the business.

Investing for the long term

How do we do this?

Using the scale of the business including our well capitalised With-Profits Fund, combined with our expertise across public and private markets, we are able to make long-term investment decisions.

How does it create value?

By taking a long-term view for investment decisions, we can provide our customers and clients with guaranteed, smoothed and unsmoothed solutions. This also allows us as a business to support the transition to a sustainable economy.

Working for everyone



Shareholders

Our strong balance sheet and the diversity of our earning streams support our dividends. Our strength across two businesses means we can deliver growth and attractive returns.

▶ **Find out more about our financial performance** on pages 18-31



Customers and clients

Our investment and insurance expertise combine to deliver best-in-class propositions and deliver attractive financial outcomes for our customers and clients.

▶ **Find out more about our customers and clients** on pages 14-17



Colleagues

We are committed to ensuring our colleagues' working lives are engaging and fulfilling, in a safe, inclusive and diverse environment, so they can contribute to our success.

▶ **Find out more about our colleagues** on pages 37-39



Society

Our long-term horizon allows us to invest in what society needs, including real estate, infrastructure and technology. Our Group Sustainability Framework is aligned with our purpose.

▶ **Find out more about our approach to sustainability** on pages 52-57

Our business model continued

Our business model in action

Actively invested in...

innovation with M&G's investment in Seeker Music portfolio, reimagining hit music

The value of M&G's business model is that it brings together two complementary strengths: a Life business that provides long-term capital, through our £134 billion With-Profits Fund and an asset manager with the expertise across public and private markets to invest actively. This allows us to back innovation, unlock new investment opportunities for our customers and clients and pursue long-term growth for our shareholders. Our investment in Seeker Music, a music publishing and record company, demonstrates this in action.

Using capital from the With-Profits Fund, the asset manager's Private Markets team - which serves external Institutional Investors as well as M&G's Life business - has invested in Seeker Music who manage a portfolio of music assets worth in excess of US$400 million.

Seeker Music's differentiated approach means that its creative team works with songwriters and musicians to reimagine or 'flip' old songs into new songs.

By acquiring and revitalising those with the highest artistic potential, Seeker is able to enhance income for artists and investors alike through creativity and innovation, amplifying songs and their associated income streams globally.

By tapping into new music technology and platforms, Seeker expands audiences, increases revenues and grows digital and physical consumption, alongside the more traditional methods of promoting songs in film, TV and advertising.

This investment demonstrates M&G's ability to invest beyond traditional asset classes and provide diversification for clients, while backing innovative businesses globally.

▶ **Find out more about M&G's investment in Seeker Music** in our investment story episode on M&G's YouTube channel

18,000+ songs
The size of the Seeker Music catalogue of copyrights and master recordings

30+ songs
The number of Seeker's songs in Spotify's prestigious 'Billion Club' – a testament to their immense popularity and widespread acclaim

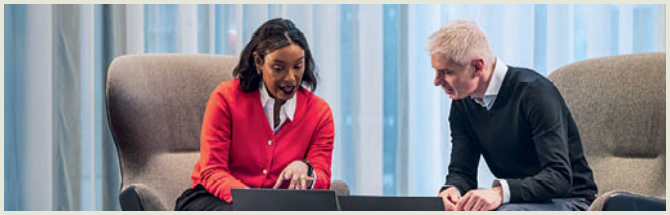
19 weeks
The number of weeks one of Seeker's flipped songs, Shaboozey's 'A Bar Song (Tipsy)', spent at Number 1 in the US Billboard's Hot 100, becoming a global hit



Market and industry trends

Long-term opportunities and challenges

We are well placed to support our customers and clients and deliver value for all our stakeholders



The macroeconomic and political environment remains uncertain and volatile

Ongoing economic uncertainty and geopolitical tension globally continue to drive market volatility, creating unpredictable financial conditions for savers and investors.

There is increasing client demand for flexible retirement solutions as well as smoothed solutions and guaranteed products as people seek stability amid a volatile market backdrop. In volatile markets, active asset management becomes increasingly important in creating value for investors.

2.5x

Increase in market volatility in 2025 vs 2024

Source Bloomberg: number of days CBOE Volatility Index (VIX) >20

M&G positioning

Our business model, broad capabilities and expertise enable us to develop distinctive investment strategies that meet the evolving needs of our customers and clients.

Our differentiated offering combines active Asset Management and Life capabilities, including guaranteed and smoothed solutions, helping our customers and clients manage market uncertainty.



Growing need for retirement solutions and guidance

The cost of living crisis, high levels of debt and housing costs are all factors that are impacting people's ability to save for retirement.

With an increasingly ageing population, combined with differences in generational attitudes to saving and varying degrees of understanding when it comes to investing for the future, too many people are approaching retirement without a proper plan in place.

46%

UK adults who are currently saving for retirement don't feel like they are saving enough

Source: M&G: reframing retirement campaign

M&G positioning

We continue to expand our savings and investment proposition to offer a wider range of products and financial advice that support our customers' needs throughout their lifetime as requirements change.

We are also making their savings and retirement solutions more accessible by expanding our distribution channels.



Global sustainability challenges require support from private markets

Private markets investors are critical in supporting the transition to a more sustainable economy providing patient, flexible capital, operational expertise and innovative financing, alongside Government funding.

In addition, sustainability remains a key consideration for both institutional and retail investors, influencing investment choices.

~US$275trn

Total investment required to meet the COP28 transition targets by 2050

Source: IEA

M&G positioning

Our £81 billion private markets business invests for the long term across infrastructure, real estate and in private companies, with dedicated investment strategies focusing on sustainable and impact investments. An example is our purpose-led Catalyst Fund and our Social Investment Fund, targeting projects that generate positive social outcomes.

Through our PruFund offering we can provide retail investors exposure to private markets including funds that target a positive environmental and social impact.

Our strategy

Building on our strengths to deliver on our strategy

We are continuing to deliver against our strategic priorities

Our purpose is to give everyone real confidence to put their money to work and the three pillars of our strategy are centred on ensuring we meet this.

The strength of our business model is helping us to deliver on our strategy. By combining our deep understanding of customer and client needs, compelling products, investment capabilities and our growing international footprint, we are continuing to transform M&G.

As we transform we are targeting good operational and financial performance, within a clear risk framework, attractive financial outcomes for our customers and clients, and strong returns for our shareholders.

We take a long-term approach to growth and value creation, building resilience in an uncertain world. This includes how we address environmental and social challenges through the investments we manage on behalf of our customers and clients, as well as how we run our business operations.

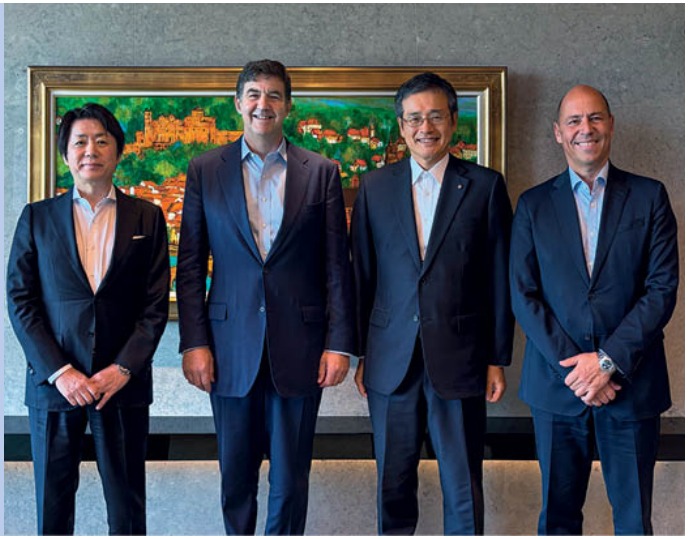
Actively invested in...

our long-term growth priorities

Our long-term strategic partnership with Dai-ichi Life HD - one of Japan's largest listed life insurers - aligns with our strategic growth priority, focusing on growth, distribution and product development opportunities.

M&G has become Dai-ichi's preferred asset management partner in Europe and the partnership will accelerate our growth in Asset Management, opening up new potential sources of business flows in Japan and across Asia as well as the potential to collaborate on life insurance propositions in Europe and Japan.

In recognition of M&G's compelling business case and growth potential, Dai-ichi had acquired a 9.6% stake in M&G plc by the end of 2025, and intends to increase this to c.15% (subject to regulatory approvals).



Our strategic pillars

Maintain our financial strength

Ensuring our clients can depend on us, while rewarding shareholders.

Simplify our business

Becoming more nimble and efficient in how we work to best serve our customers.

Deliver profitable growth

Building on our strengths to better anticipate and address our clients' needs.

Our strategy continued

Maintain our financial strength

Our financial strength gives our customers, clients and shareholders confidence that we are the right long-term partner for them. We help our customers and clients put their money to work and achieve their financial goals. For shareholders, we carefully allocate capital to invest in sustainable, profitable growth opportunities and reward them with attractive, dependable dividends.

Our Group priorities

- Continue to shift towards a capital-light model.
- Progress on our target of cumulative operating capital generation excluding new business strain of £2.7 billion over the three years 2025-2027.
- Maintain a progressive and sustainable dividend policy.

2025 Group highlights

- Moved to a progressive dividend policy and increased dividend per share by 2% to 20.5p for 2025, continuing to deliver attractive returns for shareholders.
- Generated £765 million of operating capital, contributing to our strong Solvency II shareholder coverage ratio of 242%. Operating capital generation excluding total new business strain for the year was £928 million against our three year target to the end of 2027 of £2.7 billion.
- Stable adjusted operating profit year-on-year with strong underlying momentum.

Simplify our business

We are transforming the way in which we operate, so that we can better serve our customers and clients in the UK and internationally and deliver our growth strategy more efficiently. We want to unlock M&G's potential by enabling our colleagues and business partners to work together more effectively and improve the way we engage with customers and clients.

Our Group priorities

- Continue to streamline our business model to enable us to work more effectively across the Group and deliver our growth priorities.
- Simplify and automate our processes, using technology and AI, to improve efficiency, service and customer experience.
- Reduce the Asset Management cost-to-income ratio to 70% by end of 2027.

2025 Group highlights

- Completed our Group transformation programme, delivering cost savings of £250 million by the end of 2025 (against our upgraded target of £230 million).
- Our transformation programme over the last three years has enabled us to create capacity, through organisation simplification, UK office optimisation and reducing third party costs to invest in growth, including expanding operational capability in bulk annuities and scaling asset management operations in the UK and internationally.
- Continued to enhance customer journeys, increasing overall satisfaction rates and improving response time.

Deliver profitable growth

Our business model gives us distinct yet complementary capabilities that work closely together to leverage the strengths of our Asset Management and Life businesses. This creates a competitive advantage as we develop solutions and deliver outcomes for our clients and advisers and helps us unlock the growth potential of the combined Group, as our Asset Management capabilities underpin outcomes for our Life customers.

Our Group priorities

- Broaden international presence and strengthen our distribution capabilities to enable more customers and advisers to access our solutions.
- Leverage the strength of our business model to develop innovative products and investment solutions to meet evolving customer needs.
- Adjusted operating profit annual growth of 5% or more on average over the three years 2025-2027.

2025 Group highlights

- Generated £7 billion net client inflows in Asset Management (56% into private markets), delivered £1.5 billion in BPA new business volumes (65% increase on 2024) and PruFund returned to monthly net inflows during the second half of the year.
- Enhanced international presence through our long-term strategic partnership with Dai-ichi Life HD and acquisition of P Capital Partners.
- Continued to broaden our product offering and distribution with 16 new fund launches in Asset Management, launch of a retail fixed-term annuity in Life and integration of PruFund on FNZ technology which will enable access to the digital platform market.

▶ **For detailed updates on 2025 progress and key priorities for 2026 in our Asset Management and Life businesses see** pages 14-17
▶ **For details on our approach to sustainability please see** pages 52-57

Our businesses

Asset Management

We are generating positive momentum, reflecting the quality and performance we offer our clients



"We have delivered another year of strong investment outcomes for our clients in what continues to be a challenging environment."

Joseph Pinto
Asset Management CEO

Business overview

We are an international asset manager focused on active management across public and private markets. Our business is built on deep investment expertise and robust fund management, underpinned by proven investment processes and extensive in-house research.

Our Asset Management business manages £345.2 billion AUMA. This includes £162.3 billion on behalf of our own Life business, £109.0 billion for over 1,000 third-party institutional clients and £73.2 billion for wholesale clients.

Clients

Our clients are at the heart of all we do and we have a global network of investment and distribution teams that enable us to be a local partner to our clients wherever they are in the world. We work closely with them to build a deep understanding of their objectives so that we can deliver a broad range of investment solutions and outcomes tailored to their needs.

Our long-standing relationship with our Life business provides strong support for innovation through capital allocations to new solutions which we develop and then offer to our other clients, enabling us to attract third-party flows and deliver scale.

Wholesale clients such as retail banking partners, private banks and wealth advisers have access to a family of UK-domiciled mutual funds, as well as a similar range of Luxembourg funds for international clients. We also offer access to sub-advised solutions and private assets through our European Long Term Investment Fund (ELTIF).

For **Institutional** insurance and pension fund clients we provide investment propositions covering both private and public assets through a variety of formats, from pooled funds to segregated mandates.

We provide a diversified set of investment capabilities to our clients:

Public Markets, managing £263.7 billion of assets, across public fixed income, equities and multi-assets.

Within Public Markets, M&G is recognised as one of Europe's leading Fixed Income investors, managing £140.2 billion of assets.

Private Markets, managing £80.8 billion of assets. M&G is a leading player in Europe, with capabilities focusing on real estate, private credit, infrastructure, private equity and impact investment.

Sustainability and impact are key focus areas and we have a range of capabilities to meet our client objectives including through responsAbility and our Catalyst strategy.

Progress against our strategy

The progress we have made in Asset Management during 2025 is aligned to the Group's strategic priorities (as set out on pages 12-13). We have continued to strengthen our business, adding resilience and flexibility through the foundational work in recent years to build a scalable operating model and enhance our leadership and investment capabilities.

Our ongoing emphasis on international growth and scale is delivering positive momentum with higher levels of new business inflows and increased revenue. We also established a major long-term partnership with Dai-ichi Life HD to be their preferred asset management partner in Europe, which is expected to generate at least US$6 billion of new flows for M&G over five years and support the international development of our business.

Simplify our business

- Continued to reduce the Asset Management cost-to-income ratio from 79% in 2023 to 75% in 2025 through a combination of growth and efficiency gains. We remain committed to further improving the cost-to-income ratio, targeting 70% by the end of 2027.
- Improved how we serve our customers through the initiatives of our client experience programme, contributing to a Net Promoter Score of +63, which puts us among the leaders in our peer group and a brand ranking of 11th in Europe, which is the most improved among all top 25 peers since 2022.

Our businesses continued

– Focused on integrating our recent acquisitions in private markets, BauMont (value-add real estate) and P Capital Partners (corporate non-sponsor private credit), which have strengthened our capabilities.

Deliver profitable growth

– Continued to deliver consistent investment performance with 56% of wholesale funds by fund size continuing to be above median peer group performance over three years and 75% over five years; in our institutional business, 84% of funds we manage for our external clients outperformed their objectives over three years and 76% over five years.
– Further developed our range of propositions across both public and private markets, with 16 funds launched in the year and 29 new client-specific solutions for our institutional and discretionary wholesale clients.
– Significantly increased net client flows - driven by a standout year in public equities - across institutional clients in Europe and with wholesale partners in all our key markets, equating to 4.4% of opening assets under management.
– Strengthened and grew our international presence, with nearly 60% of third-party AUMA from non-UK clients. AUMA from Europe increased by 20% in 2025 and by 9% in Asia and we have delivered gains in cross-border market share in all of our key markets other than Taiwan.
– Onboarded new long-term partnerships particularly opening new doors in Asia, including the new strategic partnership with Dai-ichi; our distribution joint venture in China with Guotai Haitong Securities; and our ongoing arrangement with OCBC in Singapore which has now generated over US$1 billion in new business flows since inception in 2024.

Key priorities for 2026

We aim to build on the positive momentum in third-party flows across our target markets by continuing to deliver high quality, differentiated investment propositions in the UK and internationally, further enhancing client experience while maintaining cost discipline:

– In public markets, building on the success of our core offerings to further globalise our business and tailor our propositions to the needs of our clients, especially in Asia.

Three year outperformance

Wholesale funds
56%
(2024: 63%)

Institutional funds
84%
(2024: 79%)

We measure the strength of our investment capabilities by reference to the investment performance of the funds and assets that we manage on behalf of our customers.

Performance in 2025

We have continued to deliver strong outcomes, with more than half our wholesale funds outperforming their sector median and over 80% of institutional assets outperforming their objectives, over three years.

– Extending our range of private markets products for third-party clients by making available proven strategies that we originally developed for our internal Life business, such as private equity funds of funds, our purpose-led Catalyst strategy, and infrastructure debt. We expect to accelerate our presence in the wealth channel with our highly relevant propositions, including through semi-liquid evergreen funds, ELTIFs and LTAFs[i].
– Broadening our proposition to UK institutional clients, offering a range of options that meet the evolving needs of defined benefit pension funds, by leveraging the capabilities of our Life business to develop run-on solutions for defined benefit pension scheme clients.
– Continuing to develop our relationships with our long-term partners to support our international growth ambitions, including working with Dai-ichi as their preferred partner in Europe to capitalise on the significant private market opportunities there and enable even greater access to the Japanese and Asian markets.
– Maintaining our focus on client experience to ensure we deliver consistent, high-quality service as we scale internationally.

i European Long-Term Investment Funds and Long-Term Asset Funds are regulated investment structures designed to attract capital into long-term, illiquid assets like infrastructure, real estate and private equity.



Actively invested in...

using our business model to power Asset Management

Our Life and Asset Management businesses work together to deliver new investment vehicles for the benefit of our clients. During 2025, this approach led to the launch of two new **semi-liquid evergreen funds**[i], offering the best of both worlds – access to private markets investment strategies with the flexibility of quarterly liquidity – making them attractive to a wide range of investors. By pooling capital from our Life business and scaling these funds with external investors, we strengthen our position in the market.

M&G Global Private Equity Fund: Focused on global buyouts, invests as both a primary and co-investor, providing efficient access to private equity for clients new to the asset class.

M&G Global Infrastructure & Real Assets Fund: Offers exposure to global infrastructure through primary and co-investments with mid-market managers, delivering diversification and access to essential projects worldwide.

i Semi-liquid evergreen funds are open-ended funds that allow investors to enter and exit periodically, unlike traditional closed-ended private equity funds that lock up capital for 10+ years.

Our businesses continued

Life

We have increased our product range to meet our customer needs and are focused on driving profitable growth



"During 2025 we accelerated our growth trajectory, with higher volumes of bulk purchase annuities, and PruFund returning to consistent net inflows in the second half of the year."

Clive Bolton
Life CEO

Business overview

We currently serve over 4.2 million customers in the savings and pensions market, who are increasingly looking for support across a broad range of financial needs. Our four core business areas are aligned to support them throughout this journey, by providing advice and propositions suitable for every life stage.

Customers and clients

Individual Life & Pensions addresses the needs of UK retail customers for investment growth, smoothed returns and guaranteed income through a range of solutions, including our flagship PruFund proposition, with £69.8 billion of AUMA and retirement products such as annuities and income drawdown.

International Life includes our savings businesses in Ireland and Poland, with a further focus on international diversification of our With-Profits Fund and broadening the distribution of PruFund to new markets.

Corporate Pension Solutions services our corporate customers, with a focus on scaling our presence in the UK through our innovative Bulk Purchase Annuities (BPA) options which are supported by both shareholder capital and our With-Profits Fund.

Advice provides holistic financial planning services to help retail customers plan and save for the future, with a national footprint of over 550 advisers, making us one of the largest advice businesses in the UK.

We have a close relationship with our Asset Management business, which helps to provide excellent outcomes for our customers through smoothed income and multi-asset investment solutions. Our PruFund proposition continues to offer strong, diversified long-term investment performance, with our key PruFund Growth Fund returning 163% over five years, comfortably outperforming the IA Mixed 20-60% sector.

Net Promoter Score

+24

(2024: +22)

Net Promoter Score (NPS) is a measure of the willingness of a company's clients to recommend its products or services to others. It is measured across a rolling six-month period.

Performance in 2025

The NPS score increased by 2 points during 2025, rising from +22 to +24. This continues the long-term positive trend observed since December 2021, with the cumulative effect of consistent improvements taking the score from a low of +9 to +24. Over time, customer service has increasingly been cited as a reason for recommendation.

Progress against our strategy

In 2025, we have continued to drive progress against our Group strategic objectives (as set out on page 13). We have brought new propositions to market, to meet a wider range of customer needs for both individuals and corporates and have continued to utilise the capital strength of both our shareholder balance sheet and With-Profits Fund to generate innovative, differentiated solutions and attractive outcomes.

Our strong financial position is further underscored by the results of the PRA's 2025 Life Insurance Stress Test, with our Group and PAC shareholder Solvency II ratios remaining resilient under severe but plausible financial stress scenarios.

Our businesses continued

Simplify our business

- We have made a significant investment in how we engage with our customers and advisers by increasing our ability to interact digitally and through intelligent automation, which has contributed to improvements in customer satisfaction and adviser satisfaction - see box on the right.
- During 2025, we continued to integrate our Life and Wealth businesses and streamlined our Advice proposition into a single simplified structure, eliminating duplication and reducing operational complexity. This has resulted in faster, more consistent response times and a greater focus on our core product set, laying the foundations for growth.

Deliver profitable growth

- **Individual Life & Pensions**: broadening the full suite of retirement products available through our revitalised Retirement Account - now including the Prudential Guaranteed Income Plan and the Prudential Retirement Plan - and improving our distribution network has driven a marked improvement in new business.
- **International Life**: while our existing business has also grown during 2025, with 28% growth in bond sales, a recently agreed distribution partnership in the Middle East represents a step-change in scale, highlighting our ambitions and unique capabilities in this attractive segment of the global market.
- **Corporate Pension Solutions**: we have written £1.5 billion of new BPA business across 11 transactions, marking a significant acceleration in our trajectory, following £0.9 billion of new business in 2024. This demonstrates the strength of our proposition and the innovative options available to our corporate clients.
- **Advice**: At the end of the year, we launched Adviser Hub, which provides AI-powered support and technical resources to strengthen the operating model and lead to improvements in adviser efficiency.

Key priorities for 2026

We have repositioned our business for growth by improving our operational platform and revitalising the range of products we offer to our retail customers, third-party distributors and corporate clients. With a stronger foundation, we are now well positioned for growth, both in the UK and internationally:

- Having integrated PruFund on FNZ technology during 2025, we are focused on onboarding platforms to access the £0.7 trillion digital adviser platform market in the UK, so that even more advisers and customers can benefit from it.
- We plan to enhance distribution of our new drawdown and bond products alongside our fixed term annuity product, which has appealed to both affluent and mass market customers. We also expect to return to the pension annuity market with the launch of our new With-Profits Individual Lifetime Annuity.
- We have a strong pipeline in core BPA and we recently launched our with-profits bulk annuity, which is another industry first following on from the innovative value-share annuity that we brought to the market in 2024. We will continue to strengthen M&G's competitive position through product innovation, further differentiating our offering and supporting our long-term growth in this attractive market, where we expect to achieve £3-4 billion of annual sales by 2027.
- We will identify and progress further global opportunities to leverage the strength of the With-Profits Fund for the benefit of its policyholders and corporate customers seeking novel capital solutions.
- We continue to embrace technology and intelligent automation to improve customer service and operational processes. This means evolving to a digital-first self-service model for routine tasks and expert human assistance when needed, the aim of delivering quicker responses, fewer handoffs and an effortless experience for customers.



Actively invested in...

fixing the fundamentals to deliver for our customers

We continue to deliver changes that make a real difference to the service we offer our customers.

Customer Care team: We introduced a team who will proactively intervene to resolve issues raised by customers. For those supported so far, the likelihood of complaining has fallen from 19% to just 3%.

Managing expectations: Customers told us they wanted more proactive updates, so we enabled SMS functionality, boosting customer satisfaction by 20% and reducing repeat demand by 8%.

Inbound call handling: Improved messaging and routing mean customers reach the right person first time, driving a 16% increase in satisfaction with call wait times.

Our efforts have delivered significant improvements over 2025:

- Customer satisfaction: up 5 percentage points to 64%
- Adviser satisfaction: up 9 percentage points to 75%

Business and financial review

Delivering for our shareholders



Our results demonstrate further progress on our growth and simplification priorities while maintaining our financial strength

It is my pleasure to present our 2025 financial results following a year in which we have continued to demonstrate progress against our growth and simplification strategic priorities while maintaining our financial strength and delivering for our shareholders.

Net inflows from open business of £7.8 billion, up nearly £10 billion year-on-year, are significant and reflect the strength of our investment expertise and our focus on delivering growth. Our Shareholder Solvency II coverage ratio increased to a very strong 242%, despite a fall in operating capital generation following the capital impact of writing new business also reflective of our growth in the year.

On simplification I am proud that we have delivered £250 million of cost savings against our target of £230 million over three years to the end of 2025. Going forward we will continue to maintain discipline on costs and further simplify the business in line with our strategic priority.

AUMA and net client flows

Total AUMA has increased to £375.9 billion (2024: £345.9 billion), benefiting from positive market movements and net inflows from open business of £7.8 billion (2024: £1.9 billion net outflows). Net flows from open business reflect net inflows from Asset Management and Life of £7.0 billion and £0.8 billion respectively, compared to net outflows in 2024.

Wholesale net flows increased by £3.0 billion with strong investment performance particularly in European equities, contributing to the growth. Institutional inflows of £4.0 billion, up from £0.9 billion net outflows in 2024, were also strong with positive net inflows in the UK contributing to the overall position as outflows from the ongoing defined benefit pensions de-risking were more than offset by new mandates won in the year.

Asset Management international growth also continued with £107 billion third-party AUMA from clients outside of the UK, up £18 billion during the year, now representing nearly 60% of total Asset Management third-party AUMA.

In Life, PruFund net outflows improved to £0.2 billion (2024: £0.9 billion) following momentum in the second half of the year. Life also benefited from net inflows of £0.4 billion for shareholder annuities as the inflows from bulk purchase annuities written in the year more than offset the outflows from the run-off of traditional annuities. This marks the first time shareholder annuities have been in a net inflow position since the business stopped offering new individual annuities in 2016.

Earnings

Adjusted operating profit before tax (AOP) was stable at £838 million (2024: £837 million) with improved Life AOP benefiting from higher contributions from PruFund and traditional with-profits, offsetting reductions in the results from Asset Management and Corporate Centre. Asset Management revenue grew by 6% with the cost-to-income ratio reducing from 76% to 75%, as the cost base absorbed the impact of inflation and expenditure on growth initiatives in the year. We are committed to achieving a 70% Asset Management cost-to-income ratio by the end of 2027.

This is the first year of our target for AOP annual growth of 5% or more on average over the three years 2025-2027 and with the momentum in flows, our strong investment performance, and our disciplined approach to costs, I am confident that we remain on track to achieve this.

Our 2025 IFRS result has returned to net profit after tax in the year of £314 million (2024: £347 million loss) with the main driver being the improvements in equity markets and long-term bond yields which reduced the overall losses year-on-year in relation to short-term fluctuations from £643 million in 2024 to £164 million in 2025.

Business and financial review continued

> I am proud that we have delivered £250 million of cost savings against our target of £230 million by the end of 2025.

Kathryn McLeland
Chief Financial Officer

Operating change in Contractual Service Margin (CSM) decreased to £246 million (2024: £294 million), with a lower benefit from assumption changes for shareholder annuities partially offset by an increase in the new business contribution and a higher benefit from assumption changes and variances for with-profits business. Overall the CSM also benefited by positive market movements leading to a 10% increase since the start of the year to £6.6 billion (2024: £6.0 billion).

Capital and liquidity

As at 31 December 2025, our Shareholder Solvency II coverage ratio increased to 242% (2024: 223%) demonstrating our continued financial strength.

Operating capital generation decreased to £765 million from £933 million in 2024, impacted by the new business strain of £134 million on £1.5 billion of bulk purchase annuities written in the year.

As previously announced we are now targeting £2.7 billion cumulative operating capital generation (excluding new business strain) for the three years to 2027. Operating capital generation excluding total new business strain for the year was £928 million, which is a good start to the new target.

In January 2026, the UK Government announced proposals on Leasehold reform, which impact ground rent assets that we hold both to back our shareholder annuity liabilities and in the With-Profits Fund. Further details of the proposals and the expected impact are provided in Note 38 to the Consolidated financial statements.

The impact on our Shareholder Solvency II coverage ratio from the announcement is expected to be a reduction of 3 percentage points compared to 242% at 31 December 2025.

Dividend

We paid an interim ordinary dividend of £161 million equal to 6.7 pence per share on 17 October 2025. A second interim dividend of £328 million equal to 13.8 pence per share will be paid on 30 April 2026, which means 20.5 pence per share of total dividends will be paid to shareholders in relation to 2025.

Kathryn McLeland
Chief Financial Officer



Actively invested in...

the untapped potential of female founders

In March 2025, M&G hosted the Investing in Women Code Summit at our London headquarters, reaffirming our commitment to improving access to finance for women-led businesses. Group CFO Kathryn McLeland, executive sponsor for Embrace - M&G's diversity, inclusion and wellbeing network – opened the event by highlighting persistent gender gaps in venture capital, where women remain under represented and receive only a fraction of funding.

M&G was one of the first signatories of the Investing in Women Code, through our Catalyst private assets strategy.

Catalyst deploys meaningful capital to gender focused investments, backing female founders and women-led venture and private equity funds across the US, Asia-Pacific, EU and UK. Supported by our With-Profits Fund, it targets innovative businesses addressing social and climate challenges while seeking long term returns.

This complements the UK's Invest in Women Taskforce, which aims to drive change and boost funding for female entrepreneurs. We marked the Taskforce's first annual report with a cake missing a slice – symbolising the UK's untapped economic potential when female founders lack the backing they deserve.

Business and financial review continued

Financial highlights

We use a range of key performance measures to track how we are executing against our strategy

Assets under management and administration (AUMA)

£375.9bn

(2024: £345.9bn)

K A

AUMA is a key indicator of our scale and demonstrates our potential earnings from investment return and fee income.

Performance in 2025

AUMA increased by £30.0 billion from favourable market movements and strong net inflows from open business.

▶ **Find out more on** pages 21-22

Net flows from open business

£7.8bn inflow

(2024: £1.9bn outflow)

K A R

Net flows from open business indicate how our business grows and how successful it is at retaining and attracting new clients.

Performance in 2025

Strengthened Asset Management performance and positive momentum from PruFund along with significant bulk purchase annuities inflows.

▶ **Find out more on** pages 21-22

Adjusted operating profit before tax (AOP)

£838m

(2024: £837m)

K A R

AOP demonstrates our longer-term performance to equity holders, as it is less affected by short-term market volatility and non-recurring items than IFRS profit before tax.

Performance in 2025

Stable AOP with an improved result in Life offsetting lower Asset Management and Corporate Centre contribution.

▶ **Find out more on** pages 23-25

Operating change in Contractual Service Margin

£246m

(2024: £294m)

K A R

Includes changes from new business, interest accretion, experience changes and release of CSM but excludes the impact of short-term market movements, mismatches and restructuring costs.

Performance in 2025

Operating change in CSM decreased by £48 million to £246 million in 2025 as a reduction in shareholder annuities result was partly offset by improved with-profits.

▶ **Find out more on** page 26

IFRS result after tax

£314m

(2024: £(347)m)

K

Profit/(loss) after tax demonstrates our financial performance to shareholders during the year on an IFRS basis.

Performance in 2025

Profit in 2025 driven by less adverse short-term fluctuations in investment returns due to the improvement in equity markets and bond yields and lower loss on the mismatch arising on application of IFRS 17.

▶ **Find out more on** page 27

Operating capital generation

£765m

(2024: £933m)

K A R

Operating capital generation demonstrates the longer-term view of the movements in our surplus capital. It is less affected by short-term volatility than total capital generation.

Performance in 2025

Operating capital generation remains resilient with the reduction reflecting the capital deployed to support growth in bulk purchase annuities.

▶ **Find out more on** page 29

Total capital generation

£833m

(2024: £1,108m)

K A

Total capital generation is an integral financial metric that measures the change in surplus capital during the period, before dividends and capital movements.

Performance in 2025

Total capital generation reflects the robust operating performance with the decrease from 2024 mainly due to the removal of regulatory restriction in 2024.

▶ **Find out more on** page 28

Shareholder Solvency II coverage ratio

242%

(2024: 223%)

K A

The shareholder view of the Solvency II coverage ratio provides a more relevant reflection of our capital strength than the regulatory Solvency II coverage ratio.

Performance in 2025

Ratio increased as a result of reduced capital requirements driven by the impact of management actions and modelling developments.

▶ **Find out more on** page 30

Dividend per share (ordinary)

20.5p

(2024: 20.1p)

K

Dividend per share is the return of value to shareholders for each share held.

Performance in 2025

The Board has agreed to pay a second interim dividend of 13.8p per share on 30 April 2026, meaning a total dividend of 20.5p per share.

▶ **Find out more on** page 216

Key

- K Key performance measure
- A Alternative performance measure
- R Linked to Remuneration measures for Executive Directors
- Maintain our financial strength
- Simplify our business
- Deliver profitable growth

Business and financial review continued

AUMA and net client flows

Strong positive momentum in net client flows contributes to AUMA growth

Assets under management and administration (AUMA) increased by 9% in 2025 to £375.9 billion (2024: £345.9 billion) as a result of favourable market movements and net inflows from open business of £7.8 billion (2024: £1.9 billion net outflows).

Net flows from open business primarily includes flows from Asset Management, PruFund, Shareholder annuities and advice and have increased following a return to strong net inflows in Asset Management of £7.0 billion (2024: £0.9 billion outflows). Bulk Purchase Annuity (BPA) transactions accelerated in 2025, delivering inflows of £1.5 billion in 2025 (2024: £0.9 billion) and PruFund returned to a net inflow position in the second half of 2025 following improved market conditions, reducing overall net outflows to £0.2 billion (2024: £0.9 billion outflows).

The following table shows an analysis of **AUMA and net client flows** by segment:

	Net client flows For the year ended 31 December						AUMA[i] As at 31 December	
	Net flows from open business		Net flows other		Total net client flows			
	2025 £bn	2024 £bn	2025 £bn	2024 £bn	2025 £bn	2024 £bn	2025 £bn	2024 £bn
Institutional Asset Management[ii]	**4.0**	(0.9)	**—**	—	**4.0**	(0.9)	**109.0**	96.1
Wholesale Asset Management[ii]	**3.0**	—	**—**	—	**3.0**	—	**73.2**	62.8
Other Asset Management	**—**	—	**—**	—	**—**	—	**0.7**	0.9
Asset Management[iii]	**7.0**	(0.9)	**—**	—	**7.0**	(0.9)	**182.9**	159.8
With-profits: PruFund	**(0.2)**	(0.9)	**—**	—	**(0.2)**	(0.9)	**69.8**	64.0
With-profits: traditional[iv]	**—**	—	**(5.4)**	(4.8)	**(5.4)**	(4.8)	**64.6**	61.6
Shareholder annuities	**0.4**	(0.2)	**—**	—	**0.4**	(0.2)	**16.1**	15.1
Other Life[ii, iv]	**0.6**	0.1	**(4.0)**	(2.8)	**(3.4)**	(2.7)	**41.7**	44.4
Life[iv]	**0.8**	(1.0)	**(9.4)**	(7.6)	**(8.6)**	(8.6)	**192.2**	185.1
Corporate assets	**—**	—	**—**	—	**—**	—	**0.8**	1.0
Total	**7.8**	(1.9)	**(9.4)**	(7.6)	**(1.6)**	(9.5)	**375.9**	345.9

i £20.9 billion (2024: £18.0 billion) of total AUMA relates to assets under advice.

ii £5.7 billion AUMA relates to M&G Direct, transferred from Life to Asset Management and £2.1 billion Group Investment Linked Plan business transferred from Asset Management to Life. Both transfers took effect from 31 December 2024.

iii Asset Management AUMA from external clients, does not include £162.3 billion of AUMA of Life that is managed internally (2024: £156.1 billion).

iv £2.8 billion AUMA previously in Other Life is presented in With-profits: traditional from 1 January 2025 better reflecting the nature of the business.

Growing Life new business in the corporate pension risk transfer market

	2023 Reopen	2024 Innovate	2025 Build	2026 With-Profits	2027 Targets
Milestones	Completed first **Bulk Purchase Annuity** deals since 2016	**Launched Value Share BPA** a 'first of its kind' solution in the UK	**Completed team build-out** across origination, proposition and pricing	**Launched With-Profits BPA** and closed first deal in Q1 2026	Long-term capital-light growth **deploying With-Profits** capital
Annual volumes	£0.6bn	+50% → £0.9bn	+65% → £1.5bn	Increasing volumes and deal size →	£3-4bn

Business and financial review continued

Asset Management

Asset Management (external) AUMA increased to £182.9 billion (2024: £159.8 billion) with net client inflows of £7.0 billion (2024: £0.9 billion net client outflows) and positive market and other movements of £16.1 billion (2024: £6.5 billion).

Total AUMA for Asset Management, including AUMA of the Life segment managed internally, is £345.2 billion (2024: £315.9 billion).

	2025 £bn	2024 £bn
Institutional Asset Management	**109.0**	96.1
Wholesale Asset Management	**73.2**	62.8
Other Asset Management	**0.7**	0.9
Asset Management (external)	**182.9**	159.8
Internal assets	**162.3**	156.1
Asset Management (including internal)	**345.2**	315.9

Institutional Asset Management net client inflows grew over 2025 to £4.0 billion (2024: £0.9 billion outflows).

International Institutional inflows were £3.9 billion (2024: £2.9 billion) including a large mandate win in the first half of 2025 and reflecting strengthened net client inflows in our structured credit channel, though these were partly offset by redemptions in South Africa.

Institutional Asset Management in the UK returned to net inflows of £0.1 billion (2024: £3.8 billion net outflows) with success in winning structured credit and fixed income mandates while defined benefit corporate scheme de-risking continued to have an impact.

Institutional AUMA increased £12.9 billion to £109.0 billion as at 31 December 2025 (2024: £96.1 billion) with £2.7 billion of the AUMA increase being due to the acquisition of P Capital Partners (PCP). The improvements in major equity and bond markets in the year also contributed to £6.2 billion of the increased Institutional AUMA.

Our expertise in private assets is a key component of our Institutional investment capability as a resilient, high-margin source of revenues. Our private assets under management increased to £80.8 billion of AUMA as at 31 December 2025 (2024: £74.1 billion) including the acquisition of PCP.

In Wholesale Asset Management, net inflows increased to £3.0 billion (2024: net nil flows) following strong fund performance, in particular in our European equities funds, with improvements seen over one and five years performance. 67%, 56% and 75% of our Wholesale funds by AUMA ranked in the upper performance quartiles over one, three and five years as of 31 December 2025 (2024: 53%, 63% and 59% over one, three and five years).

Wholesale AUMA increased £10.4 billion to £73.2 billion as at 31 December 2025 (2024: £62.8 billion) benefitting from market and other movements of £7.4 billion, for similar reasons to Institutional.

Life

Net client flows from open business, which primarily comprises PruFund, shareholder annuities and advice, improved to £0.8 billion net inflows (2024: £1.0 billion net outflows) reflecting the BPA transactions which contributed £1.5 billion inflows and an improvement in PruFund outflows during the year.

PruFund, our insurance-based smoothing solution which offers a blend of public and private investments to clients, had net client outflows of £0.2 billion (2024: £0.9 billion net client outflows). The reduction in net outflows reflects a return to a net inflow position in the second half of the year following a recovery in the markets after volatility earlier in the year.

Shareholder annuities pivoted to net client inflows of £0.4 billion (2024: £0.2 billion net outflows) bolstered by the BPA transactions in 2025. These inflows are partly offset by the expected outflows from legacy annuities in payment of £1.1 billion (2024: £1.1 billion).

Total net client flows from the Life business were £8.6 billion outflows (2024: £8.6 billion). As expected, our traditional with-profits business experienced net outflows of £5.4 billion (2024: £4.8 billion). Additionally, increased outflows from our adviser platform business, following our strategic repositioning announced in 2024 and expected run-off from our other small closed books of business offset the net client inflows from open business.

Total Life AUMA increased £7.1 billion to £192.2 billion (2024: £185.1 billion) with the net client outflows being largely offset by positive market and other movements of £15.7 billion (2024: £5.7 billion, driven by improving equity and bond markets.

Business and financial review continued

Earnings

Adjusted operating profit stable with IFRS result benefitting from strengthened markets

Our key metrics to describe our earnings are: Adjusted operating profit before tax (AOP), which demonstrates our longer-term performance to equity holders, excluding the effect of short-term market movements and non-recurring items; Operating change in Contractual Service Margin (CSM), which supplements AOP and includes the impact of new business and management actions not included in AOP; and IFRS result after tax which demonstrates our financial performance to shareholders on an IFRS basis.

The following table shows an analysis of **adjusted operating profit before tax** by segment:

For the year ended 31 December	2025 £m	2024 £m
Asset Management	**280**	289
Revenue	**1,066**	1,008
Costs	**(805)**	(774)
Performance fees[i]	**15**	35
Investment income and non-controlling interests	**4**	20
Life	**764**	746
With-profits: PruFund	**265**	226
With-profits: traditional	**258**	222
Shareholder annuities	**283**	308
Other Life	**(42)**	(10)
Corporate Centre	**(206)**	(198)
Adjusted operating profit before tax	**838**	837

Adjusted operating profit before tax

Adjusted operating profit before tax remained stable at £838 million for the year ended 31 December 2025 (2024: £837 million), an improved result in Life offsetting lower adjusted operating profit from Asset Management and Corporate Centre.

Asset Management

Asset Management adjusted operating profit before tax decreased to £280 million (2024: £289 million) following an increase of £27 million in fee-related earnings[ii] driven by growth and continued cost discipline offset by a reduction in performance fees and investment income.

Asset Management revenue increased 6% to £1,066 million for the year ended 31 December 2025 (2024: £1,008 million) and operating costs rose to £805 million (2024: £774 million). The increased revenue reflects the continued focus on growth and includes income earned by P Capital Partners (PCP), which we acquired in June 2025 and BauMont, acquired in October 2024. Our ongoing emphasis on cost discipline has allowed us to absorb the impact of inflation on operating costs and to invest to support growth. Together this means the cost-to-income ratio for the Asset Management business reduced to 75% (2024: 76%).

Revenue earned by Institutional Asset Management was £383 million (2024: £368 million[iii]) including PCP and BauMont revenue and in Wholesale Asset Management, revenue increased to £370 million (2024: £316 million[iii]). The increase in Wholesale revenue reflects fees earned on higher average AUMA, in particular equities funds which have seen inflows throughout the year. Internal revenue in respect of assets managed on behalf of Life was £313 million (2024: £324 million).

The average fee margin for Asset Management remained broadly flat at 33 bps for 2025 (2024: 32 bps). In both Institutional and Wholesale the average fee margin was largely unchanged: Institutional 38 bps (2024: 38 bps) and Wholesale 55 bps (2024: 56 bps).

Performance fees includes carried interest which reduced due to a lower number of events that crystallised the recognition of the income. Investment income and non-controlling interests reduced to £4 million (2024: £20 million) with non-controlling interests broadly stable at £(18) million (2024: £(16 million). Investment income fell £14 million to £22 million reflecting increased foreign exchange revaluation losses as USD weakened against GBP and the impact of lower interest rates. Investment income relates to returns on seed investments, units held to hedge management incentive schemes, interest income on cash balances and any foreign exchange revaluation impacts.

i Performance fees are net of the corresponding performance-related remuneration payable under Asset Management employee incentive schemes.
ii Fee-related earnings are revenue less costs
iii 2024 figures differ to those previously presented as now reflect the amounts excluding internal revenue.

Business and financial review continued

Life

Adjusted operating profit before tax from our Life business increased £18 million to £764 million (2024: £746 million). The improved contribution from with-profits business following an increase in Contractual Service Margin (CSM) release was partly offset by lower expected return on excess assets in shareholder annuities.

With-profits: PruFund

The table below shows a further analysis of the adjusted operating profit before tax from PruFund:

	2025 £m	2024 £m
CSM release to adjusted operating profit	**243**	221
Expected return on excess assets[i]	**10**	18
Other	**12**	(13)
PruFund adjusted operating profit before tax	**265**	226

i Excess assets net of financial liabilities.

The Contractual Service Margin (CSM) for PruFund is primarily based on the expected value of future shareholder transfers. The CSM at the start of 2025 was higher than the start of 2024, following the increase in yields over 2024. There has also been an increase in CSM amortisation rate to 11.1% (2024: 10.8%) reflecting a small change in the run-off profile of the PruFund business. These two factors result in an increase in the amount of CSM released to adjusted operating profit to £243 million (2024: £221 million).

The expected return on excess assets decreased by £8 million to £10 million (2024: £18 million). The expected rate of return is set at the start of the reporting period and a fall in 1-year risk-free rates over 2024 contributed to a lower expected rate of return in 2025 of 6.2% compared to 6.8% in 2024. The opening value of excess assets in the With-Profits Fund has also fallen following an increase in longer term yield curves over 2024 which has resulted in lower surplus assets being allocated to PruFund. This combined with the lower expected rate of return has driven the decrease in expected return on excess assets.

The improvement in Other of £25 million to £12 million (2024: £13 million loss) is primarily due to the revaluation of the liability due to the With-Profits Fund in respect of the recovery of transformation costs associated with with-profits new business.

With-profits: traditional

The table below shows a further analysis of the adjusted operating profit before tax from traditional with-profits business:

	2025 £m	2024 £m
CSM release to adjusted operating profit	**231**	198
Expected return on excess assets	**31**	36
Other	**(4)**	(12)
Traditional with-profits adjusted operating profit before tax	**258**	222

As outlined above for PruFund, the CSM for traditional with-profits at the start of 2025 was higher than at the start of 2024 and similarly there has also been an increase in CSM amortisation rate to 13.1% (2024: 12.8%). The amortisation rate of the traditional with-profits business is greater than PruFund as this business is more mature and is running off faster. As a result the amount of CSM release to adjusted operating profit increased to £231 million (2024: £198 million).

The expected return on the shareholders' share of excess assets in traditional with-profits decreased by £5 million to £31 million (2024: £36 million) for the same reasons described above for PruFund.

The Other loss of £4 million (2024: £12 million) primarily relates to expense overruns on group pensions new business.

Shareholder annuities

The table below shows a further analysis of the adjusted operating profit before tax from shareholder annuities:

	2025 £m	2024 £m
CSM release to adjusted operating profit	**121**	113
Expected return on excess assets	**124**	147
Risk adjustment unwind	**19**	21
Other	**19**	27
Shareholder annuities adjusted operating profit before tax	**283**	308

Shareholder annuities adjusted operating profit before tax has decreased by £25 million to £283 million (2024: £308 million). The recurring sources of earnings from the annuity book are primarily the returns on excess assets over and above the IFRS 17 insurance liabilities based on long-term expected investment returns and the release of the CSM.

The expected return on excess assets has decreased by £23 million to £124 million (2024: £147 million) as a result of a reduction in the expected rate of return and in the value of the excess assets. The expected rate of return is set at the start of the reporting period and reduced from 5.6% for 2024 to 5.2% for 2025, driven by a reduction in the 1-year risk-free rate. The rise in longer-term risk-free rates has driven the reduction in excess assets.

The release of the CSM to adjusted operating profit for shareholder annuities was £121 million compared to £113 million in 2024. The release of the CSM is calculated on the opening CSM adjusted for new business, interest accreted and assumption changes in the period. The CSM released represents 7.8% of the 2025 CSM before amortisation (2024: 7.6%). The release increased in 2025 as a result of higher opening CSM following longevity assumption changes made in the second half of 2024 and the increase in the amortisation rate.

Business and financial review continued

Other gains fell to £19 million (2024: £27 million). This includes asset trading profits on the matching adjustment portfolio which increased to £35 million (2024: £nil) as a result of actions taken to optimise the portfolio.

This also includes experience variances losses of £19 million (2024: £2 million gain) which include an £8 million payment in relation to a legacy contract and higher than expected expenses.

Additionally, in the year ended 31 December 2024, a £25 million gain related to a change in persistency assumptions to reflect experience on the lifetime mortgages book.

The credit quality of fixed income assets in the annuity portfolio remained robust over 2025. Approximately 96% of the debt securities held by the shareholder annuity portfolio are investment grade and 74% are A or above. In addition, 80% of the shareholder annuity portfolio is held in debt securities categorised either as Risk Free or Secured (including cash) reflecting a prudent and high-quality asset mix. Credit rating migrations during the year resulted in a moderate level of downgrade experience (defined as movements in notching across all credit ratings and, otherwise, letter downgrades) with less than 9% of bonds in the shareholder annuity portfolio subject to a downgrade, this is partly offset by upgrades across 4% of the credit portfolio.

Other Life

	2025 £m	2024 £m
Platform and advice	**(28)**	(31)
Europe	**(13)**	—
Other	**(1)**	21
Other Life adjusted operating profit before tax	**(42)**	(10)

Other Life losses increased by £32 million to £42 million (2024: £10 million loss). Platform and advice losses reduced slightly due to lower costs.

Europe includes a loss of £26 million as a result of the increase in provision under an agreement to reimburse the With-Profits Fund for its contribution to the costs for growing the business written in Poland due to an increase in expected expenses and lower expected future sales. This more than offsets the profit of £13 million on other European business. In 2024 profit of £11 million was offset by a one-off £11 million loss from the impact of modelling developments.

In Other, one-off items in 2024 included greater interest income and higher gains from service companies, including the release of a legacy provision.

Corporate Centre

The loss in Corporate Centre has increased by £8 million to £206 million (2024: £198 million). A reduction in interest income and profit from our treasury operations was partly offset by lower finance costs on subordinated debt, following repurchase and redemption of the subordinated notes in June and July 2024. Underlying Head Office expenses increased slightly to £101 million (2024: £98 million).

Operating change in Contractual Service Margin (CSM)

The following table shows a breakdown of the **operating change in CSM**:

	With-profits: PruFund		With-profits: traditional		Shareholder annuities		Other		Total	
For the year ended 31 December	**2025 £m**	**2024 £m**	**2025 £m**	**2024 £m**	**2025 £m**	**2024 £m**	**2025 £m**	**2024 £m**	**2025 £m**	**2024 £m**
Interest accreted on the CSM	**—**	—	**—**	—	**38**	37	**6**	7	**44**	44
Expected real-world return	**302**	320	**259**	272	**—**	—	**—**	—	**561**	592
Release of CSM to adjusted operating profit	**(243)**	(221)	**(231)**	(198)	**(121)**	(113)	**(17)**	(17)	**(612)**	(549)
New business	**111**	71	**—**	—	**23**	17	**10**	12	**144**	100
Assumption changes and variances	**15**	(71)	**(25)**	(51)	**117**	231	**2**	(2)	**109**	107
Operating change in CSM	**185**	99	**3**	23	**57**	172	**1**	—	**246**	294

Operating change in CSM decreased to £246 million in the year ended 31 December 2025 (2024: £294 million) with a reduction in shareholder annuities partly offset by an increase in the result for PruFund.

The main elements of the operating change in CSM are expected real-world return for with-profits business, new business contribution and assumption changes and variances. These are then offset by the release of the CSM to adjusted operating profit.

For with-profits expected real-world return, the expected rate of return is determined at the start of the year and is applied to the Variable Fee[i]. The Variable Fee increased in the year and the expected rate of return decreased to 7.8% for 2025 (2024: 8.2%), driven by a reduction in the 1-year risk-free rate. New business contribution is based on the projected future shareholder transfer on new inflows valued at the opening risk-free rate.

For shareholder annuities, interest accreted on the CSM is based on the opening CSM including new business and assumption changes and variances. The interest rate is based on the forward curve 'locked in' at IFRS 17 transition date (1 January 2022) and has slightly reduced to 2.2% (2024: 2.3%) due to a small decrease in the five-year point on the curve.

With-profits: PruFund

PruFund new business contribution to the CSM increased to £111 million (2024: £71 million). The rise is predominantly due to an increase in the projected future shareholder transfers driven by a rise in longer-term risk-free rates over 2024, with a smaller impact from increased gross inflows into PruFund.

Assumption changes and variances resulted in gains of £15 million (2024: £71 million loss), including benefits from modelling improvements and asset allocation. The loss in 2024 is primarily a result of a reduction in projected future shareholder transfers following a full rebuild of our prospective with-profits modelling in 2024.

The expected real-world return for PruFund business reduced to £302 million (2024: £320 million) as the lower expected rate of return more than offset the rise in Variable Fee.

With-profits: traditional

A loss in 2025 of £25 million (2024: £51 million) from assumption changes and variances includes the impact of weakened persistency assumptions relating to retirement rates and the result of improvements in prospective with-profits modelling for future bonus rates.

Similar to PruFund, the loss in 2024 was mainly due to the full rebuild of our prospective with-profits modelling, the impact was smaller than for PruFund as the traditional book is less sensitive to changes in the future investment return.

The expected real-world return decreased to £259 million (2024: £272 million) for same reasons as for PruFund.

Shareholder annuities

Gains from assumption changes and variances in 2025 of £117 million (2024: £231 million) include £158 million longevity assumption changes, compared with the impact in 2024 of £244 million. The negative impact of increased investment management expense assumptions is partly offset by risk adjustment benefits resulting in an additional £41 million loss in the year.

The contribution from new business to the operating change in CSM includes the bulk purchase annuity transactions completed and internal vestings on existing business. During 2025 this increased to £23 million (2024: £17 million) primarily as a result of the bulk purchase annuity transactions completed in 2025.

i The Variable Fee is the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. Further information is provided in Note 1.5.

IFRS result after tax

The IFRS result after tax attributable to equity holders for the year ended 31 December 2025 is a profit of £314 million (2024: £347 million loss). Adjusted operating profit before tax has been offset by losses on non-operating items predominately from short-term fluctuations in investment returns.

Losses from short-term fluctuations in investment returns reduced significantly in 2025 to £164 million (2024: £643 million). The losses primarily comprise a £66 million loss (2024: £247 million loss) in relation to shareholder annuities including the difference in actual and expected long-term investment return on surplus assets backing the portfolio which has decreased as the rise in yields of longer duration was smaller in 2025 relative to 2024. This rise in yields also resulted in a lower loss of £34 million (2024: £227 million loss) on interest rate swaps purchased to protect PAC's Solvency II capital position against falls in interest rates. Additionally, there was a £174 million loss (2024: £98 million loss) on the hedging instruments held to protect the Solvency II capital position from falling equity markets, due to rising equity markets in both years. This was partly offset by £30 million of foreign exchange gains (2024: £8 million losses) on the USD denominated subordinated loan note due to weakening of the currency against GBP over 2025.

Mismatches arising on application of IFRS 17 primarily relates to a mismatch which occurs in relation to non-profits businesses in the With-Profits Fund generating a £61 million loss in 2025 (2024: £239 million loss). This mismatch reduced in 2025 due to a smaller benefit from longevity assumption changes compared with 2024. 2024 also included a reduction in the fair value of non-profit annuity business in the With-Profits Fund due to Solvency UK reforms which increased the mismatch, this has not repeated in 2025. Over the expected term of the contracts this mismatch is expected to slowly unwind as the profit on non-profit business in the With-Profits Fund is recognised. Additionally, the mismatch for annuities due to divergence between the locked-in rate used to value the CSM and the valuation discount rate of £47 million in 2025 (2024: £89 million) decreased mainly due to a lower longevity assumption impact in 2025.

The following table shows a reconciliation of adjusted operating profit before tax to **IFRS result**:

For the year ended 31 December	2025 £m	2024 £m
Adjusted operating profit before tax	**838**	837
Short-term fluctuations in investment returns	**(164)**	(643)
Mismatches arising on application of IFRS 17	**(106)**	(333)
Amortisation and impairment of intangible assets acquired in business combinations	**(52)**	(115)
(Loss)/profit on disposal of business and corporate transactions	**(5)**	11
Restructuring costs and other[i]	**(90)**	(106)
IFRS profit/(loss) before tax and non-controlling interests attributable to equity holders	**421**	(349)
IFRS profit attributable to non-controlling interests	**18**	17
IFRS profit/(loss) before tax attributable to equity holders	**439**	(332)
Tax charge attributable to equity holders	**(125)**	(15)
IFRS profit/(loss) after tax attributable to equity holders	**314**	(347)

i Restructuring and other costs excluded from adjusted operating profit relate to transformation costs allocated to the shareholder. These differ to restructuring costs included in the analysis of administrative and other expenses in Note 7 which include costs allocated to the With-Profits Fund.

Amortisation and impairment of intangible assets of £52 million (2024: £115 million) includes £33 million (2024: £30 million) impairment of responsAbility as described in Note 13 of the notes to the Consolidated financial statements. In 2024, £79 million impairment was in relation to our platform, advice and model portfolio service businesses.

In the year ended 31 December 2025, restructuring costs and other of £90 million (2024: £106 million) includes £27 million (2024: £44 million) in relation to actions taken to reduce our cost base and £22 million (2024: £21 million) of investment spend in building out capacity in our Asset Management business. Restructuring costs also includes £19 million (2024: £nil) in relation to the Group's Financial Crime Enhancement Programme described on page 57.

The equity holders' tax charge for the year ended 31 December 2025 is £125 million (2024: £15 million) representing an effective tax rate of 28.5% (2024: (4.5)%). Excluding non-recurring items, the equity holders' effective tax rate is 26.4% (2024: 12.0%). The equity holders' effective tax rate represents a tax charge on the equity holders' pre-tax profit. This rate diverges from the anticipated tax charge at the UK statutory effective rate of 25.0% (2024: 25.0%), mainly due to the adverse effects of non-deductible expenses and differences in the taxation of the life insurance business and partly offset by the beneficial effect of utilisation and recognition of tax losses on which no deferred tax was previously recognised.

Business and financial review continued

Capital and liquidity

Capital strength maintained with Solvency II shareholder coverage ratio increased to 242%

Capital generation

Underlying capital generation of £529 million (2024: £644 million and operating capital generation of £765 million (2024: £933 million) remain resilient and reflect the capital deployed to support bulk purchase annuities written in the year.

Total capital generation was £833 million for the year ended 31 December 2025 (2024: £1,108 million) with 2024 benefitting from the reversal of an eligible own funds restriction.

The following table shows an analysis of **total capital generation**:

For the year ended 31 December	2025 £m	2024 £m
Asset Management	**275**	261
Life	**478**	616
Corporate Centre	**(224)**	(233)
Underlying capital generation	**529**	644
Other operating capital generation	**236**	289
Operating capital generation	**765**	933
Market movements	**49**	(59)
Restructuring and other	**(127)**	(135)
Tax	**146**	153
Eligible own funds restriction reversal	**—**	216
Total capital generation	**833**	1,108

Underlying capital generation

Underlying capital generation decreased in the year ended 31 December 2025 to £529 million (2024: £644 million) reflecting a £105 million reduction in shareholder annuities partly offset by improved results from Asset Management and Corporate Centre.

For the year ended 31 December	2025 £m	2024 £m
Asset Management	**275**	261
Life	**478**	616
With-profits: PruFund	**234**	239
– In-force	**251**	264
– New business	**(17)**	(25)
With-profits: traditional	**174**	190
Shareholder annuities	**92**	197
– In-force	**226**	261
– New business	**(134)**	(64)
Other Life	**(22)**	(10)
Corporate Centre	**(224)**	(233)
Underlying capital generation	**529**	644

In Asset Management, underlying capital generation increased to £275 million (2024: £261 million) benefitting from higher revenue and a capital release from reduced market risk.

Underlying capital generation from PruFund reduced marginally to £234 million (2024: £239 million). In-force business generated £251 million (2024: £264 million) reflecting the impact of reductions in the expected real-world return on shareholder transfers from 8.2% pa in 2024 to 7.8% pa in 2025. New business strain from the PruFund business has decreased to £17 million (2024: £25 million) due to an increase in the value of future shareholder transfers following the increase in long-term risk free rates over 2024, partly offset by gross inflows during the year.

Traditional with-profits business generated underlying capital of £174 million (2024: £190 million). The decrease in underlying capital generation is driven by the impact of reductions in the expected real-world return on the present value of shareholder transfers, as noted for PruFund.

Shareholder annuities underlying capital generation reduced to £92 million (2024: £197 million). This includes an increase of £70 million to £134 million (2024: £64 million) in the capital strain from the completion of £1.5 billion (2024: £0.9 billion) new bulk purchase annuities transactions. In addition there was a reduction in the expected return due to lower surplus assets in the annuity portfolio and a lower expected rate of return.

The negative contribution from Other Life has increased in 2025 to £22 million from £10 million in 2024. Other life includes the expected return on interest rate swaps, designed to protect the Solvency II capital position in a falling interest rate environment which has reduced due to rising risk-free rates over 2024.

Corporate Centre negative contribution has improved including the impact of a reduction in the debt coupon payments following the subordinated debt deleveraging actions taken in 2024 and a release of capital held by our Treasury function in respect of credit risk.

Business and financial review continued

Operating capital generation

Operating capital generation decreased to £765 million (2024: £933 million) with a reduction in other operating capital generation in addition to the lower underlying capital generation.

For the year ended 31 December	2025 £m	2024 £m
Underlying capital generation	**529**	644
Model developments	**88**	160
Assumption changes	**15**	163
Management actions and other (incl. experience variances)	**133**	(34)
Other operating capital generation	**236**	289
Operating capital generation	**765**	933

Other operating capital generation has reduced to £236 million (2024: £289 million) with increased benefits from management actions and other being more than offset by reduced contributions from model developments and assumption changes.

Model developments over 2025 generated a positive capital generation contribution of £88 million (2024: £160 million) mainly driven by reductions in longevity and market risk capital requirements. Capital generation from model developments in 2024 included the impact from the full rebuild of the prospective with-profits modelling which took place in the year.

Assumption changes of £15 million (2024: £163 million) include the reduced positive impact from changes to longevity assumptions of £81 million (2024: £153 million) partly offset by a loss from an increase in investment management expense assumptions and a weakening of persistency assumptions.

Management actions and other in 2025 benefits from a number of different items including £89 million as a result of enhanced modelling for collective investment schemes, £57 million following new reinsurance agreements and a £56 million benefit from increasing the level of equity hedging on the with-profits business. These are partly offset by unfavourable non-market experience variances of £123 million (2024: £77 million loss) mainly in relation to expenses and lower mortality than expected. In the year to 31 December 2024 there was a £62 million benefit from distribution of excess surplus from the with-profits inherited estate.

Total capital generation

Total capital generation was £833 million for the year ended 31 December 2025 (2024: £1,108 million).

Market movements over the year to 31 December 2025 have resulted in a positive impact of £49 million (2024: £59 million loss). The main drivers of market movements are a gain of £142 million (2024: £142 million) arising from an increase in the present value of shareholder transfers less equity hedges. In 2025 this is due to the actual return achieved on the With-Profits Fund being higher than expected and in 2024 was driven by the increase in interest rates in the year.

This is partly offset by a loss on the value of surplus assets in the annuity portfolio of £66 million (2024: £307 million loss) and a loss on interest rate swaps, designed to protect the Solvency II capital position in a falling interest rate environment, of £34 million (2024: £227 million loss) due to a rise in long term risk free rates over 2025. There was a benefit in Solvency Capital Requirements and risk margin attributable to market movements of £65 million (2024: £254 million) primarily reflecting the increase in interest rates over the year.

There are limits, prescribed by the regulator, on the amount of different types of own funds that can be used to demonstrate solvency. While the capital remains available to the Group, where the sum of capital classed as Tier 2 and Tier 3 exceeds 50% of the regulatory Group Solvency Capital Requirement (SCR), own funds must be restricted by this amount to determine eligible own funds. In 2024 a pre-existing restriction of £216 million was released following the subordinated debt deleveraging actions announced in June 2024. There is no eligible own funds restriction at 31 December 2025 and 31 December 2024.

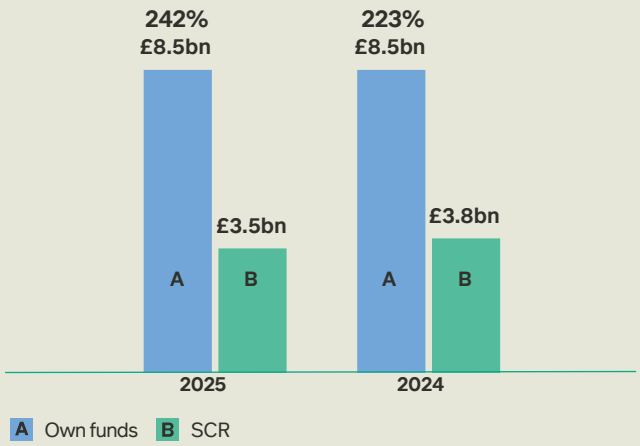
Restructuring costs and other movements loss of £127 million (2024: £135 million) have reduced slightly, for the same reasons as those set out in the IFRS result after tax section.

Capital generation with respect to tax has reduced to £146 million for the year ended 31 December 2025 (2024: £153 million). Benefits from current tax credits of £95 million (2024: £65 million) and the loss absorbing capacity of deferred tax of £74 million (2024: £107 million) were partly offset by a reduction in net deferred tax assets of £23 million (2024: £19 million increase).

Business and financial review continued

Capital position

Shareholder Solvency II surplus and ratio



The Group's Shareholder Solvency II coverage ratio increased to 242% (2024: 223%). Shareholder Solvency II surplus increased to £5.0 billion as at 31 December 2025 (2024: £4.7 billion) due to a reduction in the SCR driven by the impact of management actions and model developments in the year.

Eligible own funds includes Present Value of future Shareholder Transfers (PVST) which increased to £4.6 billion at 31 December 2025 (2024: £4.3 billion) as a result of the positive return generated by the With-Profits Fund, driven by strong equity market performance during the year. The increase in surplus reflects the total capital generation of £833 million, partly offset by negative capital movements of £557 million. These were mainly the payment of dividends to shareholders and a reduction to own funds relating to intangibles arising from the acquisition of P Capital Partners.

Our With-Profits Fund continues to have a substantial Solvency II surplus of £7.1 billion (2024: £5.8 billion) and a coverage ratio of 342% (2024: 284%). The surplus and coverage ratio have increased as a result of strong underlying capital generation from in-force business and positive impacts from market movements, model developments and change in non-market assumptions.

The regulatory Solvency II coverage ratio of the Group as at 31 December 2025 is 178% (2024: 168%). This view of solvency combines the shareholder position and the With-Profits Fund, but excludes the surplus within the With-Profits Fund.

Leverage Ratio

As at 31 December	2025 £m	2024 £m
Nominal value of subordinated debt	**2,760**	2,788
Shareholder Solvency II own funds	**8,500**	8,525
Leverage ratio	**32%**	33%

The leverage ratio is defined as the nominal value of debt as a percentage of the shareholder view of M&G plc's Solvency II available own funds and would exclude any eligible own funds restriction noted in the Capital position section. Our leverage ratio of 32% (2024: 33%) has decreased as the weaker USD in 2025 slightly lowered the nominal value of the USD-denominated subordinated debt, as Solvency II own funds remained broadly stable.

Capital Management Framework

Our Capital Management Framework allows us to maintain financial strength and reward shareholders with attractive returns. This is achieved through actively managing M&G's solvency position and the quality of capital held. When deploying additional capital, we prioritise investments that can generate long-term sustainable earnings growth. Any investment is always measured against the financial attractiveness of capital returns, as well as our Risk Appetite Framework.

Financial strength and flexibility
Considers Shareholder Solvency II coverage ratio, Parent Company liquidity and leverage ratio.

Attractive dividends
Progressive dividend policy.

Investments in the business
Investments in our high returning growth businesses.

Capital returns
When appropriate eg debt or equity buy-back.

Business and financial review continued

Liquidity

The cash and liquid assets held by the Group's holding companies have remained in line with prior year, at £727 million. Cash remittances from subsidiaries reflect the underlying strength of their capital position at £746 million (2024: £909 million). The higher remittances in 2024 facilitated, in part, the payment of the repurchase and redemption of £450 million of subordinated notes as part of the deleveraging actions announced in June 2024. The impact of the lower subordinated debt also results in a reduction in interest paid on these structural borrowings to £166 million (2024: £188 million) and the lower average cash balances meant reduced interest income of £27 million (2024: £36 million).

Cash dividends paid to equity holders increased to £482 million (2024: £468 million) reflecting the higher dividend per share declared in line with our progressive dividend policy announced in March 2025.

Other movements in cash and liquid assets held by the holding companies represent the payments that arise in the normal course of business, including Group tax relief of £41 million (2024: £55 million).

The following table shows the movement in cash and liquid assets held by the Group's holding companies during the period:

For the year ended 31 December	2025 £m	2024 £m
Opening cash and liquid assets at the beginning of the period	**730**	977
Cash remittances from subsidiaries	**746**	909
Corporate costs	**(135)**	(121)
Interest paid on core structural borrowings	**(166)**	(188)
Debt repurchase and redemption[i]	**—**	(450)
Cash dividends paid to equity holders	**(482)**	(468)
Shares purchased by employee benefits trust	**(46)**	(4)
Acquisition of and capital injections into subsidiaries	**(1)**	(22)
Interest income[ii]	**27**	36
Other	**54**	61
Closing cash and liquid assets at the end of the period[ii]	**727**	730

i On 19 June 2024 the Group completed a repurchase of £161 million of 5.56% sterling fixed rate subordinated notes for a consideration of £150 million. On 20 July 2024, the Group redeemed, at par, all £300 million 3.875% sterling fixed rate subordinated loan notes. See Note 26 for further information.

ii Closing cash and liquid assets at 31 December 2025 included a £673 million (2024: £705 million) intercompany loan asset with Prudential Capital plc, which acts as the Group's treasury function. Interest income is in relation to these loans.

Section 172 Statement

How the Board fulfils its duties

Understanding the needs of our stakeholders is essential to help us fulfil our purpose and drive value creation over the longer term

How the Board fulfils its Section 172 duties

The following pages provide more detail on how the Board has fulfilled its duties as set out in Section 172(1) (a) to (f) of the Companies Act 2006 (Section 172) and how it has engaged with and taken account of our stakeholders' interests over 2025. We have also described how the Board considered our key stakeholders and their views when making key decisions.

Establishing our purpose, strategy, culture and values

The Board sets M&G's purpose, values and strategy and monitors our culture to ensure it remains aligned to these. Our culture and values support the delivery of our purpose, and provide a strong foundation for our strategic decision-making and the outcomes we aim to achieve.

▶ **Find out more on** page 85

Board skills and stewardship

Having a strong board is essential for successful stewardship at M&G. We seek to recruit and retain directors with diverse skills and expertise to govern decision-making. We develop our directors through a comprehensive induction process and engagement with management, training and workshops. This process helps our directors to enhance their skills, so they can contribute to sound decision-making and are better placed to help shape proposals and provide constructive challenge.

▶ **Find out more on** page 89

Board information

The Board has guidelines and training for colleagues to ensure that material prepared for the Board is of a high standard and considers aspects relevant for Section 172, including long-term impact and how key stakeholder interests have been considered. Directors are encouraged to provide feedback to paper preparers to further improve this process.

Board discussion and decision-making

As part of its discussions, the Board provides rigorous evaluation, assessment of risk and challenge to ensure decisions promote our long-term sustainable success and balance the needs and interests of our stakeholders. Key themes and issues relating to our stakeholders are considered when the Board has discussions and they influence the Board's decision-making.

Set out below is our approach to certain key decisions taken during the year.

Key decision 1

Dai-ichi Life partnership

During the year, the Board approved a strategic partnership with Dai-ichi Life HD. This partnership reflects our commitment to strengthening our international distribution capabilities and enhancing access to new markets, while maintaining a focus on delivering sustainable value for our shareholders. Further information on the Dai-ichi partnership can be found on page 12.

Stakeholders considered

Customers, clients, colleagues, investors and regulators.

Decision-making process

The Board considered the proposed partnership, including the possible benefits of growth and expansion opportunities across both the Asset Management and Life businesses. This included the potential for collaboration on life insurance initiatives in Europe and Japan, the Company becoming the preferred asset management partner for Dai-ichi Life HD in Europe and working with Dai-ichi to develop new products to enhance the Group's offering. Dai-ichi also intends to acquire an approximate 15% shareholding in M&G plc; this was seen by the Board as a driver of closer strategic alignment and a catalyst for long-term value creation.

In reaching its decision, the Board undertook a thorough review to ensure alignment with the Group's purpose and long-term strategy. This included assessing potential benefits, risks and stakeholder implications, supported by input from management and external advisers. The Board considered how the partnership could enhance the Group's international distribution capabilities, strengthen its presence in key Asian markets and support sustainable growth.

Throughout, the Board challenged and sought assurance that the partnership would deliver sustainable benefits and long-term value.

Section 172 Statement continued

Key decision 2

Capital allocation

The Board is responsible for capital allocation across M&G. The role of the Board includes balancing the needs of stakeholders when making decisions about the allocation of capital. This included the following in 2025:

Capital Allocation Framework (CAF)

During the year, the Board approved updates to the Group's Capital Allocation Framework to ensure decisions continue to support long-term value creation. The revised framework provides a consistent basis for evaluating capital deployment across the Group and includes updated liquidity parameters and return hurdles to reflect changes in market conditions and regulatory requirements. The Board considered stakeholder interests in reaching this decision, focusing on delivering resilient returns for shareholders, supporting sustainable outcomes for customers and clients, and ensuring regulatory compliance while providing clarity on priorities for employees.

Updated Dividend Policy

During the year, the Board approved an updated dividend policy designed to support a progressive approach to shareholder returns while maintaining prudent financial management. In reaching this decision, the Board considered the Company's long-term sustainability, capital strength and liquidity position within the Financial Management Framework, alongside the expectations of shareholders for consistent returns and regulatory requirements to safeguard solvency and liquidity. The policy aims to provide stable or growing dividends over time, subject to affordability and resilience under a range of economic scenarios.

Mergers & Acquisitions (M&A)

The Board reviewed and discussed potential M&A opportunities across the Group during the year. In February, we agreed to acquire a majority stake in P Capital Partners, a private credit specialist with a strong track record in alternative investment strategies. Private credit is becoming an increasingly attractive market for Institutional Investors, offering opportunities for diversification and long-term value creation. P Capital Partners was selected for its strong reputation and expertise, which will enhance the range of solutions available to clients and support our commitment to delivering value for stakeholders.

Stakeholders considered

Customers, clients, colleagues, investors, regulators, credit rating agencies.

Decision-making process

The Board considered its stakeholders throughout the year when discussing and approving capital allocation matters.

When approving the updated dividend policy, the Board confirmed that compliance with the Prudential Regulation Authority's (PRA) supervisory statement had been taken into account and noted that an open dialogue would be maintained with the PRA to ensure dividends continue to align with the Group's solvency and liquidity position.

Our stakeholders

How we engage

Colleagues

M&G has over 6,000 permanent colleagues across 38 offices globally. Our colleagues are central to everything we do and fundamental to the success of the Group.

The Board believes in ongoing engagement and open, two-way dialogue with colleagues across the Group. Engagement is vital to ensuring that the interests and perspectives of colleagues are understood at Board level and that their views and interests can be considered in decision-making. An engaged workforce is the foundation to delivering for our other stakeholder groups.

▶ **Find out more about our colleagues** on pages 37-39



How we engage

Direct dialogue with colleagues

Throughout 2025, Non-Executive Directors participated in a series of formal engagement sessions with colleagues from across the Group. These sessions brought Non-Executive Directors together with colleagues from a wide range of geographies and levels of seniority, including representatives from Asset Management, Life and Corporate Functions, from offices in the UK, Europe, Asia and India. This included graduates and colleague ambassadors. The purpose of these regular sessions is to give our Board members the opportunity to engage directly with colleagues, gain insights into M&G's culture and understand colleague views and interests for consideration in Board discussions.

Indirect engagement with colleagues

Management presents the key themes and outputs from the OneVoice survey to the Board for consideration and discussion, ensuring the Board maintains consistent oversight of the colleague experience.

Key themes, issues and matters arising from Board engagement with colleagues

- Positive feedback on people-centric culture and workforce/people policies.
- Removing barriers to execution, including technology and pace of decision-making and exploring the role of AI in achieving this.
- Infrastructure, hybrid working and return to office in the context of collaboration.
- Balance of controlling costs and investing for growth.
- Empowerment and desire for increased autonomy.
- Importance of learning and development, career progression and pastoral care, including for graduates.
- Collaboration and prioritisation.
- Communication.
- Remuneration practices.

Actions and progress

The Board ensures that key themes and issues raised through colleague engagement are considered in its discussions and decision-making. Feedback from these sessions is documented and shared with the M&G plc Board, the Chief People Officer and, where appropriate, senior management.

During the year, the Board discussed the key themes with the Group CEO, emphasising the importance of growing internal talent, strengthening succession plans, enhancing the employee proposition and continuing to embed a people-centric culture.

The Board discussed and approved the actions being taken to improve accountability, which included the approach to performance and reward to ensure it had continued focus on improving objective setting for senior leaders and reinforced alignment with the purpose and strategy.

Our stakeholders continued

Customers and clients

M&G provides investment and savings products to a broad range of customers worldwide, including institutional clients and individual policyholders

We offer investment, savings and pensions products to a broad range of customers and clients. Our Asset Management business has a global network of investment and distribution teams that enable us to be a local partner to our clients, including insurance and pension funds, retail banking partners, private banks and wealth advisors. Our Life business manages savings and pensions for customers across every life stage and wealth bracket in the UK and Europe. We provide a full end-to-end distribution channel for our savings and pensions propositions, serving individual customers both directly and through financial advisers.

▶ **Find out more about our customers and clients** on pages 14-17



How we engage

The Board receives management information reporting on customer and client metrics, which are discussed with management.

The Group CEO regularly meets directly with customers and clients to understand their views, discuss ways to further enhance our relationships and product offerings and provides feedback to the Board.

Engagement meetings are held to enable management to understand what matters to our customers and clients and to build strategic relationships with them. Management also engages regularly with our customers and clients on a day-to-day basis, in meetings, at roundtable events and conferences.

Key themes, issues and matters

The key themes and issues arising from engagement and dialogue with customers and clients included:

- Product innovation and offerings
- Investment returns
- Technology advancement, digitisation and AI impact
- Client and customer experience and outcomes

Actions and progress

The Board regularly reviews and discusses a range of management information to ensure we are delivering good customer outcomes and, in 2025, questioned management on proposed actions in response to client feedback and other matters, such as service and complaints.

The Board encourages management to improve how they measure feedback and client satisfaction and it is incorporated into scorecards for remuneration purposes.

The Board and management regularly discuss and actively advocate for a customer mindset and consideration of the client in everything we do, together with the importance of ensuring that colleagues are spending time understanding their clients' and customers' priorities.

The Board and management discussed the ways M&G can execute on growth opportunities, including from a distribution standpoint and the investment spend required in data and technologies across strategically important areas, including client experience.

Regulators

Maintaining an open and co-operative relationship with regulators and policymakers is critically important

We have a number of regulated entities, which are supervised at entity level. We engage with regulators at a Group and subsidiary level.

How we engage

The Chair, Group CEO and other Board and Executive Committee members meet regularly with the supervisory and other teams at the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

Representatives from the FCA attended the February 2025 Board meeting and representatives from the PRA attended the June 2025 Board meeting to discuss business, customer and regulatory priorities.

Key themes and regulatory priorities

- Governance
- Consumer Duty
- Financial Crime
- Strategy
- Operational resilience
- Risk and Control environment
- Sustainability Disclosure Requirements / Climate risks

Actions and progress

The Board believes that open and regular dialogue promotes transparency between the Group and its regulators and ensures that M&G is in a position to reflect the views of our regulators when setting strategy and the Business Plan. The outcomes of our ongoing engagement with our regulators influence the Group's priorities and focus for the year, including the key areas of focus and activity for the Board and its Committees.

One of the Board's main priorities is ensuring that the governance, leadership and culture at M&G is of requisite quality and facilitates good decision-making, problem-solving and the delivery of good client outcomes.

The quantum of industry-wide regulatory driven change continues to impact our businesses and we remain focused on adapting to meet the expectations of our regulators.

During the year, the Board's activities have included consideration of the Enterprise Data Strategy including AI and a range of matters and decisions relating to strategy and execution. The Board has also considered the Financial Crime Enhancement Programme (as described on page 41) and has engaged with our regulators on the progress of this programme.

During the year, the Risk Committee's activities have included reviewing a range of macroeconomic scenarios as part of the Own Risk and Solvency Assessment (ORSA) process and review and challenge of matters relating to risk management, internal controls, operational resilience, market risk, financial crime and outsourcing. The Nomination and Governance Committee's activities included Board leadership and succession planning and Group Executive Committee succession planning.

The Board is also committed to engaging with its other stakeholders in order to ensure that we maintain positive relationships and take account of their views and interests. These include:

Communities

Social responsibility is firmly embedded in M&G's operations around the world as an integral part of the way we do business. Our social purpose is to build inclusive and resilient communities through urban regeneration, economic empowerment and community building. We want to use our community investment to help break down the barriers that prevent people from living the life they want. Our framework for community engagement provides support at a strategic and local level.

Charity partnerships and donations

We work closely with our charity partners to develop strong, sustainable projects that meet local needs. We nurture spaces and places that help people and nature to thrive, giving people skills and opportunities to be financially secure and building and strengthening relationships within and between communities.

▶ **Find out more about our community engagement** on pages 75-77

Business partners

Our suppliers are essential to our business and long-term success. We aim to treat suppliers fairly and consistently. The Chief Risk and Compliance Officer regularly reports key risks to the Risk Committee, including in relation to third-party suppliers and outsourcers. The Board monitors supplier and business-partner performance through reporting from management and the Risk function. Day-to-day oversight sits with operational teams, with substantive issues escalated to the Board through regular reporting.

Our colleagues

Driving a high-performance culture

By encouraging our colleagues to develop their potential at M&G, we are building capabilities and advancing their performance to support better business outcomes

We are committed to creating a positive and inclusive environment where all our colleagues can excel both personally and professionally. Throughout 2025, we initiated targeted activities for performance, succession, talent management and career development.

Our people priorities

Our six key people priorities are aligned to our business strategy and help us to deliver growth:

1 Enable business change and simplification by ensuring that the people implications of change are well thought through and delivered with care and integrity.

2 Build an organisation that is fit for purpose and scalable, which supports growth by ensuring we have highly engaged people, in the right roles, aligned to deliver our business strategy.

3 Attract and develop the capability required to deliver our strategy, focusing on the development of our leaders and people managers and having a robust approach to talent management and succession planning.

4 Protect our licence to operate by continuing to deliver our core people services safely and effectively.

5 Drive diversity, wellbeing and inclusion by building on our strengths to drive further progress to help us meet our 2025 targets.

6 Build a high-performing culture by aligning colleagues behind our purpose, align goals and objectives to our strategic pillars, drive engagement, regularly listen to and act on colleague feedback.

Colleague-led career conversations are now part of our mid-year reviews to expand learning and growth opportunities. We have also improved our talent review processes to identify those with the potential to fill future leadership and business roles and refreshed our Group diversity and inclusion targets.

Strong leadership is essential for cultivating inclusive, supportive environments where colleagues feel valued, engaged and inspired to perform at their best. We continue to evolve our approach to leadership and during 2025 began to clarify expectations for our leaders. Our upcoming Leadership Framework will underpin the curriculum for a refreshed M&G Leadership Academy, enabling us to build the leadership capabilities we need to succeed. We will embed this framework into all our core people processes, from recruitment and selection to leadership development, performance management and succession planning, resulting in an inclusive, objective and externally benchmarked approach to talent management.

Colleague engagement

We engage with our colleagues throughout the year through different formats, including our intranet, live panel discussions with leaders and business updates. We ensure that colleagues have an active voice through our OneVoice engagement surveys, which help us to understand how colleagues feel about working at M&G and how we can continue to improve their experience.

From previous surveys, we know our colleagues place significant value on feeling empowered, gaining feedback from their managers and having access to opportunities for growth. These findings have driven our targeted approach to career development over 2025.

Highlights from our three OneVoice engagement surveys last year included increased scores in company direction, customer focus and prospects. Our engagement score averaged 71, slightly up compared with 2024.

We collaborate with our Colleague Forum and Unite representatives who are consulted as part of transformation and restructuring as appropriate.

All our UK employees are encouraged to participate in the company's performance through employee share schemes.

Our behaviours

Our values of care and integrity guide how all our colleagues should act and interact with each other, customers, clients and stakeholders. Our behaviours below align with our culture and values and help us to deliver our purpose and strategy:

Own it now: Putting your name on things with confidence to drive progress and results quickly.

Move it forward together: Forming cross-functional teams to seize the right opportunities and solve real problems.

Tell it like it is: Respectfully speaking up to create better ways forward - both direct and empathetic.

Our standards of behaviour

Our Code of Conduct guides the standards of behaviour we expect from each other at M&G and what our clients expect from us. We relaunched our Code of Conduct in 2025 to ensure it remains relevant, effective and aligns with both our internal values and external expectations. We have also increased our focus on topics such as hybrid working, cybersecurity and the use of social media. We have put in place robust processes to comply with current laws, industry standards and ethical expectations to mitigate risk and promote fairness, including the new duty under the Equality Act 2010, which requires employers to take 'reasonable steps' to prevent sexual harassment of our employees.

Our colleagues continued

Performance management

Our annual performance management process encourages employee engagement and motivation by recognising colleague contributions and achievements in a structured and consistent way. It drives continuous performance improvement through ongoing feedback and development support and provides data to support more informed decisions for investing in high-performing talent.

We are focused on aligning individual performance objectives with business outcomes, driving greater shared accountability. For our senior leaders, we have completed a 360-feedback exercise to help them better understand how they are role-modelling our M&G values and behaviours (a core organisational performance measure for all colleagues). All leaders now have agreed development actions to enhance their M&G behaviours and business impact.

Our people managers now have greater clarity on expected standards of performance, ensuring greater accountability for effective people management and improving overall team performance. An additional c. 300 people managers now receive a OneVoice engagement survey results report for their team, which enables targeted action and increasing accountability for addressing colleague feedback.

Talent and succession

In 2025, we evolved our approach to succession management and talent pipelines to mitigate future business and leadership succession risk.

We have completed an in-depth review of senior leadership roles to classify our most critical roles for succession planning, emergency replacement plans to ensure leadership continuity and the health of our succession plans to fill future business and leadership roles.

We have also introduced a more consistent approach to capturing talent and succession data, leveraging our core people data platform to drive integrated people and technology solutions and improving overall reporting capabilities.



We will continue to progress how we develop and identify senior talent, reducing our reliance on external hires to fill key leadership roles and improving leadership continuity to sustain our success over the longer term.

Diversity and inclusion

We launched our diversity and inclusion (D&I) strategy and governance model in 2020 to build a positive and balanced workplace, with clear gender and ethnicity targets to 2025. At 31 December 2025, senior leadership gender was 37% female, reflecting a 1% improvement over 2024 and our ethnic diversity has stayed flat at 7%. To ensure we continue to progress, our Group Executive Committee agreed to a new target of 45% female representation by 2027, while we have recommitted to our target of 20% ethnicity in senior leadership, with the target date extended to the end of 2027.

Actively invested in...

career development

Further to our colleague feedback around empowerment, we have developed individual development goals and career aspirations through career conversations with managers. Forming part of our mid-year review process, these career reviews analyse ongoing performance in line with team goals and M&G's strategic goals. Over 80% of our colleagues have engaged in mid-year reviews, attending live events, workshops and accessing on-demand digital toolkits: over 93% of these colleagues said that this has helped them to identify opportunities for learning and growth.

The outputs from these career reviews will enable us to drive more targeted career pathways and upskill in core capabilities, also supporting future organisational needs, such as customer centricity, change and transformation, leadership effectiveness and digital fluency.

Measuring D&I at M&G

Diversity in senior leadership: We updated our leadership diversity targets from aiming to achieve 40% women and 20% ethnic diversity in senior leadership by the end of 2025 to 45% gender and 20% ethnicity through 2027.

Our inclusion index score averaged 67/100 in 2025. It is based on two questions - 'Leaders at M&G value different perspectives' and 'I feel free to speak my mind without fear of negative consequences.'

We are committed to achieving gender parity across all our global operations. Our mean gender pay gap across the business for 2025 continues to improve to 23.0% compared to 23.4% in 2024. This represents a six-year continuous improvement cycle since reporting at the plc level began in 2020, as we continue to hire and promote more senior women, while several long-serving senior men have left or retired from M&G.

Our colleagues continued

We have been a signatory of the UK HM Treasury Women in Finance Charter for eight years and are signatories of the Women in Finance Charter in Ireland and the diversity charters in France, Italy and Luxembourg. Our industry partnerships include Everywoman, Women in Data, City Hive and 100 Women in Finance, which provide women at M&G with additional networking, mentoring and career development opportunities.

Accreditations

- National Equality Standard
- LGBT Great iiBT Framework Gold Standard
- Disability Confident Leader (Level 3 – the highest level)
- Armed Forces Covenant signatory – Ministry of Defence Gold Award

Our D&I initiatives cover the complete talent management cycle, from sourcing candidates through recruitment, development, career progression and succession. We are exploring the most effective way to embed our ongoing commitment to diversity in senior leadership in M&G's talent management processes. Our five employee-led D&I Networks are a source of support for all colleagues. Examples include Embrace (promoting racial, ethnic, social, faith and cultural diversity) and Enable (for anyone impacted by health issues, caring responsibilities, neurodiversity and different abilities).

▶ **For more visit our** D&I microsite: Moving Forward Together

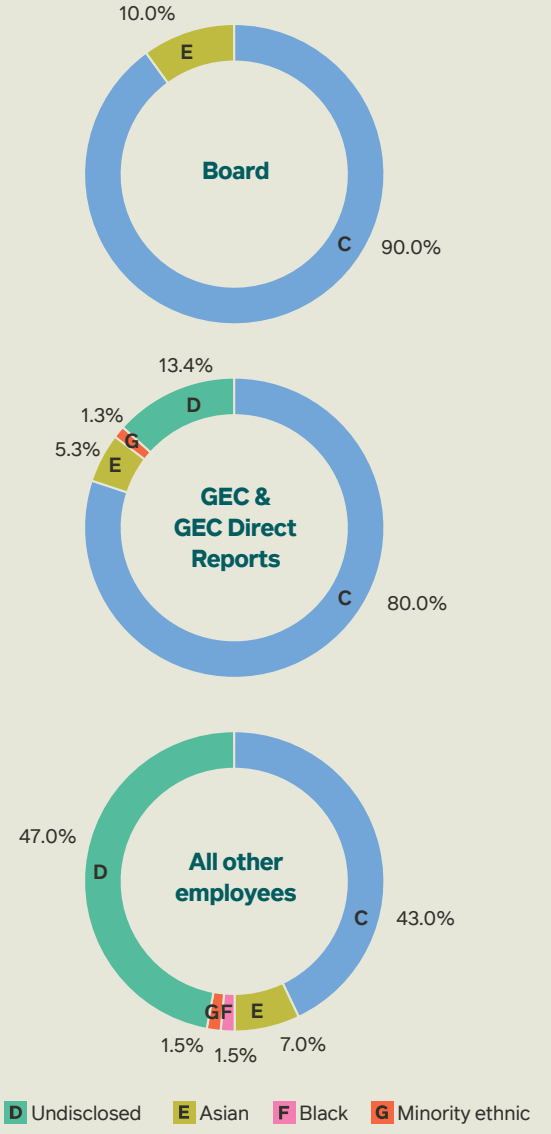
Employee profile gender diversity[i]

Number of people



Employee profile ethnic diversity

%



i Under the Companies Act 2006 (the Companies Act), we are required to report on the gender diversity of our employees, our 'senior managers' and our Board. The gender diversity of our employees and our Board is as shown. 'Senior managers' are defined by the Companies Act, as anyone who has responsibility for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company and must include the number of persons of each sex who were the directors of the undertakings included in the consolidation. Where such persons hold multiple directorships across the Group they are only counted once. For this purpose, 'senior managers' includes our GEC members (excluding those on the Board), our GEC direct reports and our 'Other senior management' from the chart above. On this basis, we have 495 senior managers (320 men, 175 women).

Risk management

Risk management enabling sustainable growth

> Our effective risk management approach protects our business as we deliver on our strategy.

Shawn Gamble
Chief Risk Officer





The external environment, driven by geopolitical events and continued economic uncertainty, underlines the importance of effective risk management. The Risk and Compliance function continues to support the business in the delivery of our strategy through oversight of informed risk taking while proactively managing the associated risks. We do so by applying our Risk Management Framework and the 'three lines of defence' model.

Risk culture and governance

The Board is responsible for instilling an appropriate risk culture and setting the tone from the top through establishing our purpose, behaviours and values. Senior management promotes a responsible risk culture by emphasising the importance of balancing risk with profitability and growth in decision-making. The Board also oversees key internal control processes and compliance with regulatory requirements.

Our colleagues take personal responsibility for identifying, assessing, managing and reporting risks and work together to do the right thing for our customers, clients, wider stakeholders and our business. All colleagues have risk management accountabilities as part of their core objectives.

Risk, Audit and Remuneration committees, whose membership comprises independent Non-Executive Directors, have been established to assist the Board. The Risk Committee is responsible for overseeing risk including the effectiveness of our Risk Management Framework; and the Audit Committee is responsible for the integrity of our financial reporting and the internal controls. The Remuneration Committee ensures that our compensation structures place appropriate weight on colleagues adopting our behaviours and risk culture to align with our long-term success.

Risk appetite and limits

As part of our business, we take on risk on behalf of our customers, clients and shareholders. We selectively take risks if they are adequately rewarded and can be appropriately quantified and managed. In this way, we safeguard our ability to meet client commitments, comply with regulations and protect our reputation.

The Board is responsible for approving the amount and type of risk we are willing to accept in pursuing our business objectives – 'risk appetite'.

Our risk appetite statements and limits define both our risk appetite and tolerance for risk. We have established aggregate risk appetite statements and limits for solvency, liquidity and dividend volatility. Our solvency risk appetite is supported by a solvency intervention ladder, which sets out

Risk management continued

management actions to consider or implement at different levels of regulatory solvency.

We assess our ability to remain within our risk appetite during the annual business planning process and monitor and manage our actual position regularly throughout the year.

Our risk assessment process comprises of measurement of prescribed limits and indicators, as well as risk monitoring of risk status based on a consolidation of risk outcomes. Our risk assessments inform us when a risk may move out of appetite. Together with limit utilisation, where relevant, this forms a core element of our risk reporting to our Board and Executive Risk Committee, enabling timely and appropriate management actions.

The risk appetite statement is subject to an annual review to ensure it remains appropriate and effective, with planned enhancements to strengthen our approach and maintain consistency across the Group.

Risk Management Framework

Our Risk Management Framework (RMF) is designed to manage risk within Board approved appetite levels, aligned to delivering our strategy and creating long-term value for customers, clients and shareholders.

Our RMF and internal control systems follows the 'three lines of defence' model. First line business and support functions identify and manage risks, while the independent second line Risk and Compliance function provides oversight and challenge. The third line Internal Audit function, empowered by the Audit Committee, audits the design and operating effectiveness of our governance, risk management and internal controls.

Our approach to risk management includes our 'risk management cycle'. This is our ongoing process of identifying, assessing, managing and reporting both the current and emerging risks to which the business is exposed, or could be exposed to in the future. This supports key activities that include our Group Own Risk and Solvency Assessment (ORSA), along with subsidiary ORSA processes conducted for our Solvency II entities and the Internal Capital Adequacy and Risk Assessment (ICARA) conducted for our regulated investment firms.

Risk management and internal control effectiveness

The Risk and Audit Committees have considered the outcome of the annual assessment of risk management and internal control effectiveness for 2025. An enhanced suite of quantitative and qualitative measures were put in place to track progress and maturity of our control environment over 2025, including control design reviews and key control testing outcomes. The assessment included consideration of financial, operational and compliance controls, and was performed for each business area by the first line, with an independent second line opinion. These are aggregated to provide a material subsidiary and an overall M&G plc group-wide assessment. Internal Audit also provide an independent assessment of the overall control environment.

The 2025 assessment of risk management and internal control effectiveness recognises positive progress made across M&G plc in continuing to embed our risk and control processes, whilst also acknowledging that certain implementation activities will continue into 2026. The nature of our risk profile continues to evolve and there are continuing rigorous regulatory expectations. Our dedicated Financial Crime Enhancement Programme is making progress to strengthen, mature and optimise our financial crime framework, processes and controls, as well as implementing an enhanced target operating model. This work would anticipate taking any necessary remediation on existing business where appropriate in addition to ensuring that the existing controls operate on an on-going basis in line with internal and external requirements. In addition, dedicated programmes are also in place to enhance our third party, data, operational resilience and sustainability risk framework, processes and controls. The Risk and Audit Committees at M&G plc Group and subsidiary level collectively monitor the timeliness with which outstanding actions and embedding plans are completed.

Risk management and cyber attacks

2025 witnessed several high profile cyber and ransomware attacks impacting UK organisations. While M&G did not experience any material security incidents, Risk and Compliance worked closely with the business and Cyber team to maintain heightened vigilance, ensure lessons learned reviews were conducted, recognising that security threats are persistent and require continuous management.

We actively monitor the external threat landscape, with ransomware, business email compromise and supply chain incidents continuing to affect organisations across multiple sectors.

Our approach leverages a combination of external intelligence feeds, an internal cyber threat intelligence function, security incident data, assurance activities and participation in sector-level exercises to strengthen our ability to protect, detect, respond to and recover from cyber-attacks.

We also assess cyber risks associated with third parties, particularly those with access to our systems and data, recognising the potential for supply chain vulnerabilities to be exploited.

Proactive horizon scanning enables us to anticipate and address emerging threats, including those related to artificial intelligence and post-quantum computing, such that our risk management capabilities evolve in step with the changing threat environment.

Risk management continued

Principal risks and uncertainties

Strategic pillars

Maintain our financial strength

Simplify our business

Deliver profitable growth

Business environment and market forces

Increased from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
Changing customer and client preferences, together with economic and political conditions, could adversely impact our performance against our strategy. Economic factors may impact product demand and our ability to generate an appropriate return. Our reliance on PruFund and our Asset Management funds for inflows and on our intermediated channel for sales, heightens our exposure to shifts in client preferences driven by economic conditions. Increased geopolitical risks and policy uncertainty may also impact our products, investments and operating model and client preferences.	Our strategic planning is overseen by the Risk and Compliance function and the Board, and considers the potential impact of the wider business environment and economy. This includes stress testing key planning assumptions. In 2025, we have entered into a long-term strategic partnership with Dai-ichi Life. This enables our growth strategy by creating new opportunities and establishing strong alignment to capture long-term value across a range of strategic initiatives. We have also continued to diversify with new products and propositions, including bulk purchase annuities and a focus on international growth.	Our risk exposure to business environment and market forces is expected to increase as we grow internationally and in private markets. We continue to manage risks from geopolitical and global economic developments, including uncertain inflation and interest rate pathways and economic disruption. The evolving asset management market continues to put competitive pressure on fees, requiring continued focus on delivering good customer outcomes and growing in target markets. Within the UK market, there are fiscal and legislative risks, including the proposed changes in legislation to cap existing annual ground rent charges announced in the Government's draft Commonhold and Leasehold Reform Bill in January 2026 (with further detail on page 304).	

People

Neutral from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
The success of our operations is highly dependent on our ability to attract, retain and develop highly qualified people with the right mix of skills and behaviours, to support our positive culture and growth. As we continue to implement our strategy, our people risk may be heightened in areas including our pay practices, workloads and morale, the conduct of colleagues or groups of colleagues and industrial relations.	Our people approach 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 key issues and developments, including succession planning, industrial relations, pay, culture and diversity. Key people metrics are measured and monitored and have remained stable through the period. We conduct colleague surveys to better understand their views and use the survey findings to improve their experience and inform our people strategy.	We expect the nature of our people risk to remain stable in 2026. The continued impacts on colleagues from our transformation programmes are being actively monitored and managed.	

Risk management continued

Strategic pillars

Maintain our financial strength **Simplify our business** **Deliver profitable growth**

Sustainability and ESG

Neutral from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
A failure to address and embed sustainability considerations within our strategy, products, operating model and communication approach could adversely impact on our financial performance, reputation and future growth. We consider and act upon a broad range of issues including those concerning greenwashing, climate and nature, diversity and inclusion and corporate governance. We assess ESG risk in terms of sustainability (how our business could potentially impact the planet and society) and in terms of how ESG factors may affect our organisation and our ability to meet a range of key stakeholder expectations.	Our Group Sustainability Framework sets a clear group-wide direction across our businesses. This is supported by our RMF, which sets out the key requirements for the management of risk consistent with our Risk Appetite and Key Risk Indicators, supporting the delivery of our strategic plans and objectives. We have a dedicated programme in place to enhance sustainability framework, processes and controls in 2026. We consider ESG risks in our key strategic decisions, regular risk reporting and Board risk assessment papers. Climate risk is assessed using tools including climate scenario analysis which informs our risk assessment as well as strategic asset allocation decisions. ▶ **For more on climate risk management** see pages 62-63	We continue to be exposed to a variety of evolving ESG risks that could impact our financial performance and ability to meet client demand for sustainable and other products. Climate change remains the most systemic risk, with increasing exposure to extreme weather and rising regulatory expectations around decarbonisation. Climate change, alongside nature-related risks like biodiversity loss, may affect supply chain resilience and asset valuation. Additionally, social risks, such as human rights considerations, are also becoming more material as stakeholder expectations continue to increase. To address these evolving challenges, ongoing forward-looking risk assessments will be required to identify vulnerabilities and support informed decision-making.	

Corporate liquidity

Neutral from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
We are exposed to the risk that we do not have, or are unable to generate, sufficient cash resources to meet our obligations, such as claims, creditors, debt interest and collateral calls, as they fall due.	Our liquidity risk appetite is set to ensure we maintain adequate liquid resources in both normal conditions and under a range of severe but plausible stress scenarios. Liquidity positions at the holding companies and across our regulated subsidiaries are regularly monitored and stress tested. Our businesses maintain detailed liquidity contingency funding plans to support the management of a liquidity crisis. Liquidity in the Group's holding companies – including cash and collateral – is actively managed by our Treasury function, which maintains a buffer of high quality liquid assets and has access to external funding sources when required.	Our liquidity positions are expected to remain within risk appetite. At the holding company level, liquidity will continue to be driven primarily by subsidiary dividend flows and intercompany settlements. These remain dependent on the successful execution of the Business Plan, alongside ongoing monitoring and management of key risks.	

Risk management continued

Strategic pillars

Maintain our financial strength **Simplify our business** **Deliver profitable growth**

Investment

Neutral from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
A failure to deliver against fund mandate or client investment 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 may all lead to poor client outcomes, resulting in fund outflows. If these risks materialise for our 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 within those funds. Independent Investment Risk and Performance teams oversee fund performance, fund liquidity and investment risks. Their oversight activities feed into established oversight and escalation forums to identify, measure and oversee investment performance, investment risks and fund liquidity risks.	Our investment risk exposure is expected to be broadly stable although geopolitical and economic instability in certain regions continues to pose uncertainty. Caution remains warranted as existing uncertainties could increase investment risk with investment performance influenced by market movements and assessed against benchmarks and peers. Any unforeseen economic downturns or escalation in regional conflicts could result in market repricing. Our established control environment provides for the robust management of these exposures.	

Credit

Neutral from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
We are exposed to the risk that a counterparty to a financial instrument, banking transaction or reinsurance contract fails to discharge an obligation resulting in a financial loss to us. For our annuity portfolios credit risk primarily arises from the impact that downgrades and defaults have on expected asset cashflows. For other parts of the Group, credit risk primarily arises from a change in asset values from perceived increases in credit riskiness. We also have exposure to credit risk through trading, banking or reinsurance activities where counterparties may fail to meet their obligations.	Our Credit Risk Policy sets standards for assessing, measuring and managing credit risk, with oversight from a dedicated team in our Risk and Compliance function. We set and regularly review limits for counterparties and issuers, as well as sector-level and aggregate credit quality thresholds. Exposures are monitored against these limits on an ongoing basis. An independent second line Risk team oversees the composition of the credit book and apply a tailored review approach to private credit portfolios on a regular basis. Complementary stress testing and thematic deep-dive analyses provide additional assurance that the portfolios are constructed and managed in a sound and robust manner. Where appropriate, we seek to collateralise transactions to mitigate credit and counterparty risks, including those from derivatives, securities lending, reverse repurchase agreements and reinsurance transactions. We also manage and control reinsurance treaties to enable effective risk transfer in line with our Reinsurance Policy.	Our strategy of growing the bulk purchase annuity business involves investing the premiums received into fixed income securities which carry credit risk. This risk includes geopolitical uncertainty that may trigger volatile markets, as well as potential regulatory implications for certain sectors, and asset class specific issues. Negative market developments or industry events could impact our credit portfolio and counterparty exposures. Exposures will be managed within our existing control environment in line with our Credit Risk Policy under our robust credit risk management and oversight framework.	

Risk management continued

Strategic pillars

Maintain our financial strength **Simplify our business** **Deliver profitable growth**

Market

Neutral from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
We are exposed to the risk of loss or adverse change in the financial health of our business resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets, currencies, liabilities and financial instruments. Significant market fluctuations could have material adverse effects on asset values and therefore our revenues and returns. Material falls in interest rates may increase the amount we need to set aside to meet our future obligations. Exchange rate movements could have adverse impacts on asset values, fee and investment income denominated in foreign currencies. Material increases in inflation may increase our cost base and the amount we need to set aside to meet future obligations, negatively impacting profitability.	Our 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 regularly review our hedging and investment strategies, including asset-liability matching, informed by stress testing. We also have procedures to respond to significant market events and disruptions, bringing together colleagues from across our Group to provide enhanced monitoring and support timely decision-making.	Our market risk exposure is expected to remain broadly unchanged over the near term as the run-off of risk from existing insurance business is offset by expected new business volumes, particularly PruFund new business. The outlook however remains uncertain due to ongoing geopolitical conflicts and negative economic trends, including uncertain interest rate and inflation pathways. Our solvency buffers offer significant protection against market risks.	

Insurance

Increased from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
We are exposed to the risk of loss or of adverse change in the financial situation of our business, or that of our customers, resulting from changes in the level, trend, or volatility of mortality; longevity; morbidity; persistency or expense experience. We make assumptions regarding the life expectancy of our customers (longevity), the frequency at which policies lapse (persistency) and the level of expenses that may be incurred in running the business. These assumptions determine the amount we need to set aside to meet future policyholder obligations and cover our expenses. Unexpected changes to these assumptions could have a material adverse impact on both our profitability and solvency. Longevity risk is our most material insurance risk and mainly arises from our large annuity book.	We conduct annual reviews of longevity and other assumptions such as persistency and expenses, supported by detailed assessments of actual experience. Our specialist internal team undertakes longevity research to ensure our assumptions remain robust and informed by emerging trends. We perform regular stress and scenario testing to understand the size and sensitivity of our insurance risk exposures. We have undertaken longevity risk transfer transactions, where attractive financial terms are available from suitable market participants.	Our insurance risk exposure is expected to increase at a managed level over the near term due to our growth strategy, including bulk purchase annuity transactions. These exposures will continue to be managed within our existing control environment, including appropriate controls in pricing and reserving processes and the targeted use of reinsurance. The uncertain economic outlook could also have implications for our insurance risk exposures, particularly in relation to expense and persistency risk.	

Risk management continued

Strategic pillars

Maintain our financial strength **Simplify our business** **Deliver profitable growth**

Operational

Neutral from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
A material failure or operational disruption in the processes and controls supporting our activities, including that of our third-party suppliers, our technology, or our change programmes, could result in poor client outcomes, reputational damage, increased costs and regulatory censure. Our dependence on technology means that the unavailability of key hardware or software, inadequate information security arrangements and ineffective use of digital solutions could impact our ability to operate effectively. Serious failings in the delivery, or persistent under performance by our third-party suppliers, could also affect our client service delivery. In addition, failure to deliver our significant change programmes may impact our business model and our ability to deliver against our Business Plan and strategy.	Our Risk Management Framework and Operational Risk Standards define our overall approach to managing operational risks and associated controls. We have specific policies and standards for key operational risks, including information technology, cyber, data, change and outsourcing arrangements. They set out the principles and requirements for managing these risks with regular reporting provided to Executive and Board Risk Committees who oversee our operational risk profile. Specialist teams in both the first and second line manage and oversee specific operational risks, including data, third-party and cyber risk. We apply business continuity and crisis management practices to manage Important Business Services and Critical Shared Services. Strategies are designed, implemented and tested to manage the risk of intolerable harm under 'Severe, but plausible' scenarios to support operational resilience. We have dedicated programmes in place to enhance our framework, processes and controls to manage our operational resilience, data and third party risks. Our new Supplier Management framework enhances our onboarding process, which incorporates the selection, on-boarding, ongoing management and termination of third-party suppliers. We recognise the potential risks associated with artificial intelligence (AI) and adopt AI solutions in a considered manner, supported by an AI framework, governance structures, oversight and training.	Our operational risk exposure is expected to stay broadly neutral over the near term with our continued focus on enhancement to specific risk framework, processes and controls in 2026. Carefully managed increases in exposure arising from our growth strategy and international expansion are expected to be offset by on-going enhancements to our control environment and Risk Management Frameworks. The uncertain external environment, including technological advances and geopolitical tensions could also have implications for our operational resilience.	

Risk management continued

Strategic pillars

Maintain our financial strength **Simplify our business** **Deliver profitable growth**

Regulatory

Neutral from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
We are exposed to the risk of potential failure to meet regulatory requirements or to adequately consider regulatory expectations, standards or principles. We operate in a highly regulated environment, interact with regulators globally and are subject to multiple regulatory initiatives as norms and expectations evolve. There are wide-ranging consequences of regulatory non-compliance, including client detriment, reputational damage, financial penalties and restrictions on our operations or products.	Accountability for compliance with regulatory and legal requirements sits with our management. Our Risk and Compliance function provides guidance to and oversight of, the business in relation to regulatory compliance matters, including financial crime and performs assurance activities to assess the adequacy of systems and controls designed to ensure compliance with regulations and legislation. We monitor regulatory developments and consultations and engage with Government policy teams, industry bodies and regulators to understand emerging requirements and contribute to policy discussions.	Our regulatory footprint will increase in complexity, driven by both internal growth focused on new markets and products; and externally driven regulatory change. The evolving political and regulatory agenda may lead to further divergence of rules between the UK and Europe as the UK Government pursues an agenda of international competitiveness. We remain focused on adapting to meet the evolving expectations of our regulators, including in relation to consumer duty, operational resilience and financial crime (including through our dedicated Financial Crime Enhancement Programme described on page 41). We continue to invest in our teams across the first and second line to ensure that our risk and internal control environment remain effective in managing our regulatory obligations.	

Reputational

Neutral from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
Our reputation is the sum of our stakeholders' perceptions, which are shaped by 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 our group or our brands. Failure to effectively manage reputational risk could result in poor stakeholder outcomes, loss of customers, reduced revenues, challenges in attracting and retaining talent, regulatory scrutiny and adverse publicity.	We manage reputational risk through our Reputational Risk Management Framework. The framework provides clear governance and accountability, with defined ownership and escalation routes to senior management and the Board. Reputational Risk Champions embedded across the business support the identification and monitoring of key reputational risks. The Reputational Risk team monitors and reports on reputational risks across the Group, using a suite of metrics to track stakeholder sentiment. Oversight is provided by the Executive Reputational Risk Forum, which enables senior management to review reputational risk management and address group-wide considerations.	Reputational risks will continue to be shaped by economic uncertainty and the changing regulatory and legislative landscape. Key themes for 2026 include geopolitical instability, which may disrupt markets and investor confidence; technological change, particularly the responsible use of artificial intelligence; sustainability and the climate transition, with growing scrutiny of credible action; and cyber threats, which require ongoing vigilance. We will manage these risks within our Reputational Risk Framework and existing control environment, ensuring we meet evolving stakeholder expectations across all material aspects of our business.	

Risk management continued

Strategic pillars

Maintain our financial strength **Simplify our business** **Deliver profitable growth**

Conduct

Neutral from last year

Principal risk	Management and mitigation	Outlook	Strategic pillars
There is a risk that through the acts or omissions of individuals within our Group, we deliver poor outcomes for customers, clients, colleagues, or other stakeholders, or that we affect market integrity.	We are committed to observing the proper standards of conduct in all its forms. Due to the broad nature of conduct risk, its management is embedded across our policies and processes, including but not limited to our Code of Conduct and our Conflict of Interest, Market Abuse and Investment Communications Recording policies. Our Asset Management business has a Conduct Management Framework to provide a consistent process for conduct management and our Life and Asset Management businesses have a mature suite of customer outcome management information in place in support of Consumer Duty.	Conduct and the delivery of good outcomes for customers and clients remains essential to us. Looking ahead, the FCA's strategic priorities continue to emphasise trust, transparency and resilience across financial services. Whilst some regulatory refinements are anticipated during 2026, the overarching focus remains unchanged: firms must uphold strong conduct standards and deliver consistently good outcomes for customers and clients.	

Emerging risks

Emerging risks are potentially significant newly developing or evolving risks, generally characterised by a high degree of uncertainty, making them difficult to quantify. While many of these risks have emerged to some extent, there are elements that will continue to evolve with the impact not yet fully realised and are regularly monitored as part of the emerging risk process.

An annual assessment process identifies our emerging risk themes and the relevant risk mitigations to manage such risks. The emerging risk radar is updated annually supported by views of subject matter experts across our first and second lines of defence, as well as external perspectives.

We review the development of emerging risks during the year to update our assessment. We also review our preparedness should a risk emerge, incorporating any material developments since the annual assessment.

The emerging risks reviewed by the Executive Risk Committee and the Board Risk Committee during the year included the following:

- Political: Geopolitical conflict, reversal of globalisation, supply chain disruption.
- Economic: Recession or stagflation, financial system instability.
- Social: Critical infrastructure failure.
- Technological: Cyber risk, technological advances.
- Legal: Legislative changes.
- Environmental: Climate change physical risk, climate litigation, climate transition.

Viability statement

In accordance with Provision 31 of the UK Corporate Governance Code, the Board has undertaken a comprehensive and robust assessment of the prospects and viability of the Group.

Process for assessing long-term prospects

The Group's long-term prospects are primarily assessed through the strategic and financial planning process. Due to the long-term nature of our business, the Board considers the sustainability and resilience of the strategy (pages 12-13) and business model (pages 8-10), over a longer time horizon. This includes the consideration of longer term themes such as technology, digitalisation, the growing need for hybrid savings and investments products and the transition to net-zero which are pertinent to the Group.

The Board has also considered the output of the financial planning process reflected in the Business Plan which covers the period to December 2028. The Business Plan was approved by the Board in December 2025, following a rigorous review and challenge process.

The Business Plan contains detailed financial forecasts, including the related risks and mitigating actions over the planning period. The forecasts have been prepared based on the business model that management is deploying to deliver against our key strategic pillars, as explained on pages 12-13. It covers all the key measures that underpin our Financial Management Framework, which includes metrics on capital, liquidity, debt and earnings.

It also considers the implications of current and emerging risks and the resulting uncertainties that these present to the achievement of the Business Plan, including the principal risks and uncertainties to which the Group is exposed, as discussed on pages 42-48. We assess these risks and uncertainties through stress and scenario testing as discussed below.

Progress against the Business Plan will be monitored regularly by the Board.

The Board also considered and reviewed the results of the annual Own Risk and Solvency Assessment (ORSA), which is an integral part of our risk management process. This assists the Board to assess the resilience of the Group's solvency position to various risk and stress scenarios. The Board confirms that it has carried out a robust assessment of the Group's principal and emerging risks.

Period for assessing viability

The Board considers that the three-year period to December 2028 is appropriate for assessing viability. This aligns with the business planning horizon and as such, reflects the period over which key strategic initiatives will be delivered, principal risks will be managed and results will be monitored.

Assessment of viability

The Board assessed the financial and operational impact of the Group's principal risks on the ability to deliver the Business Plan. The Board reviews the principal risks to ensure that they reflect current market conditions and any changes to the Group risk profile.

As part of the strategic and financial planning process, we considered the resilience of our financial position to various combined risk scenarios.

The combined scenarios are developed by the Risk and Resilience team, with input from the Life Investment Office and Finance. The process is overseen by the Group Risk Committee.

The Business Plan was subjected to the following combined risk scenarios based on plausible pathways for the global economy in the context of technological developments and geopolitical uncertainty and the resultant impact on investment performance and consumer behaviour:

- Optimistic (Higher For Longer) – The economy is running hot, equilibrium level for interest rates is higher than previously thought and growth can accelerate despite higher interest rates, with inflation remaining higher. Bonds are hurt by rising rate and inflation expectations, whilst equities are able to continue to generate solid earnings growth and risk premia remains compressed.
- Pessimistic (Geopolitical Escalation) – Increased conflicts lead to sharp disruptions in supply chains and a spike in commodity prices. Broad risk aversion and disruptions to growth lead to rate reductions from central banks. Risk aversion leads to a fall in yields while other markets sell off, following more traditional stress correlation patterns.
- Stagflation (Trade War) – Full implementation of US tariffs resumes after 90-day pause, with tit-for-tat responses from trade partners leading to global stagflation shock of negative growth and high inflation. Central banks are restricted in reducing interest rates and inflation expectations push yields higher while equities are impacted by the growth shock, hit to margins and widening yields/valuation impact.
- Climate (Short-Term) – A major climate event leads to large economic disruption over a short-term horizon followed by a shift in policy attitudes and a move to an accelerated transition path.

The stated scenarios were translated into impacts on various macroeconomic indicators to determine how delivery of the Business Plan is affected.

Viability statement continued

In addition, as part of its ORSA, the Group undertook reverse stress testing to determine scenarios that would result in the shareholder solvency coverage ratio falling below 100%.

The derived scenarios indicated that the Group had the ability to withstand severe events while still meeting its capital requirements and maintaining sufficient headroom to maintain viability over the projection period.

Climate risk is considered by the Board as part of its strategic oversight. It features in the assumptions and modelling performed for our Business Plan and is also assessed as part of our ORSA.

We continue to refine our climate-related scenario testing approach and to assess appropriate management actions that could mitigate the impacts of climate-related risks.

For the purpose of the ORSA, the following scenarios were assessed:

- Net zero 2050 – Global warming limited to 1.5°C by the end of the century through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050.
- Fragmented World – Assumes a delayed and divergent climate policy response among countries globally, leading to high physical and transition risks. Countries with net zero targets achieve them only partially (80% of the target), while other countries follow current policies.
- Current Policies - Assumes that only current implemented policies are preserved, leading to high physical risks, global temperatures rise limited to 3.0°C by 2100.
- Short Term Climate Scenario - A severe physical short-term shock disrupting economic activity followed by shift in policy attitudes and increased transition impact over a c3-year horizon.

The results of the stress and scenario testing demonstrated that due to the comprehensive risk management process in place and the broad range of mitigating actions available, such as access to immediate liquidity funding and the ability to reduce dividends, the Group is able to withstand the impact in each case with regards to meeting all liabilities as they fall due.

Statement of viability

Based on the results of the procedures outlined above, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2028.

Sustainability

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Sustainability at M&G

A focused, collaborative and evolving approach

Navigating existing and emerging sustainability risks and opportunities is key to our long-term financial resilience and growth

Foundations for resilience and growth

As an asset manager and asset owner looking after the savings and investments of a wide range of customers and clients, we need to ensure we navigate existing and emerging risks, many of which relate to sustainability. We believe this is key to our long-term financial resilience and growth, underpinning our stakeholders' trust in us, as well as our purpose – to give everyone real confidence to put their money to work.

Alongside managing risks, we aim to harness opportunities that support profitable growth and long-term value creation, investing in companies, assets and solutions that are likely to have enduring relevance and growth potential in the future economy. Our business model allows us to deploy assets from our balance sheet to scale investment strategies, including ones focused on sustainability.

We are guided by our Group Sustainability Framework themes 'Resilient Planet' and 'Resilient Societies', which inform our areas of focus. These rest on a set of responsible business practices, aligned with our values of care and integrity.

Meeting customers' and clients' needs

This past year has underlined that stewardship and sustainability remain important criteria for many asset owners, influencing investment manager retention and selection.

We continued to build partnerships with institutional clients and recorded significant wins in this space, notably a £2.2 billion sustainable public equity mandate from a leading pension fund service provider in the Netherlands. We launched a £300 million impact-focused private debt strategy for another Dutch pension client and went live with the Catalyst Growth Equity Fund, giving external clients access to this purpose-led private asset strategy. We also celebrated industry recognition, with the M&G European Sustain Paris Aligned Fund crowned the 'Best Sustainable European Equity Fund' at the 2025 Sustainable Investment Awards.

In addition, as a business, we expanded our private credit capabilities through the acquisition of P Capital Partners, a leader in the European non-sponsored sector with a clear emphasis on supporting a sustainable transition.

Through our public and private asset strategies, we can meet a broad spectrum of sustainability-related preferences, across asset classes and markets. And our with-profits offering means we can provide retail investors exposure to private markets, including funds that target positive environmental and social impact.

Collaborating to improve outcomes

We recognise that challenges such as climate change, nature loss and social issues require change across the real economy. Collaboration is essential and through our industry engagement and public policy advocacy we continue to back efforts to create a more supportive environment for private-sector action.

Our approach to sustainability continues to evolve as we work in partnership with our stakeholders to reduce negative impacts, support solutions and build long-term resilience.

Group Sustainability Framework

Resilient planet

Managing climate and nature-related risks and opportunities

▶ **Find out more information on** pages 58-74

Resilient societies

Helping to strengthen financial confidence and build communities

▶ **Find out more information on** pages 75-77

Improving outcomes for our stakeholders



Actively invested in...

private credit partnerships to scale solutions

As part of our growth ambition, we have acquired a majority stake in Stockholm-based P Capital Partners (PCP). PCP has a decade-long track record in sustainability-linked lending and a strong reputation for investing with purpose, by supporting entrepreneurs and family-owned businesses to scale innovative solutions.

▶ **For more information see the Impact Report** on PCP's website

Sustainability at M&G continued

Sustainability in our organisation

Sustainability governance

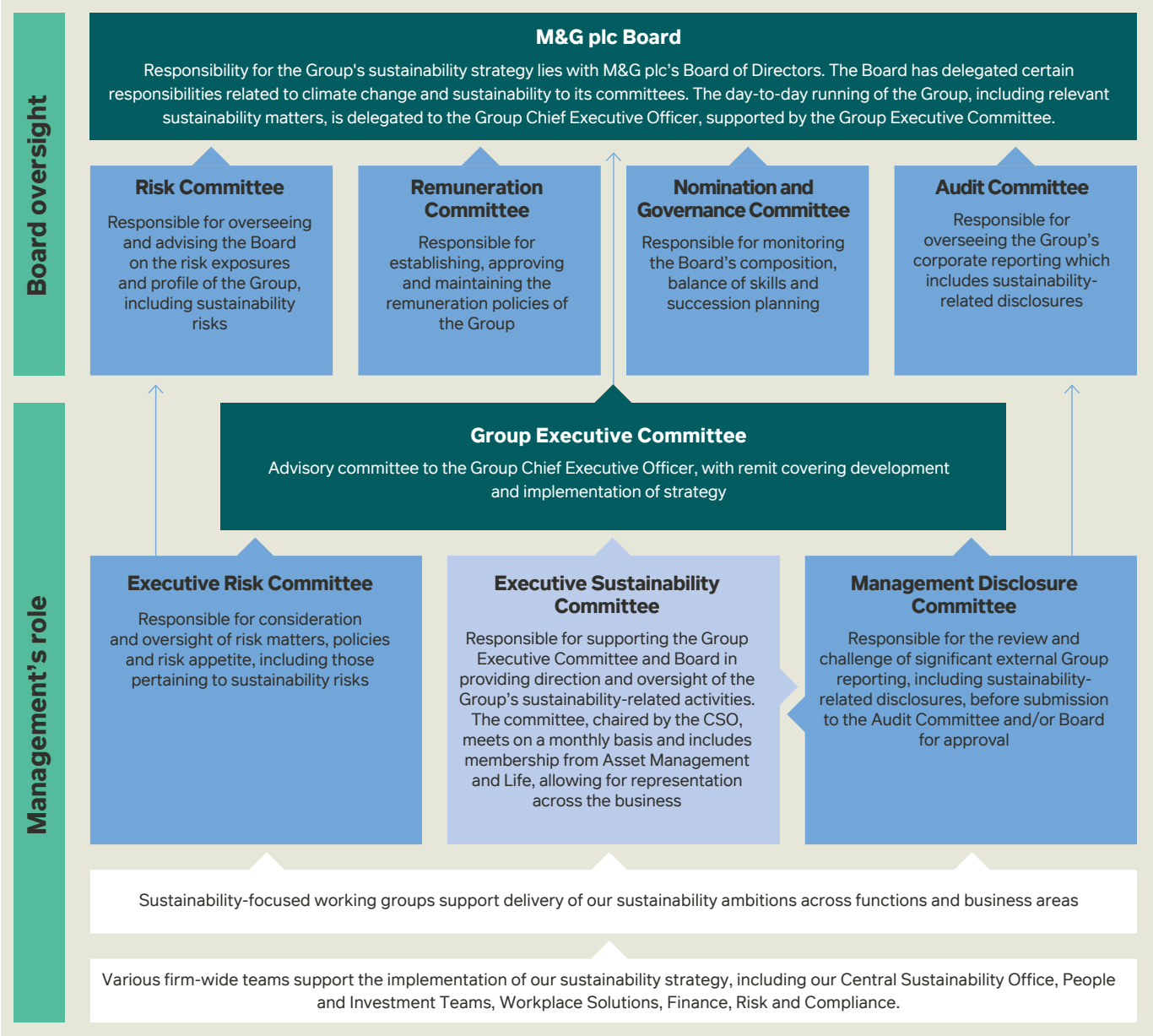
The Board is responsible for ensuring that high standards of governance practices are in place to support the successful delivery of our strategy, including sustainability, while fulfilling responsibilities to all our stakeholders. Our Director of Corporate Affairs, Brand and Sustainability, Louise Shield, has executive-level responsibility for sustainability across the Group and brings over a decade of experience managing sustainability teams.

At the end of 2025, we welcomed our new Chief Sustainability Officer (CSO), Marian D'Auria, who will support Louise by leading on sustainability strategy, risk management, policy, commitments and governance. Marian has extensive sustainability experience spanning financial services, asset ownership and traditional industrial sectors, most recently at GFG Alliance, where she was Global Head of Risk & Sustainability.

The CSO chairs the Executive Sustainability Committee (ESC), a cross-business body that oversees the execution of our sustainability strategy, commitments and policies, while promoting a collaborative approach across the Group. The ESC receives regular updates on sustainability activity from business functions and makes recommendations to relevant management and Board governance committees.

Sustainability is a component of the Board's assessment of director skills and competencies. Based on the 2025 review, the Board is comfortable that there is a good level of sustainability competence among directors and that the current blend of skills, knowledge and experience is appropriate in relation to existing business priorities and prospective strategic initiatives.

The frequency of Board and Board committee discussions on sustainability, including climate change, is a function of specific issues and developments, with key documents such as our Annual Report, Own Risk and Solvency Assessment (ORSA) and Business Plan part of the annual review cycle. The Board is responsible for approving sustainability-related metrics and targets for the Group that are publicly disclosed.



Sustainability at M&G continued

Focus areas in 2025

During the year, M&G plc Executive and Board-level committees held meetings to review and provide feedback on the Climate Transition Plan, Approach to Nature paper and Modern Slavery Statement prior to their publication. Examples of other key sustainability-related agenda items were:

- Executive Risk Committee and Board Risk Committee monitored risk appetite, reviewed and challenged sustainability risk reports to continue enhancing the quality of risk reporting;
- Board Risk Committee approved our Own Risk and Solvency Assessment (ORSA), which includes climate scenario stress tests, ensuring that material climate risks had been considered by senior management; and
- Executive Sustainability Committee and Audit Committee approved the methodologies for climate-related targets, which underpin our updated Climate Transition Plan.

Business-level governance

Consideration of sustainability within our investment activity is managed at the executive management level in our Asset Management and Life businesses. This comprises oversight of investment strategy, adherence to responsible investment policies, progress against sustainability-related investment objectives and climate strategy. Regulated entity boards and committees have accountability and oversight of sustainability for the investments and products within their remit (including the With-Profits Committee).

Executive remuneration

Our Executive Directors' reward structure is linked to core performance management scorecards, which include sustainability-related metrics. Our executive Long Term Incentive Plan (LTIP) arrangement (the M&G Performance Share Plan) for the 2026-2028 performance period includes a 7.5% allocation to ethnicity and gender diversity metrics. An operational emissions measure was included up to the 2024-2026 LTIP award, providing continued alignment to the delivery of this metric until the end of 2026.

This metric was not included in more recent LTIP award structures from 2025 on the basis that good progress had been made on operational emissions.

Objectives and remuneration structures, including potential sustainability-related indicators for the LTIP, are reviewed annually by the Remuneration Committee.

▶ **Find out more about our remuneration approach** on pages 108-134

Risk management

Our Risk Management Framework is based on a three lines of defence model, consistent with the wider Group risk management approach. The first line is responsible for the identification and management of risk on a day-to-day basis. The second line risk and compliance functions provide risk advice, oversight and challenge. The third line provides independent assurance over the design and effectiveness of internal controls, including those covering sustainability-related policies and processes.

Sustainability and ESG has been identified as a principal risk to M&G, with emerging risks tracked through our risk register.

In 2025, key areas of focus from an ESG risk perspective were:

- development work to enhance ESG risk descriptions, Risk Appetite Statements (RAS) and Key Risk Indicators (KRI), which will continue into 2026;
- a refresh of anti-greenwashing training, scheduled for rollout in early 2026;
- a review of emerging ESG risks to inform our risk management preparedness during 2026 and beyond; and
- initiation of a gap analysis related to the Prudential Regulation Authority's SS5/25 expectations on climate risk, along with an implementation plan for 2026.

Our structured approach aims to enhance ESG risk management practices and ensure we are prepared for future challenges with a dedicated programme in place to enhance our sustainability framework, processes and controls in 2026.

▶ **Find out more about our climate risk management** on pages 62-63



Non-Financial and Sustainability Information Statement

Understanding the impact of our activities

In line with Sections 414CA and 414CB of the Companies Act 2006, our approach towards the key matters under the legislation are set out on the following pages to help our stakeholders understand how our approach supports our business development and performance, including the impact of our activities. We embed our approach across relevant areas of our business model, integrating high standards into our ways of working, which is reflected in our reporting and underpinned by our policies. A summary of our approach across the five key topics from the legislation, which are noted below, is provided on page 56, with links provided to where further disclosures are located within our reporting.

- **Environmental**
- **Employees**
- **Social matters**
- **Human rights**
- **Anti-bribery and anti-corruption**

Policy governance

Our Group Governance Framework sets out the principles that guide how we run our business. It is supported by a suite of policies and statements which define our approach to governance, internal controls and regulatory compliance across the mandated non-financial reporting areas.

These policies fall into two categories: Group Governance Framework (GGF) policies which govern how the Group operates; and responsible business and investment policies which set expectations for how we invest and conduct ourselves as a responsible business.

GGF policies are reviewed annually to ensure they remain relevant and effective and compliance is assessed as part of this process. Investment-related policies are reviewed periodically as needed.

We believe strong policies and accountability are essential for delivering our strategy, supporting progress towards our climate targets, social commitments and wider corporate objectives. We also believe that it's important to go beyond compliance, using our principles and judgement to ensure we, individually and collectively, always do the right thing.

Our responsible business practices and sustainability approach as an Asset Management and Life business are anchored in our values of care and integrity, recognising the many direct and indirect impacts we have. The M&G Code of Conduct sets out the behaviours we expect from all colleagues and the ethos we want to cultivate – a feeling of respect, trust and putting our clients at the heart of everything we do.

An overview of our policies, including how they relate to the key topics in the legislation and our value chain, can be found in our Sustainability Annex.

▶ **Our Sustainability Annex is available on** our website

Our culture

We know that culture is key to success and this starts with how we treat our colleagues. Our diversity and inclusion (D&I) strategy, underpinned by our D&I Policy, is helping us create a more diverse workplace.

We are also committed to a workplace where all colleagues feel safe to speak out and report concerns of wrongdoing in complete confidence, without fear of retaliation. They can do this through our Speak Out programme, which supports our Whistleblowing Policy.

Through these efforts and our people policies, we support colleagues through every stage of life, creating an environment where they can thrive, with the right support and flexibility to balance work and life effectively. This enables them to focus on delivering excellence and achieving our purpose - to give everyone real confidence to put their money to work.

▶ **Find out more about our colleagues** on pages 37-39



Actively invested in...

our people through all stages of life

Our paternity policy promotes gender equality and we're proud to be one of a group of UK companies offering six months of fully paid paternity leave. Since 2019, 502 colleagues have taken this leave, with over 245 choosing more than one period of leave. Our policy gives up to 26 weeks of paid leave, taken flexibly to fit family life — because time with loved ones matters.

Our new UK menopause policy, established as a result of our Menopause Taskforce, outlines the practical steps we can take to support colleagues experiencing perimenopause, menopause and other hormone-imbalance conditions.

Together, our people policies help us retain a diverse workforce, shaping ways of working around individual needs and supporting wellbeing, enabling talented colleagues to deliver value.

Non-Financial and Sustainability Information Statement continued

M&G's approach towards key matters

Environmental

Scientific evidence indicates that climate change is one of the biggest threats to our planet.

Managing climate-related risks and opportunities is part of the 'Resilient Planet' theme in our Group Sustainability Framework, alongside nature as an important but developing priority topic, recognising the scale of the global biodiversity crisis.

We have a number of policies that deal with environmental considerations, including our Environment Policy, which guides how we manage the impact of our own operations on the environment.

▶ **Details of our climate-related financial disclosures and our approach can be found within the Resilient Planet section** on pages 58-74

Employees

We understand that exceptional people need the right environment to thrive. Our ambition is to create and sustain a safe, inclusive and diverse culture where our colleagues enjoy each day and feel inspired to do their best for our customers and clients and the communities in which we operate.

▶ **Further information in relation to our employees can be found in Our colleagues section** on pages 37–39

Social matters

We seek to contribute positively to the societies we serve by promoting financial confidence and enabling informed financial decision-making.

Through investing in infrastructure and offering investment strategies that target positive social outcomes, such as affordable housing, we also hope to contribute to a more resilient society.

Our community partnerships, formed through our community investment programme and our skills-building programmes, aim to generate positive real-world impacts by helping to build better futures.

▶ **Further information can be found in the Resilient Societies section** on pages 75-77

Human rights

As an organisation, we recognise our responsibility in preventing and addressing slavery, servitude, forced or compulsory labour and human trafficking. Our responsibilities are guided by the UN Guiding Principles on Business and Human Rights. We also have a voluntary recognition agreement with UNITE for eligible employees and our Speak Out programme offers colleagues a safe way to raise concerns.

In addition, from an investment perspective, our asset manager's and asset owner's stewardship efforts cover human rights, including company engagement and screening, where appropriate, in line with our responsible investing policies and procedures.

▶ **More details can be found in our human rights section** on page 57

Anti-bribery and anti-corruption matters

Addressing financial crime is integral to protecting and stimulating economic growth as well as instilling confidence in customers and clients within the financial services sector. We are committed to preventing, detecting and, where necessary, reporting instances of criminal conduct.

We have no tolerance for bribery and corruption. Financial crime is part of our annual mandatory training and is a factor considered within the governance element of our responsible investing policies.

▶ **Further information can be found in our Anti-bribery and anti-corruption section** on page 57 and within our investment policies noted within our Sustainability Annex on our website

Other disclosures

We use a number of non-financial measures to support how we manage our risk and performance including our climate targets (page 59), our Net Promoter Score within our Life business (page 16) and our performance management scorecards under our Executive Directors' reward structure (page 113).

Information about our business model, governance, risks and the policies we operate to manage these areas can be found through the following links.

▶ **For details on our Business Model** see pages 8–10

▶ **Sustainability and ESG risk is outlined as one of our Principal risks** see page 43

▶ **A selection of our policies, can be located within our** Sustainability Annex on our website

Non-Financial and Sustainability Information Statement continued

Responsible business practices

Anti-bribery and anti-corruption matters

Our business is rooted in our values of care and integrity. We have a no-tolerance approach to bribery or corruption given its adverse impact on social wellbeing and economic development and our obligations under relevant laws and regulations.

Policies and controls

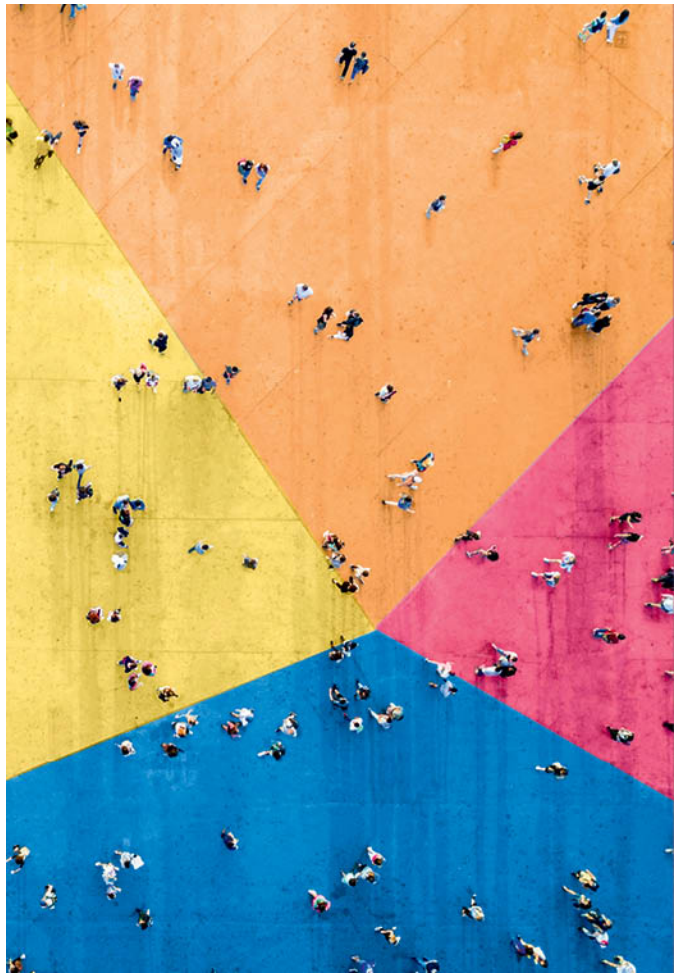
Our approach to the management of financial crime risk is articulated in our Financial Crime Policy and supporting standards, which together set out our processes and controls towards deterring, detecting and reporting instances of bribery or corruption and complying with legal requirements. Specific examples of activities undertaken include a yearly Group-wide risk assessment of financial crime risks, as well as due diligence on our clients, customers, investments and third parties (covering aspects such as adverse media checks). Our dedicated Financial Crime Enhancement Programme is making progress to strengthen, mature and optimise our financial crime framework, processes and controls, as well as implementing an enhanced target operating model. This work would anticipate taking any necessary remediation in relation to existing business where required or appropriate, in addition to ensuring that existing controls operate on an on-going basis in line with internal and external requirements.

Our investments

As an investor, we manage financial crime risks for the investments we make. For instance, should an investment target face sanctions arising from corrupt practices, it is screened out of our investment universe under our sanctions procedures. As part of our investment analysis, we also assess governance matters which could materially impact investment value, including bribery and corruption risks.

Training and reporting

Our policies and controls are reinforced by mandatory annual training on anti-financial crime laws, making all employees aware of their responsibilities and expected behaviours under relevant regulations and our Speak Out channels offer a safe way for employees to report any concerns related to potential misconduct. Any wrongdoing by M&G, its employees and its associated persons will be reported to law enforcement and regulators as applicable.



Human rights

We strive to uphold human rights and are guided by internationally recognised standards. Our Modern Slavery Statement details the policies and practices in place across the Group to assess and manage related risks.

Our colleagues

We promote a respectful and safe workplace and prohibit discrimination, harassment and bullying, as set out in our Code of Conduct. We have a voluntary recognition agreement with UNITE covering all eligible employees and this is the framework used to negotiate on pay and benefits. Employees can raise ethical concerns or report misconduct through our Speak Out channels.

Our supply chain

Our modern slavery risk assessment identifies high-risk suppliers based on procurement spend categories. These suppliers are required to complete a due diligence questionnaire, which is then assessed by the Group's Central Third Party Risk Management team. In 2025, we engaged an external consultant to update the questionnaire, taking into account relevant Home Office modern slavery guidance. This was subsequently issued to 89 high-risk suppliers. We continue to develop our approach to engaging with suppliers based on the output from our supplier assessment.

Our investments

We consider exposure to material ESG risks within our investment portfolios through our ESG integration approach, which incorporates human rights issues where identified through our sustainability research and analysis. For funds and mandates that are subject to global norms[i] restrictions, we apply supplementary assessment and criteria drawing on proprietary research and vendor data, with oversight from our Global Norms Committee. As an asset owner, we also treat modern slavery as a thematic priority within our ESG monitoring process supported by screening for UNGC[i] violators (where we have look-through), and request that asset managers undertake targeted engagement where appropriate.

i Our definition of global norms considers widely recognised principles such as the UN Global Compact (UNGC) principles, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the International Labour Organization's (ILO) Fundamental Conventions.

Resilient planet

Navigating environmental risks and opportunities

Focus on climate and nature

We recognise the scale of challenges such as climate change and nature loss and that these can interact to create issuer-specific and economy-wide risks. As stewards of our customers' and clients' capital, we need to assess these risks, to understand the resilience of existing and prospective investments.

In 2025, we published our updated Climate Transition Plan which describes how we are managing related risks and opportunities on behalf of our customers and clients and provides our stakeholders with a clearer understanding of how we are supporting the shift to a low-carbon economy. We also published a paper on nature, setting out how we are developing our approach to this topic.

We have continued to analyse the climate-related plans and actions of the companies we invest in using our Transition Assessment Framework, as well as to engage issuers and policymakers. At the same time, we have taken the first steps to assess the nature-related performance of companies in our public equity and fixed income portfolios and to support companies through stewardship (see pages 72-73).

In addition to our investment-related efforts, we have also progressed our operational decarbonisation actions, focusing on energy efficiency measures, office space rationalisation and supplier engagement for clearer supply chain data (see pages 64-65).

Long-term opportunities

Alongside the management of risks, we also recognise there are major long-term opportunities for companies that provide solutions to environmental challenges. Through many of our investment strategies, both in public and private markets, we can offer customers and clients exposure to this growth.

Examples include our climate-focused Sustain Paris Aligned Funds, Infrastructure and Real Assets Horizons Fund and purpose-led private Catalyst strategy, which targets Planetary Health as one of its primary investment themes. Climate finance and sustainable food are key focus areas of our dedicated impact manager, responsAbility, including helping to scale clean energy and climate-smart agriculture in emerging markets.

Engaging issuers

Capital allocation is one part of the solution. We also believe it is important to work collaboratively with issuers that may be exposed to greater risks from climate change and nature loss. This is why we continue to engage, both unilaterally and collaboratively, to encourage greater climate and nature-related ambition.

Through our investment and operational efforts, we aim to improve long-term outcomes for our customers and clients, as well as enhance the resilience of our Group.

Key areas of progress

– Published the M&G Climate Transition Plan

▶ **Available on our website** at group.mandg.com

– Continued to implement our operational decarbonisation plan

▶ **Find out more** on pages 64-65

– Published Developing our Approach to Nature

▶ **Available on our website** at group.mandg.com

– Developed a set of climate scenario analysis principles

▶ **Find out more** on page 62





Actively invested in...

catalysing growth

Originating from a mandate provided by the With-Profits Fund in 2021, Catalyst started its journey as a multi-asset fund dedicated to investing in sustainable and impact-focused companies and funds globally. Since its inception, Catalyst has supported purpose-driven businesses and platforms across three themes – Planetary Health, Human Health and Access and Inclusion. By the end of 2025, the Catalyst team had made 34 growth equity investments, the largest share (by net asset value) of which fall into the Planetary Health category.

In 2025, we were excited to evolve this strategy with the launch of the Catalyst Growth Equity Fund, which received a cornerstone investment of US$750 million from our With-Profits Fund. This new vehicle will back impact-driven businesses at the early stages of growth – companies with proven business models and strong impact potential, where our capital and partnership can accelerate both financial performance and positive environmental and social outcomes.

Resilient planet continued

Progress against targets in 2025

To support our 2050 net zero goal across operations and investments we have set a number of interim targets that guide near-term delivery of our ambition

Operational targets

Building emissions

88% (2024: 87%)

Target: Reduction of 46% in Scope 1 and 2 market-based carbon emissions from our buildings by 2030 vs 2019

Performance in 2025: Further reduction vs baseline driven by energy efficiency improvements across UK sites and office space rationalisation.

▶ **Find out more** on pages 64-66

Business travel

41% (2024: 21%)

Target: Reduction of 46% in business travel carbon emissions from our operations by 2030 vs 2019

Performance in 2025: Improvement driven by reduction in aviation emission factors from UK Government, while underlying air travel has increased.

▶ **Find out more** on pages 64-66

Supply chain

47% (2024: 43%)

Target: 67% of Scope 3 supply chain emissions covered by science-based targets by 2030

Performance in 2025: Improvement from two suppliers with material emissions now being covered by targets, offset by a reduction in emissions from other suppliers covered by targets.

▶ **Find out more** on pages 64-66

Asset alignment and engagement

Asset alignment

37% (2024: 40%)

Target: 50%-70% of FCE from in scope[i] assets assessed to have set robust GHG targets and transition plans by 2030

Performance in 2025: A range of factors have driven changes within and between asset alignment categories, including upgrades and downgrades of issuers based on our assessments and movements in FCE of key issuers.

▶ **Find out more** on page 61

Engagement

64% (2024: N/A)

Target: Maintain at least 70% of FCE as assessed to have robust transition plans, or subject to climate-related engagement[ii]

Performance in 2025: New processes were established in 2025 to support delivery of our updated engagement target, which we will work to meet in 2026 and maintain going forwards.

▶ **Find out more** on page 61

Portfolio decarbonisation

We have also set the following interim targets on assets managed by the Group's asset manager on behalf of The Prudential Assurance Company Limited (PAC):

- 50% reduction in Scope 1 and 2 emissions intensity (tCO_2e/$m invested) for in-scope[i] listed equity and corporate bonds by 2030.
- 36% reduction in Scope 1 and 2 emissions intensity ($kgCO_2/m^2$) for in-scope real estate assets by 2030.

Performance in 2025: The carbon footprint for the assets in scope of these targets has decreased during the year, with listed equity now 35% (2024: 33%) below the 2019 baseline and listed corporate bonds at the target level of 50% (2024: 39%) below the 2019 baseline. While we are moving in the right direction, it is important to note that economic intensity metrics fluctuate due to market movements and other factors unrelated to emissions, so are an imperfect indicator of real-world progress.

Our real estate emissions have declined 22% versus the baseline (based on 2024 emissions data), reflecting an improvement over the previous year (21%) as the portfolio advances towards its interim net zero targets.

Notes on our targets

Our target metrics are driven by a range of inputs that can drive movements beyond those that are within our direct control. In particular, Financed Carbon Emissions (FCE) can be volatile and require detailed analysis of the multiple drivers of change, as they may not always relate to changes in absolute real-world emissions but instead to factors such as market movements.

▶ **For more detail on the scope of our climate targets** see our Climate Transition Plan

i The assets in scope are listed equity and corporate bonds managed by our asset manager on behalf of PAC, where PAC has sufficient investment control. Investment control refers to where PAC is able to determine investment characteristics. Assets in scope at 31 December 2025 covered £72 billion.

ii Includes direct climate-related engagements as well as engagements through collaborative initiatives where we are actively involved and engagement by external managers where this is requested by PAC in line with their stewardship priorities.

Key

Investments **Operations**

Resilient planet continued

Climate and investments

We continue to integrate climate risks and opportunities through our three-lever Climate Action Framework

Our approach to supporting real-economy decarbonisation across our investment portfolios is centred around the three levers of our Climate Action Framework: Grow, Align and Reallocate.

Grow
Providing choice to our customers and clients and seeking to create the conditions for assets that support climate mitigation and adaptation to grow.

Align
Aligning assets with climate goals through active ownership while also engaging policy makers to support a successful transition.

Reallocate
Monitoring climate risk exposure and considering reallocation where appropriate.

Progress made over 2025

Under our **Grow** lever, we have been working to support the demand from clients, while also focusing on extending the coverage of our metrics to incorporate additional private asset classes.

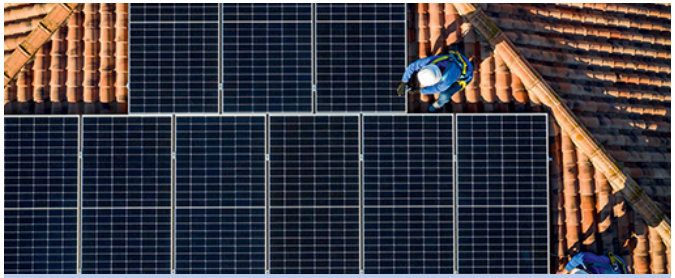
In 2025 we continued to grow our offering:

- M&G Investments' Sustain & Impact Equities team were selected by a large Dutch pension fund to manage a new c.£2.2 billion Equity Impact mandate, which is invested in positive impact businesses, including a significant allocation to climate solutions.
- Our emerging markets impact investor, responsAbility, expanded its Climate Finance Strategy to include climate adaptation, in addition to mitigation.

Tracking and measuring

Having already taken steps to allocate capital to private markets in support of the climate transition, we are now working to track emissions and transition alignment across a broader range of private asset classes.

In line with our efforts as a signatory to the Net Zero Asset Managers initiative, we track the proportion of in-scope assets that we manage which support climate mitigation and engage with our clients on their preferences to adopt climate metrics.



Actively invested in...

helping homeowners decarbonise

In 2025, the Catalyst Credit Fund and Sustainable Private Debt Fund invested in Enpal through an innovative, Green Bond Principles–aligned asset backed securities (ABS) transaction. Enpal is Germany's largest provider of integrated residential solar and heat pump solutions. In addition to purchase options, Enpal enables homeowners to access renewable energy through rental and financing models, reducing the need for upfront capital. The securitisation finances a portfolio of German residential photovoltaic systems and heat pumps.

Green ABS remain rare in European markets. By helping bring this structure to market, the fund supports both Enpal's expansion and broader market building for climate-aligned securitisation.

Under our **Align** lever, we strengthened our approach to engagement by aligning how we prioritise and structure engagements across our asset owner and asset manager. This engagement approach, covering both public and private markets, is set out in our Climate Transition Plan. We also aim to support improvement in the enabling policy environment for the transition through our market-level engagement.

Stewardship

Our approach to assessing the companies we invest in from a climate transition perspective is undertaken through our Transition Assessment Framework. This helps us determine the degree to which a company is aligned with the goals of the Paris Agreement.

In 2025, we announced our updated engagement threshold targets, which aim to encourage engagement with companies that are not already classified as 'aligned' under the Transition Assessment Framework. Over the year, we continued to engage with selected high-emitting companies to encourage them to set credible decarbonisation targets and adopt and implement robust transition plans.

Our asset owner maintains a separate engagement target, consistent with the Group's broader engagement target, albeit covering PAC's in-scope assets. The 2025 result for this was 65% versus the target of 70%. In 2025, our asset owner developed a climate engagement priority list, with this selection of companies communicated to internal and external asset managers, including guidance on the type of engagement objectives expected. The response from managers has been positive. We now receive additional reporting on this target list, elaborating on material climate-related issues. We expect this to strengthen over 2026, as managers continue to carry out engagements.

▶ **Further information on engagement activity can be found in our stewardship reports** on our website

Resilient planet continued

Public policy advocacy

'Policy headwinds' was a key theme of our climate engagements over 2025. Overall, investee companies have continued to improve their transition plan disclosures. Some companies we engaged with referenced the importance of effective policy and regulatory frameworks to support the future development and delivery of their transition strategies. This highlights the importance of our company and market-level engagement operating in tandem.

We engage with policymakers and regulators, both directly and via our trade associations. In 2025, we responded to the UK Government consultation on transition plan disclosures, setting out a positive view for the role of transition planning and calling for mandatory disclosure requirements. In 2026, we intend to scale up our targeted policy engagement, to support an efficient economy-wide transition.

Actively invested in...

engaging on credible transition planning

Last year, our Private Credit team engaged a global chemical company that is a significant contributor to the portfolio's financed emissions and classified as 'not aligned' under our Transition Assessment Framework. Our discussions have focused on improving emissions reporting and transition planning. The company is advancing Scope 1 and 2 reduction targets through key projects and has published a plan with key actions to support these. Having reported its Scope 3 emissions at group level for the first time last year, it has committed to explore greater granularity in future.

We advised the company to disclose Scope 3 projections and set supplier engagement targets. On supply chain decarbonisation, we are encouraged by the switch to alternative raw materials including clean hydrogen and biogenic materials. Next steps include written recommendations and a follow-up meeting to track progress.

Under our **Reallocate** lever, we have continued to improve climate-related risk management processes and tools across the business, including improving the information our investment teams have access to – for example through our Portfolio Alignment Tool and ESG Scorecard.

In particular, we have been working to better link how our climate risk management informs our investment strategy, in line with increasing stakeholder expectations in this area. We perform a variety of Climate Scenario Analysis exercises across the business and the outputs of these exercises feed into key processes, including our business planning and our asset owner's Strategic Asset Allocation process.

In 2025, we developed a set of Group-wide Climate Scenario Analysis (CSA) principles, to build our approach and to improve the coherence of CSA exercises across the Group. We also made improvements to climate risk integration, including updates to our Climate Risk Appetite Statement.

At an investment level, where our analysis and tools show that assets are highly exposed to climate risk, we may consider reallocation, for example as part of our Thermal Coal Investment Policy.

During 2025, we updated our approach to Thermal Coal, publishing our refreshed M&G plc Thermal Coal Position Statement and M&G Investments Thermal Coal Investment Policy in February 2026 (both available on our website). This included our attestation against the Powering Past Coal Alliance Finance Principles.

▶ **Further information on our approach to climate risk management can be found** on pages 62-63

Progressing towards our targets

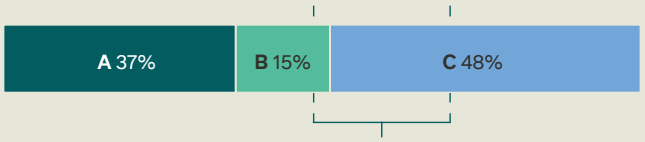
Together, these three levers work to support progress against our interim climate targets and deliver meaningful change in the alignment of the portfolios we manage and administer.

While portfolio decarbonisation targets (see page 59) remain important to establish the overall ambition of our climate objectives and provide an indicator of progress, our new asset alignment and engagement targets complement our decarbonisation targets with a more forward looking view based on our Transition Assessment Framework. This framework enables us to understand how investee companies are managing the climate transition, and progressing against global decarbonisation goals.

Work towards our updated engagement target, to maintain a 70% threshold of financed emissions (Scope 1, 2 and 3) that are either engaged or aligned with a net zero pathway, commenced in 2025. With over 64% of our in-scope assets either aligned or engaged at the end of the year, we will continue to work towards reaching this threshold in future years.

Our stewardship efforts support progress on our asset alignment target, which takes a more holistic view of an issuer's alignment with the Paris Agreement. Over time, we expect engagement with companies to improve transition alignment as we work towards our 2030 target range.

Asset alignment of assets in scope of target at end of 2025 (% of Scope 1, 2 and 3 FCE)



A Aligning or better B Committed C Not aligned

▶ **Further detail on our portfolio alignment target can be found** on page 70

Resilient planet continued

Climate risk management

Identification and assessment

We combine a range of approaches to help us identify climate-related risks, informed by research and industry best practice. Climate scenario analysis is one of the tools we use to assess our forward-looking exposure to climate-related risks across our investments, balance sheet, business planning and corporate estate. Our investment teams also have access to quantitative tools, such as our ESG Scorecard, that enable measurement and assessment of climate risk. In 2025, we undertook a process to update our climate Risk Appetite Statement (RAS) and underlying Key Risk Indicators (KRIs). We will continue to develop and implement these elements of our Risk Management Framework in 2026.

Monitoring and management

From an investment perspective, we integrate climate considerations into our processes, for example through our Thermal Coal Investment Policy and Transition Assessment Framework. Our frameworks and quantitative tools provide investment teams with data to track climate risk factors, which in turn inform our climate stewardship efforts. We also manage climate risk in our operations, including through engagement with our supply chain.

Governance and reporting

Climate-related risk is managed through the Group's three lines of defence model (see page 41). Internal reporting on risk exposure is primarily coordinated by the Executive and Board Risk Committees, with reporting and escalation to the Group Executive Committee and Board as required. The Executive Sustainability Committee also receives regular updates on climate-related matters, including relevant risks, from each of the business areas. Updates on ESG risks, including climate considerations and assessment of key risks against appetite, are periodically communicated to the Executive and Board Risk Committees by the business using Top Risks reports and by the Risk and Compliance function using the Chief Risk and Compliance Officer's report.

Climate resilience and our balance sheet

As part of our annual Own Risk and Solvency Assessment (ORSA) we have continued to explore the potential financial impacts of physical and transition risks on our balance sheet across a range of climate scenarios. For this work, we use the most up-to-date Network for Greening the Financial System (NGFS) scenarios as a basis, with additional inputs from the Emergency Events Database and the Notre Dame Global Adaptation Index to support the modelling of physical risk. A key development in our modelling approach this year has been the adoption of a new damage function for physical risks, aligned with the NGFS phase 5 scenarios.

Our latest ORSA explored the impact of three different climate scenario pathways (based on the NGFS's 'Net Zero 2050', 'Fragmented World' and 'Current Policies' scenarios) over both the short term, broadly consistent with our business planning horizon and longer term (30+ years). In line with last year, an additional short-term climate scenario has also been considered. This scenario assumes a major climate event disrupts economic activity and is followed by an abrupt policy change which sets off shock waves through the economy and financial system. This stress test was also included in the set of scenarios used to assess the resilience of our Business Plan.

The results of our latest modelling continue to indicate that scenarios with high physical risk, eg the 'Current Policies' scenario, would have the most significant impact on our balance sheet. However, we do recognise that the scenarios assessed represent only four potential outcomes from an extremely wide and uncertain spectrum and that actual impacts may be significantly different given the number of assumptions required. Overall, our business remains resilient under the range of climate scenarios considered.

We also carry out separate bottom-up scenario analysis on public and private assets in our investment portfolios, leveraging third-party platforms. The former covers transition and physical risk impacts on listed equity, corporate and sovereign debt. For private real estate and infrastructure assets we model physical risks only, covering a range of acute and chronic natural hazards. This analysis is performed to help our investment teams identify and manage specific transition and physical risk exposures.

▶ **For more detail on our bottom-up scenario analysis** see page 71

Climate scenario analysis principles

In 2025, we developed a set of Group-wide Climate Scenario Analysis (CSA) principles to support a more coherent approach across the business. Like many large financial institutions, we have a range of CSA use cases, from business strategy and risk management to operational resilience and capital setting. There are different approaches to CSA, both qualitative and quantitative. The latter involves a large number of modelling choices, including assumptions and data inputs, which can have significant impacts on results. Over the year, a CSA working group brought together subject matter experts to establish principles and a supporting practitioners' template, with implementation commencing in 2026.

The objective of this work has been to ensure that:

- Those undertaking CSA follow common principles in relation to their materiality and proportionality assessments; model and scenario selection; definition of parameterisation and assumptions; validation steps; governance and oversight; and reporting and disclosure approaches.
- The principles will help users of CSA outputs better understand the process followed, as well as related assumptions, limitations and findings.

The principles have been designed to support alignment with the recent expectations outlined by the PRA and will be reviewed annually.

Resilient planet continued

Transition and physical impacts

We take a holistic view of climate risks across a range of timeframes: short term <3 years (consistent with our business planning cycle); medium term 3-10 years; and long term 10+ years.

Both transition and physical risks have the potential to impact the value of the investments we manage on our clients' behalf (find out more about our investment scenario analysis on page 71), which directly influences our revenue and the value of assets held on our balance sheet. The main categories of these risks are illustrated in the table.

We understand that climate risks can overlap and interact, creating compound and cascading impacts and that the precise timing and sequence is hard to predict. Although there is significant uncertainty, we believe both transition and physical risks may start to materialise over the short term, with the likelihood and potential impact of these risks rising over time.

Opportunities

The climate transition presents major long-term investment opportunities across countries and asset classes, including private markets where we have strong capabilities.

As a result of our business model and strong balance sheet, we can seed and scale into a broad set of opportunities, including climate solutions. We offer clients dedicated climate strategies, such as our public asset Sustain Paris Aligned Funds and climate finance is one of the key themes of our emerging markets impact manager, responsAbility.

Our Group Transition Assessment Framework helps us assess the alignment of issuers with climate goals. While we view climate mitigation and adaptation as structural growth themes, we have not defined climate opportunities with specific time horizons or impacts in the table.

▶ **For more detail on opportunities** see our Climate Transition Plan

Risk name	Risk description	Physical/ transition	Time horizon	Description of impact
Policy and legal	Carbon pricing, climate regulation and restrictions on carbon-intensive activities. Increased climate litigation (eg due to greenwashing, or failure to meet targets).	Transition	S M L	Asset value reduction impacting profitability Ability to attract and retain customers, clients and colleagues Costs associated with adapting to policy change or legal action
Technology	Renewable energy, cleaner transport and other low-emission products and services replacing carbon-intensive technologies, causing obsolescence and potential stranding of assets.	Transition	S M L	Asset value reduction impacting profitability Ability to attract and retain customers and clients
Market	Changes in consumer and investor preferences (eg avoidance of carbon-intensive products and assets) and related pressure on input/raw material prices.	Transition	S M L	Asset value reduction impacting profitability Demand for M&G's products and services Ability to attract and retain customers and clients
Reputation	Damage to company's standing among customers, clients, shareholders and other stakeholders (eg from greenwashing, or failure to meet climate targets or regulatory requirements).	Transition	S M L	Financial impact of fines Demand for M&G's products and services Ability to attract and retain customers, clients and colleagues
Acute physical	Increased frequency and severity of extreme weather (eg storms, wildfires and heatwaves).	Physical	S M L	Asset value reduction impacting profitability Operational and supply chain disruption
Chronic physical	Longer-term shifts in climate patterns (eg sea level rise and changes in precipitation patterns) and associated impacts on food and water security, human health, damage to assets, increased insurance premiums and geopolitical risk.	Physical	M L	Asset value reduction impacting profitability Operational and supply chain disruption

S Short (1 to 3 years) M Medium (3 to 10 years) L Long (10+ years)

Resilient planet continued

Climate and our operations

In contrast to the investments we manage and administer, our corporate operations contribute a relatively small part of our overall carbon emissions. However, we take responsibility for these impacts and seek to reduce them where possible. As part of our decarbonisation strategy we are targeting a reduction in carbon emissions from our own corporate operations, ie from our corporate offices, business travel and supply chain.

Our approach focuses on enhancing the energy efficiency of our offices, reducing our business travel emissions and engaging with our suppliers to understand and support their journey to net zero. To this end, we have set interim targets across key impact areas, with progress against each theme detailed across the following pages.

We employ long-term strategic solutions to support our decarbonisation goals, with benefits materialising over a number of years.

▶ **For a summary of our operational targets,** see page 59

Achieving our goals for renewable energy and buildings-related emissions

We continued to make progress on improving the environmental impact of our operations throughout 2025.

We completed an analysis of energy consumption at our two largest offices which identified opportunities for efficiency enhancements. Subsequently we installed a refrigerant-based technology solution at our Stirling office in Scotland (pictured), anticipated to deliver annual efficiency gains of up to 30% across cooling systems and contribute to lower Scope 2 emissions. We also adjusted temperature set points in our server rooms to support reduced electricity usage.

Other measures in 2025 included:

- Procurement of biomethane by the landlord to match the gas consumption at our London head office through a green energy contract (RGGO certificates). Given limited guidance on how these contracts should be recognised under the GHG Protocol, we have not reflected any potential benefits of this change in our Scope 1 emissions.
- Launch of a new lease management system that tracks green lease clauses across our office portfolio. This builds on earlier enhancements made to our office transaction processes, where outcomes from climate scenario analysis inform our assessment of office suitability.
- Our newly opened Reading office being added to the scope of our certified ISO14001 environmental management system (EMS), which helps support better utilities and waste practices. Coverage of the EMS system stands at 45% of our total occupied floor area at the end of 2025.

We met our objective to source 100% renewable electricity for our office portfolio by year-end 2025. This was accomplished through a combination of on-site generation (1%), renewable energy contracts (87%) and the purchase of Energy Attribute Certificates, EACs (11%). There are two offices, making up less than 1% of our total electricity consumption in 2025 (53 MWh), where we are currently unable to source RE100-compliant renewable electricity due to the low availability of green energy in those regions. Per RE100 guidelines, these sites have been excluded from our target scope.

At the end of 2025, market-based Scope 1 and 2 emissions from our buildings had decreased by 7% from 2024, representing an 88% reduction compared with the 2019 baseline position, outperforming our 46% target by 2030. Location-based Scope 1 and 2 buildings emissions also fell by 10% compared with 2024.

We continue to advance our decarbonisation efforts through our Buildings Decarbonisation Committee. Planned initiatives for 2026 include the installation of solar PV panels at the Stirling office to reduce reliance on grid electricity.

We will also continue to assess ways to reduce water consumption and improve waste management.

We are actively monitoring evolving emissions accounting standards and frameworks, including the GHG Protocol and RE100, to ensure our reporting remains robust and our targets continue to align with sector standards.



Our business travel emissions

As an international company, travel is a necessary part of business. Our travel booking policy was updated during the year and includes guidance on travel options considering their emissions impact.

Air travel is a significant source of our business travel emissions. In 2025, our air travel emissions reduced by 27% year-on-year while underlying air travel activity (distance travelled) rose by 15%. This drop in emissions reflects the impact of a substantial downward revision to the UK Government's aviation emissions factors in the year, which use updated statistical data to better align with 2025 travel patterns.

In line with this, our reported business travel emissions for 2025 indicated a 41% (2024: 21%) decrease against our 2019 baseline, with a target to reach a 46% reduction by 2030 (across business travel from Scope 1, 2 and 3 activities).

Business travel is a material contributor to our operational emissions. While some in-person meetings are essential for effective collaboration, we aim to minimise the impact of these. In 2025, we introduced a new travel management platform which will support improved visibility of internal travel data. We continue to consider the appropriateness of our target and associated plans to ensure they remain relevant within the context of our operating model.

Our supply chain

Acknowledging that Scope 3 emissions from purchased goods and services represent a significant share of our footprint, we have built on previous efforts through the continuation of our supplier engagement initiative. While we work towards incorporating absolute emissions in future disclosures, our current efforts are focused on assessing suppliers' decarbonisation ambitions and measuring the proportion of emissions covered by science-based emissions reductions targets.

Approach to carbon credits

We do not use our carbon credit purchases to offset emissions in our greenhouse gas (GHG) calculations. Instead, we regard them as a contribution to climate action, recognising the role of the voluntary carbon market in funding projects that avoid, reduce and sequester carbon. While not offset in our reporting, we purchase credits broadly equal to our business travel emissions and will continue to assess our approach to long-term engagement with the carbon credit market in the future.

In 2025, we purchased Pending Issuance Units (PIUs) supporting peatland and woodland restoration projects in Scotland, which should sequester carbon for years to come as new biomass grows. Additionally, we purchased credits from the Orb Solar project in India, which seeks to generate solar electricity and water heating to minimise emissions and replace carbon-intensive fuels.

Supplier alignment assessment

In 2020, we set a target for at least 67% of our supply chain spend-based emissions to be covered by science-based carbon reduction targets (SBTs) by 2030.

We continued to engage with our suppliers in 2025 to improve the accuracy of emissions data. The exercise reduced calculated emissions, providing a more precise view that can be tracked year-on-year, however this does not equate to reductions in real emissions.

Compared to our assessment in 2024, fewer suppliers had SBTs in place, however our spend-based emissions covered by SBTs rose to 47% (2024: 43%). This was driven by two material suppliers now being covered by SBTs, partially offset by three that retained SBTs but reported notable emissions reductions.

Our analysis also highlighted that an additional 24 suppliers had a net zero target that is not a committed or validated SBT compared with the prior year assessment.

Supply chain emissions remain an area of focus. In 2026, we will explore further opportunities to engage with suppliers to gain deeper insight into their climate ambitions and improve visibility of our carbon exposure as more complete data becomes available. We are also planning to update our contracts and tendering processes to better integrate environmental considerations, alongside assessing current supplier performance.

Our reported emissions

Our year-on-year performance compares 2025 with the 2024 results as detailed in our GHG Emissions Statement on page 66.

In 2025, our total Scope 1 and 2 market-based emissions were 601 tCO_2e, down 3% from 2024, driven by continued energy efficiency improvements and rationalisation of our office space. The procurement of biomethane to match the gas consumed in our head office has not been recognised as a reduction to our reported Scope 1 emissions as there is not yet established guidance on market-based emissions for Scope 1. If recognised, this change would result in a drop in our Scope 1 emissions from 565 tCO_2e to 407 tCO_2e.

Overall reported Scope 3 categories recorded a 26% reduction in emissions from the prior year, mainly benefitting from a change in aviation emissions factors as noted within the 'Our business travel emissions' section. Land travel, comprising rail and employee car emissions, was relatively stable year-on-year.

Emissions from sub-leased floors in our London head office remained flat, however similar to our Scope 1 emissions the benefits from the procurement of biomethane to cover the volume of natural gas consumed (equivalent to 166 tCO_2e) have not been recognised in our reporting given limited guidance in this area.

Waste emissions in 2025 stood at 20 tCO_2e (241 tonnes of waste, 2024: 316 tonnes of waste), with emissions broadly consistent with the levels reported in 2024. In 2025, 18 sites (81% of our total floor space) provided waste data. In 2025, water emissions increased marginally to 3 tCO_2e (14,754m^3) from 2 tCO_2e (15,458m^3) in 2024. In 2025, 29 sites (82% of our total floor space) provided water data.

Resilient planet continued

Climate metrics - Operations

Our reported emissions

We have compiled our Global Greenhouse Gas (GHG) emissions statement in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

GHG emissions are broken down into three scopes. We have included full reporting for Scope 1 & 2 and selected Scope 3 emissions. Scope 1 emissions encompass our direct emissions from the combustion of fuel, fugitive emissions and company-owned vehicles (excluding electric vehicles). Scope 2 emissions cover indirect emissions arising from the purchase of electricity (including for company-owned electric cars), heating and cooling – reported using both the location and market-based methods in line with GHG Protocol guidance. Scope 2 market-based emissions reflect the procurement of renewable energy in our premises. For sites not covered by a green energy tariff, we use Energy Attribute Certificates (EACs), where they are accessible, when determining the market-based figure. Our Scope 3 reported emissions are those associated with operational water usage (subset of category 1 purchased goods and services), waste generated in operations (category 5), business travel (category 6) and electricity and fuel emissions linked to downstream leased assets (category 13). The financed emissions (Scope 3, category 15) from our investment portfolios are reported separately on pages 67-69.

Data is presented gross of any carbon credits. Selected metrics reported for 2025 (as indicated by [A]) have been subject to external independent limited assurance by PricewaterhouseCoopers LLP (PwC). For the results of this limited assurance, see PwC's independent limited assurance report and our Environmental metrics Basis of Reporting, available on our website.

No fines or regulatory actions have occurred during the year for environmental incidents.

		2025		2024		2019 baseline	
Greenhouse Gas Emissions Statement		**UK**	**Global**	**UK**	**Global**	**UK**	**Global**
Scope 1 (tCO_2e)	Fuel combustion (oil and gas), vehicle fleet, fugitive losses	**247**	**565[A]**	307	543	1,936	2,187
Scope 2 (tCO_2e) Location-based	Purchased electricity, heating and cooling	**1,046**	**2,602[A]**	1,407	2,944	4,213	5,948
Scope 2 (tCO_2e) Market-based	Purchased electricity, heating and cooling	**12**	**36[A]**	15	79	105	1,976
Scope 1&2 (tCO_2e)	Total emissions using market-based approach for Scope 2	**259**	**601[A]**	322	622	2,041	4,163
	Emissions per FTE[i] (Scope 1 & 2)		**0.08[A]**		0.09		0.74
Energy (MWh)	EAC volumes	**34**	**982**	44	1,084	—	—
	Energy use	**7,404**	**10,735[A]**	8,460	11,515	25,745	29,490

		2025	2024	2019
Selected Scope 3 (tCO_2e)	Air travel	**6,009**	8,191	9,764
	Land travel	**126**	119	128
	Water (global where data is available)	**3**	2	11
	Waste (global where data is available)	**20**	20	19
	Emissions from sub-leased property (market-based)	**166**	168[R]	—
	Total selected Scope 3	**6,324[A]**	8,500	9,922
Global Scope 1, 2 (market-based) and selected Scope 3 (tCO_2e)		**6,925[A]**	9,122	14,085

Reporting period:	1 January 2025 to 31 December 2025
Baseline year:	2019
Consolidation boundary:	We apply the operational control measurement approach to our reported operational emissions where the Group has authority to introduce and implement its operating policies at the operations. In line with the Greenhouse Gas Protocol we also consider our business context and reporting principles to provide a faithful representation of the metrics we report.
Accounting methodology:	Our operational GHG emissions are prepared in line with The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Further details on our calculation methodology, including emission factors used can be found in our Environmental metrics Basis of Reporting, available on our website.
Data restatements (indicated by [R]):	As part of our restatement approach, we incorporated supplementary post-period utilities data for the sub-let floors of our head office, increasing 2024 emissions from sub-leased property (market-based) from 147 to 168 tCO_2e.

i FTE refers to full-time equivalent employees.

Resilient planet continued

Climate metrics - Investments

Our approach

Across our investment portfolios we produce a range of metrics to identify and assess climate-related risks and opportunities. This includes absolute emissions metrics as well as intensity-based indicators across Scopes 1 & 2 and Scope 3 that enable comparison across different issuers and portfolios. In addition to backward-looking data, which indicate the current emissions profile of an asset or portfolio, we also use forward-looking metrics to assess transition alignment and potential impacts on assets over time.

The metrics used across our internal and external reporting are Financed Carbon Emissions (FCE), Carbon Footprint and Weighted Average Carbon Intensity (WACI). For example, we assess FCE change at the portfolio level to monitor our overall portfolio emissions exposure, while we monitor Carbon Footprint (a measure of emissions intensity based on the ratio of company emissions to their enterprise value including cash (EVIC)) to assess progress against our asset manager and asset owner interim targets. WACI is used to understand our portfolio exposure to carbon-intensive issuers. Scope 3 emissions are incorporated into our Asset Alignment target and informs engagement efforts. We acknowledge, however, that Scope 3 disclosures remain relatively less consistent and reliable across issuers, which can introduce greater variability into these metrics.

In preparing our financed emissions metrics we consider the Partnership for Carbon Accounting Financials (PCAF) principles. We report data quality scores for our FCE metrics - covering listed equity and corporate bonds with both a known and unknown use of proceeds and sovereign debt emissions. The score is based on PCAF methodology and ranges from one to five, where one represents the highest data quality and five is the lowest. Improvements in some data quality scores have been observed this year as one of our data providers has started to categorise verified reported data (which has a score of 1) for the first time.

Details on definitions of metrics reported and limitations of data used can be found in our Environmental Basis of Reporting 2025, available on our website.

Scope

Metrics reported in this section are calculated for M&G plc, subject to asset classes included and coverage within these groups. Assets from our Life business where the mandate is directly placed with an external manager are not included in the scope of these metrics.

Where there is a lack of data or robust methodologies we will exclude certain assets from our reporting. This covers certain asset classes that we do not report on, including but not limited to derivatives and cash. A breakdown of our Group AUMA, showing the value of asset classes included in the scope of our reporting is presented below, with those assets not in scope of our calculated metrics shown as 'N/A'.

In our analysis, 'coverage' refers to the proportion of in-scope AUMA of the relevant asset class for which we have sufficient environmental, financial, or other data required in the calculation of a given metric.

Limitations

The third-party data used to calculate our financed emissions comes from a variety of sources. We recognise our dependence on third-party data providers whose data availability, coverage and methodologies may vary. For example the timing of issuers' reporting often results in EVIC and/or emissions data from previous reporting periods being mapped to our current portfolio holdings. In addition, due to the nature of the analysis, climate metrics may shift due to a number of financial and technical factors. These include, but are not limited to:

- shifting EVIC valuations;
- shifting market value due to stock market effects;
- shifting FX rates; and
- changes to data coverage.

In-Scope AUMA
£bn



Resilient planet continued

Listed equity and corporate bonds

The tables below present emissions metrics relating to in-scope listed equity and corporate bonds. As at 31 December 2025, these assets represent £169.8bn[A] of AUMA. Corporate bonds with a known use of proceeds are presented separately.

Scope 1 & 2	2025	2024
FCE ($ktCO_2e$)	**14,086[A]**	11,899
Carbon Footprint (tCO_2e/£m invested)	**86[A]**	81
Coverage	**97%**	96%
WACI (tCO_2/£m sales)	**172[A]**	160
Coverage	**93%**	92%
Data Quality Score	**1.5[A]**	2.1

In 2025, Scope 1 & 2 increased due to changes in attribution factors driven by financial market movements[i] and increased allocation to some issuers, as well as higher coverage as data became available for an existing high-intensity issuer. The increase was partially offset by smaller reductions in emissions data from a large number of issuers.

Scope 3	2025	2024
FCE ($ktCO_2e$)	**103,986**	82,179
Carbon Footprint (tCO_2e/£m invested)	**634**	562
Coverage	**97%**	96%
WACI (tCO_2/£m sales)	**1,048**	937
Coverage	**93%**	92%
Data Quality Score	**2.3**	2.4

Scope 3 emissions also increased due to financial market movements[i], larger exposures to certain issuers and an increase in companies starting to report against additional Scope 3 categories for the first time.

Green, social and sustainability bonds

The tables below present emissions metrics relating to our listed corporate bonds where there is a known use of proceeds, covering green, social and sustainability bonds. As at 31 December 2025, these assets represent £10.0bn of AUMA.

Scope 1 & 2	2025	2024
FCE ($ktCO_2e$)	**260**	225
Carbon Footprint (tCO_2e/£m invested)	**27**	26
Coverage	**97%**	96%
Data Quality Score	**1.6**	2.2

In 2025, the increase in Scope 1 & 2 emissions metrics is driven by higher in-scope AUMA, partially offset by a reduction in emissions for some bonds where more accurate data has become available.

Scope 3	2025	2024
FCE ($ktCO_2e$)	**2,436**	1,792
Carbon Footprint (tCO_2e/£m invested)	**255**	207
Coverage	**95%**	95%
Data Quality Score	**2.4**	2.4

The Scope 3 emissions increase is driven by a combination of new positions alongside one material issuer disclosing additional Scope 3 categories for the first time.

A Selected metrics reported for 2025 (as indicated by A) have been subject to external independent limited assurance by PricewaterhouseCoopers LLP (PwC). PwC's independent limited assurance report is available on our website.

i The timing of an issuer's reporting sometimes results in EVIC data from previous reporting periods being mapped to our current portfolio holdings, creating a temporary effect of inflating our share of the issuer's financing in a market with rising stock prices.

Sovereign debt

The tables below present financed domestic production and consumption emissions, with and without Land Use, Land Use Change and Forestry (LULUCF) for our sovereign debt investments. As at 31 December 2025, these assets represent £43.2bn[A] of AUMA.

Production emissions		2025	2024
Incl. LULUCF	FCE ($ktCO_2e$)	**11,208[A]**	11,379
	Weighted Average Intensity (tCO_2e/PPP-adj GDP (USDm))	**0.2[A]**	0.2
Excl. LULUCF	FCE ($ktCO_2e$)	**11,257[A]**	11,064
	Weighted Average Intensity (tCO_2e/PPP-adj GDP (USDm))	**0.2[A]**	0.2
Coverage		**100%**	100%
Data Quality Score		**1.7[A]**	1.9

In 2025, production emissions excluding LULUCF have increased slightly due to rising AUMA for sovereign debt. Including LULUCF, this increase is offset primarily by a reduction in the net contribution from a single sovereign's emissions.

Consumption emissions		2025	2024
Incl. LULUCF	FCE ($ktCO_2e$)	**12,196[A]**	11,939
	Weighted Average Intensity (tCO_2e/capita)	**10.1[A]**	10.4
Excl. LULUCF	FCE ($ktCO_2e$)	**12,248[A]**	11,629
	Weighted Average Intensity (tCO_2e/capita)	**10.6[A]**	10.6
Coverage		**100%**	100%
Data Quality Score		**4.0[A]**	4.0

Consumption emissions (including and excluding LULUCF) have increased due to the higher exposures noted above, however this increase is offset in part by a decrease in emissions from other sovereigns held.

Resilient planet continued

M&G Real Estate

Emissions are calculated for physical buildings owned by M&G Real Estate at the asset level by a third-party consultant. As at 31 December 2025, these assets represent £34.5bn of AUMA. A change in the third-party platform used during the year has introduced greater automation and a more structured estimation hierarchy, which will improve accuracy over time. This change results in some smaller Scope 3 categories that were previously reliant upon manual estimations no longer being reported. Due to the change we have restated our 2024 emissions.

Scope 1 & 2	2025	2024 Restated	2024 (previously presented)
FCE ($ktCO_2e$)	**93**	96	106
Carbon Footprint (tCO_2e/£m)	**3.3**	3.6	4.1
Coverage	**84.4%**	80.9%	80.4%

Our real estate assets recorded a decrease in emissions of all scopes compared to restated 2024 figures, primarily due to operational efficiency improvements across key logistics and residential assets.

Scope 3	2025	2024 Restated	2024 (previously presented)
FCE ($ktCO_2e$)	**376**	391	484
Carbon Footprint (tCO_2e/£m)	**12.9**	14.9	18.5
Coverage	**84.4%**	80.9%	80.4%

Movements in Scope 3 emissions have moved in line with Scope 1 and 2 drivers, reflecting the operational changes across the portfolio.

Infracapital

For Infracapital, emissions data is based on numbers reported directly from the underlying investee companies. As at 31 December 2025, these assets represent £4.0bn of AUMA.

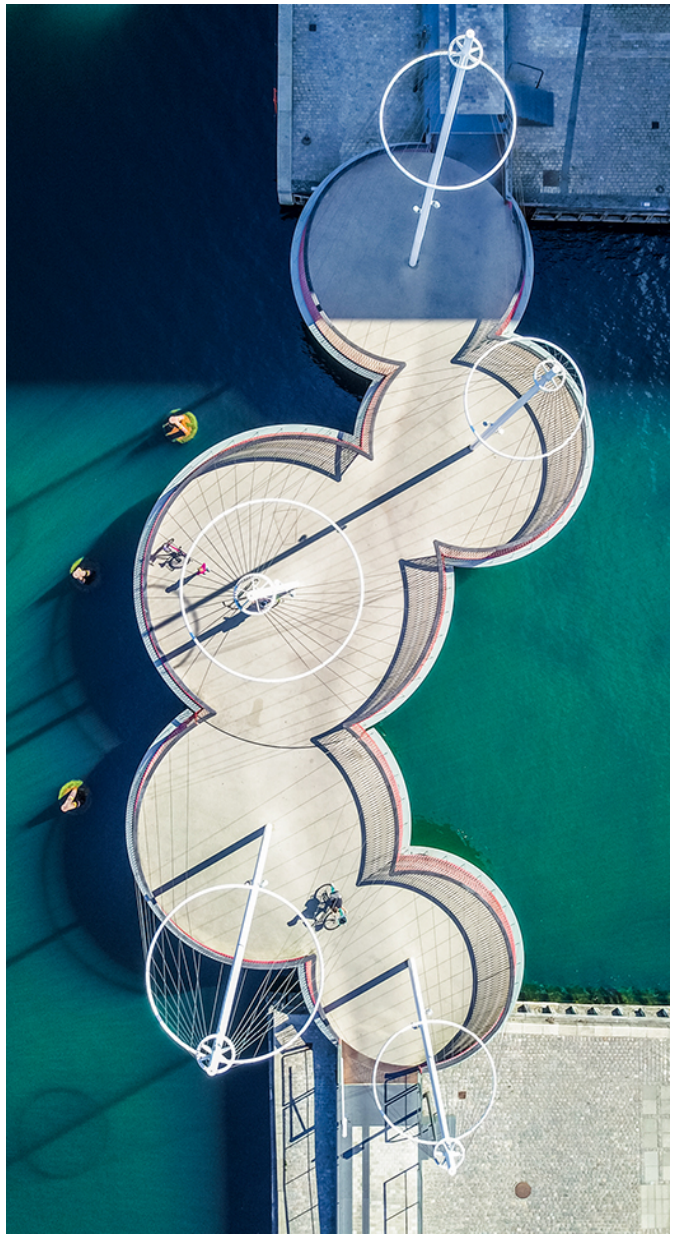
Scope 1 & 2	2025	2024
FCE ($ktCO_2e$)	**599**	466
Carbon Footprint (tCO_2e/£m)	**152**	105
Coverage	**98.3%**	99.9%

In 2025, Infracapital Scope 1 & 2 emissions increased due to expansion of business operations for several assets. A number of our investee companies operate within a high climate impact sector, whilst actively supporting global decarbonisation.

Scope 3	2025	2024
FCE ($ktCO_2e$)	**204**	71
Carbon Footprint (tCO_2e/£m)	**63**	20
Coverage	**80.2%**	79.7%

The increase in Scope 3 emissions is partially due to the increased operations listed above but also reflects more robust reporting practices across the portfolio.

Several of our portfolio companies have been working with third parties over the last year to more accurately report their Scope 3 emissions with a particular focus on supply chain emissions. Increased reporting across Scope 3, where data was already partially reported, will not flow through to an increase in coverage.



Resilient planet continued

Portfolio alignment

Forward-looking climate metrics

Backward-looking climate metrics are important to assess decarbonisation progress and our investment exposures, but forward-looking analysis is necessary to inform our understanding of potential transition and physical impacts over time. This includes assessing issuer alignment with climate goals and how companies and assets are likely to fare in a world of growing climate action and worsening physical perils.

Transition Assessment Framework

Our asset alignment metric shows the percentage of public asset financed emissions (all GHG scopes) we have assessed to be 'not aligned', 'committed', 'aligning' or 'aligned' with climate goals based on our Transition Assessment Framework (TAF). No issuer assessed through our TAF has reached net zero yet. The proportion of financed emissions from issuers that are 'aligning' or 'aligned' under the TAF is an interim target for in-scope assets. We are targeting a range of 50-70% by 2030. At the end of 2025, 36.6% of financed carbon emissions associated with in-scope assets (£72 billion) were either aligning or aligned.

	2025	2024
Not aligned (%)	**48.5**	46.2
Committed (%)	**14.9**	14.0
Aligning and aligned (%)	**36.6**	39.8

The proportion of financed emissions that are aligning or aligned has decreased slightly in 2025. A range of factors have driven changes within and between the asset alignment categories, including upgrades and downgrades of individual issuers based on our assessments of them and movements in the FCE of key issuers. Engagement activity, much of which was initiated in 2025, is yet to have a material impact. Over time, we expect our stewardship activity, driven by our separate engagement target, will improve alignment as we work towards our 2030 target range.

Implied Temperature Rise (public assets)

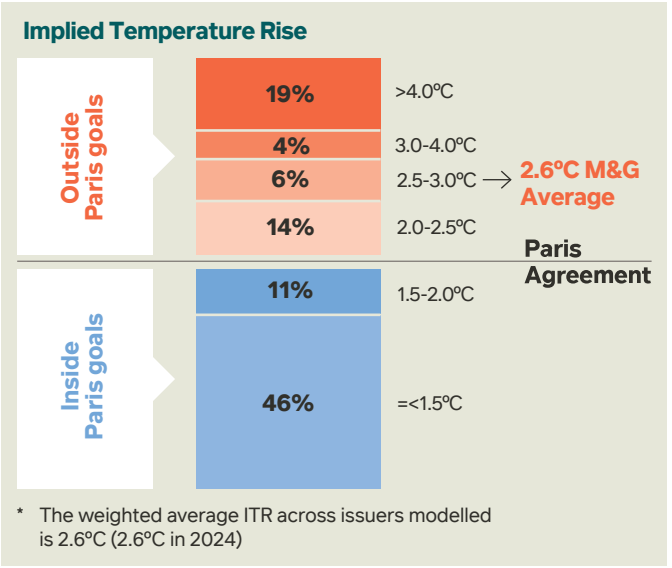
ITR is an intuitive way to assess transition alignment, within and between investment portfolios, by translating each issuer's emissions trajectory into a temperature increase which can be weighted and aggregated. In simple terms, it shows what the global temperature rise could be if the whole economy followed the same emissions pathway (carbon budget overshoot or undershoot) as the issuer or portfolio analysed. ITRs should be interpreted with major limitations in mind, including:

- There is no commonly accepted approach to ITR calculations, which makes comparisons across different models problematic.
- ITRs require the allocation of a 'fair share' carbon budget to each company, which involves judgement and there is significant uncertainty about the remaining global carbon budget to meet the Paris Agreement.
- The calculation is sensitive to sector emissions assumptions.
- It is based on carbon intensity (emissions per unit of revenue for each investee) and on projections of future emissions which are subject to significant uncertainties.
- By its nature, ITR is a point-in-time metric and therefore does not account for likely changes to our portfolios as the transition progresses.

The ITR calculation (listed equities and corporate bonds where data is available) presented here is based on the Aladdin Climate model and assumes that issuers meet their stated climate targets. We do not use this metric in isolation, due to the limitations mentioned, but believe it provides a useful indication of alignment when viewed in conjunction with other information.

The chart on the right, shows the composition of our ITR exposure (weighted by market value). In 2025, the proportion of companies aligned to below 1.5°C has increased to 46% (2024: 43%). However, 43% of modelled assets still exceed 2°C based on the underlying issuers' transition pathways.

The weighted average warming potential across modelled issuers is 2.6°C, unchanged versus 2024. While this is higher than the Paris Agreement goal, it is in line with the broader economy.



* The weighted average ITR across issuers modelled is 2.6°C (2.6°C in 2024)

Fossil fuel and EU Taxonomy-aligned assets

We also monitor metrics that track public asset fossil fuel and EU taxonomy-aligned exposures to assess climate transition risks and opportunities. The fossil fuel exposure data is relevant from an engagement and voting perspective, as it captures many of the high-emitting target companies in our climate stewardship programme.

Resilient planet continued

Scenario analysis

Public asset modelling

As part of our forward-looking analysis we use the Aladdin Climate platform to model our listed equity, corporate bond and sovereign debt assets against three scenarios, to help us to assess the relative financial impacts of climate change across different global decarbonisation outcomes.

This analysis is based on a bottom-up approach and provides estimates of the financial impact on all issuers modelled, including on asset valuations. It is separate from the top-down climate stress tests in our ORSA and focuses on interrogating specific risk exposures in the portfolios we manage, complementing our transition alignment assessment and research of issuer fundamentals.

The modelling is based on three NGFS-aligned scenarios – Orderly ('Net Zero 2050'), Disorderly ('Delayed Transition') and Hot House ('Current Policies') – that reflect different levels of global ambition and speed in mitigating climate change. Our results continue to separate transition and physical impacts.

In 2025, the corporate and sovereign modules have been updated to reflect the latest NGFS phase 5 scenarios and this has impacted the results slightly year on year. Notably, it has led to an upward shift in the carbon price assumptions in most regions in the orderly transition scenario. The carbon price has been revised downwards slightly in the disorderly scenario. These changes have resulted in a more severe transition impact on asset values in the orderly scenario and slightly weaker effect in the disorderly scenario. The Phase 5 scenarios also use an updated physical damage function, with accelerated damages due to climate-related hazards.

In terms of our exposures, the modelling continues to show more pronounced transition impacts in the energy, materials and consumer discretionary sectors. By asset class, equity valuations are affected the most in all three scenarios, with the impact more muted in corporate and sovereign debt, in part because the bond duration is also considered.

▶ **For more detail on the scenario modelling outputs see the Sustainability Annex** on our website

Private asset modelling

We also model physical climate risks for M&G Real Estate and Infracapital assets. In 2025, we carried out a competitive tender process which resulted in the appointment of Munich Re Service GmbH to ensure that our climate risk modelling remains aligned with the latest scientific evidence and regulatory expectations.

Munich Re's Location Risk Intelligence Platform is an advanced geospatial tool that evaluates more than 28 hazard types – including drought, wildfire and earthquakes. Climate-driven risks are modelled for current conditions (2030) and future horizons (2050 and 2100) and under different decarbonisation pathways. This enables us to identify physical risks at specific asset locations and evaluate how our exposure may evolve over time and under different warming scenarios.

Assets are assessed against two pathways aligned with the IPCC's Sixth Assessment Report: a Moderate emissions scenario representing approximately 2.7°C of warming by 2100 and a Hot House scenario that corresponds with roughly 4.4°C of warming by 2100. The model produces a number of metrics, including 'climate expected loss', which shows the location- and peril-specific average annual loss to assets by natural hazard events. Results for assets categorised as high risk are shown in the graph below. The analysis indicates that, across the period assessed and both businesses, these high-risk assets still represent a relatively small portion of the respective portfolios. While the outputs presented show the number of assets potentially impacted, we also examine the potential financial or operational losses in each scenario. We are working to better integrate the outputs into decision making, including analysing the results and exploring suitable mitigation and resilience options, where warranted.

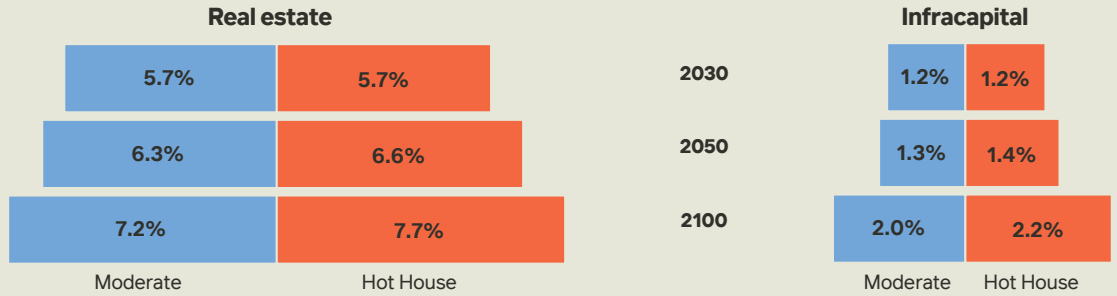
Limitations

Climate scenario analysis is not a prediction, but an exploration of possible futures to better assess our risk exposures. A large number of data points and assumptions are required, meaning results can vary significantly between different models. Many factors, including climate system tipping points and second-order impacts, such as rising insurance premiums or supply-chain disruption, are not modelled explicitly and therefore the risks could be underestimated. We are wary of false precision, so the outputs should be interpreted with these significant limitations in mind.

▶ **For more detail on assumptions and limitations see the environmental basis of reporting** on our website

Private assets physical risk exposure based on Moderate and Hot House scenarios

Proportion of modelled assets (by count) at high risk from physical climate-related hazards[i]



i 929 distinct real estate assets modelled (£27bn AUM, 78% coverage). 1,051 distinct Infracapital assets modelled (£3.9bn AUM, 98% coverage). The Moderate emissions scenario is based on RCP4.5/SSP2-4.5 (~2.7°C by 2100) and the Hot House scenario RCP8.5/SSP5-8.5 (~4.4°C by 2100). An asset is classified as 'high risk' when its aggregated annual climate expected loss is ≥2.51%.

Resilient planet continued

Developing our approach to nature

Rising risks and opportunities

With the natural world in steep decline due to human activities and governments signalling their intent to halt and reverse the loss of nature by 2030, there is growing recognition that this challenge, coupled with our collective response, presents economic and financial risks and opportunities.

Over the course of 2025, we have continued to develop our approach to nature. We published a Nature Paper which outlines the steps we are taking to assess and manage our risk exposures through our asset manager and asset owner. In addition, we used the Taskforce on Nature-related Financial Disclosures (TNFD) framework to review our current approach to nature against industry best practice.

Assessing exposures

From a Group perspective, we have undertaken an assessment of listed equity and corporate bond holdings to better understand our exposure to nature dependencies and impacts.

At the investment level, our asset manager has developed a framework, informed by sector analyst views and internal research, to assess our exposure to nature risks. These company-level nature metrics are integrated into our proprietary ESG scorecard, which is available to our asset manager's investment teams. If the risks associated with nature are deemed to be of concern, then this is covered more in our in-depth company sustainability reviews and may inform our engagement agenda. We are piloting a new proprietary portfolio review tool that highlights companies with nature-risk exposure, with the goal of expanding the use of this analysis across our funds.

Last year, our mapping showed that around one third of our listed equity and corporate bond AUMA is in sectors the TNFD identifies as having high nature-related dependencies and impacts. Within this, our five largest exposures were in materials, utilities, energy, pharmaceuticals and semiconductors. This analysis, combined with qualitative research, informs our ongoing efforts to identify priority topics, such as deforestation, water and pollution.

Issuer engagement

As a result of our asset manager's assessment of TNFD high-risk sectors and our listed equity and corporate bond exposures, we have created a target list of companies for engagement. Many of these issuers are also relevant from a climate-risk perspective, meaning they are engaged on both topics. Our asset manager's voting policy contains high-level expectations around biodiversity, including that companies in high-impact sectors should develop nature action plans aligned with emerging best practice.

On top of unilateral engagement, our asset manager participates in collaborative engagement activities, including:

- PRI Spring Initiative: We are part of PRI's collaborative investor engagement programme to halt and reverse biodiversity loss. The initiative focuses on deforestation and land degradation, systemic policy alignment and responsible political engagement. We are also part of the company working group for BYD.
- Nature Action 100 (NA100): We were one of the first members of the Institutional Investors Group on Climate Change (IIGCC)'s NA100 initiative and are members of the working groups for BASF, Rio Tinto, AstraZeneca and Novo Nordisk. We use the NA100 framework and benchmark metrics to inform our company nature engagements.

Investment manager engagement

As an asset owner, we can drive real-world change by engaging with our external fund managers on their approach to nature. This year we have:

- expanded the nature section of our manager selection and monitoring documents;
- included nature-specific data points as part of our quarterly screening process, evaluating areas of high-risk exposure within our investment portfolios; and
- discussed nature-related topics with underlying managers during our quarterly meetings, understanding where we might have areas of exposure and asking managers how they evaluate their exposure to nature-related risks.

Engagement in action

The energy company below was selected as a priority for engagement based on its TNFD high-risk sector classification and M&G's listed equity and corporate bond exposure. As it is also included in our asset manager's 'Hot 100' list of high-emitting issuers we engaged on both climate change and nature.

Assess

Company assessed using the Nature Action 100 framework

The company's public disclosures were assessed against the NA100 framework to determine key areas for engagement. The findings were discussed with relevant internal research and investment teams to agree on engagement priorities.

Engage

Company engaged with three key objectives:

1 To publicly set an ambition to minimise nature loss at the operational and supply chain level by 2030;

2 To prepare a group-wide assessment of nature risks; and

3 To set time-bound, context-specific, science-based nature targets with an implementation plan – all by 2027.

Follow-up

Engagement outcome and next steps

Some objectives met and company showing willingness to address our suggestions. Monitoring and follow-up planned.

▶ **Further information on our nature-related engagement activity can be found in the asset manager and asset owner stewardship reports** on our website

Resilient planet continued

Investing in solutions

Our asset manager provides thematic investment strategies that provide opportunities for our clients to gain exposure to nature-related solutions, notably the M&G (Lux) Nature & Biodiversity Solutions Fund (Listed Equities), which invests in companies that deliver solutions to the challenges of biodiversity loss, climate change and the degradation of nature. The fund is managed by the Listed Equity Impact team and covers impact areas such as circular economy, clean water and sustainable food and agriculture.

Clients can also get exposure to nature-related solutions through a number of our sustainable and impact private asset investment offerings, for example through the Infrastructure and Real Assets Horizons Fund, which is backed by our Life business.

'Sustainable food' is one of the core investment themes of our dedicated emerging markets impact manager, responsAbility and this includes the promotion of sustainable and climate-resilient farming practices.

Other industry activities

One of the key ways to improve our approach to nature is to learn from and collaborate with our peers, including as active participants in the UK TNFD UK Consultation Group.

Over the course of last year we have hosted workshops, participated in panels and contributed to industry outputs, including as co-authors on a nature-focused paper by the FCA's Climate Financial Risk Forum.

As part of the 2025 London Climate Action Week, we also hosted a Roundtable on Nature-Related Risks — 'The Road to Decision-Grade Metrics Availability' — co-organised with Bloomberg Financial Services and with participation from the TNFD.

The event brought together experts from key institutional clients, peers, consultants and vendors to discuss best practices, challenges and experiences of embedding nature risks into investment decisions.

We are also active members of the PRI's Nature Reference Group, where we have shared insights on our evolving approach to nature, while learning about challenges and solutions from other participants.

Future actions

Over the coming year, we aim to develop and enhance our approach to nature. This includes identifying priority themes, such as deforestation, as well as developing tools to analyse nature-related dependencies and impacts, to enable us to assess risks and opportunities. We have prepared a pipeline of key companies for nature engagement, based on our initial assessment of risk exposure and plan to target these on key nature topics. Nature loss is a complex and cross-cutting risk and we will continue to improve the general understanding of its relevance to our business by providing learning and development opportunities.

Actively invested in...

sustainable fruit processing in Vietnam

Last year, our emerging markets impact manager responsAbility provided financing to Nafoods Group JSC, one of Southeast Asia's leading fruit processing and export companies. The partnership will support the company in strengthening its core business and advancing its medium to long-term growth strategy with a strong focus on sustainability, innovation and resilience in global supply chains. Nafoods serves customers in over 70 countries and works closely with local smallholder farmers to deliver fully traceable, high-quality products based on sustainable farming practices.



Resilient planet continued

TCFD compliance summary

We have complied with the UK Listing Rule 6.6.6(8) by including climate-related disclosures aligned to the Task Force on Climate-related Financial Disclosures (TCFD) framework to help stakeholders understand how we identify and address climate-related risks and opportunities. We have also considered supplemental guidance issued by TCFD for asset owners and asset managers. Our disclosures additionally comply with the requirements of the Companies Act 2006, as documented under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. Disclosure of our Scope 3 emission metrics are presented where availability of source data allows. We continue to gather data and refine our methodology in light of industry guidance and market practice, with the aim of expanding reporting to additional categories and sub asset classes in future years. The following table summarises relevant disclosure locations against each TCFD recommendation.

TCFD pillar and recommendations	Further information	CA 414CB (2A) mapping
Governance		
Board's oversight of climate-related risks and opportunities	Sustainability in our organisation – pages 53-54	(a)
Management's role in assessing and managing risks and opportunities	Sustainability in our organisation – pages 53-54 Climate risk management – pages 62-63	(a)
Strategy		
Climate-related risks and opportunities the organisation has identified	Climate risk management – pages 62-63 Climate and investments – pages 60-61 Climate and our operations – pages 64-66	(d)
The impact on the organisation's businesses, strategy and financial planning	Navigating environmental risks and opportunities – page 58 Climate risk management – pages 62-63 Climate and investments – pages 60-61 Climate and our operations – pages 64-66	(e)
Resilience of the organisation's strategy, based on different climate-related scenarios	Climate risk management – pages 62-63 Portfolio alignment and Scenario analysis – pages 70-71 Financial statements – from page 158 (Notes 1, 13, 15, 17, 24, 31)	(f)
Risk management		
Processes for identifying and assessing climate-related risks	Climate risk management – pages 62-63	(b)
Processes for managing climate-related risks	Climate risk management – pages 62-63 Risk management – pages 40-48	(b)
Integration of climate-related risks into the organisation's overall risk management	Risk management – pages 40-48 Sustainability in our organisation – page 53-54	(c)
Metrics and targets		
Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Climate metrics – pages 66-69 Portfolio alignment and Scenario analysis – pages 70-71 Progress against targets in 2025 – page 59	(h)
Greenhouse Gas (GHG) emissions	Climate metrics (Operations) – page 66 Climate metrics (Investments) – page 67-69	(h)
Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Progress against targets in 2025 – page 59	(g)

Resilient societies

Contributing to positive outcomes for society

With over 4.2 million retail customers and more than 1,000 institutional clients, we recognise the scale of our footprint and the ability to influence meaningful change that comes with it.

Our colleagues

Our culture is underpinned by our values of care and integrity. We put our people's well-being first and support colleagues to excel both personally and professionally. Through our diversity & inclusion strategy we aim to build a positive and balanced workplace, where colleagues feel valued, engaged and inspired to perform at their best.

▶ **Find out more on our colleagues** on page 37-39

Our supply chain

We seek to embed our values across our supply chain by advancing equity, upholding human rights and addressing modern slavery risks through our policies and due diligence. In 2025, we updated our due diligence questionnaire for high-risk suppliers, informed by relevant Home Office guidance on modern slavery.

▶ **Find out more on our responsible business practices** on page 57

Our investments

We have a number of investment strategies where we aim to contribute to positive societal outcomes – for example, by investing in social housing, infrastructure and small businesses, delivering financial returns alongside social benefits and helping to build resilient communities.

Through the expertise of our asset manager and financial strength of the Life business, we are able to support and scale innovative investment strategies that deliver positive social outcomes. For example, our Life-backed UK Affordable Living Fund is an owner and registered provider of over 1,500 affordable homes across England. We are working to support an increase in affordable housing supply and broadening access to quality housing for everyone.

We work with our investee companies to ensure they meet our expectations. As part of its wider stewardship approach, our asset manager's social engagement programme focuses on diversity, inclusion and human rights as one of their thematic focus areas. Since publishing expectations around board-level diversity in 2022, it has seen discernible improvement among the focus list of laggard companies.



Actively invested in...

building awareness through our 'Reframing Retirement' campaign

Of those who have not started to plan financially for their retirement, our research shows that 62% do not plan to start until they are at least 40 years old, risking saving 'too little, too late'. We continue to campaign to change the conversation; that the reality of retirement is radically different and how people are enjoying their later years is misrepresented. In partnership with the Social Market Foundation, we are calling for a 'Pension Check Up' to encourage all age groups to engage with savings and pensions planning throughout their career. We believe its introduction will provide a simple, accessible way for people to regularly review their retirement savings and take timely action.

Advice

Through our advice capabilities we also aim to promote financial confidence in our customers and clients to help them make informed decisions, whether they are planning for retirement, saving for the future, or investing with purpose.

Our community investment programme

Our community investment programme, delivered through charity partnerships, supports financial education, inclusion and community development. Though our Building Better Futures Strategy we engage actively with communities to equip people with the skills to achieve financial security and regenerate spaces that help communities and nature thrive.

Building Better Futures

Our community investment strategy focuses on two priorities: Building Financial Confidence and Building Resilient Communities.

Building Financial Confidence

We recognise that social and structural factors can make saving and planning challenging. Our 'Building Financial Confidence' priority provides tools to help people achieve financial security at every stage of life. We deliver tailored education programmes for three key stages: building confidence in young people, improving resilience in mid-life and strengthening capability in later life.

▶ **Find out more** on page 76

Building Resilient Communities

Not everyone has a safe home or access to outdoor space. Our 'Building Resilient Communities' priority is underpinned by our charity partnerships through which we repurpose empty commercial spaces into affordable homes and are 'greening' urban areas by planting trees to support biodiverse community habitats. A global network of bespoke projects local to our offices aims to support sustainable futures for communities.

▶ **Find out more** on page 77

Resilient societies continued

Community investment - Building financial confidence

Financial confidence in younger people

Financial education is significantly underserved in UK secondary schools, leaving many young people unprepared to manage real-world financial responsibilities. With The Talent Foundry we help to deliver bespoke support to young people most at risk of financial exclusion. M&G volunteers help them understand career opportunities whilst building financial confidence and developing communication skills.

Actively invested in...

the younger generation partnering with The Talent Foundry

In 2025, we launched The Investment Challenge with The Talent Foundry, a new school-based workshop, bringing investing to life in the classroom.

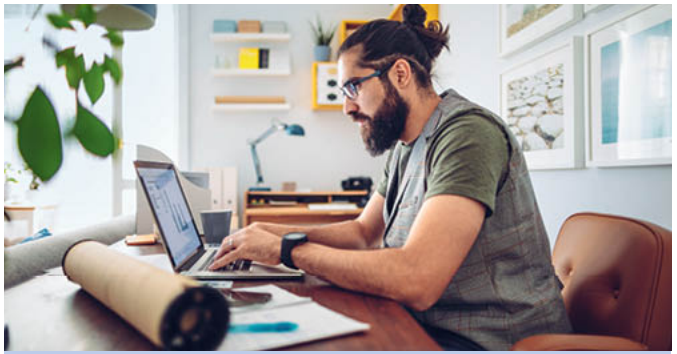
The programme takes students from the basics to the big picture, exploring compound interest, inflation, risk vs reward and different asset classes, before putting their knowledge to the test in a high-energy trading simulation. It's designed to build financial confidence, demystify investing and show young people how informed choices can shape long-term opportunities.

> **"This workshop is engaging, interactive and builds confident financial skills that they'll use for life."**
>
> **Teacher -** Royal Greenwich Trust School



Improving financial resilience in mid-life

A quarter of UK adults - equivalent to 13.5 million people - do not have access to savings or resources to help them manage an unexpected income drop. Our partnership with The Money Advice Trust will identify and develop necessary tools, knowledge, skills and support for people aged 25-55, to build their financial resilience and better cope with life shocks.



Actively invested in...

midlife resilience with The Money Advice Trust

As part of the partnership, the University of Bristol Personal Finance Research Centre is undertaking new research into the real-life factors that shape financial resilience, how people respond to financial shocks, their attitudes and behaviours around money and the challenges they face.

Through this we'll understand more about the factors and support which reduce the risk of people falling into financial difficulty after a life event and how we can help people build their financial resilience in the short, medium and long term. This will inform the development of practical, targeted support that empowers people to take control of their financial future, with greater confidence, security and resilience.

Building financial capability of older people

We fund holistic support to protect the resilience of older people through provision of personalised in-depth guidance and advice. This ensures that the right information is provided to meet their evolving needs and they are signposted to appropriate services. Our partnership with Age UK underlines our focus on challenging outdated perceptions of retirement and building financial capability in older generations.

Actively invested in...

older people through Age UK

The Building Resilience programme aims to equip vulnerable older people with the tools, skills and opportunities needed to build resilience during challenging stages of their lives. The support offered includes referrals to appropriate services through Age UK's Advice Line. Now in its fifth year, M&G's support has enabled Age UK to help 9,657 older people and respond to 34,320 enquiries to Age UK's Advice Line.

Linda experienced a sudden loss of independence which left her anxious and isolated. Referred to Age UK Sheffield, she received weekly one-to-one support that helped her get out again and rebuild her confidence. With guidance to apply for Attendance Allowance, she secured the funding needed to continue her care. Linda says this support has helped her feel independent and able to cope again.



Resilient societies continued

Community investment - Building resilient communities

Supporting the 'greening' of communities

In partnership with The Tree Council, we have worked with schools across the UK to support the 'greening' of communities by promoting environmental resilience and biodiversity. Building on this legacy we are now supporting the introduction and development of more community-led tree nurseries across the UK. These will ensure that resilient and locally adapted trees are planted directly in local communities.



Actively invested in...

boosting biodiversity in communities

We have been working with The Tree Council for five years helping to bring communities together and to support nature. Our shared vision is that at the heart of every community there is the knowledge and expertise to grow healthy, locally sourced trees. Local tree growing delivers a wide range of benefits, fostering community cohesion and lasting care of trees as well as supporting wellbeing and resilience for volunteers and communities.

Colleagues from M&G worked on the first community-led nursery of the new partnership in Camphill Blair Drummond, Scotland. The charity offers a home, meaningful activities and opportunities for adults with learning disabilities and other special needs. The new community tree nursery will grow 500 trees a year, to be planted in their grounds initially and then in the wider community.

Creating homes from empty spaces

Across Europe, around 1.3 million people face homelessness, driven by housing shortages and social barriers. To help address this, we developed an innovative initiative aimed at solving the lack of available homes and providing better housing for the most vulnerable – the 'Empty Spaces to Homes Programme' in partnership with Habitat for Humanity.

Actively invested in...

generating affordable homes

We are also actively investing in initiatives worldwide that improve living conditions and generate affordable, sustainable housing for vulnerable communities.

In India we have helped vulnerable families in Palghar, through funding the Saur Urja project which installed solar power for over 350 families. For families who are living in poor conditions, this project has not only given them access to clean energy, it has also helped children to study with ease and allowed women to feel safer at home. The savings in energy costs can also be redirected to other essential purposes like healthcare, education and improving other living conditions.

> **"Nightfall once brought fear for our family. With solar lights now, our children study comfortably and we care for our cattle safely after sunset."**
>
> **Chandu Mahst Dhate -** Dahanu block, Palghar district



Colleague engagement

Colleague engagement is a crucial part of our social commitment and 1,791 colleagues have volunteered with our charity partners, taking part in activities from mentoring and skills-based volunteering to tree planting, beach cleaning and refurbishing housing for vulnerable groups. Furthermore, £153,051 was donated by our employees through our payroll giving scheme.

Governance

We support each of our offices to manage charitable activities using the framework in our Community Investment Policy to ensure a consistent, business wide approach. We also work closely with charity partners to develop strong, sustainable programmes to support their activities. Progress made on our community investment strategy - Building Better Futures - is reviewed by the Executive Committee annually.

We calculate our community investment spend using the Business for Societal Impact standard (B4SI). This includes cash donations to registered charitable organisations, as well as a cash equivalent for in-kind contributions, including volunteering time. Our total community investment spend in 2025 was £4.8 million, of which £3.3 million was cash.

Colleague volunteering hours

12,883

(2024: 12,031)

Total community investment spend

£4.8m [A]

(2024: £4.4m)

A PwC has provided independent limited assurance over the total community investment spend in 2025 (as indicated by [A]) in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board. The assurance statement can be found on our website.

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Governance

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Governance

Chair's introduction to governance

Governance that supports our business

The Board is responsible for our long-term sustainable success, generating stakeholder value and achieving the Group's objectives

As Chair of the Board I am pleased to present the key areas of governance on which the Board has focused over 2025. For the year ended 31 December 2025, and to the date of this report, we have complied in full with the requirements of the UK Corporate Governance Code in force as at 31 December 2025. The table on the next page sets out examples of how the Board has done this for each Principle and signposts to where you can find more information.

Governance and strategy

The Board is responsible for M&G's long-term sustainable success, generating value for shareholders and contributing to wider society.

During 2025, the Board provided input, review and challenge into the establishment of an ambitious long-term strategic partnership across Asset Management and Life between M&G and Dai-ichi Life. Further detail on this partnership is detailed on page 12.

Culture

Having the right culture at M&G is fundamental to our strategy and the Board is committed to ensuring that our colleagues are engaged in creating the right work environment and a positive culture. The Board continued to monitor culture and review the actions taken to further embed the purpose, values and behaviours and to ensure these are aligned to our strategy and Business Plan.

The Board monitors culture in a number of ways and receives regular updates on people and culture primarily through a culture dashboard, as well as insights from regular colleague surveys. We also draw on regular formal and informal sessions with colleagues to gain deeper insights into our culture. The purpose of these sessions is for Board members to have the opportunity to directly engage with and listen to, colleagues from different cross sections of the business and to ensure we are reflecting feedback into planning and decision-making.

The Board and I strongly believe in the value of culture and demonstrating the right tone from the top. Key to our success is maintaining our positive culture.

Stakeholders

The Board takes active steps to understand the interests, needs and concerns of key stakeholders. Ongoing engagement and active listening are vital to ensuring that stakeholder views are properly understood and appropriately represented. In particular, the Board regularly discusses and advocates for a client-focused mindset and delivery of good customer outcomes.

Board performance review

The Board reflects on its performance and effectiveness annually. This year, our performance review was internally facilitated by the Senior Independent Director and the General Counsel and Company Secretary. The review included a detailed questionnaire and sought the views of Directors on a number of topics including Board composition and dynamics, stakeholders and culture, strategic and operational oversight, Board support, management and focus of meetings, risk management and internal controls and the performance of the Board and individual directors.

Key themes were used to develop an action plan, which was reviewed and endorsed by the Board. The Board will continue to track the actions through 2026 and progress will be reviewed at Board meetings through the year.

▶ **More information about the Board evaluation and action plan is** on pages 89-93

Board composition and succession planning

Board composition and succession planning continued to be a key area of focus for the Nomination and Governance Committee during 2025, helping us ensure we have the appropriate balance of the desired skills, experience, independence and knowledge.

As Chair, I consider each Director's individual contribution to the Board, together with feedback and insights from the 2025 Board performance review, to confirm that all Directors are discharging their roles effectively. The Nomination and Governance Committee keeps the skills required by the Board under review as part of succession planning.

Updated dividend policy

During the year the Board approved the move to a progressive dividend policy, resulting in a 2% increase to the 2024 total dividend per share. This will ensure we are positioned well to continue to deliver diversified profitable growth to shareholders.

Diversity

The Board is fully committed to leveraging the benefits of diversity of thought and life experience in our discussions. We have committed to and are currently achieving the gender and ethnic diversity targets contained in UK Listing Rule 6.6.6 (9). I am pleased that 50% of the senior Board positions (Chair, Group CEO, SID and CFO) are held by women, the gender diversity on the Board is 40% female and, the Board continues to meet the requirement of at least one of its members to be from an ethnic minority.

AGM

The Board would like to thank our shareholders who participated in our AGM in 2025. The Board continues to view the AGM as a key point in our governance calendar. It is an opportunity to listen to views from our shareholders and for shareholders to meet and ask questions of our Board members, including Committee Chairs. We look forward to welcoming you again in 2026.

Finally, I would like to thank our colleagues for all of their hard work during 2025 and the commitment they have shown to deliver for our stakeholders.

Sir Edward Braham
Chair

Chair's introduction to governance continued

UK Corporate Governance Code

The Company has complied with the principles of the UK Corporate Governance Code (the Code) in force as at 31 December 2025 throughout the year and to the date of this report, and complied with all provisions of the Code.

The table below sets out examples of how the Board has done this for each principle, enabling our shareholders to evaluate our Code compliance. We have also signposted to different parts of the Annual Report where you can find more information.

▶ **The UK Corporate Governance Code can be found** on the FRC website

Code Principle	Read More
Board leadership and company purpose	
Long-term value and sustainable success	Page 79
Culture	Page 79
Outcomes	Pages 32-36
Stakeholder engagement	Pages 34-36
Workforce policies	Pages 86, 99
Division of responsibilities	
Role of the Chair	Page 87
Non-Executive Directors	Page 87
Board time and resources	Pages 89, 96
Board policies and procedures	Page 89
Composition, succession and evaluation	
Appointments and succession planning	Pages 95-96
Skills, experience and knowledge	Pages 81-83, 95
Evaluation	Pages 92-93

Code Principle	Read More
Audit, risk and internal control	
Integrity of Financial Statements	Pages 97-102
Fair, balanced and understandable	Pages 98-102
Internal controls and risk management	Pages 94, 99, 104
Remuneration	
Policies and processes	Pages 132-134
Procedure for developing remuneration policy	Pages 105-107
Independent judgement and discretion	Pages 132-134

Board of Directors

Experienced leadership

We have a diverse Board, with a balance of skills, experience and specific strengths, providing different perspectives in Board decision making



Sir Edward Braham

Chair

N – Chair

Appointment: 14 March 2022

Relevant skills and experience

Sir Edward Braham joined as Chair in March 2022. Edward was previously the Senior Partner of Freshfields, the global law firm and before that, Global Head of its Corporate practice. While the Senior Partner, he headed the firm's strategic growth in the US, including establishing a new office in Silicon Valley. Edward also led on culture, diversity and ESG. Edward was a leading international lawyer in mergers and acquisitions, with experience in many industries, including financial services.

Other appointments

- HM Treasury (Non-Executive member of the Board)
- The CityUK (Chair of the International Financial Centre Group and Chair of the Next Generation Leadership Council)
- Charities Aid Foundation (Chair)
- The Lord Mayor's Appeal Trustees (Chair)
- Global Commission on Modern Slavery and Human Trafficking (Commissioner)



Clare Thompson

Senior Independent Director

A – Chair Ri Re N

Appointment: 7 May 2019

Relevant skills and experience

Clare Thompson is an experienced Non-Executive Director with a deep understanding of the insurance sector and extensive financial services and audit experience. Clare spent 23 years as lead audit partner in major financial services groups at PwC, predominantly in the insurance and investment sectors. Since stepping down from her executive career, Clare has held several non-executive directorships, including Direct Line Group and The British United Provident Association Limited (Bupa). Clare is currently Chair of Investment Funds Direct Limited. Clare is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments

- Financial Reporting Council (Non-Executive Director/Senior Independent Director)



Andrea Rossi

Group Chief Executive Officer

Appointment: 10 October 2022

Relevant skills and experience

Andrea Rossi was appointed Group Chief Executive Officer in October 2022. He has more than 25 years of experience in financial services, in particular in the global asset management and insurance sectors. He was CEO of AXA Investment Managers and a member of the AXA Group Executive Committee for six years. Before that Andrea spent five years as CEO of AXA's Italian Insurance business. He also held a number of senior roles across AXA's insurance businesses in France, the Mediterranean and Middle East regions. Before joining M&G, Andrea was a Senior Adviser to the Boston Consulting Group on Insurance and Asset Management within the firm's Financial Institutions practice. Andrea graduated from INSEAD with an MBA in 1994, and holds an MSc in Economics and Commerce from the University of Rome, 'La Sapienza'.

Other appointments

- REsustain (Non-Executive Director)
- ARRM Capital Limited (Director)



Kathryn McLeland

Chief Financial Officer

Appointment: 3 May 2022

Relevant skills and experience

Kathryn McLeland was appointed as Chief Financial Officer in May 2022. She is responsible for managing the financial resources of the Group, aligning Group-wide business and transformation priorities and ensuring robust governance and compliance with regulatory requirements. Kathryn joined M&G from Barclays PLC, where she was Group Treasurer from 2018. She held several senior roles at Barclays since joining there in 2001, including Head of Equity Investor Relations and Head of Investor Relations. Previously, Kathryn held investment banking roles at Merrill Lynch and Salomon Brothers International. Kathryn served as a member on the FCA Listing Authority Advisory Panel.

Other appointments

- None

Key

Ri Risk Committee
A Audit Committee
Re Remuneration Committee
N Nomination and Governance Committee

Board of Directors continued



Clive Adamson

Independent Non-Executive Director

Ri–Chair A N

Appointment: 22 March 2019

Relevant skills and experience

Clive Adamson has considerable experience of UK and global economic, banking and regulatory matters gained from an extensive career in banking and financial services regulation, including senior executive and advisory positions with the FCA and its predecessor, the Financial Services Authority. As well as his Board role, he is Chair at Ashmore Group PLC and holds a number of Board positions within the J.P. Morgan Chase Group. He was previously a Non-Executive Director and Chair of the PAC Risk Committee, a Non-Executive Director and Chair of the Risk Committee at Virgin Money and a Senior Adviser at McKinsey & Co.

Other appointments

- Ashmore Group plc (Chair)
- J.P. Morgan Europe Limited (Chair & Audit Chair)
- J.P. Morgan Securities Plc (Non- Executive Director & Audit Chair)
- J.P. Morgan Personal Investing Limited (Chair)



Clare Chapman

Independent Non-Executive Director

Re–Chair N

Appointment: 15 March 2021

Relevant skills and experience

Clare Chapman is Chair of ACAS, the Advisory, Conciliation and Arbitration Service for Great Britain and co-Chair of The Purposeful Company, which focuses on transforming UK business with purposeful companies that create long-term value by serving the needs of society. Her executive career includes HR leadership roles at BT Group, the UK Department of Health and Social Care and Tesco, as well as international roles at Pepsi-Cola International, covering West and Central Europe and Quaker Oats in Chicago and London. She also has experience in the Asian market.

Clare's previous non-executive experience includes chairing the remuneration committees at Kingfisher, G4S and Heidrick & Struggles International. She was also a Trustee at Reconciliation Leaders Network.

Other appointments

- ACAS (Chair)
- The Purposeful Company (Co-Chair and Steering Group Member)



Paul Evans

Independent Non-Executive Director

A Ri Re

Appointment: 1 October 2024

Relevant skills and experience

Paul is an experienced senior business leader in financial services, with deep experience in life insurance. He brings international experience of regulated risk management and governance frameworks. He is currently Chair of Allianz Holdings plc and Non-Executive Director and Chair of the Audit Committee of Bupa. He spent 17 years at AXA in a variety of senior roles in life insurance, wealth management and asset management, including as Group CEO of AXA's Global Life, Savings and Health businesses with responsibility for global asset management. Prior to joining AXA, Paul spent 13 years with PwC as a Chartered Accountant.

Other appointments

- Allianz Holdings plc (Chair)
- Bupa (Non-Executive Director and Chair of Audit)



Dev Sanyal

Independent Non-Executive Director

A Ri

Appointment: 16 May 2022

Relevant skills and experience

Dev Sanyal is Group Chief Executive Officer of VAROPreem AG, a Swiss-based diversified energy company, since 1 January 2022. Prior to this, he was a member of the Group Executive Committee of BP plc for over a decade in a 32-year career with the company until 31 December 2021. He headed BP's Gas and Low Carbon Energy businesses globally and prior to that was Chief Executive, Alternative Energy and accountable for BP's Europe and Asia regions. Earlier, he was Group Treasurer and Chair, BP Investment Management Ltd. Dev served as an independent Non-Executive Director of Man Group plc from 2013 to 2022.

Other appointments

- VAROPreem AG (Group CEO)
- Centre for European Reform (Member of Advisory Board)
- Tufts University, The Fletcher School of Law and Diplomacy (Member of Board of Overseers)

Key

Ri Risk Committee
A Audit Committee
Re Remuneration Committee
N Nomination and Governance Committee

Board of Directors continued



Elisabeth Stheeman

Independent Non-Executive Director

A Ri

Appointment: 1 August 2024

Relevant skills and experience

Elisabeth has over 30 years' executive experience in global blue chip organisations across a range of different sectors, including banking, real estate, private equity and investment management. She served on the Bank of England's Financial Policy Committee until February 2024 and the Bank of England's Financial Market Infrastructure Board until December 2023. Prior to this, Elisabeth was the Global Chief Operating Officer for LaSalle Investment Management and prior to that worked at Morgan Stanley for 25 years across a variety of sectors including Real Estate and the Financial Institutions Group.

Other appointments

- The Edinburgh Investment Trust plc (Chair)
- W. P. Carey Inc, (Non-Executive Director)
- Deloitte's North & South Europe Board (Member)
- Deloitte UK Oversight Board (Member)
- Deloitte's Audit Governance Board (Member)



Massimo Tosato

Independent Non-Executive Director

Re

Appointment: 1 April 2020

Relevant skills and experience

Massimo has 40 years' experience as an investment banking and international asset management entrepreneur and senior manager. Massimo's career has included 21 years at Schroders, where he was Chief Executive of Schroder Investment Management Limited and Executive Vice Chairman of Schroders plc. He has also held non-executive Board positions at Pictet Asset Management Holding (Geneva) until March 2020, Nutmeg, Banca Nazionale del Lavoro, and served as Vice President of the European Fund and Asset Management Association. He was on the Board of Overseers of Columbia Business School in New York until June 2022. Massimo served as an Advisory Board member of Trilantic Europe Capital Partners LLP until January 2022.

Other appointments·

- Banca Investis SpA (Non- Executive Chair)
- TheCityUK (Co-Chair of the Anglo-Italian Financial Services Dialogue)
- Trinity investments (Adviser)
- Montpelier Investimenti srl (President)



Charlotte Heiss

General Counsel and Company Secretary
Appointment: 5 June 2023

Relevant skills and experience

Charlotte Heiss has 25 years' experience advising a number of blue-chip companies across a range of sectors on legal and governance matters. She joined from The Very Group, where she was Group General Counsel and Company Secretary, responsible for the oversight of corporate governance and ESG, as well as legal, risk and compliance. Prior to that, she spent 11 years at RSA Insurance Group, including five years as Group General Counsel and Company Secretary leading a global legal and company secretarial team. She started her career at Linklaters.

Other appointments

- Trustee, Family Action

Key

Ri Risk Committee
A Audit Committee
Re Remuneration Committee
N Nomination and Governance Committee

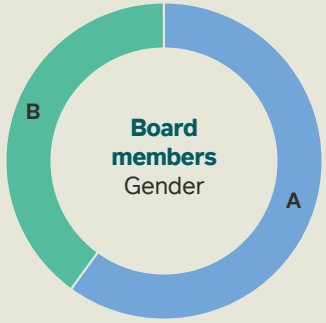
Board of Directors continued

Board diversity

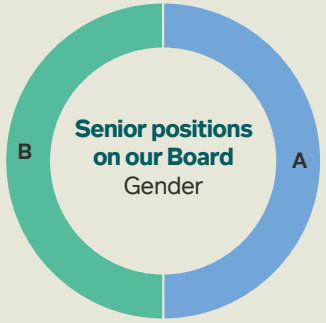
The following graphs represent the gender and ethnicity of the Board, the senior positions on the Board and the Group's executive management. In line with UK Listing Rule 6.6.6 (9):

- The Board continues to meet the requirement for at least one of its members to be from an ethnic minority.
- 50% of the senior Board positions (Chair, CEO, SID and CFO) are held by women.
- Gender diversity on the Board is 40%.

M&G therefore met the 40% target as at 31 December 2025. See page 89 for further details.



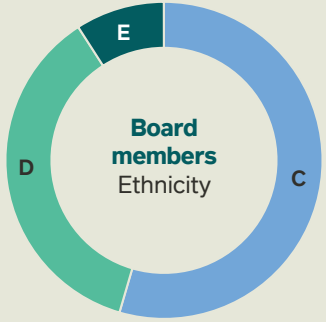
	Number	Percentage
A Men	6	60%
B Women	4	40%



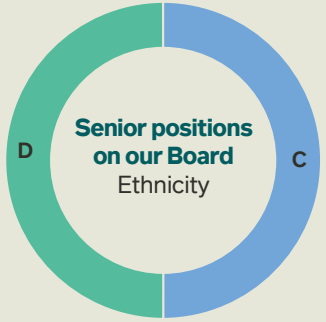
	Number	Percentage
A Men	2	50%
B Women	2	50%



	Number	Percentage
A Men	6	60%
B Women	4	40%



	Number	Percentage
C White British	6	60%
D Other white (including minority-white groups)	3	30%
Mixed/multiple ethnic groups	–	–
E Asian – Asian British	1	10%
Not specified/ prefer not to say	–	–



	Number	Percentage
C White British	2	50%
D Other white (including minority-white groups)	2	50%
Mixed/multiple ethnic groups	–	–
Asian – Asian British	–	–
Not specified/ prefer not to say	–	–



	Number	Percentage
C White British	6	60%
D Other white (including minority-white groups)	3	30%
Mixed/multiple ethnic groups	–	–
Asian – Asian British	–	–
F Not specified/ prefer not to say	1	10%

All data in graphs and tables are as at 31 December 2025. Data relating to the gender and ethnic diversity of the Board was collected by way of a questionnaire. This questionnaire asked Board members individually to disclose their gender identity, including those self identifying as a woman and ethnic background, on a voluntary self-reporting basis, by selecting options aligned with those in the left-hand columns of the tables (which also included the option not to specify an answer). All M&G employees (including executive management) are encouraged to confirm their gender and ethnicity at the onboarding stage, on a voluntary self-reporting basis, by selecting options (which include the option not to specify an answer). Data relating to the gender and ethnic diversity of executive management was sourced from this existing data, which is held within M&G's secure HR system.

Corporate Governance Report

Board leadership and company purpose

Board responsibilities

The M&G Board is collectively responsible for our long-term, sustainable success, the delivery of value to our stakeholders and contributing to wider society.

The responsibilities of the Board include:

- providing leadership, setting the strategy and maintaining high standards of governance;
- leading the development of our culture, values and behaviours;
- providing oversight of the execution of our strategy and holding management to account for financial and business performance;
- ensuring the necessary resources are in place for the Group to be able to meet its objectives and measure performance against these;
- being responsible for ensuring there is a framework of prudent and effective controls, which enable risk to be assessed and managed; and
- ensuring that its responsibilities to shareholders and stakeholders are met, including through effective engagement and dialogue with key stakeholders, particularly shareholders, customers, colleagues and the regulators.

Culture, values and behaviours

The Board understands the importance of culture and setting the tone of the organisation from the top and embedding it throughout M&G. During the year, the Board received updates from management on the progress being made to further embed our purpose and behaviours. Our culture is aligned with our purpose and positions us to deliver against our strategic pillars: financial strength, simplification and profitable growth.

The Board previously approved the approach to monitoring culture, which includes regular consideration of an insights report and a dashboard, as well as other methods for monitoring culture.

Additionally, the Board assesses culture when reviewing and discussing the outputs and themes from regular colleague surveys. The dashboard includes colleague and culture insights on a range of matters including: safe; respectful; inclusive; client-centric, accountable; and one team.

In order to continue to develop and shape our culture, the following areas were focused on during 2025:

- Leadership development through targeted programmes so that leaders can articulate our purpose and inspire others to follow it.
- Enhancements to performance management to ensure objective alignment, clarity of expectations and accountability.
- Effective succession planning and targeted talent development to ensure we are better prepared for leadership transitions, reducing the risk of disruption and enabling continued growth of our business.
- Enhanced communication that details how our strategy is being executed and what part colleagues play in delivering against strategic priorities.

Stakeholder engagement

The Board seeks to understand the interests, needs and concerns of shareholders and other key stakeholders (including customers, clients, colleagues and regulators) to enable M&G to pursue long-term sustainable success.

For more information on how we engage with our stakeholders as well as how the Board has discharged its duties under Section 172 of the Companies Act, see pages 32-33 of the Strategic Report.

Shareholder engagement

We believe that regular, ongoing engagement with key stakeholders and, in particular, our shareholders is central to good corporate governance. Our Investor Relations team, reporting to our Chief Financial Officer, is responsible for managing institutional shareholder engagement and ensuring it is effective and comprehensive.

Throughout 2025, management regularly met and engaged with shareholders as part of results roadshows, at investor conferences and at sell-side analyst events.

We held a mix of in-person and virtual meetings to maximise investor engagement, encourage the participation of overseas investors and manage time efficiently. Across 2025, we held over 108 engagements with institutional equity and debt investors, primarily from the UK. We achieved broad coverage of our existing register, meeting with over 38% of our active shareholder base.

The Chair, Senior Independent Director and Chairs of each Board Committee are always available to engage with major investors, typically to discuss corporate governance matters.

In 2025, the Chair engaged with shareholders on matters including sustainability, remuneration and Board composition, as well as performance against the Group's strategy. Prior to the Remuneration Policy being approved by shareholders at the 2025 AGM, the Chair of the Remuneration Committee engaged with major shareholders and proxy voting agencies to gather their views on the proposed approach and key executive remuneration decisions. The Chair continues to maintain an open dialogue with major shareholders on any material remuneration matters arising between policy cycles.

In 2025, the Board undertook a deep dive with a major shareholder to understand their perspectives on the business, growth strategy and performance.

The Board receives a report on investor relations matters at least quarterly, including feedback from investors, market expectations of financial performance and updates on share register composition. Our Corporate Brokers also provide the Board with advice on market sentiment, input on market communications and share register analysis.

In addition to information on strategic, financial and operational performance, the Group responds to shareholder requests by engaging with them and relevant shareholder advisory agencies on sustainability matters. The Annual Report and Accounts contains the majority of our annual sustainability reporting and regulatory disclosures and this, together with other sustainability-related materials, is available on our corporate website.

Corporate Governance Report continued

Our AGM provides the opportunity for all shareholders to meet and to put questions to the Board. We were delighted to host a hybrid AGM in 2025. We encourage shareholders to use virtual meeting technology to ask questions 'live' and to pre-register questions in advance. The virtual meeting technology enables shareholders to vote on AGM resolutions 'live' in the meeting.

Recognising that joining our full year and half year results is not always possible, we ensure that recordings of these presentations are accessible to all shareholders via our website. We provide additional dedicated services to our retail shareholders via the Group Secretariat team and our registrar, Equiniti.

Workforce engagement

The Board believes that having a diverse team of colleagues makes us more dynamic, fosters innovation and boosts performance. The Board continues to support senior leadership goals for ethnic and gender diversity. The Board regularly tracks progress against these through diversity and inclusion (D&I) reporting.

▶ **Information on D&I can be found in our colleagues section** on pages 37-39

To comply with the provision of the Code relating to workforce engagement, the Board has determined it would have collective responsibility for employee engagement. It believes that Non-Executive Directors' regular meetings with colleagues across different geographies and seniority, supplemented by colleague surveys and culture insight reporting, are effective.

These methods facilitate meaningful, two-way dialogue between the Board and colleagues to gain insights into culture and to understand colleague views and interests. It also inputs into the Board's decision-making process by ensuring meaningful engagement on how feedback is considered and acted upon.

Engagement during 2025 included eight sessions between Non-Executive Directors and colleagues. The Group CEO also held a number of town halls in locations across the Group, including Dublin, Frankfurt, Tokyo and Kildean where he met with colleagues to gain insights into local views and interests.

Feedback on themes from direct engagement sessions between the Board and colleagues are documented and shared with the Non-Executive Directors and the Chief People Officer, to ensure appropriate follow-up and action as applicable. Management regularly reports to the Board on a range of people matters, topics and themes, which the Board takes into account when making decisions.

▶ **Further information on colleague engagement is in the stakeholder engagement section** on pages 34-36





Corporate Governance Report continued

Division of responsibilities

Our governance structure is designed to support delivery of our strategy. The Board has responsibility for the oversight, governance, direction, long-term sustainability and success of the business and affairs of M&G and is responsible to shareholders for creating and delivering sustainable shareholder value.

Board

The Board is specifically responsible for a range of matters, which include:

- approving M&G's strategic aims and objectives;
- setting our purpose, standards and culture;
- approving the Group's annual financial budgets and Business Plan;
- approval of effective risk management and internal control processes;
- taking strategic decisions; and
- the approval of specific matters.

The matters that require Board approval are contained in a Schedule of Matters Reserved for the Board.

Chair, Group CEO and Non-Executive Directors

In discharging its responsibilities, the Board is supported by management and ensures a clear division of responsibilities between the Chair, the Group Chief Executive Officer, the Senior Independent Director and the Non-Executive Directors.

The division of responsibilities between the roles of the Chair, Group Chief Executive Officer and Senior Independent Director are documented in accordance with the principles and provisions of the Code. Day-to-day management of M&G is delegated to the Group Chief Executive Officer.

The role of the Non-Executive Directors includes providing constructive challenge, strategic guidance, offering specialist advice and holding management to account.

During the year, the Chair of the Board engaged with Directors between Board meetings to discuss business and strategic issues. The Chair and the Non-Executive Directors also met regularly during the year without the Executive Directors being present.

The Board spent time during the year getting to know the new members of the executive management team.

Comprehensive papers, comprising an agenda and formal reports and briefing papers are sent to Directors in advance of each Board and Committee meeting.

Board Committees

The Board delegates specific responsibilities to Board Committees, which operate within clearly defined terms of reference approved by the Board. In compliance with the Code, the Board has established an Audit Committee, a Nomination and Governance Committee and a Remuneration Committee. We have also established a separate Risk Committee.

The Terms of Reference for each Board Committee are reviewed and approved annually by the Board and are available to view on our website.

The Committee Chairs are responsible for reporting to the Board on the Committees' activities and do so following each Committee meeting.

Chairs' Forum

The Chairs' Forum is composed of the Chairs of M&G Group Limited (MGG), The Prudential Assurance Company Limited (PAC) and the Group Chair, with the Group CEO being invited to meetings as needed. This provides an opportunity to engage on common themes, matters of escalation and other topics of interest. During the year, this included: strategic matters; Board effectiveness and succession planning; customer outcomes; risk and internal controls; people and culture; regulatory matters; sustainability; and financial performance and Business Plan.

Subsidiaries

Independent Non-Executive Directors are appointed to the Boards of MGG and PAC which are the key entities for the Asset Management and Life businesses respectively.

MGG and PAC both have a Board of Directors led by an independent Chair and Audit and Risk Committees, composed entirely of independent Non-Executive Directors. During the year, the Board of the Company and the Boards of these material subsidiaries had a half-day meeting discussing strategic topics and priorities.

The Life business also has a With-Profits Committee, which is composed of independent non-executives and an Independent Governance Committee, which is composed of a majority of independent non-executives.

Executive governance

There is an executive governance framework, which includes details of how the members of the Group Executive Committee discharge their duties and regulatory responsibilities, make decisions in adherence with the Delegated Authority framework and how the management committees, in their business or function, support their decision-making and governance processes.

The members of the Group Executive Committee are:

- Group Chief Executive Officer
- Chief Financial Officer
- M&G Asset Management Chief Executive Officer
- M&G Life Chief Executive Officer
- Corporate Affairs, Brand and Sustainability Director
- Chief Risk and Compliance Officer
- Chief Transformation Officer
- General Counsel and Company Secretary
- Chief People Officer
- Chief Information Technology Officer

The Chief Auditor is a standing attendee to all Group Executive Committee meetings.

Corporate Governance Report continued

M&G plc Board

The Board sets the purpose, strategic direction and risk appetite for the Group and is the ultimate decision-making body for matters of Group-wide strategic, financial, regulatory or reputational significance. The matters that are reserved for the Board's decision include business strategy and culture, financial reporting and controls, Board and Committee appointments, capital expenditure and any major acquisitions, mergers or disposals, communications with shareholders and other stakeholders, risk management and internal control matters and the appointment and removal of the Company Secretary. The Matters Reserved for the Board can be found on our website.

The Board has established the following committees to assist in fulfilling its oversight responsibilities:

Audit Committee

- Financial reporting: monitoring the integrity of the consolidated financial statements, related announcements and other financial information provided to shareholders and other stakeholders.
- Reviewing the framework of internal control and risk management systems.
- Reviewing and approving the internal and external audit plans.
- Approving the whistleblowing procedures and policy.
- Sustainability reporting oversight and the development of assurance approach in relation to this reporting.

Risk Committee

- Advising the Board on M&G's overall risk appetite, risk tolerances and risk strategy.
- Reviewing the Risk Management Framework and advising the Board on its overall effectiveness.
- Providing input to the Audit Committee's review of effectiveness of the internal control framework.
- Reviewing the Group Own Risk and Solvency Assessment (ORSA) and overseeing the Internal Capital Adequacy and Risk Assessment (ICARA) and ORSA processes in our subsidiaries.
- In conjunction with the Audit Committee, ensuring compliance with regulatory requirements and advising the Remuneration Committee on risk and control issues that may impact remuneration.

Remuneration Committee

- Deciding the framework of the remuneration policies: establishing, approving and maintaining the principles and framework of the remuneration policies and arrangements for the Group.
- Determining the design, implementation and operation of remuneration arrangements for the Chair of the Board, the Executive Directors, Group Executive Committee and identified staff for all remuneration regulations that apply to the Group and overseeing remuneration for individuals whose total remuneration exceeds an amount determined by the Committee from time to time.

Nomination and Governance Committee

- Monitoring the balance of skills, knowledge, experience and diversity of the Board.
- Making recommendations of new appointments to the Board.
- Overseeing Board and Executive succession planning.
- When considering Board composition and succession planning, reviewing the gender and ethnic diversity on the Board.
- Reviewing the governance framework for the Group including approving any policies on internal governance.

Delegated authorities

The Board has delegated the day-to-day running of the Group to the Group Chief Executive Officer. The Executive Directors make and implement operational decisions to run the business on a day-to-day basis. To support the Group Chief Executive Officer in discharging his responsibilities, he is supported by the Group Executive Committee.

Group Executive Committee

The Group Executive Committee leads on: the development and implementation of strategy; operational plans, policies, procedures and budgets; prioritisation and allocation of resources; and promotion of our culture and values.

Corporate Governance Report continued

Composition, succession and evaluation

We have a well-established corporate governance structure to oversee how we run our business

Board composition and diversity

The Board has 10 Directors: a Non-Executive Chair, a Senior Independent Non-Executive Director, six Non-Executive Directors and two Executive Directors (Group Chief Executive Officer and Chief Financial Officer).

The Board considers all its Non-Executive Directors to be independent and that it has complied with the requirements of the Code in relation to the balance of Executive and independent Non-Executive Directors on the Board and the composition of the Company's Board Committees.

Four of the Directors are women, one of the Directors is from a minority ethnic background; and two senior positions are held by women (Senior Independent Director and Chief Financial Officer).

The Nomination and Governance Committee regularly reviews the Board's composition to ensure there is a diverse mix of skills, knowledge and experience. During the year, the Committee also reviewed the Board composition, tenure, mix of skills and diversity on a number of principal subsidiary boards.

You can find further details on diversity and inclusion, including statistical data on gender and ethnic diversity on page 84.

Time commitment

The Nomination and Governance Committee considers the time commitment required of the Non-Executive Directors at least annually to ensure that they have sufficient time to meet their board responsibilities, together with reviewing their external appointments, potential or actual conflicts of interest and assessing their independence.

Board independence

The Board has evaluated the independence of all the Non-Executive Directors.

In assessing each Director, the Board considers whether there are relationships or circumstances which are likely to affect or could appear to affect a Director's judgement.

The Board has concluded that each of the Non-Executive Directors are independent in character and judgement. The Chair was independent on appointment. In line with the Code, at least half the Board, excluding the Chair, are independent Non-Executive Directors. All Directors are subject to annual re-election at the Company's AGM.

Succession planning

The Nomination and Governance Committee is responsible for succession planning and for making recommendations to the Board regarding Board composition. During the year, this Committee reviewed and discussed Board composition and succession planning and executive succession planning. You can find further details on succession planning in the Nomination and Governance Committee report, which starts on page 95.

Directors are appointed by the Board and then put forward for election or re-election by shareholders at the AGM.

All Non-Executive Directors are appointed for initial terms of three years and the appointment may be terminated by either party upon six months' written notice or by shareholder vote at the AGM.

The Non-Executive Directors do not have any entitlement to compensation if their office is terminated. Find out more about the remuneration of the Non-Executive Directors on page 116.

Directors' inductions, training and development

All new Board members have a structured induction programme on appointment, which includes an overview of our business areas and functions.

At each Board meeting, the Directors receive regular updates on market and industry activities and legal and regulatory changes relevant to M&G. The Board holds an annual strategy offsite.

During 2025, the Board received training from an external subject matter expert on technology, data, AI and cyber security. The Board also undertook deep dives on the following areas: simplification, growth ambitions, private markets, M&G in the Nordics and PruFund. Where appropriate, we extend invitations to relevant training sessions to Non-Executive Directors on our subsidiary boards.

Information to the Board

Board members receive formal papers in advance of each Board or Committee meeting, which provides them with the opportunity to review and challenge and facilitates more informed decisions on the issues under consideration. The Chair and Company Secretary oversee an ongoing programme to ensure Board and Committee papers are of high quality and meet internal standards and requirements. In addition to formal Board meetings, the Chair maintains regular contact throughout the year with the Group Chief Executive Officer, Chief Financial Officer and members of the Group Executive Committee to discuss specific issues. The Company Secretary acts as an adviser to the Board on matters concerning governance and ensures compliance with Board procedures. All Directors had access to the Company Secretary's advice during the year. Directors may also take independent professional advice at M&G's expense, if required.

▶ **Committee terms of reference** group.mandg.com/investors/shareholder-information/corporate-governance

Corporate Governance Report continued

Board and Committee attendance

The table below shows the number of scheduled Board and Board Committee meetings attended by each individual Director compared to the total number of meetings each Director was eligible to attend.

Total scheduled meetings	Board 6	Audit Committee 7	Risk Committee 6	Remuneration Committee 6	Nomination & Governance Committee 2
Clive Adamson	6/6	7/7	6/6	—	2/2
Sir Edward Braham	6/6	—	—	—	2/2
Clare Chapman	6/6	—	—	6/6	2/2
Paul Evans	6/6	6/7	4/6	6/6	—
Kathryn McLeland	6/6	—	—	—	—
Andrea Rossi	6/6	—	—	—	—
Dev Sanyal	6/6	7/7	6/6	—	—
Elisabeth Stheeman	6/6	6/7	5/6	—	—
Clare Thompson	6/6	7/7	6/6	6/6	2/2
Massimo Tosato	6/6	—	—	6/6	—

Some directors were unable to attend certain Committee meetings due to pre-existing commitments, however, they received papers in advance and had the opportunity to share their views with the Committee Chairs.

Board

There were six scheduled Board meetings held during the year, plus two joint meetings with the Audit Committee to consider our full-year and half-year results and six short ad hoc Board meetings.

Audit Committee

There were seven scheduled Audit Committee meetings held during the year. There were also two joint meetings with the Board and two joint meetings with the Risk Committee.

Risk Committee

There were six scheduled Risk Committee meetings held during the year. There were also two joint meetings held with the Audit Committee.

Remuneration Committee

There were six scheduled Remuneration Committee meetings and three ad hoc meetings during the year.

Nomination and Governance Committee

There were two scheduled Nomination and Governance Committee meetings held during the year.

How the Board spends its time

The Chair and Company Secretary ensure that the Board balances its agenda to cover all statutory and regulatory duties, as well as dedicating sufficient time to consider matters relating to strategy, execution, financial performance and planning, people and culture, key stakeholders, risk management and governance matters. In 2025, the agenda was weighted between regular items and specific focus areas. Our typical Board agenda allows time for:

Strategy and execution	Finance, investor relations and capital	Business matters and stakeholders	Risk, governance and regulatory
Approval of the strategy and Business Plan and oversight of progress against targets, strategic objectives, investment projects, transactions and partnerships as well as approvals needed from the Board under M&G's delegated authority framework.	Review and challenge of financial performance and forecasts, together with capital and operational expenditure, capital matters, capital allocation and investment and investor relations.	Discussion and debate on reports from Group CEO and business CEOs on strategy and execution and key projects and programmes. Oversight of matters relating to people and culture, customers, shareholders and regulators.	Approval of Risk Appetite Statements, consideration of matters relating to risk management and internal and control. Approval of the Group Governance Framework and Delegated Authority and Approval Limits.

The Board's year

At each Board meeting, there is a wide-ranging report from the Group Chief Executive Officer and from the Chief Financial Officer on the Group's financial performance, together with reports and/or updates from the Chairs of the material subsidiary boards and from the Committee Chairs. During the year, the key matters considered by the Board included the following:

Key Board activities and areas of focus throughout the year	
Area of focus	**Key discussions, considerations and activities**
Customers and clients	– Customer matters, including oversight of client and adviser experience and engagement. – Consideration of customer outcomes when discussing papers on strategy and business proposals. – Regular updates on customer metrics, client servicing and key customer initiatives.
Strategy, execution and sustainability	– Regular updates on progress against the strategic objectives, capital expenditure and investment projects and key projects and programmes. – Reviewed progress against our purpose, together with the behaviours and strategic drivers aligned to the Group strategy and Business Plan. – Approved strategic direction for the Asset Management and Life businesses. – Approved the Business Plan, the financial results and trading updates during the year. – Regular updates in relation to achieving the stated targets, customer matters, people and culture and transformation. – Annual Board strategy day at which the Group's strategy was considered and debated. – Reviewed and considered the Group's AI strategy, including progress on key initiatives. – Reviewed and monitored progress against the Group's sustainability strategy and objectives. – Approved the strategic partnership with Dai-ichi Life HD.
People and culture	– Received regular updates on employee culture and diversity and inclusion, including culture dashboard insights and progress on gender balance targets. – Discussed the direct engagement with colleagues across the Group including the conversations between Non-Executive Directors and colleagues. – Received and discussed reports on executive talent and succession planning. – Discussed the results of the employee opinion survey 'OneVoice'. The Board endorsed the proposed actions in response to the feedback from the workforce. – Approved the revised Code of Conduct.
Finance, investor relations and capital	– Reviewed and approved a detailed assessment of the Group's financial performance for the year. – Approved the annual budget and three-year strategic plan, with particular focus on capital allocation and strategic priorities. – Received updates from the Investor Relations team on views from shareholders on all aspects of the business. – Approved the Annual Report and Accounts, the dividends paid to shareholders during the year and an updated Dividend Policy.
Risk management and internal controls	– Regular updates from the Chief Risk & Compliance Officer on key risk and internal control matters, discussion of key risks and, where applicable, risk reduction activities. – Reviewed and approved the Group's Risk Appetite Statements. – Updates on technology, data and operational resilience. – Updates at each Board meeting from the Chairs of the Risk and Audit Committees on matters considered by these Committees. – Updates on the ongoing Financial Crime Enhancement Programme.
Governance and regulatory	– The Company Secretary and Chief Risk & Compliance Officer provide regular regulatory trends, policy guidelines and governance updates. – Undertook direct engagement with representatives from the FCA and PRA; both regulators attended a Board meeting during the year to discuss regulatory priorities. – Approved the Group Governance Framework.

2025 Board Performance Review

Background

In line with the UK Corporate Governance Code, a Board Performance Review is undertaken annually. An externally facilitated review is carried out at least every three years with the last one being undertaken in 2023 and the next in 2026.

In 2025, the Board carried out an internally facilitated Performance Review, facilitated by the Senior Independent Director and the General Counsel and Company Secretary.

Process

The 2025 Performance Review included a review of the Board, its Committees, the Chair and individual Directors. The Review included a detailed questionnaire and sought the views of Directors on a number of topics, including Board composition and dynamics, stakeholders and culture, strategic and operational oversight, Board support, management and focus of meetings, risk management and internal controls and the performance of the Board and individual Directors. The Senior Independent Director also undertook a review of the performance of the Chair, meeting each Director to obtain their feedback. Separately, the Chair met each Director individually to discuss their performance.

Summary of 2025 review findings

The key findings and proposed actions were presented to the Board in December 2025, which prompted an open and constructive debate on the insights and findings and actions were agreed.

The Board continued to make good progress since the previous performance review. Directors were positive about the composition of the Board, including the balance of skills, expertise and diversity, the quality of Board discussions and effective relationships between Non-Executive and Executive Directors. There was clear division of responsibilities between the Board and its Committees.

Key themes emerging from the Board discussion were used to develop a number of agreed action points, which are summarised below.

The review found that the Board and its Committees are performing effectively and that the Board has the appropriate skills, experience and knowledge to ensure that the Board and its Committees are able to discharge their duties effectively.

Themes	Overview of actions
1. Embedding of new subsidiary principles	– The need to embed the new subsidiary principles and ways of working between M&G plc and the key subsidiaries in Asset Management and Life. In particular, the divisions of responsibilities vis a vis the management of material risks and the exercise of accounting judgements.
2. Papers to be further enhanced	– Papers to be further enhanced so as to be consistently more focused, with better use of executive summaries and further reduced length of packs.
3. Needs, priorities and expectations of customers/clients and management information on competitors	– Enhance management information/perspectives around the needs, priorities and expectations of customers and clients. – Enhance management information on competitors.
4. Enhanced management information	– Enhanced management information to be provided to the Board on (i) technology/cyber; (ii) data and digital; (iii) sustainability; and (iv) competitors.
5. Training	– Seek opportunities for more targeted Board training and deep dives.

The Board is fully committed to making the improvements identified. The work will continue through 2026 and progress will be updated in next year's Annual Report.

Corporate Governance Report continued

2024 review progress

In our last Annual Report, we set out feedback from our 2024 Performance Review and the actions we planned to take over 2025 to enhance performance. A summary of the 2024 action points and progress made in 2025 is set out in the table below.

Themes and summary actions	Progress achieved in 2025
1. Lessons learned Embed the process for reviewing the effectiveness of past decisions and capturing the lessons learned within the Schedule of Business.	– Lessons learned requests are captured in matters arising schedule and the schedule of business. The schedule of business will also highlight those items with a specific lessons learned lens to facilitate clear tracking. Examples include lessons learned on M&A and integration.
2. Strategy and execution Key subsidiaries in Asset Management and Life to provide more information on competitors and what competitors are doing for customers, including new products and innovation.	– Meetings have included external speakers, a Group-wide transformation update which included what peers are doing, Group shape and ambitions overview which detailed how peers are reacting to market dynamics and the different models emerging for asset managers. Engagement included perspectives from a major shareholder on what competitors are doing and 2030 Visions for Asset Management and Life which included market environment, competitor dynamics, customers and innovation.
3. Customer Continue focus on enhancing the management information and insight provided on the views, priorities and needs of customers and clients.	– Monthly Board information includes detail on client sentiment, client experience and customer satisfaction. – Short-term incentive scorecards include metrics on Net Promoter Score and adviser satisfaction.
4. Board information Increase the inclusion of external perspectives at relevant Board dinners and enhance metrics and or information provided on data, digital and Sustainability.	– External speakers have joined Board strategy days and dinners. – Technology, Data and AI session was held, as well as sustainability metrics updates and management information dashboards included in committee meeting packs.

Corporate Governance Report continued

Audit, risk and internal controls

The Board is responsible for ensuring the Group's risk management framework and internal control system is maintained and remains effective.

Our internal control systems ensure the quality and integrity of our internal and external financial and sustainability reporting, as well as operational, legal and regulatory compliance. It prescribes the extent of the principal risks we are willing to take as part of our strategy.

The internal control systems are designed to facilitate management of the Group and its businesses within the Board's risk appetite, rather than eliminate the risk of failure to achieve our objectives and can only provide reasonable, but not absolute, assurance against material misstatements.

M&G currently operates the 'three lines of defence' model to govern its approach to risk management. In the three lines of defence model, the first line is responsible for the ownership and day-to-day management of risks and is overseen by the second line Risk and Compliance function. The second line is independent of the first line and provides oversight, advice and challenge. The third line Internal Audit function is empowered by the Audit Committee to audit the design and operating effectiveness of our system of internal controls, including governance, risk management and control processes.

The Board remains committed to instilling an appropriate risk culture and operating within a strong internal control system, with a view to continuously maturing, embedding and enhancing risk management throughout the Group. The Board delegates some of its responsibilities to the Audit Committee and Risk Committee. The Chairs of these committees each sit on both committees to ensure that issues relevant to both committees are appropriately managed.

The Board is responsible for setting the Group's risk appetite and tolerance, following recommendation from the Risk Committee. Details on our Risk Management Framework, risk appetite and limits, principal risks and uncertainties and emerging risks are in the Risk management section on pages 40-48.

The Audit Committee regularly works alongside the Risk Committee to monitor the adequacy and effectiveness of our internal control systems and risk management systems. The Audit Committee reports regularly to the Board on its activities. Details on the Audit Committee's activities in 2025 are on pages 97-102.

The Risk Committee assists the Board in fulfilling its responsibilities by advising on risk strategy and overseeing the development, implementation and maintenance of the Group's Risk Management Framework and the Group Risk Appetite statements. The Risk Committee reports regularly to the Board on its activities. Further details on the activities of the Risk Committee can be found on pages 103-104.

The Remuneration Committee ensures that our compensation structures place appropriate weighting on colleagues adopting our behaviours and risk culture to deliver the Group's strategy and achieve the objectives to deliver long-term, sustainable success for the Group. Further details on the activities of the Remuneration Committee can be found on pages 105-107.

Remuneration

The Board has established a Remuneration Committee composed of independent Non-Executive Directors. Details of its responsibilities, activities and areas of focus are set out in the Committee report on pages 105-107.

The Remuneration Committee has determined that our Remuneration Policies and practices are designed to support M&G's strategy and promote the Group's long-term sustainable success.

Remuneration for executives is aligned to M&G's purpose and values and is clearly linked to the successful delivery of M&G's strategy.

Details regarding remuneration policies and practices, together with the procedure for developing policy on executive, senior management and workforce remuneration is in the Directors' Remuneration Report, which starts on page 105.

Nomination and Governance Committee Report

Nomination and Governance Committee composition

Sir Edward Braham (Chair)
Clive Adamson
Clare Chapman
Clare Thompson



Areas of focus in 2025

- Executive Committee succession planning.
- Board succession planning and ensuring that the balance of skills, knowledge and experience on the Board is appropriate to lead the Group.

Priorities for 2026

- Continue to keep Executive Committee succession planning under review.
- Board succession planning and ensuring that the balance of skills, knowledge and experience on the Board is appropriate to lead the Group.
- Appointment of a Dai-ichi Director.

Dear Shareholder

As Committee Chair, I am pleased to report on the key activities undertaken by the Committee in 2025. Key matters we discussed throughout the year included Board and Committee composition, Executive Committee succession planning, Diversity & Inclusion and oversight of the Board composition of material subsidiaries.

Committee purpose and responsibilities

The Nomination and Governance Committee is responsible for monitoring the balance of skills, knowledge and experience, as well as the diversity of the Board. It is also responsible for making recommendations of new appointments to the Board and overseeing Board and senior management succession planning.

Further details can be found in the Committee's terms of reference, which are reviewed annually and available on our website.

Board composition, succession planning and performance

The Committee's primary responsibilities are to ensure that Board composition is appropriate and to keep succession planning of both Board and senior management roles under ongoing review. The Committee reviewed its skills map for the Board during 2025. Our skills map enables us to objectively identify and track the skills required on the Board and to plan for emergency and longer-term succession.

The 2025 skills map review demonstrated the Board has a strong blend of skills overall. The highest aggregated scores were strategy, M&A, regulatory, UK Listed Company, change & transformation, risk management, people and finance. Areas were identified for consideration in succession planning.

Executive succession planning

Executive succession planning was a key focus of the Committee during the year. The Board recognises the importance of ensuring that the business has the appropriate people in senior roles to build a strong and diverse senior management pipeline for the longer term. The Committee received updates on the succession planning for the Executive Directors as well as the wider senior executive group during the year, with talent deep dives of the Life and Asset Management businesses in February 2025 and the Finance and Technology functions in December 2025. There will be a continued focus during 2026 on the internal succession pipeline by enhancing the current talent programme to develop future leaders ready for advancement.

Appointment process

The Committee has a duty to consider and recommend to the Board the appointment of any new member of the M&G plc Board.

The appointment of a new Director begins with the identification of a vacancy or skills gap, together with consideration of the current gender and ethnic diversity on the Board as a whole. The Committee assesses any skills required, including the evolving needs of the Board. The Committee then works with HR to produce a clear role specification to focus recruitment activities.

Using the role specification, HR arranges external searches for Non-Executive roles and internal and external searches for Executive roles. The next stage is interviews, at which Committee members (among others) test the candidates' skills, including fit with culture. These are both essential criteria for the selection of Board members, since the Board aim to set the right tone from the top in how we go about our work and how our Directors represent and promote M&G's culture.

Nomination and Governance Committee Report continued

Induction process

Structured and tailored induction programmes are prepared and, amongst other matters, cover: meeting key members of the executive management team and the external and internal auditors; an overview of the financial and Business Plan; stakeholder engagement; organisation structure and all relevant policies, procedures and other governance material.

Board independence and conflicts

The Committee takes into account the independence criteria set out in the UK Corporate Governance Code as part of the selection process for Non-Executive Directors.

The Committee, at least annually, assesses the independence of each Non-Executive Director to ensure that they can continue to fulfil their roles on the Board and provide independent challenge to the Executive Directors. In February 2025, the Committee reviewed each Non-Executive, taking into account tenure, external roles and potential conflicts of interest. The Committee determined that all Non-Executive Directors were free from any relationship or circumstances that could affect, or appear to affect, their independent judgement and therefore all Non-Executives could properly be recommended for election and re-election at our AGM as independent Board members.

In line with the Code, over half of our Board members, excluding the Chair, are independent Non-Executive Directors.

The Committee reviews potential conflicts for Non-Executive Directors on their appointment and at least annually thereafter, as well as on an ad-hoc basis for relevant transactions or in advance of taking on any additional external appointment.

Time commitment

The Committee maintains oversight of Non-Executive Directors' time commitments, to ensure that each Non-Executive Director has sufficient time to dedicate to their role in order to discharge their responsibilities effectively.

The Committee at least annually considers the number and nature of the Non-Executive Directors' external commitments and how this impacts the time required for their Board and Committee responsibilities. The Committee is satisfied that each of the Non-Executive Directors has sufficient time to undertake their role at M&G plc.

Board effectiveness

The process, results and agreed areas of focus of the 2025 Board and Committee performance review are described on page 92.

Diversity & inclusion and gender balance

When considering Board composition and succession the Committee specifically reviewed the gender and ethnic diversity on the Board. The Board has committed and is currently achieving all gender and ethnic diversity targets contained in UK Listing Rule 6.6.6 (9). At present, 50% of the senior Board positions (Chair, Group CEO, SID and CFO) are held by a woman, the gender diversity on the Board is 40% and the Board continues to meet the requirement of at least one of its members to be from an ethnic minority. The Board also considers gender diversity on the boards of its material subsidiaries and reviewed the progress against the Group's diversity commitments for all colleagues at half year and full year.

Governance of material subsidiaries

The Committee provides oversight of the governance arrangements of its material subsidiaries in the Asset Management and Life businesses. During the year, the boards of key subsidiaries took part in a skills assessment to identify the current blend of skills, knowledge and experience and to recognise potential areas where they might be enhanced.

The Committee considers the current blend of skills, knowledge and experience on the material subsidiary boards is appropriate in relation to the current business priorities and prospective strategic initiatives. The Committee will continue to evaluate the boards of the key subsidiaries to ensure that the composition of the boards and changes to them, continue to comply with regulatory requirements and that appropriate succession plans are in place.

Sir Edward Braham
Committee Chair

Role and responsibilities of the Nomination and Governance Committee

The Committee is responsible for the composition of the Board and its Committees, together with succession planning. This ensures that the right skills are in place to support our strategic priorities, long-term success and future viability. The Committee is also responsible for elements of diversity and inclusion leadership.

▶ **The Nomination and Governance Committee's terms of reference** group.mandg.com
▶ **Membership and meeting attendance** page 90

Audit Committee Report

Audit Committee composition

Clare Thompson (Chair)
Clive Adamson
Paul Evans
Dev Sanyal
Elisabeth Stheeman



Areas of focus in 2025

- **Control environment:** Continued to monitor and oversee improvements to the internal control environment, alongside the Risk Committee.
- **Asset Valuation:** Reviewed the governance and oversight processes for the valuation of complex and illiquid assets that sit on the Group's balance sheet.
- **External financial reporting**: Reviewed our external financial reporting, including the 2024 Annual Report and Accounts, Solvency II reporting and approving the associated methodology and assumptions for each.
- **Sustainability:** Reviewed climate target methodologies and Group publications such as the updated Climate Transition Plan.

Priorities for 2026

- Continued work on the internal control environment, with particular focus on the expectations under Provision 29 of the revised UK Corporate Governance Code.
- Monitoring the ongoing finance change agenda, including oversight of the implementation of IFRS 18.
- Ongoing enhancement to our sustainability reporting in light of further clarity on implementation dates for incoming reporting requirements in the UK.

Dear Shareholder

I am pleased to present the Audit Committee Report, which outlines our activities and main areas of focus during the year.

Our 2025 agenda remained weighted towards financial reporting, as well as a continued review of internal controls across the business. We examined the response to changes in the UK Corporate Governance Code including agreeing the approach to identifying material controls and performed a comprehensive review of our Whistleblowing Policy in collaboration with external legal counsel to ensure it remains proportionate and compliant with requirements.

We held a number of 'deep-dive' sessions during the year, spanning work on internal controls, valuations for complex and illiquid assets and methodology for climate targets. These discussions have been important to keep the Committee abreast of changing requirements and increasing reporting complexity.

Sustainability reporting was also a topic of discussion, with the Committee reviewing climate-related disclosures and the Group's updated Climate Transition Plan. We have also considered the structure and content of our sustainability disclosures in this year's Annual Report with a view to making them simpler and more decision-useful. At the same time, we continued to focus on our finance transformation plan, which we monitor alongside our business-as-usual activities.

We have spent further time with PwC, including meeting them privately without management present. We also held private sessions with the Chief Auditor without management present.

I would like to extend my thanks to the Committee members for their support and dedication over the year.

Clare Thompson
Committee Chair

Composition and schedule

The Board considers that all Committee members are independent and that the Chair has recent and relevant experience. Details of Committee members' relevant skills and experience can be found on pages 81-83.

In 2025, there were seven scheduled Audit Committee meetings. There were also two joint meetings with the Risk Committee and two joint meetings with the Board to consider our full-year and half-year results.

The Chief Auditor and our statutory auditors, PwC, are standing attendees at all Audit Committee meetings.

The Audit and Risk Committees continue to work closely together and the cross-membership principles that we follow ensure that members of both committees receive information in the most efficient way. We also receive regular updates from The Prudential Assurance Company Limited (PAC) and M&G Group Limited (MGG) Audit Committees.

Role and responsibilities of the Audit Committee

The Committee's responsibilities include, but are not limited to, reviewing and monitoring:

- The integrity of the Group's financial statements, climate-related and non-financial disclosures and related announcements and other financial information provided to shareholders and regulators.
- The assurance processes to verify the financial and non-financial information included in the Group's Annual Report and Accounts (ARA) 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.
- The effectiveness of the Group's whistleblowing procedures.
- The process for compliance with laws, regulations and ethical codes of practice.

▶ **The Audit Committee's terms of reference** group.mandg.com
▶ **Membership and meeting attendance** page 90

Audit Committee Report continued

Annual evaluation of Audit Committee performance

The process and results of the 2025 Board and Committee effectiveness review are described on page 92 together with this year's results and agreed areas of focus. An update on progress on the actions identified in last year's review is provided on page 93.

Financial Reporting 2025

The Audit Committee reviewed the full-year 2025 consolidated and Company financial statements.

The review included:

Fair, balanced and understandable

In assessing whether the 2025 Annual Report and Accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess M&G's position, we gave regard to whether:

- Information in the Strategic Report, in particular the Business and Financial Review, represents a fair reflection of M&G's performance during the year.
- Significant issues identified in this report, including key areas of judgement and estimation, as well as any other significant issues disclosed within narrative reporting, are consistent with the financial statements.
- Alternative Performance Measures (APMs) have been given equal prominence to the statutory measures, there is a clear description of their calculation and an explanation of their use and relevance.
- The treatment and classification of items within the APMs, particularly whether items are considered to be operating, is in line with the defined methodology and is appropriately disclosed.
- The identified key performance measures reflect those used by management to manage, monitor and assess the results of the business, linking to the strategy.
- Key messages are clear, consistent and easily understood, without the use of excessive jargon.

Going concern and viability statements

In early 2026, we reviewed the going concern assessment undertaken by management for the purposes of the 2025 consolidated financial statements.

This included assessing M&G plc's solvency, including its sensitivity to various economic stresses across various plausible scenarios including: a baseline scenario (current market conditions), an optimistic scenario (higher for longer), a pessimistic scenario (geopolitical escalation) and a stagflation scenario (economic stagnation combined with high inflation resulting from a trade war). The liquidity projections under these scenarios, including the impact of applying specific liquidity stresses and the ability to access funding sources was assessed. Based on the review, we concluded that the going concern assumption remains appropriate.

In addition, we considered the associated assessment of longer-term viability to support the Viability Statement. This involved consideration of the strategic and financial planning process alongside an assessment of M&G plc's key strategic priorities, business model and forecasting undertaken as part of the business planning process.

The Board challenged the assumptions underpinning the Business Plan, including the impact of various severe, but plausible stresses and scenarios on the ability to deliver the plan and concluded that the positions were both reasonable and supportable. Based on this determination, the Committee concluded that three years was the most appropriate period for longer-term viability in line with the Business Plan.

Sustainability reporting

We have a responsibility to review and challenge as appropriate, any sustainability-related reporting in material public documents, including but not limited to, climate-related disclosures required by the UK Listing Rules. We apply the same level of rigour to the review and challenge of sustainability disclosures as we do to the review of external financial reporting.

As in previous years, we received regular updates during 2025 on our sustainability reporting and have challenged, reviewed and approved these accordingly, including the Task Force on Climate-related Financial Disclosures (TCFD) reporting within the Annual Report and Accounts. We also reviewed a number of other Group-level disclosures, including the updated Climate Transition Plan and Modern Slavery Statement.

In relation to climate reporting in this Annual Report and Accounts, the Committee considered the following matters and judgements in the year:

- The methodology, controls and assurance over environmental metrics and targets, relating to both our operations and investment portfolios.
- In addition to the TCFD reporting included in this Annual Report and Accounts, we have also reviewed and approved the Environmental Metrics Basis of Reporting published on our website, which has been updated in the year to reflect our latest methodologies.

Our sustainability reporting continues to evolve as industry guidance and frameworks improve and as data becomes more accurate and accessible. However, we acknowledge that there remains work to do to strengthen decision-usefulness and that we remain reliant on the accuracy and availability of data received from third-party data providers.

Over the year, the Committee has been updated on relevant regulatory developments and been presented with information on management's work to assess alignment with the International Sustainability Standards Board (ISSB) standards, including activities underway to prepare for the anticipated adoption of these through the UK Sustainable Reporting Standards.

We will continue to work with management as we look to develop clear, accurate and transparent disclosures in line with prevailing regulations and standards in the future.

Audit Committee Report continued

Audit and Corporate Governance Reform

An updated version of the UK Corporate Governance Code (the Code) was published in January 2024. Most of the changes made to the Code apply to reporting for financial years starting on or after 1 January 2025. However, the most significant changes relate to internal controls (Provision 29) and these will apply to reporting years starting on or after 1 January 2026.

The Committee have reviewed the steps taken by management to prepare for the changes and will continue to engage with management on the progress of activities supporting the implementation of changes related to Provision 29, including any impact on existing processes and procedures.

Internal controls

The Committee has a responsibility, in conjunction with the Risk Committee, to review the adequacy and effectiveness of our Risk Management Framework and internal control systems.

We receive regular reports from Risk and Compliance and from Internal Audit, regarding the status of the control environment, including reviews of the effectiveness of the Risk Management Framework. Over 2025, we reviewed and monitored an enhanced suite of quantitative and qualitative measures to track progress and maturity of our control environment in aggregate and at an individual Business Area level. This included oversight of the first line of defence's control design reviews and key control testing outcomes, along with the status and assessment of any outstanding control deficiencies. This was supported by independent review by the second line of defence.

Read more about the annual assessment of risk management and internal controls on page 41.

Whistleblowing policy and framework

We are committed to a workplace where all colleagues feel safe to speak out and report concerns of wrongdoing in complete confidence, without fear of retaliation.

The Whistleblowers' Champion, who is also Chair of the Committee, provides governance and oversight of our Speak Out programme, which supports our Whistleblowing policy.

Speak Out reports to the Committee twice a year on the effectiveness and robustness of the Whistleblowing programme, with discussion on any enhancements, including planned communications and awareness. Speak Out's reports to the Committee cover case volumes, the nature of concerns raised and any themes emerging from investigations, while ensuring the confidentiality of the parties involved.

Regular meetings are also held between management, including the Group CEO and the Whistleblowers' Champion. We are satisfied that our whistleblowing policies and procedures remain robust and adequate.

Internal Audit

The Committee has responsibility for overseeing the work of Internal Audit, including the independence and effectiveness of the function.

We approved the Internal Audit Charter, setting a clear purpose for Internal Audit of helping the Board and Executive Management protect the assets, reputation and sustainability of M&G plc by providing independent and objective assurance on the effectiveness of M&G's systems of internal control.

The Committee approved the Internal Audit risk-based plan, developed in the context of M&G plc strategy and the Group-wide coordinated assurance plan. We received regular progress updates relating to the outcome of plan delivery, key control weaknesses, thematic insights, management's progress in resolving issues identified and an annual evaluation of the overall control environment and risk and control culture. The plan was updated accordingly during the period to respond to the Group's evolving risk profile and assurance requirements.

Key areas of Internal Audit's work reported to the Committee during the year included:

- operational resilience, including third-party oversight and material outsourcing;
- major change/improvement programmes;
- IT, cyber and data security / privacy risk management;
- financial crime risk management;
- FCA's Consumer Duty regulation;
- Solvency II compliance;
- enterprise risk management framework;
- sustainability reporting; and
- international entity regulatory compliance.

We conducted an annual review of the Internal Audit function to assess its effectiveness, based on regular internal audit reporting, private sessions with the Chief Audit Officer and the outcome of the Internal Audit Quality Assurance Improvement Programme. The Committee is satisfied with the effectiveness of the Internal Audit function, its independence and the appropriateness of its resources and its contribution to supporting the business in maintaining an effective control environment.

External Audit

Oversight and engagement of external auditor

PwC has been M&G's external auditor since 1 January 2022, following a competitive tender process in 2020. The audit is being led for the first time this year by audit partner Tom Robb, taking over from Mark Pugh.

We provide clear guidance to PwC on our expectations and hold meetings with PwC, without the presence of management, to allow the audit team to raise any concerns and remain independent and objective. The external audit plan was reviewed and approved by the Committee before the start of the 2025 year-end process.

M&G has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 December 2025.

The Committee has considered the Audit Committees and the External Audit: Minimum Standard published by the FRC in May 2023 and confirm compliance with this Standard.

Audit Committee Report continued

External auditor effectiveness

Each year, together with senior management, we assess the external auditor's performance, monitor their independence, objectivity and the effectiveness of the audit process.

In line with the latest FRC guidance, this year's review comprised:

- a survey of key internal stakeholders who interacted with PwC across the Group's functions and material subsidiaries, seeking feedback on the effectiveness and efficiency of the external auditor;
- feedback from key external stakeholders who interacted with PwC as part of the audit process; and
- consideration of the challenge provided by the auditors and management's response.

Our assessment was carried out in April 2025 and considered feedback from key internal and external stakeholders on factors including:

- quality of resource;
- execution of the audit; and
- appropriate level of challenge on management's methodology and assumptions.

PwC also provided regular updates to the Committee throughout the year on their Audit Quality Indicators.

Based on the feedback received, it was concluded that PwC provided an effective, quality audit for M&G plc and its subsidiaries, with an appropriate level of challenge.

A shareholder resolution was recommended to re-appoint PwC as external auditors at the Annual General Meeting in May 2025. On the basis that the Committee continues to remain satisfied with PwC's performance and that they maintain their independence and objectivity, there is currently no plan to conduct a tender process for external audit services earlier than the required period of 10 years. Having considered the importance of an audit firm remaining objective and not becoming overly familiar with management, the Committee believe this is in line with the best interests of shareholders given the significant time and effort required by both management and any new audit team to obtain a sufficient understanding of a large and complex organisation such as M&G to perform a high quality audit.

Auditor independence policy

Our Auditor Independence Policy is reviewed at least annually and was last reviewed in December 2025.

The main purpose of this policy is to ensure that M&G and the external auditor comply with regulations and ethical standards, for example, that they are not engaged in any non-audit services that are not permitted, comply with all other relevant regulation and ethical guidance relating to relationships with the external auditor and that we maintain a sufficient choice of appropriately qualified audit firms. Certain services need to be approved by the Committee before any engagement.

In line with the Auditor Independence Policy, all non-audit services were approved by the Committee, except for one breach identified in the year as referenced in the Independent Auditors' Report (page 142). We were satisfied that appropriate timely actions were taken in relation to the breach, and considering the overall fees paid and services provided under the policy, the objectivity and independence of PwC was safeguarded.

Fees paid to the auditor

Total fees paid to PwC during the year ended 31 December 2025 amounted to £19.4 million, of which £3.4 million related to non-audit services. This compares to £19.7 million paid in 2024, of which £3.4 million related to non-audit services. A breakdown of fees paid to PwC is in Note 9 of the consolidated financial statements.

Asset valuation deep dive

One of the areas of focus for the Committee during the year was the valuation of complex and illiquid assets given the growth of our private markets business. The Committee asked to review the processes and controls operated by the Asset Manager over valuation, as well as the oversight of these processes and the valuations for the assets on the Group's balance sheet by Finance. In reviewing the Asset Manager's valuation processes, the Committee was supported by the subsidiary Audit Committee of M&G Group Limited (MGG).

The FCA has issued guidance on valuation practices, focusing on independence, expertise and transparency in private market valuations. Both Committees' key challenges were in respect of these aspects and how they were addressed in the valuation processes performed by the Asset Manager. To cover the aspects of independence and expertise, the review by MGG Audit Committee included discussing the challenge and decision-making process of the Asset Manager's Valuation Committee which is chaired by their Chief Operating Officer, supported by Technical Working Groups for each asset class.

The MGG Audit Committee Chair attended one of the Group Committee meetings to present the outcome of their reviews and also to highlight the enhancements to the valuation processes that had been made during the year, including a higher usage of third party valuers to confirm the valuations calculated are appropriate.

The Group relies upon the expertise of the Asset Manager and its valuation processes and controls to determine the fair value of the assets on the Group balance sheet. However, Finance operates certain governance and oversight activities and during the year have made several enhancements to these activities. This included the introduction of a new Valuation Policy and Valuation Governance Framework. The Framework will be adopted in a phased manner over 2026, however various enhancements were made during 2025 that have applied for year-end 2025 valuations, including additional quarterly review and monitoring, variance analysis to independent external valuations for a sample of private credit positions. The implementation of these enhancements were supported by the Committee, with asset valuation continuing to be an area of focus in 2026.

Audit Committee Report continued

Critical estimates and areas of judgement and how they were addressed

We have assessed whether suitable accounting policies have been adopted in the preparation of the consolidated financial statements. We have also considered all critical estimates and key judgements that are material to the preparation of the consolidated financial statements. In this regard, we receive regular updates from management and review and challenge estimates and judgements accordingly, in conjunction with the MGG and PAC audit committees as appropriate.

This section outlines the critical estimates and key judgements that have been applied in the preparation of the consolidated financial statements and how each of them have been considered and addressed by the Committee.

Critical estimate/Key judgement	How the Committee addressed the issue
Valuation of insurance contracts and defined benefit pension liabilities	We reviewed the key assumptions and judgements presented by management in the estimation and valuation of the Group's insurance contracts and defined benefit pension liabilities. The key assumptions reviewed were: – Policyholder mortality, maintenance expenses and valuation rate of interest (including selection of reference portfolio and allowance for credit risk) used in the estimation of insurance contract liabilities for annuities. – Allowance for maintenance expenses, persistency, assumed future investment returns on the backing assets, policyholders' share of historic and future surpluses and the illiquidity premium in setting the discount rate used in the estimation of insurance contract liabilities for with-profits policies. – The risk adjustment included when measuring insurance contract liabilities. The assessment of the risk adjustment requires assumptions about the compensation that the Group requires for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk, the most significant of which is the assumed rates of the policyholder mortality for annuity contracts. – Mortality, inflation rates and discount rates used in the estimation of the Group's defined benefit pension liabilities. We considered the rationale provided by management for the assumptions used and reviewed any benchmarking provided. We were satisfied that the assumptions adopted by management were appropriate. Further information on key assumptions can be found in Notes 24 and 32 of the consolidated financial statements in respect of the insurance contract liabilities and in Note 17 of the consolidated financial statements in respect of the defined benefit pension liabilities.
Valuation of complex and illiquid financial assets	We received information on the carrying value of investments held on the consolidated statement of financial position and particularly focused on those investments where the determination of their fair value required more subjective estimation (classified as Level 3 under the fair value hierarchy). These assets include investment properties, equity release mortgages, private credit (which includes securitised notes backed by residential ground rents) and investments in private equity vehicles. Further information on key assumptions can be found in Note 31 of the consolidated financial statements.
Recoverable amount of goodwill	We reviewed the results of annual impairment testing carried out in respect of goodwill associated with the Group's cash-generating units. This involved reviewing the key inputs used in the assessment, including the discount rate and future cash flow projections used to determine value in use. Appropriate challenge was provided to management, particularly around growth rates, discount rates and terminal profit margins. We considered the results of the work performed and agreed with management's assessment that the responsAbility Investments AG cash-generating unit was impaired by £33 million. Further information on key assumptions can be found in Note 13 of the consolidated financial statements.

Audit Committee Report continued

Critical estimate/Key judgement	How the Committee addressed the issue
Valuation of intangibles acquired at acquisition	We reviewed the value of the fund management agreements and customer relationship intangible assets resulting from the acquisition in the year of P Capital Partners AB, as well as the investment management agreements, co-investment contracts and segregated client mandate intangible assets recorded as a result of the acquisition of BauMont Real Estate Capital Limited, in 2024. We considered the key assumptions used to determine the values at initial recognition, including discount rate and future cash flow projections. Based on the review, we were satisfied that the value of the intangible assets recorded at the acquisition date is appropriate. Further information on the intangible assets can be found in Note 2 and Note 13 of the consolidated financial statements.
Specific accounting judgements applied in accounting for insurance contracts	Applying IFRS 17 requires the application of judgement in respect of a wide range of areas, including whether contracts issued by M&G meet the definition of an insurance contract or a contract containing discretionary participation features and the appropriate division of surplus between current policyholders, future policyholders and the Group. We reviewed how the application of IFRS 17 applied to new products being launched by the Group in the year. Further information on these judgements can be found in Note 1.5.2 (accounting policies) and in Note 24 (accounting treatment) of the consolidated financial statements.
Other significant judgements	We reviewed and considered the other significant judgements in the preparation of the consolidated financial statements, including the judgement exercised to determine the extent to which future taxable profits are expected to emerge and the corresponding period over which unused tax credits and unused tax losses will be utilised for recognition of deferred tax assets. Following review of the basis of the above judgement we were satisfied that these were appropriate.

We also considered the following critical estimates and key judgements in respect of the Company financial statements.

Critical estimate/Key judgement	How the Committee addressed the issue
Recoverable amount of M&G Group Regulated Entity Holding Company Limited (M&G REH) in the Company financial statements	Management performed an impairment assessment at the year end in relation to the Company's investment in M&G REH, which in turn is the holding company for M&G plc's main regulated entities, including MGG and PAC. As a result, the recoverable amount of M&G REH has been determined by reference to the recoverable amount of these main operating subsidiaries. We considered management's assessment of the recoverable amounts based on the fair value attributed to the operating subsidiaries of M&G REH. Based on the review, we concluded that no impairment should be recognised. Further information is disclosed at note A to the M&G plc Company financials.

Risk Committee Report

Risk Committee Report

Risk Committee composition

Clive Adamson (Chair)
Paul Evans
Dev Sanyal
Elisabeth Stheeman
Clare Thompson



Areas of focus in 2025

- Oversight of the risks associated with the execution of M&G's business strategy.
- Oversight of the Financial Crime Enhancement Programme to strengthen and mature our processes and controls.
- Jointly with the Audit Committee, monitoring continued enhancements to the control environment.
- Review and oversee the embedding the UK operational resilience regulation.

Priorities for 2026

- Oversight of key strategic and emerging risks through targeted deep dives.
- Oversight of progress on the Financial Crime Enhancement Programme as it matures and optimises controls.
- Jointly with the Audit Committee, monitor further planned enhancements to the control environment and overall risk maturity.
- Oversee continued enhancements to the risk frameworks, processes and controls and risk tools.

Dear Shareholder

I am pleased to present the Risk Committee Report, which outlines our activities and work during the year.

The macro-economic impact arising from geopolitical risks and the external environment continues to require our close attention. We oversaw the management of these financial and non-financial risks, through our review of the risk scenario assessments, deep dives and a range of stress and scenario testing results through the Group ORSA. The output of these tests feed into the Viability Statement on pages 49-50.

We received regular updates in respect of our Group-wide Financial Crime Enhancement Programme (as described on page 41). The oversight of financial crime risk management continues to be a top priority for us.

We received regular updates from our businesses and functions on the key risks that they face and emerging risks that they are seeking to manage. We also received Group-wide risk updates, including sessions on digital security risk, financial crime, sustainability risk, third-party, data, operational resilience, change risk, private markets and Consumer Duty compliance.

We continue to monitor and oversee the principal and emerging risks related to the execution of M&G's strategy. We received group-wide and business unit risk updates to inform our oversight of our mitigation and management of these risks and on M&G's overall risk profile.

We continue to work closely with the Audit and Remuneration Committees. Our cross-membership principles ensure we manage conflicts and all Non-Executive Directors have the right information provided in the most efficient way.

Clive Adamson
Committee Chair

Composition and schedule

Details of Committee members' relevant skills and experience are on pages 81-83.

In 2025, there were six scheduled Risk Committee meetings. In addition, we held two joint meetings with the Audit Committee.

Group Chief Risk & Compliance Officer

The Group Chief Risk & Compliance Officer (CRCO) has responsibility for the Risk and Compliance function and is a standing attendee at all our meetings. Our CRCO provides written reports to us covering key risk matters and compliance reporting and is available to the Committee for consultation regarding any agenda item.

Review of current and emerging risks

We are responsible for reviewing the Risk Management Framework, detailed on page 40 together with a list of M&G's principal risks and how those risks are identified, managed and mitigated. We're satisfied that our review and subsequent reporting to the Board, enabled the Board to carry out a robust assessment of M&G's principal and emerging risks.

Risk appetite, profile and strategy

We reviewed regular reports from the CRCO, including updates on the risk profile, key risks and issues facing M&G, emerging risks, our capital and liquidity position against appetite and our control environment. We also received regular reports from our subsidiary Board Risk Committees.

We regularly reviewed and provided advice to the Board on how the assessment and analysis of the top financial and non-financial risks facing M&G were being managed. We were also provided with 'deep dive' reviews and presentations from executives on key risks under their management, including private markets, third-party risk, digital security risk and sustainability risk. We also received regular updates on our Financial Crime Enhancement Programme, regulatory risk and change risk.

Risk Committee Report continued

We reviewed a range of regulatory, macro-economic and climate change scenarios on a full balance sheet basis as part of the ORSA and recommended to the Board a range of economic scenarios for business planning purposes.

Risk Management Framework and internal controls

We approved changes to the Risk Management Framework and the risk policies as part of our annual review. We also recommended updates to M&G's risk appetite and individual risk limits to the Board for approval.

Risk models and measures

We approved the overall methodology and key assumptions for the Solvency II valuation in conjunction with the Audit Committee and reviewed the overall effectiveness of M&G's Internal Model by reviewing the results of the annual programme of Solvency II Internal Model validation. We also approved the Internal Model validation plan for the forthcoming year.

Regulatory matters

We reviewed M&G's ORSA and recommended its approval to the Board. In conjunction with the Audit Committee, we also reviewed regulatory and public Solvency II disclosures and recommended them to the Board for approval. In addition, we received updates on regulatory risks and other regulatory matters arising during the year.

Compliance risk

We reviewed and approved updates to a number of policies including those relating to regulatory compliance risk, privacy and data protection and market abuse.

Annual evaluation of Risk Committee performance

The process and results of the 2025 Board and Committee performance review are described on page 92, along with this year's results and agreed areas of focus.

Role and responsibilities of the Risk Committee

The Committee is responsible for assisting the Board in its oversight of risk, including but not limited to:

- Advising the Board on the Group's overall risk appetite and risk strategy.
- Reviewing and approving the Group's Risk Management Framework and advising the Board on its overall effectiveness.
- Approving the Group's risk and compliance policies in accordance with the Group Governance Framework.
- Reviewing current and emerging risks and the mitigation strategies for these.
- Reviewing the effectiveness of internal models including stress testing.
- Reviewing the ORSA and, in conjunction with the Audit Committee as required, compliance with regulatory requirements.
- Advising the Remuneration Committee on Risk issues that may impact remuneration strategy in any given year, including adjustments to (including individual) incentives.
- Receiving information, via its regular reporting on entities that are subsidiaries of the Company and form part of the Group. The Committee is not the risk committee for those entities but has responsibility for oversight of any issues escalated to it by Group subsidiaries.

▶ **The Risk Committee's terms of reference** group.mandg.com
▶ **Membership and meeting attendance** page 90

Directors' Remuneration Report

Remuneration Committee composition[i]

Clare Chapman (Chair)
Paul Evans
Clare Thompson
Massimo Tosato



Areas of focus in 2025

- Review of the Directors' Remuneration Policy in relation to executive packages and shareholding requirements
- Aligning scorecards to incentivise delivery of long-term value creation goals and to our risk and control environment
- Ensuring policy implementation enables both talent attraction and retention and pay for performance
- Reviewing wider workforce remuneration including focus on acquisitions, competitiveness of benefit arrangements and pay transparency.

Priorities for 2026

- Embed policies and ensure scorecards continue to incentivise growth targets.
- Evolve the operation of remuneration policies to align with relevant regulatory changes.
- Ensure remuneration across the group remains competitive and fair and aligned to overall performance and stakeholder experience.

In this section

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111 Single figure remuneration
117 Directors' share interests and other payments
120 Remuneration arrangements throughout the Company
124 Statement of implementation of Remuneration Policy in 2026
129 Other related disclosures
132 Directors' Remuneration Policy summary

Dear Shareholder

On behalf of the Board and its Remuneration Committee, I am pleased to present the Directors' Remuneration Report (DRR) for the year ended 31 December 2025.

It's been a strong year at M&G. The business is growing again and foundations are being laid for sustainable profitable growth across products, segments and markets. The Asset Management business has become more international and diversified and there has also been inorganic growth which has included the welcoming of Dai-ichi Life HD as a long-term strategic partner and investor. Momentum was similarly strong in Life, particularly in the second half of the year. Presence has continued to be scaled in the BPA market and PruFund has returned to positive monthly net inflows during the second half of the year. Improvements continue to be delivered in customer journeys with customer complaints in the Life business down 25% and Asset Management NPS up to 63%. There has also been meaningful progress strengthening our control environment. The remuneration committee focused this year on embedding the policy approved in 2025 and in reviewing learnings to inform the proposed implementation of the Directors' Remuneration Policy (DRP) in 2026. It is in this context that this report sets out our assessment of performance, remuneration decisions for the 2025 financial year and our plan for 2026.

i Louise Fowler is a standing attendee as a representative of The Prudential Assurance Company Limited (PAC) Board.

Firstly, however, I would like to thank shareholders for their valuable engagement through consultation and support at the 2025 AGM, approving the new DRP to apply for three years from that date, with a favourable voting outcome of 90.38%. I hope that you find this report, explaining our first full year of implementation of the new Policy, helpful.

2025 Performance

Our 2025 results demonstrate continued progress against our strategy, as we continue to grow and simplify the business whilst maintaining our financial strength. AUMA increased 9% year on year following strong net inflows from open business and we are on track to achieve our targets of £2.7 billion cumulative operating capital generation excluding new business strain (NBS), and adjusted operating profit annual growth of 5% or more on average, both over the three years 2025-2027.

This is reflected in the short-term incentive scheme outcomes for the year with targets being exceeded for the following financial measures:

- Adjusted operating profit plus operating change in CSM (£1,084 million versus the target of £984 million).
- Operating capital generation excluding NBS (£928 million versus the target of £820 million).

The outcome of net flows from open business of £7.8 billion net inflows was a strong result for the year compared to £1.9 billion net outflows in 2024. This was, however, short of the stretching target set when this metric was introduced to the scorecard in 2025.

Directors' Remuneration Report continued

Our non-financial STI metrics also benefited from some strong outcomes:

- Performance against our customer metrics reflect at or above target performance for Advisor Satisfaction, Life Net Promoter Score and investment performance for the Asset Management Institutional business. This was offset by below target Investment Performance for the Asset Management Wholesale business and below threshold for PruFund performance.
- For People our Sustainable Engagement score trended up slightly year on year to 71, which was above the threshold but below target.
- Our risk outcomes were above target, reflecting a strong focus on risk management during the year.

For the 2023 to 2025 LTIP scorecard outcome:

- Cumulative three-year operating capital generation was strong at £2.7 billion and only slightly below target. From 2024 this metric has been updated in the LTIP performance scorecard to adjust for new business strain.
- TSR of 99.6% was achieved over the three-year period, at the upper quartile of the peer group, delivering strong returns to shareholders.
- Strong momentum was maintained in reducing own emissions, which was above the maximum. Gender diversity continued to improve to 37% at the end of 2025 and ethnic diversity was stable year-on-year, however both measures were below the threshold of the stretching performance ranges. Diversity remains a key focus for the Company as noted further below.

In the Chief Risk & Compliance Officer's report to the Committee, which was approved by the Risk Committee, it was noted that positive progress had been made across M&G plc in continuing to embed M&G's risk and control processes, whilst also acknowledging that certain implementation activities will continue into 2026. The review framework considers the management of risk and control at an individual and aggregate level, with specific input received in respect of risk identification, key control design and assessment, issue and notifiable event identification and management and risk profile against risk appetite. Taking into consideration all information from the report, the Committee determined no scheme level risk adjustments were required to the 2025 STI outcomes or to the vesting of the 2023 LTIP.

2025 Short-Term Incentive (STI) Outcomes

As a result of this performance, the formulaic scorecard outcome of the 2025 STI for both Executive Directors was 68.15% of their maximum opportunity. The Committee was satisfied that this was an appropriate outcome for both Executive Directors in the context of the overall performance of the Group and wider stakeholder experience. Consideration was taken of the Chief Risk & Compliance Officer's report and the individual performance of each executive in concluding that no adjustments to the formulaic outcome were required.

The outcome delivers a flat year-on-year STI award for each executive, commensurate with the experience of wider workforce incentive arrangements. 50% of the award will be deferred into shares with pro-rata vesting over 3 years.

2023 to 2025 Long-Term Incentive Plan (LTIP) Outcomes

The formulaic scorecard outcome of the 2023 to 2025 LTIP was 55.6% of maximum opportunity. Taking consideration of overall performance through the three-year period and the Chief Risk & Compliance Officer's report, the Committee concluded that no adjustments were required to be made to the formulaic outcome. Both Executive Directors received awards under the 2023 to 2025 LTIP. Their remaining shares after adjustment for the scorecard outcome are subject to a further two-year holding period.

Implementation of the Directors' Remuneration Policy in 2026

No changes are proposed to Executive Director salaries or maximum STI and LTIP opportunity in 2026, following the review of packages undertaken through the Policy update in 2025. An overall budget of 3.0% was deployed for the wider workforce salary review in 2026. The Committee will continue to focus in future reviews on ensuring that the packages remain appropriate to retain and incentivise executives with the requisite knowledge and experience of both asset management and insurance in this very competitive sector.

Following the comprehensive review of our incentive scorecards through last years' Policy review we have continued to refine the scorecards for 2026 to align with our strategic priorities, as we indicated would be the case in the last report.

In the 2026 STI scorecard, we have introduced an Asset Management cost-to-income ratio measure as it is a key performance indicator for the Group, strengthening alignment to simplification. We have also increased the weighting attributed to Net Flows from Open Business from 10% to 15%, given its importance to the success of the Group. These changes also continue to reduce overlap with the LTIP scorecard, which we know is important to some shareholders from the last consultation.

The financial component of the 2026 LTIP scorecard is unchanged with measures aligned to operating capital generation excluding NBS and annual growth on average over three years in Adjusted Operating Profit (AOP) targets. We have broadened the performance range at maximum for average AOP growth to ensure the scorecard remains sufficiently stretching and aligned to achieving our long-term AOP growth objectives. The 15% non-financial component will now be split equally between diversity measures and long-term investment performance. Investment performance is a key indicator of customer outcomes and a critical enabler of our growth ambitions for the business. The Remuneration Committee has also taken the opportunity to review and recalibrate the diversity performance ranges to ensure they are aligned to incentivising and rewarding improvements over our year-end 2025 position, with achievable targets in the medium term. We are committed to increasing these ranges over time to incentivise progress towards the external targets over the longer term for alignment with our ambitions. Further information on our updated diversity targets can be found on page 38. The Committee will continue to monitor the appropriateness of adding climate-related measures as our sustainability strategy becomes further embedded.

Taken together these changes further embed alignment to the key performance indicators for the Group, external targets and our growth and simplification strategic objectives, whilst retaining an appropriate balance with financial strength and our progressive dividend policy.

The Committee reviewed the Board Chair fee for 2026, applying an increase of 4.8% to £550,000 to ensure the fee remained appropriate for the skills, experience, complexity and time commitment of the role. As this is the first increase applied since appointment in 2022, the Committee was comfortable that it was above the budget for the wider workforce. Changes have also been made to Board and Committee fees, including the removal of the Nomination and Governance Committee fee. Board fees are not increased annually. The change to the Board fee was the second since the Company listed in 2019 resulting in a total increase of 6% over the six-year period. All fees to apply from January 2026 can be found in the implementation section of the report.

See Remuneration at a glance from page 108 for more details of the 2026 Executive Director packages and incentive scorecards.

Consideration of pay across the wider workforce

The Committee takes great care to consider the pay and conditions of the wider workforce with a focus on fairness of remuneration outcomes. Workforce remuneration is also a key input when determining salary reviews and incentive outcomes for the Executive Directors. The key indicators considered by the Committee as part of its 2025 year-end decision making included:

- An overall salary review budget of 3.0% in 2026 and our ongoing commitment to being an accredited Living Wage Employer in the UK;
- 2025 STI outcomes across the wider workforce commensurate with the experience of the Executive Directors;
- Total Remuneration outcomes which resulted in a CEO Total Remuneration Ratio of 48:1 in 2025. The ratio increased in 2025 due to the first LTIP vesting for the CEO. The Committee concluded that the ratio was appropriate in the context of our sector, peers and year-on-year trends on total remuneration relative to the wider workforce; and
- Feedback received by Board members through their attendance at Employee Voice sessions conducted during the year.

The Committee was satisfied that remuneration outcomes for the Executive Directors were appropriate in the context of the wider workforce.

Other areas of focus in 2025

Other areas of focus for the Committee during 2025 included remuneration considerations related to the acquisitions of P Capital Partners and BauMont, planning for the implementation of the EU Pay Transparency Directive, a market assessment to validate the mix and level of pension/benefits across the UK wider workforce and alignment of our incentives to risk management and the control environment. As part of this, following a detailed review of a historical programme relating to the control environment, the Committee concluded that it would be appropriate to apply a downward adjustment to historic variable pay awards of certain former members of senior management including a former Executive Director, the details of which are provided on page 119 of this report.

As we look forward to 2026 the Committee will continue to monitor the design and operation of our Policy and incentives for the Executive Directors and wider workforce to ensure they continue to support the Company to achieve its strategic objectives and financial goals, in alignment with our purpose, culture and values.

I would again like to thank shareholders for their engagement through the 2025 Policy review and look forward to your support for our 2025 Directors' Remuneration Report.

Clare Chapman
Remuneration Committee Chair

Role and responsibilities of the Remuneration Committee

- Deciding the framework of the remuneration policies: establishing, approving and maintaining the principles and framework of the remuneration policies and arrangements for the Group.
- Determining the design, implementation and operation of remuneration arrangements for the Chair of the Board, the Executive Directors, Group Executive Committee and identified staff for all remuneration regulations that apply to the Group, and overseeing remuneration for individuals whose total remuneration exceeds an amount determined by the Committee from time to time, taking consideration of remuneration arrangements across the wider workforce.

▶ **The Remuneration Committee's terms of reference** group.mandg.com
▶ **Membership and meeting attendance** page 90

Remuneration at a glance

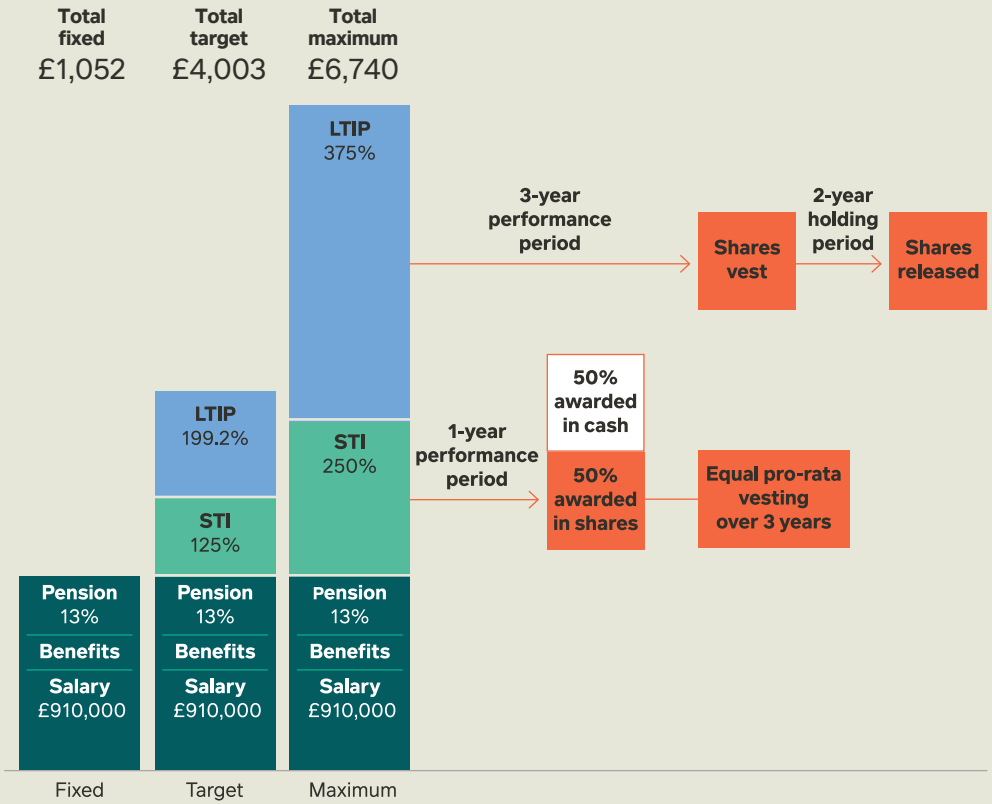
Remuneration at a glance

This section provides an overview of the operation of the Directors' Remuneration Policy, implementation decisions for 2026, and performance and remuneration outcomes for 2025

Operation of the Directors' Remuneration Policy

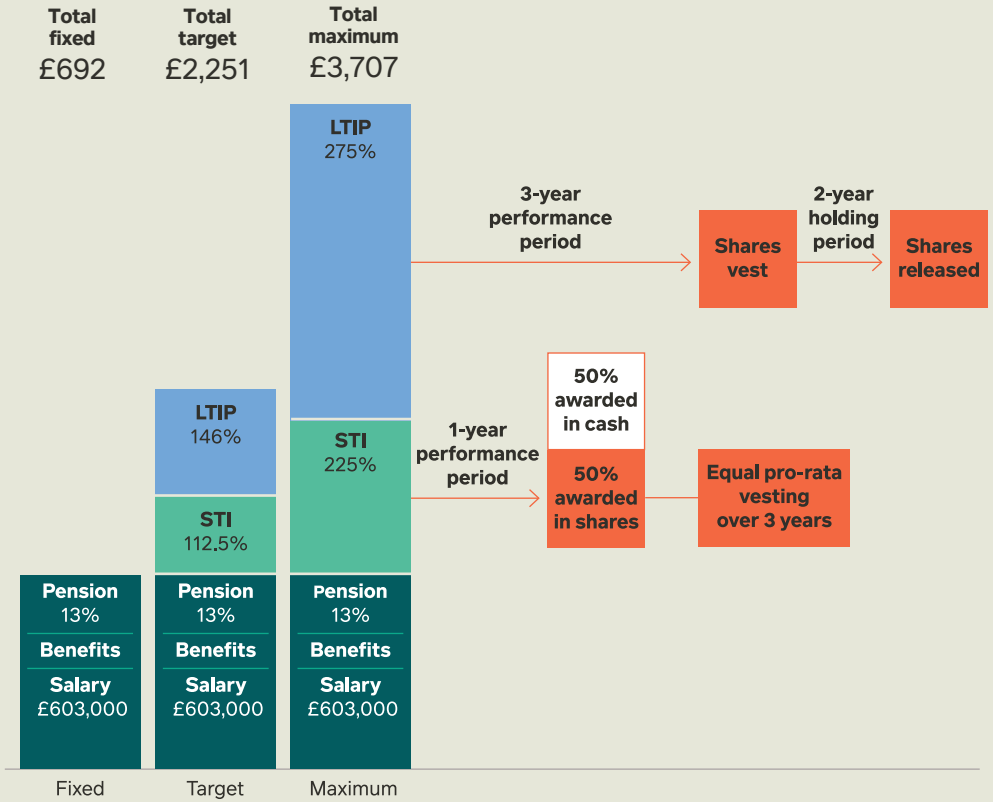
The following charts show the operation of the key elements of our Directors' Remuneration Policy. The charts detail the remuneration arrangements for our Group Chief Executive Officer, Andrea Rossi, and our Chief Financial Officer, Kathryn McLeland. The target and maximum opportunities for 2026 are in accordance with the Policy approved by shareholders in 2025.

Andrea Rossi
Group Chief Executive Officer*



* All values are in £'000

Kathryn McLeland
Chief Financial Officer*



* All values are in £'000

Remuneration at a glance continued

Summary of the Directors' Remuneration Policy and 2026 implementation

Base salary and fixed pay

Base salary is normally reviewed annually with any increases usually taking effect from 1 April each year.

	Effective 1 April 2026 £	Increase %
Andrea Rossi	910,000	0%
Kathryn McLeland	603,000	0%
Wider workforce 2026 (UK annual review spend)		3.0%

Benefits
Benefits in line with policy.

Pension
Defined contribution pension participation or cash in lieu at 13% of base salary, aligned with the wider workforce.

Shareholding requirements

	Guideline as % of salary	Shareholding as a % of salary at 31 December 2025
Andrea Rossi	375%	203%
Kathryn McLeland	275%	360%

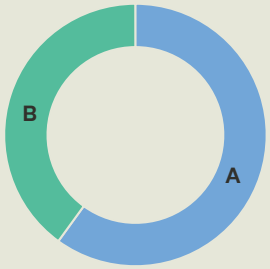
Link to Strategy
- Maintain our financial strength
- Simplify our business
- Deliver profitable growth
- Purpose and values

Short-Term Incentive (STI)

50% normally deferred into shares with equal pro-rata vesting over a three-year period.

	Target %	Maximum %
Andrea Rossi	125%	250%
Kathryn McLeland	112.5%	225%

2026 Performance measures



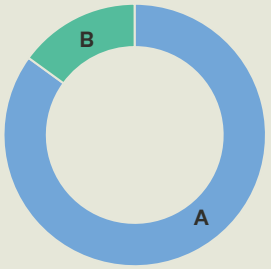
A **Financial**	**Financial**	**60%**
Adjusted operating profit before tax plus operating change in CSM		17.5%
Operating capital generation excluding NBS		17.5%
Net client flows from open business		15%
Asset Management cost-to-income ratio		10%
B **Non-financial**		**40%**
Customer: Life business		10%
Customer: Asset Management business		10%
Colleagues		10%
Risk and controls		10%

Long-Term Incentive Plan (LTIP)

LTIP awards over M&G plc shares normally granted annually subject to performance conditions assessed over three years, with a further two-year holding period.

	Maximum %
Andrea Rossi	375%
Kathryn McLeland	275%

2026 Performance measures



A **Financial**		**85%**
Cumulative operating capital generation excluding NBS		40%
Adjusted operating profit growth		20%
Relative total shareholder return		25%
B **Non-financial**		**15%**
Diversity		7.5%
Customer: Investment Performance		7.5%

▶ **Find out more about our scorecard measures** on pages 127 and 128

STI and LTIP performance outcomes may be subject to downward risk adjustment. Malus and clawback provisions apply as detailed on page 133 of the Summary Remuneration Policy.

Remuneration at a glance continued

2025 Performance and remuneration outcomes

2025 STI Scorecard summary	Weighting	Outcome % of maximum	Weighted outcome % of maximum
Financial			
Profit	25%	83.9%	20.97%
Capital generation	25%	93.9%	23.47%
Net client flows	10%	42.7%	4.27%
Non-financial			
Customer: Life business	10%	37.5%	3.75%
Customer: Asset Management business	10%	45.3%	4.53%
Colleague	10%	27.8%	2.78%
Risk and controls	10%	83.8%	8.38%
Performance outcome			**68.15%**

▶ **Full details are available** on page 112

2023 LTIP outcome summary	Weighting	Outcome % of maximum	Weighted outcome % of maximum
Cumulative operating capital generation	50%	44.6%	22.30%
Diversity - Gender	8.33%	0.0%	0.00%
Diversity - Ethnicity	8.33%	0.0%	0.00%
Climate	8.33%	100%	8.33%
Relative TSR	25%	100 %	25.0%
Performance outcome			**55.6%**

▶ **Full details are available** on page 113

Link to Strategy

Maintain our financial strength · Simplify our business · Deliver profitable growth · Purpose and values

2025 STI and 2023 LTI – % of maximum opportunity

Andrea Rossi

2025 STI outcome

68.15%

(2024: 68.10%)

2023 LTI outcome

55.6%

(2024: N/A)

Kathryn McLeland

2025 STI outcome

68.15%

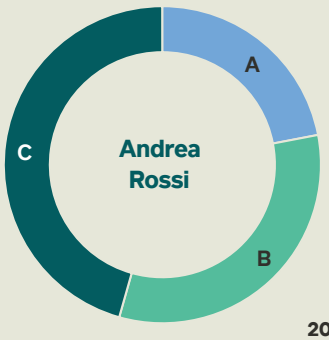
(2024: 68.10%)

2023 LTI outcome

55.6%

(2024: 62%)

Remuneration outcomes

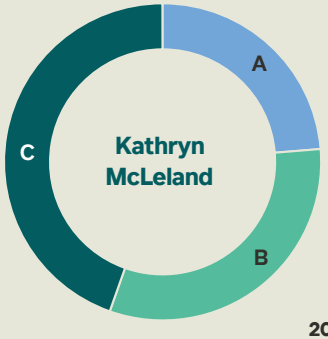


	2025	2024
A Fixed Remuneration (£'000)	**1,052**	1,037
B STI (£'000)	**1,550**	1,549
C LTIP (£'000)	**2,182**	—

Total (£'000)

£4,784

(2024: £2,586)



	2025	2024
A Fixed Remuneration (£'000)	**692**	685
B STI (£'000)	**925**	924
C LTIP (£'000)	**1,301**	1,299

Total (£'000)

£2,918

(2024: £2,908)

Annual Report on Remuneration

Annual Report on Remuneration

Single figure remuneration

In this section

111 Single figure total remuneration and breakdown of remuneration components (Audited)

115 Total shareholder return performance graph and Group Chief Executive Officer pay

116 Non-Executive Director single figure total remuneration table (Audited)

Single figure total remuneration table (Audited)

The following table provides the 2025 single figure remuneration for the Executive Directors, with prior year for comparison where applicable.

Year	Executive Director	Base salary £'000	Benefits £'000	Pension £'000	Total fixed £'000	STI £'000	LTIP £'000	Total variable £'000	Total £'000
2025	Andrea Rossi	910	24	118	1,052	1,550	2,182	3,732	4,784
2024	Andrea Rossi	901	19	117	1,037	1,549	—	1,549	2,586
2025	Kathryn McLeland	603	11	78	692	925	1,301	2,226	2,918
2024	Kathryn McLeland	597	10	78	685	924	1,299	2,223	2,908

Notes to the single figure table

- Fixed remuneration includes base salary, benefits and pension.
- The employer pension entitlement is delivered fully in the form of a cash in lieu allowance for both Executive Directors.
- STI includes both the cash and deferred elements of the STI awarded.
- The increase in base salary for Andrea Rossi and Kathryn McLeland between 2024 and 2025 is a factor of the salary increase of 4% received in April 2024. No increase was applied in 2025.
- The 2025 single figure for Andrea Rossi includes the vesting value of the first LTIP granted to him in 2023, following his appointment in October 2022.
- The price used to calculate the value of the vesting M&G plc shares for the 2023 LTIP is £2.6859 using an average of the closing price for the final three months of 2025. The actual share price and vesting value will be determined upon vesting and disclosed in the 2026 Annual Report on Remuneration.
- The 2022 LTIP vesting figures reported in the 2024 single figure for Kathryn McLeland now reflect the actual vesting price of the shares, which vested on 16 June 2025. The closing M&G share price on this date was £2.598 per share. The values previously included in the 2024 report were calculated using an average of the closing price for the final three months of 2024: £1.9976.

Single figure remuneration – Base salary (Audited)

Andrea Rossi and Kathryn McLeland did not receive a salary increase in 2025. The wider workforce salary increase budget based on the UK workforce was 3%.

Single figure remuneration – Benefits (Audited)

Benefits include the total value of all benefits provided in respect of the year ended 31 December 2025. These comprise health and insurance benefits as well as grossed-up values for reasonable travel and business expenses.

	Andrea Rossi		Kathryn McLeland	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Total	24	19	11	10

Single figure remuneration – Pension (Audited)

Executive Directors receive a 13% employer pension contribution which they may receive in part or in full in cash. The employer pension entitlement is delivered fully in the form of a cash in lieu allowance for both Executive Directors. The contribution rate and delivery options are in line with other colleagues who participate in the Company's defined contribution pension plan. Executive Directors do not accrue benefits under any legacy company defined benefit pension plans.

Annual Report on Remuneration continued

Single figure remuneration – Short-Term Incentive (Audited)

For the purpose of determining the 2025 STI outcome, the Remuneration Committee assessed the performance of the Company and the individuals by reference to the 2025 STI scorecard, which included a combination of financial and non-financial measures, as follows:

2025 Executive Director STI scorecard outcome

2025 STI Scorecard		Weighting	Threshold 0%	Target 50%	Maximum 100%	Actual	outcome % of maximum	Weighted outcome % of maximum
Financial	Adjusted operating profit before tax plus operating change in Contractual Service Margin (CSM)	25%	836	984	1,132	1,084	83.9%	20.97%
	Operating capital generation, excluding new business strain (£m)	25%	697	820	943	928	93.9%	23.47%
	Net client flows from open business (£bn)	10%	5.7	8.2	10.7	7.8	42.7%	4.27%
Non-financial	Customer: Life - Net Promoter Score	2.5%	22	24	26	24	50.0%	1.25%
	Customer: Life - Adviser satisfaction score	2.5%	66%	68%	70%	75%	100.0%	2.50%
	Customer: Life - With-Profits Fund investment performance over benchmark (three-year)	5%	0%	1%	3%	(2.1%)	0%	0.00%
	Customer: Asset Management - Investment performance of Wholesale Funds relative to benchmark (one and three-year)	5%	50%	60%	70%	51.5%	7.6%	0.38%
	Customer: Asset Management - Investment performance of Institutional Funds relative to benchmark (one and three-year)	5%	50%	60%	70%	66.6%	82.9%	4.15%
	Colleague: sustainable engagement index	10%	69	72	75	70.7	27.8%	2.78%
	Risk and controls: % high/very high issues overdue (average over the year)	5%	10%	5%	0%	3.0 %	70.5%	3.52%
	Risk and controls: Proportion of closed high/very high issues re-opened at high/very high	5%	15%	10%	0%	0.6 %	97.2%	4.86%
	Outcome							**68.15%**

Definitions

Definitions and further details of the above measures can be found on pages 127 and 128.

Consideration of individual performance

The Committee considered individual performance of the Executive Directors and concluded that the formulaic outcome of the STI scorecard was appropriate in the context of their overall personal contribution over the performance period.

Deferral policy

50% of any STI amount awarded is deferred for three years with equal pro-rata vesting in M&G plc shares, subject to continued employment, good leaver and malus provisions. Dividend equivalents accrue on a reinvestment basis during the vesting period.

STI opportunity and outcome

The maximum STI opportunity for the Group Chief Executive Officer and Chief Financial Officer roles remained unchanged at 250% of base salary and 225% of base salary respectively. The STI amounts in the single figure table reflect awards to be delivered in 2026 in respect of 2025 performance, inclusive of both cash and deferred elements, as follows:

Executive Director	Maximum STI opportunity £'000	Total STI outcome £'000	Cash STI £'000	Deferred STI £'000
Andrea Rossi	2,275	1,550	775	775
Kathryn McLeland	1,357	925	462.5	462.5

Single figure remuneration – LTIP vesting in year (Audited)

The LTIP awards granted to Andrea Rossi and Kathryn McLeland in 2023 under the M&G Performance Share Plan will vest on the basis of performance measured over the period 1 January 2023 to 31 December 2025.

2023 LTIP Scorecard

2023 LTIP Scorecard	Measure	Weighting	Threshold	Target	Maximum	Actual	Outcome % of maximum	Weighted outcome % of maximum
Vesting			0%	50%	100%			
Capital	Cumulative operating capital generation (£m)	50%	2,327	2,738	3,149	2,694	44.6%	22.3%
Diversity - Gender	Gender - % of roles at the senior leadership level	8.33%	38%	40%	42%	37%	0%	0%
Diversity - Ethnicity	Ethnicity - % of roles at the senior leadership level	8.33%	16%	20%	22%	7%	0%	0%
Climate	Own operations carbon emissions reduction from 2019 base level	8.33%	22.1%	25.2%	28.4%	51%	100%	8.3%
Vesting			25%		100%			
Relative TSR	Percentile ranking relative to peer group	25%	50th p'cile		75th p'cile	75th p'cile	100%	25.0%
Performance outcome								**55.6%**

Notes to the 2023 LTIP scorecard

Definitions

Detailed definitions to the above measures are provided on pages 127 and 128.

Relative Total Shareholder Return (TSR) outcome

For the 2023 LTIP M&G plc TSR was measured against a peer group constituted of a bespoke selection of FTSE 350 sectoral peers selected based on objective criteria in terms of comparable size, business scope and geography consisting of the following companies:

Aberdeen – Ashmore – Aviva – ICG – Jupiter – Just Group – Legal & General – Liontrust – Man Group – Ninety One – Phoenix Group – Quilter – Rathbones – Schroders – St James's Place - 3i Group

M&G ranked 5th within the peer group, resulting in an outcome at the 75th percentile.

The starting point for TSR was based on a 30-calendar day average of M&G plc and peer group companies preceding the performance period. The end point was based on an average of the last 30-calendar days of the performance period.

Annual Report on Remuneration continued

Vesting of 2023 LTIP award

The table below shows the following information for the 2023 awards granted under the M&G Performance Share Plan that are due to vest in 2026:

- the original grant value of the award and performance outcome;
- the number of shares under award at the vesting date including dividend equivalents that have accrued during the performance period and the number of shares vesting based on the performance outcome;
- the estimated value of the vesting shares using the average closing price for the final three months of 2025, £2.6859; and
- the vesting value attributable to the accrual of share price growth and dividend equivalents over the performance period. This has been calculated as the difference between the grant value, which was made at a share price of £1.853, adjusted for the performance outcome and the estimated vesting value.

	Grant value £	Performance outcome	Shares under award at vesting	Shares vesting	Estimated value of shares vesting £	Value attributable to share price movement £	Value attributable to dividend equivalents £
Andrea Rossi	2,187,500	55.6%	1,460,818	812,215	2,181,528	546,688	418,589
Kathryn McLeland	1,305,000	55.6%	871,482	484,544	1,301,437	326,138	249,718

Consideration of risk in relation to incentive plan outcomes

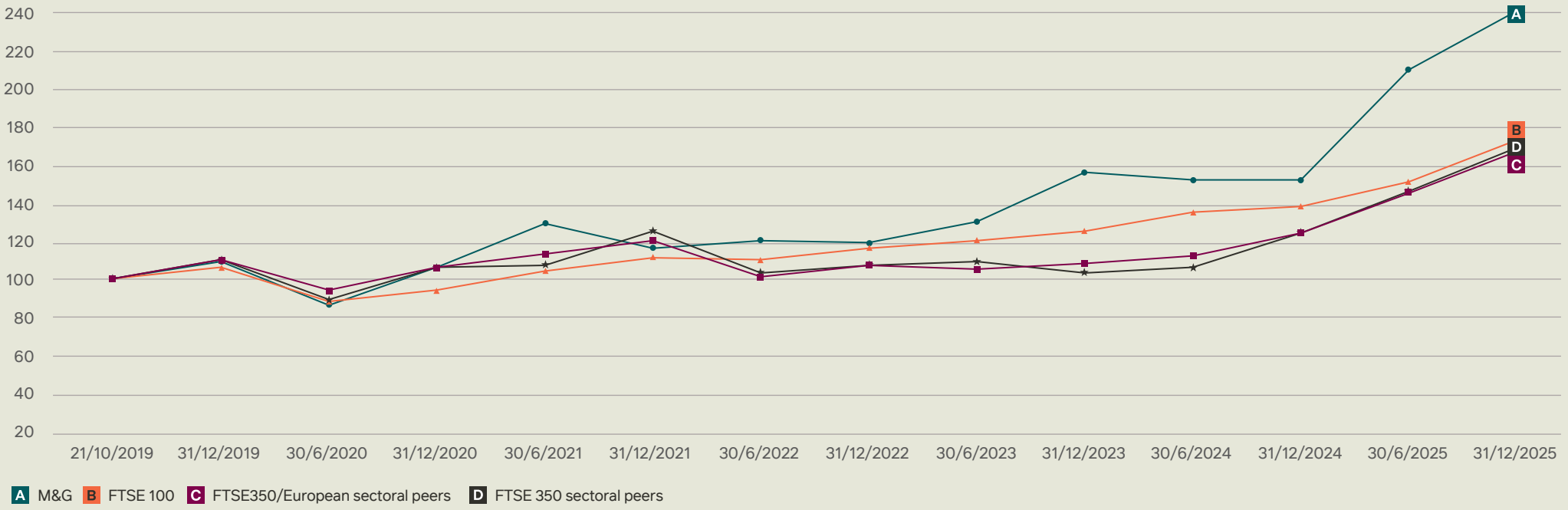
The Committee received an independent review of the control environment and key risk and compliance matters from the Chief Risk and Compliance Officer, as well as input from the Risk Committee and the subsidiary Risk Committees for PAC and MGG. The Committee noted positive progress made across the Group in continuing to embed M&G's risk and control processes, whilst also acknowledging that certain implementation activities will continue into 2026. The review framework considers the management of risk and control at an individual and aggregate level, with specific output received in respect of risk identification; key control design and assessment; issue and notifiable event identification and management; and risk profile against risk appetite. Taking into consideration all information from the report, the Committee determined no scheme level adjustments be required to the 2025 STI outcomes or to the vesting of the 2023 LTIP.

Annual Report on Remuneration continued

Total shareholder return performance graph and Group Chief Executive Officer pay

The performance graph shows the Total Shareholder Return of M&G plc compared to the index constituents of the FTSE 100 and bespoke peer groups of FTSE 350 and FTSE 350/European sectoral firms aligned to the Group's core business activities (Asset Management and Life) for the period beginning October 2019 and ending in December 2025. The comparator performance data selected reflects M&G plc's membership of the FTSE 100 index and the bespoke FTSE 350 and FTSE 350/European sectoral peer firms are included for alignment to LTIP awards granted from 2023 onwards.

Total shareholder return performance graph



The following table sets out a breakdown of Chief Executive remuneration for the performance years 2019 to 2025 inclusive.

	2019 John Foley	2020 John Foley	2021 John Foley	2022 John Foley/ Andrea Rossi	2023 Andrea Rossi	2024 Andrea Rossi	2025 Andrea Rossi
Total remuneration (£'000)	3,281	4,036	4,597	6,990	2,745	2,586	**4,784**
STI as % of maximum	64.3%	59.4%	70.15%	50.6%	79.9%	68.10%	**68.15%**
LTIP as % of maximum	63.5%	59.6%	52.6%	85.5%	N/A	N/A	**55.6%**

2025 is the first year in which Andrea Rossi is in receipt of a vesting LTIP award, granted in 2023.

Annual Report on Remuneration continued

Non-Executive Director single figure total remuneration table (Audited)

The total remuneration for the full year ended 31 December 2025 for the Chair and each Non-Executive Director is detailed below:

2025 Non-Executive Director fees and benefits	Fees for 2025 £'000	Benefits for 2025 £'000	2025 Total £'000	Fees for 2024 £'000	Benefits for 2024 £'000	2024 Total £'000
Sir Edward Braham	525.0	—	525.0	525.0	0.3	525.3
Clive Adamson	149.0	2.7	151.8	254.8	7.2	262.0
Clare Chapman	117.3	6.5	123.7	117.3	16.4	133.7
Paul Evans	129.8	4.4	134.1	32.4	3.3	35.7
Dev Sanyal	112.3	11.4	123.6	112.3	21.5	133.8
Elisabeth Stheeman	112.3	0.7	112.9	46.3	0.4	46.7
Clare Thompson	217.3	1.1	218.3	217.3	0.7	218.0
Massimo Tosato	344.8	18.1	362.8	344.8	26.3	371.1

Notes to the table:

- Benefit values comprise the gross taxable value of expenses relating to travel, including international travel to and from the UK, accommodation and other expenses incurred while undertaking duties as Non-Executive Directors of the Company.
- Sir Edward Braham is eligible for private medical insurance but selected not to take up this benefit over the course of 2025.
- Clive Adamson's fees include £110,000 for his role on the PAC Board during 2024 and pro-rata up to 13 January 2025.
- Paul Evans joined the Board on 1 October 2024 and Elisabeth Stheeman on 1 August 2024. Fees and benefits reflect values from these dates.
- Fees for Clare Thompson include £35,000 for both 2025 and 2024 in respect of her position as Chair of the IFDL Board.
- Massimo Tosato's 2025 and 2024 fees include £250,000 for his role as Chair of the MGG, MAGIM and MAGAIM Boards.

Directors' share interests and other payments (Audited)

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119 Payments for loss of office (Audited)

Awards granted in 2025 (Audited)

The following table provides the details of scheme interests awarded to the Executive Directors during 2025:

Plan	Participant	Type of award	Basis of award	Grant date	End of performance period	Face value at grant £	Number of shares awarded	% payable for threshold performance
Deferred Incentive Plan (STI)	Andrea Rossi	Conditional award	Deferred STI: 50%	01/04/25	N/A	774,680	382,558	N/A
Performance Share Plan (LTIP)	Andrea Rossi	Nil-cost options	% of salary: 250%	01/04/25	31/12/27	2,275,000	1,123,456	6.25%
Performance Share Plan (LTIP)	Andrea Rossi	Nil-cost options	% of salary: 125%	09/06/25	31/12/27	1,137,500	561,728	6.25%
Deferred Incentive Plan (STI)	Kathryn McLeland	Conditional award	Deferred STI: 50%	01/04/25	N/A	461,999	228,147	N/A
Performance Share Plan (LTIP)	Kathryn McLeland	Nil-cost options	% of salary: 225%	01/04/25	31/12/27	1,356,750	670,000	6.25%
Performance Share Plan (LTIP)	Kathryn McLeland	Nil-cost options	% of salary: 50%	09/06/25	31/12/27	301,500	148,889	6.25%

Notes on the scheme interests table:

Andrea Rossi and Kathryn McLeland received deferred STI awards of M&G plc shares on 1 April 2025, representing the 50% deferred value of their 2024 STI.

Andrea Rossi and Kathryn McLeland were also granted LTIP awards of 375% and 275% of salary respectively under the M&G Performance Share Plan. Initial awards of 250% and 225% of salary were granted on 1 April 2025. Following the approval of the Remuneration Policy at the April 2025 AGM, the remaining tranches of the annual award were granted on 9 June 2025 at 125% of salary for Andrea Rossi and 50% of salary for Kathryn McLeland. The number of shares granted for all awards was calculated using the average middle-market closing share price for the three business days immediately preceding the 1 April 2025 award date of £2.025, including for the portion of the LTIP awards granted in June to provide for alignment of terms across the 2025 LTIP.

The 2025 LTIP award is subject to the performance conditions set out in the table below and to a further two-year holding period.

Performance conditions for LTIP awards granted in 2025

2025 LTIP scorecard		Weighting	Threshold	Target	Maximum
	Vesting		0%	50%	100%
Cumulative operating capital generation excluding new business strain (NBS) (£m)		40%	2,295	2,700	3,105
Adjusted operating profit before tax growth		20%	4.0%		8.0%
Diversity - Gender		7.5%	40%	42%	44%
Diversity - Ethnicity		7.5%	10%	20%	22%
	Vesting		25%		100%
Relative TSR		25%	50th p'cile		75th p'cile

Annual Report on Remuneration continued

Definitions

Definitions for the 2025 LTIP measures are provided on pages 127 and 128.

Measurement and vesting

All performance conditions have straight-line vesting between points and are measured over the three-year period 1 January 2025 to 31 December 2027.

For all performance conditions other than TSR there is 0% vesting for performance at or below threshold, 50% at target and 100% at maximum with straight-line interpolation between these points.

The starting point for TSR is based on a 30-calendar day average of M&G plc and peer group companies preceding the performance period. The end point will be based on an average of the last 30-calendar days of the performance period. For this metric there is 0% vesting for performance below threshold, 25% for achieving median (threshold performance) and 100% vesting for achieving upper quartile or above, with straight-line interpolation between these points. The peer group consists of a selection of FTSE 350 and European sectoral peers selected on objective criteria in terms of comparable size, business scope and geography and aligned to M&G's core business activities (asset management, life and wealth management). For 2025 this comprises:

Aberdeen – Amundi – Ashmore – Aviva – DWS – ICG – Jupiter – Just Group – Legal & General – Man Group – Ninety One – Phoenix Group – Quilter – Rathbones – Schroders – St James's Place

Directors' share interests (Audited)

The following table shows the interests that each Director and where applicable their connected persons had in M&G plc shares as at 31 December 2025. This comprises personally/legally owned shares, shares purchased and held within the Company's Share Incentive Plan (SIP) and unvested shares under deferred STI and LTIP awards.

Upon vesting, shares awarded under the LTIP are subject to a two-year holding period. Fully owned shares are included in the 'Shares owned outright' column in the table below. The value of the shares has been calculated using the average closing M&G plc share price for the final three months of 2025, which was £2.6859.

Name	Shares owned outright	Subject to SIP	Deferred STI shares (Conditional awards)	Unvested LTIP awards subject to performance conditions (Nil-cost options)	Vested but unexercised / unreleased LTIP awards in holding period (Nil-cost options)	Total	Value	Multiple of salary (all interests)
Andrea Rossi	200,456	—	920,871	4,343,608	—	5,464,935	£14,678,269	1613%
Kathryn McLeland	176,620	—	644,691	2,399,818	545,190	3,766,319	£10,115,956	1678%
Sir Edward Braham	250,050	—	—	—	—	250,050	£671,609	—
Clive Adamson	9,700	—	—	—	—	9,700	£26,053	—
Clare Chapman	—	—	—	—	—	—	—	—
Paul Evans	—	—	—	—	—	—	—	—
Dev Sanyal	—	—	—	—	—	—	—	—
Elisabeth Stheeman	—	—	—	—	—	—	—	—
Clare Thompson	22,100	—	—	—	—	22,100	£59,358	—
Massimo Tosato	274,900	—	—	—	—	274,900	£738,354	—

There were no changes to the Directors' interests in ordinary shares between 31 December 2025 and 11 March 2026.

Annual Report on Remuneration continued

Shareholding guidelines

The Executive Directors are normally required to build up and maintain a shareholding in the Company under the Directors' Remuneration Policy. Kathryn McLeland is in compliance with the holding requirement. Andrea Rossi was appointed to role in late 2022 and is therefore building his shareholding. It is expected that the requirement will normally be achieved within five years from becoming an Executive Director.

Name	Guidelines	Shares as a % of salary
Andrea Rossi	375% of base salary	203%
Kathryn McLeland	275% of base salary	360%

Holdings as a percentage of salary are shown for Andrea Rossi and Kathryn McLeland as at 31 December 2025. Shares counting towards the holding requirement are shares owned outright, vested conditional awards subject to a holding period and unvested deferred STI awards that do not have performance conditions on a net-of-tax basis.

Payments and adjustments to past Directors and for loss of office (Audited)

As previously disclosed in the 2022 DRR, the former Chief Executive John Foley was eligible for the 2022 LTIP under which 385,922 awards vested in 2025 with a performance outcome of 62% of maximum and a vesting share price of £2.598. These were placed in a two-year holding period. As previously disclosed in the 2021 DRR, John Foley was eligible for the 2021 LTIP under which 1,022,551 awards vested in 2024 with a performance outcome of 90.1% of maximum and vesting share price of £2.205. These were placed in a two-year holding period.

Following identification of weaknesses in the design, scope and implementation of a legacy programme relating to the control environment, the M&G plc Remuneration Committee concluded that it would be appropriate to apply a downward adjustment to certain variable pay awards of a number of former members of senior management deemed to carry a level of accountability for the weaknesses identified, including John Foley who held the position of Chief Executive Officer until October 2022. For John Foley the adjustment comprised the cancellation of 172,839 of the shares vested in 2024 under the 2021 LTIP and retained within the holding period.

No other fees or payments were made to past directors in 2025 and there are no payments for loss of office to report.

Remuneration arrangements throughout the Company

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Workforce remuneration

A Remuneration Policy is in place for establishing standards for the design and operation of remuneration across the Company, and is based on principles consistent with the Directors' Remuneration Policy. The core components of remuneration and how they are operated for colleagues across the Company are explained in the following pages.

The Board has an established approach to how it engages with colleagues, including both formal and informal meetings, and takes careful consideration of conditions across the wider workforce in reaching its decisions. During 2025, there were a number of formal sessions between Non-Executive Directors and colleagues from across the Group. The Non-Executive Directors attended sessions during the year, with colleagues across different geographies and seniority. The purpose of these regular sessions is to give our Board members the opportunity to engage directly with colleagues, gain insights into M&G's culture and understand colleague views and interests. For further information, please see page 34.

Executive remuneration was not specifically discussed at these events but colleagues had the opportunity to raise questions and issues of importance to them. Management present the key themes and outputs from the OneVoice survey to the Board for consideration and discussion, ensuring the Board maintain consistent oversight of the colleague experience. A remuneration-based question is included in the survey which provides the Committee with additional insight.

The Board and management pay careful attention to the external environment and to conditions across the wider workforce. For 2025 the overall UK annual salary review budget was 3.0%, with spend focused towards the wider workforce and increases for senior management approved on an exceptional basis only. The salary review budget increase for 2026 is also 3.0% and this has been focused towards the wider workforce with increases for senior management applied on a targeted basis only.

Annual Report on Remuneration continued

Remuneration element	Details
Base salary	Base salaries are set at a competitive level taking into account a range of factors including: – The individual's skills, performance and experience; – Internal relativities and wider workforce salary levels; – External benchmark data; and – The size, responsibility and geographical scope of the role. The Company is an accredited Living Wage Employer in the UK. Salaries are reviewed annually. For 2025 the overall UK workforce annual salary increase was 3.0%, with pay rises for senior management and executives managed on an exception basis only. In 2026 a similar approach has been applied with an overall budget of 3.0% and spend focused on roles at junior and mid levels. Budgets across our international locations are determined on the basis of local market conditions but aligned to global principles and guidelines.
Pension	Across the Company all colleagues are eligible to participate in a pension scheme, or equivalent according to local market practice, which is designed to be competitive, but not excessive, in each of the markets in which we operate. Our standard defined contribution scheme in the UK offers a core contribution of 8% of salary with additional matching to a maximum company contribution of 13%, aligned with arrangements for the Executive Directors. Certain UK colleagues have retained the right to accrue benefits under defined benefit schemes, which are closed to new entrants (neither of the Executive Directors is accruing benefits under a defined benefit scheme).
Benefits	Benefit packages are designed to be competitive, but not excessive, aligning with local market practice for businesses with which we compete for talent, and with the culture and values of the Group. Benefits are benchmarked periodically to ensure they remain consistent with these principles. A consistent core and flexible benefit offering operates across our UK businesses. Standard benefits include life, ill-health and critical illness insurances and private medical cover. Colleagues may supplement core benefits with additional cover for both themselves and family members on a self-funded basis and have access to a range of other voluntary programmes including cycle-to-work, a colleague discounts platform and payroll giving. Certain colleagues have entitlement to higher levels of core benefits retained from their employment prior to 2020. Our health and wellbeing support is also regularly reviewed; colleagues in all countries have access to an employee assistance programme, supplemented by additional initiatives as appropriate to the local market as well as to the nature and size of our operations.

Remuneration element	Details
Short-term incentive (STI)	All colleagues are eligible to participate in an STI plan with outcomes closely aligned with business performance, customer outcomes and individual objectives, including the effectiveness of risk management, conduct, culture and behaviours. Bespoke schemes are operated for Investment Management and Distribution colleagues consistent with these principles. Colleagues working within a control function participate in a separate STI plan assessed predominantly on own function performance and overseen by the Risk and Audit Committee Chairs to ensure independence. The Company operates a Group-wide deferral policy under which a proportion of STI over a threshold is deferred over three years with equal pro-rata vesting, typically in M&G plc shares, unless regulation requires a higher level of deferral or an alternative deferral mechanism.
Long-term incentive plans (LTIP)	Participation in the LTIP is reserved for senior management colleagues with the highest influence over the determination and execution of strategic goals, delivery of business performance and creation of shareholder value. The Group Executive Committee and certain other senior management roles, not including individuals in control functions, participate in the performance-based LTIP, aligned with that disclosed for the Executive Directors. Other senior management and control function roles are eligible to receive time vesting awards with no performance conditions. Eligibility to participate is assessed annually.
Colleague share plans	Colleagues in certain locations are eligible to participate in one or more of our all-employee share plans to drive alignment and give the opportunity to share in the overall long-term success of the Company.

Annual Report on Remuneration continued

Group Chief Executive Officer pay ratio

The table below sets out the M&G plc Group Chief Executive Officer pay ratio when compared to pay levels at the 25th, 50th and 75th percentile of M&G's UK workforce for both base salary and total remuneration. We have used Option B as our method for calculating the pay ratio for this report, as this is consistent with our approach and methodology for other publicly reported information on the gender pay gap. Individuals are identified using the gender pay gap methodology, with 2025 full year remuneration then calculated on a basis consistent with the single figure methodology.

	Year	Method	25th percentile	Median	75th percentile
Single figure total remuneration	2025	B	73:1	48:1	34:1
Single figure total remuneration	2024	B	40:1	24:1	18:1
Single figure total remuneration	2023	B	44:1	28:1	20:1
Single figure total remuneration	2022	B	125:1	77:1	50:1
Single figure total remuneration	2021	B	80:1	52:1	36:1
Single figure total remuneration	2020	B	67:1	45:1	31:1
Single figure total remuneration	2019	B	80:1	58:1	35:1
Salary	2025	B	18:1	12.1	8:1
Salary	2024	B	18:1	12:1	9:1
Salary	2023	B	19:1	12.1	9:1
Salary	2022	B	23:1	15:1	10:1
Salary	2021	B	23:1	16:1	11:1
Salary	2020	B	22:1	15:1	11:1
Salary	2019	B	23:1	16:1	12:1

The Company finalised the identification and calculations for the applicable colleagues at the 25th, 50th and 75th percentiles, effective 31 December 2025, following the close of the annual compensation review recommendation period on 19 February 2026. The Remuneration Committee is satisfied that using this population and methodology delivers a representative pay ratio relative to the Group Chief Executive Officer and that the median ratio is reflective of our pay and progression policies and practices.

In comparison to 2024:

- The salary ratio has remained flat at lower quartile and median, and shows a slight decrease at the upper quartile. Andrea Rossi did not receive a pay increase in 2025, whereas a 3% budget was applied to the wider workforce. The outcomes demonstrate a relatively stable environment on salary with greater volatility between years on total remuneration. This is a factor of the interplay between both organisational change and of variability in variable pay and vestings.
- As anticipated in the pay ratio commentary in the 2024 Directors' Remuneration Report, the total remuneration CEO pay gap at all quartile positions is showing a significant year-on-year increase due to the vesting of the first LTIP granted to Andrea Rossi, as shown in the 2025 single figure.

For the purpose of comparing annual changes in pay levels and determining the pay ratio at each percentile, the single figure methodology was used for total remuneration, as disclosed earlier in this report for the Executive Directors. The salary and total remuneration of the representative individuals at each quartile were as follows in the table below. Salary and total remuneration figures for the individuals concerned are based on actual remuneration with no estimates or assumptions made and the Company is satisfied that the quartile positions below are representative of the overall workforce position.

	25th percentile £	50th percentile £	75th percentile £
Total remuneration 2025	65,154	99,810	140,944
Total remuneration 2024	64,462	106,067	147,037
Total remuneration 2023	62,550	99,317	137,804
Total remuneration 2022	53,722	87,789	135,844
Total remuneration 2021	55,716	86,789	124,704
Total remuneration 2020	57,490	85,410	124,603
Total remuneration 2019	46,854	64,707	105,542
Salary 2025	49,800	72,811	107,363
Salary 2024	49,440	72,622	104,194
Salary 2023	46,797	71,016	101,500
Salary 2022	42,500	66,818	97,580
Salary 2021	42,314	63,047	92,000
Salary 2020	44,187	64,500	90,245
Salary 2019	39,484	55,750	77,750

Annual Report on Remuneration continued

Directors vs average employee pay

	2025			2024			2023			2022			2021			2020		
	Change to base salary/ fee	Change to benefits	Change to STI outcome	Change to base salary/ fee	Change to benefits	Change to STI outcome	Change to base salary/ fee	Change to benefits	Change to STI outcome	Change to base salary/ fee	Change to benefits	Change to STI outcome	Change to base salary/ fee	Change to benefits	Change to STI outcome	Change to base salary/ fee	Change to benefits	Change to STI outcome
Andrea Rossi	1%	28%	0%	3%	114%	(11%)	335%	276%	586%	—	—	—	—	—	—	—	—	—
Kathryn McLeland	1%	2%	0%	3%	34%	(11%)	51%	92%	138%	—	—	—	—	—	—	—	—	—
Sir Edward Braham	0%	(100%)	—	—	—	—	24%	—	—	—	—	—	—	—	—	—	—	—
Clive Adamson	(41%)	(62%)	—	1%	477%	—	1%	(63%)	—	—	—	—	2%	—	—	39%	—	—
Clare Chapman	0%	(61%)	—	2%	529%	—	(5%)	(49%)	—	16%	—	—	—	—	—	—	—	—
Paul Evans	300%	34%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dev Sanyal	0%	(47%)	—	2%	(24%)	—	68%	1630%	—	—	—	—	—	—	—	—	—	—
Elisabeth Stheeman	142%	50%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Clare Thompson	0%	63%	—	7%	—	—	9%	(100%)	—	(8%)	—	—	32%	—	—	13%	—	—
Massimo Tosato	0%	(31%)	—	1%	(1%)	—	18%	139%	—	7%	—	—	37%	—	—	—	—	—
UK workforce	4.1%	4.4%	4.2%	6%	10%	(2%)	6%	9%	14%	8%	7%	9%	6%	3%	36%	3%	13%	70%

Notes to the 2024 to 2025 figures

- The percentage changes for the Directors between 2024 and 2025 have been based on the single figure tables on pages 111 and 116.
- No increase was applied to M&G plc Board fees for 2025.
- Benefits for the Non-Executive Directors comprise the gross taxable value of expenses relating to travel, including international travel to and from the UK, accommodation and other expenses incurred while undertaking duties on behalf of the Company. Year-on-year changes are a factor of the number and location of meetings attended.
- Paul Evans and Elisabeth Stheeman joined the Board over the course of 2024.
- Only the Executive Directors are employees of M&G plc. As remuneration is set by reference to the UK market and regulatory practice the UK workforce is considered the most appropriate employee population for the basis of comparison, consistent with that used for calculation of the Group Chief Executive Officer pay ratio.
- The 2025 salary review increase for the UK was 3% with increases for senior management applied on an exceptional basis only. The increase in average salary of 4.1% across the UK workforce over the course of 2025 takes into account specific adjustments and promotions managed outside the main pay review as well as the annual increases. Calculations have been run on a full time equivalent salary basis over a consistent full-year population to provide a like-for-like comparison.
- The increase in benefit costs reflects the impact of employee pay increases over the year, as well as increases in the premium rates for critical illness and private medical insurance.
- The increase in the average STI award of 4.2% is calculated on a consistent population basis to ensure it is a meaningful indicator of workforce experience and is reflective of a combination of STI plan outcomes and the impact of salary increases and promotions over the year.

Relative importance of spend on pay

The below table shows the relative importance of spend on pay compared to shareholder dividends, adjusted operating profit before tax and operating capital generation. These measures have been chosen as they are key performance measures for the business, which are linked to the financial measures in the STI performance scorecard as defined on page 112.

£m	2025	2024	% change
Spend on pay[i]	**1,015**	**1,026**	(1%)
Shareholder dividends (paid in year)	**482**	**468**	3%
Adjusted operating profit before tax	**838**	**837**	0%
Operating capital generation	**765**	**933**	(18%)

i Staff and Employment costs excluding 'other staff costs' as presented in Note 8 to the consolidated financial statements on page 209.

Statement of implementation of Remuneration Policy in 2026

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2026 Salary review

The Committee did not apply a salary increase for either the Group Chief Executive Officer and Chief Financial Officer for 2026. This aligned with the senior management experience for which population salary increases were applied on a targeted basis only, with salary budget focused generally on middle and junior levels of the workforce. The 2026 annual salary review increase budget for the wider workforce in the UK was 3.0%.

Year	Salary £	Salary Increase
Andrea Rossi	910,000	0%
Kathryn McLeland	603,000	0%

2026 Incentive measures

The 2026 scorecards remain in accordance with the policy requirements for the performance conditions to comprise a combination of financial and non-financial measures, with financial measures comprising at least 50% for STI and at least 75% (including TSR) for the LTIP. All measures have transparent, quantifiable targets and appropriate performance ranges.

The 2026 STI scorecard will have:

- 60% financial weighting with measures aligned to profit, capital generation, net client flows from open business and the Asset Management cost-to-income ratio; and
- 40% non-financial weighting with measures aligned to customer satisfaction and investment performance outcomes, colleagues and risk and controls.

The 2026 LTIP scorecard will have:

- 85% financial weighting comprising capital generation, profit growth and relative TSR measures; and
- 15% non-financial weighting with measures aligned to diversity and investment performance.

2026 Short-Term Incentive

The maximum STI opportunity for our Executive Directors in 2026 is unchanged:

- Group Chief Executive Officer – 250% of salary
- Chief Financial Officer – 225% of salary

Deferred short term incentive awards vest over three years pro-rata in three equal tranches.

The following table sets out the 2026 STI scorecard of performance measures and weightings that will apply to both Executive Directors. As these measures and targets are reflective of the Company's annual Business Plan for the year ahead, full details will be disclosed retrospectively, along with the performance outcomes, in the 2026 Annual Report on Remuneration, reflecting the associated commercial sensitivity.

An Asset Management cost-to-income ratio measure has been introduced into the 2026 scorecard in recognition that this is a key performance indicator. The weighting for Net Flows from open business has been increased from 10% to 15%, given its importance to the success of the Group.

	Metrics	Weighting
Financial metrics	Adjusted operating profit before tax plus operating change in Contractual Service Margin (CSM)	17.5%
	Operating capital generation excluding new business strain	17.5%
	Net client flows from open business	15.0%
	Asset Management cost-to-income ratio	10.0%
Non-financial metrics	Life Customer	10%
	Asset Management Customer	10%
	Colleagues	10%
	Risk and controls	10%

Annual Report on Remuneration continued

Definitions

Measure	Additional information
Definitions for the financial measures can be found in the definitions table on page 127 and 128	
Customers	Life customers (10%). Measures covering: – Voice of the Customer and Adviser Satisfaction Scores; and – With-Profits Fund investment performance relative to its benchmark. Asset Management customers (10%). Two measures, weighted 25% to 1-year and 75% to 3-year performance: – Wholesale funds investment performance relative to benchmark/target; and – Institutional funds investment performance relative to benchmark/target.
Colleagues	The sustainable engagement outcome from the average of the colleague opinion surveys (OneVoice) run over the year, relative to a target and performance range.
Risk and controls	Represents two measures, equally weighted, aligned to assessing the effectiveness of risk management culture across the Company. Both measures have quantitative targets and performance ranges. For 2026 these are: – % of high/very high issues overdue; and – % of high/very high issues reopened at high/very high by assurance providers.

2026 Long-Term Incentive

Maximum LTIP awards for our Executive Directors:

– Group Chief Executive Officer – 375% of salary

– Chief Financial Officer – 275% of salary

The table below shows the 2026 LTIP scorecard of performance measures, weightings, targets and performance ranges that will apply to both Executive Directors. The non-financial component will now be split equally at 7.5% between diversity measures and long-term investment performance. An investment performance measure has been introduced as it represents a key indicator of customer outcomes and is a critical enabler of our growth ambitions for the business.

2026 LTIP scorecard		Weighting	Threshold	Target	Maximum
	Vesting		0%	50%	100%
Cumulative operating capital generation excluding new business strain (£m)		40%	2,295	2,700	3,105
Adjusted operating profit before tax growth		20%	4%		10%
Diversity - Gender		3.75%	37%	42%	44%
Diversity - Ethnicity		3.75%	7%	10%	13%
Customer - Investment Performance		7.5%	50%	60%	70%
	Vesting		25%		100%
Relative TSR ranking		25%	50th p'cile		75th p'cile

Definitions for the above measures are provided on pages 127 to 128. Performance conditions have straight-line vesting between points and are measured over the three-year period 1 January 2026 to 31 December 2028.

Annual Report on Remuneration continued

Relative TSR ranking

The peer group consists of a bespoke selection of FTSE 350 and European peers selected based on objective criteria in terms of company size, business scope and geography. The full 2026 award peer group is set out below:

Aberdeen – Amundi – Ashmore – Aviva – DWS – ICG – Jupiter – Legal & General – Man Group – Ninety One – Phoenix Group – Quilter – Rathbones – St James's Place

Non-Executive Director remuneration

The fee structure applicable to the Non-Executive Directors in 2026 is detailed in the table below.

2026 Non- Executive Director fees	2026 fees (£'000)	2025 fees (£'000)
Chair	550	525
Non-Executive Director basic annual fee	80	77.25
Senior Independent Director	30	30
Chair of the Risk Committee	40	40
Chairs of the Audit and Remuneration Committees	40	30
Members of the Audit, Remuneration and Risk Committees	20	17.5
Members of the Nomination and Governance Committee	No fee	10

The Nomination and Governance Committee and the Board carried out a review of fees and composition in relation to the Board and its Committees and agreed the above fees with effect 1 January 2026. The basic annual fee was last increased with effect 1 January 2024 and Committee membership fees 1 January 2023. The Committee Chair fees have previously applied since the demerger in 2019. The Chair fee was also increased from £525,000 to £550,000 to ensure the fee remained appropriate for the skills, experience, complexity and time commitment of the role, with this being the first adjustment to apply since the appointment of Sir Edward Braham in 2022.

Directors' service contracts and letters of appointment

As detailed in the Directors' Remuneration Policy all Executive Directors have service agreements of an indefinite duration that can be terminated by either party by serving 12 months' notice and each of the Non-Executive Directors has a letter of appointment with a mutual notice period of six months.

Annual Report on Remuneration continued

Definitions table

Category	Measure	Definition
Financial		
Profit	Adjusted operating profit before tax	Adjusted operating profit before tax (defined on page 323) is the Group's non-GAAP alternative performance measure used to demonstrate the longer-term performance of the Group as it is less affected by short-term market volatility and non-recurring items than profit before tax. For the short-term incentive this is combined with operating change in Contractual Service Margin (see below) to create a measure aligned to growth and management actions. For the long-term incentive the measure is defined as the average growth achieved over the three-year performance period.
	Adjusted operating profit before tax, plus operating change in Contractual Service Margin (CSM)	Adjusted operating profit before tax (defined on page 323) plus operating change in Contractual Service Margin (CSM). CSM is an IFRS 17 related alternative performance measure for the Life business to ensure recognition of growth and management actions in the period.
Capital generation	Operating capital generation	Operating capital generation is the total capital generation adjusted to exclude tax and market movements relative to those expected under long-term assumptions, and to remove other non-operating items, including shareholder, restructuring and other costs (see page 324 for further definition).
	Operating capital generation excluding new business strain	In order to ensure the measurement of current management's performance is not impacted by the regulatory requirement to hold additional capital against new business written, this is an adapted operating capital generation metric that excludes new business strain. New business strain is a component of underlying capital generation in the Life segment.
Net client flows	Net flows from open business	Net client flows represent gross inflows less gross outflows and provides useful insight into the growth of the business. Gross inflows are new funds from clients. Gross outflows are money withdrawn by clients during the period. Net flows from open business consists of net client flows from Asset Management, PruFund, shareholder annuities and the elements of Other Life which are open to new business. It excludes net flows from our traditional with-profits business, platform and certain elements of Other Life closed to new business. Net client flows includes flows on assets held on the Group's consolidated statement of financial position for our customers, and external client flows on assets belonging to wholesale and institutional clients outside of the Group which are not included in the Group's consolidated statement of financial position and as a result, this measure is not directly reconcilable to the financial statements.
Cost-to-income ratio	The cost-to-income ratio for the Asset Management business	Represents total operating expenses, excluding revaluation of provisions for employee performance awards divided by total fee-based revenues, excluding performance fees.
Shareholder Return	Relative Total Shareholder Return (TSR)	Growth in the value of a share plus the value of dividends paid, assuming that the dividends are reinvested in the Company's shares on the ex-dividend date. Relative TSR compares the share price and dividend performance of the Company with that of the relevant peer group.

Annual Report on Remuneration continued

Category	Measure	Definition
Non-financial		
Customer (STI)	With-Profits Fund investment performance	Performance of the With-Profits Fund, relative to its benchmark, the IA Mixed Investment 20-60% Shares Fund.
	Investment performance of Wholesale and Institutional Funds	The investment performance of wholesale and institutional funds on an asset weighted basis over one and three years, measured against relevant benchmarks/targets, as appropriate.
	Adviser satisfaction score	The percentage of advisers satisfied with the service they receive in respect of illustrations and valuations for new business and service once new business has been written.
	Voice of the Customer	An experiential measure across all Life business brands and products based on customer scores of recent interactions.
Customer (LTIP)	Investment Performance	Investment performance of Wholesale, Institutional and With Profit funds on an asset weighted basis over three (25%) and five years (75%), measured against relevant benchmarks/targets.
Colleague	Engagement	The sustainable engagement score outcome from colleague opinion surveys (OneVoice) relative to a target and performance range.
Diversity	Gender and Ethnicity	Percentage of the senior leadership team, defined as the Executive Committee and their direct reports, that is female/Black, Asian, or minority ethnic at the end of the defined performance period compared to progress against publicly disclosed targets.
Climate	Own emissions reduction	The percentage reduction in the Company's Scope 1, 2 and 3 emissions from the disclosed restated baseline position for 31 December 2019 in the 2019 Annual Report. Targets are aligned to our objective to achieve a near-term carbon emissions reduction of 46% by 2030, and are assessed against the 2019 base year.
Risk, Controls and Conduct	STI: Measures aligned to assessing the effectiveness of risk management culture across the Company. All measures have quantitative targets and performance ranges.	

Annual Report on Remuneration continued

Other related disclosures

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Remuneration Committee

The Remuneration Committee's terms of reference can be found on the Company's website.

The Committee's principal areas of focus are:

- Framework of the remuneration policies: establishing, approving and maintaining the principles and framework of the remuneration policies of the Group.
- Remuneration: determining the design, implementation and operation of remuneration arrangements for the Chair of the Board, Chairs and Non-Executive Directors of subsidiary boards, the Executive Directors, members of Senior Management, 'identified staff' for all remuneration regulations that apply to the Group and overseeing remuneration for individuals whose total remuneration exceeds an amount determined by the Committee from time to time, taking consideration of remuneration arrangements across the wider workforce.

The Remuneration Committee comprises Clare Chapman (Chair), Paul Evans, Clare Thompson and Massimo Tosato. The Committee met 9 times during 2025 and full details of Committee member attendance can be found on page 90 of the Governance Report. Other attendees during 2025 comprised: Sir Edward Braham - Chair, Clive Adamson - Board member, Louise Fowler - Non-Executive Board member of PAC, Dev Sanyal - Board member and Elisabeth Stheeman - Board member. Where appropriate the Group Chief Executive Officer, Chief Financial Officer, Chief People Officer, General Counsel, Chief Risk and Compliance Officer, Reward Director and Deputy Reward Director and from time to time other members of senior management also attended meetings. No individual was in attendance for decisions in respect of their own remuneration.

A summary of the activities undertaken by the Committee is presented below:

Q1 2025	Q2 2025
– Review of the Directors' Remuneration Policy and related shareholder and regulator engagement – Remuneration arrangements for acquisition – Salary review and incentive outcomes for the executives and broader workforce – Annual share grants for STI deferrals and LTIP awards – Performance outcomes of 2024 STI and 2022 LTIP awards – Performance measures and targets for 2025 incentive plans – Completion and disclosure of the 2024 Annual Remuneration Report – 2025 individual performance objectives for the executives	– AGM – Review and approval of remuneration arrangements and appointment and leaver terms for roles falling under the remit of the Committee

Q3 2025	Q4 2025
– Approval of remuneration arrangements for roles falling under the remit of the Committee – Incentive performance measures for 2026 plans – Consideration of risk adjustments	– Incentive plan forecasts and performance measures and targets for 2026 incentive plans – Consideration of risk adjustments – Annual review of remuneration governance, including regulatory compliance – Board Chair and Material Subsidiary Board fees

External advisers to the Committee

Deloitte were appointed as advisers to the Remuneration Committee in December 2020 following a formal tender process to provide guidance and advice to the Committee. Deloitte are founding members of the Remuneration Consultants Group and provide advice in line with its Code of Conduct. The Committee is satisfied that the advice received from Deloitte is objective and independent and is comfortable that Deloitte do not have connections with any individual M&G plc Directors that may impair their independence and objectivity. It is noted that Elisabeth Stheeman serves as a Non-Executive Independent Director for Deloitte as detailed on page 83. Elisabeth Stheeman is not a member of the Remuneration Committee and Deloitte were selected as advisers prior to her joining the M&G Board. Upon her appointment the Board satisfied itself that any potential conflicts of interest would be managed.

In addition to advice regarding remuneration, separate teams from Deloitte also provided other unrelated professional services to the Group during the year, including technology consulting, tax advisory, finance and accounting and also cyber strategy services.

Key areas of advice provided to the Committee by Deloitte related to the Directors' Remuneration Policy review and 2024 Directors' Remuneration Report, 2025 incentive structures and measures, remuneration arrangements for Executive Directors and the Executive Committee and regulatory advice.

The total fees for 2025 charged by Deloitte on a time and expenses basis were £121,150.

Consideration of risk

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

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

- The effectiveness of the risk and control environment, material events and specific conduct and compliance issues over the one and three-year performance periods of awards to enable the Remuneration Committee to determine if the outcome of schemes are appropriate or if any adjustments should be applied at scheme or individual level, and the appropriateness of scheme design for the coming year.

Input from the report is also used to assess whether there have been any events that warrant the consideration of malus and/or clawback on previously determined awards. Any adjustments applied to scheme outcomes for the Executive Directors will be explained in the relevant Remuneration Report.

Sustainability risk

As a responsible investor we consider the sustainability risks of all our investments and advice by taking into consideration sustainability 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 CRCO risk and compliance report and adherence to relevant principles and policies is monitored and reported to the Remuneration Committee as part of this report. In accordance with the M&G Remuneration Policy, significant failings to meet the required standards of these principles and policies will be transparently reflected in the determination of remuneration outcomes.

Operation of the policy

The Committee is satisfied that the policy has operated as intended in respect to alignment of remuneration outcomes and quantum with company performance and key principles.

Consideration of shareholder views

In the lead up to the 2025 AGM the Company engaged with our largest shareholders, comprising 70% of the shareholder base, proxy advisory bodies and regulators to understand their views on the proposed changes to the Directors' Remuneration Policy and incentive scorecard review. We responded to feedback and took this into account in our final proposals which received positive support at the AGM.

The Committee will continue to monitor trends and changes in best practice guidelines issued by institutional shareholder bodies, shareholder governance teams and corporate governance requirements to ensure remuneration at M&G plc remains appropriate, and to engage with shareholders on the effectiveness of the Remuneration Policy, its implementation and on matters of importance as and when they arise.

Annual Report on Remuneration continued

Voting outcomes at the Annual General Meeting (AGM) 2025

The following table provides the voting outcomes for the Directors' Remuneration Policy and for the 2024 Annual Remuneration Report, which were both approved at the April 2025 AGM.

Voting item	For	Against	Abstain
Directors' Remuneration Policy	90.4%	9.6%	
	1,254,557,001	133,504,687	186,750,418
2024 Remuneration Report	97.9%	2.1%	
	1,358,399,387	29,627,193	186,777,348

Votes withheld are not votes in law and therefore have not been counted in the calculation of the proportion of the votes for and against a resolution.

Share dilution

All share plans operated by M&G plc which permit awards to be satisfied by issuing new shares contain dilution limits that comply with the guidelines produced by the Investment Association on 31 December 2018. As at 31 December 2025 M&G plc's standing against these dilution limits was:

- 4.53% (2024: 4.95%) where the guideline is no more than 5% in any ten years under all discretionary share plans; and
- 5.85% (2024: 6.57%) where the guideline is no more than 10% in any ten years under all share plans.

Statement on external directorships

Details of external directorships held by the Executive Directors can be found on pages 81-83 of the Annual Report.

The Directors' Remuneration Report was approved by the Board on 11 March 2026.

Clare Chapman
Remuneration Committee Chair
11 March 2026

Directors' Remuneration Policy

Directors' Remuneration Policy Summary

Remuneration Policy for Executive Directors

The 2025 Directors' Remuneration Policy was approved by shareholders at the 2025 AGM with 90.4% approval and took effect from that date. A summary of the Policy is provided below and over the following pages.

The full approved Policy is set out in our 2024 Annual Report and Accounts, which can be found on our website at group.mandg.com/investors/results-and-announcements/annual-report-2024.

Remuneration element	Policy
Base salary	Base salaries are appropriately positioned to attract and retain executives with the required skills and experience to deliver our strategic objectives and are normally reviewed annually with increases normally effective from 1 April each year. Any increase will normally be below or in line with increases for the general workforce in an ordinary year, although the Remuneration Committee will retain the discretion to award increases at a level greater than that applied to the general workforce if deemed appropriate to do so.
Benefits	Benefits are provided to ensure our remuneration packages are appropriate to attract and retain executives with the required skills and experience to deliver our strategic objectives. Benefits are provided to Executive Directors at a market competitive level, taking into account benefits offered to other employees within M&G and include but are not limited to life assurance, disability and critical illness insurance, private health insurance including eligibility for his or her spouse or civil partner and dependent children and annual health screening.
Pension	Employer contributions of 13% of salary aligned with the general workforce. These may be received in part or in full in cash.
Short-Term Incentives (STI)	STI awards are subject to an annual limit of 250% of base salary for the Executive Directors. A threshold, target and maximum performance level is set for each measure, with an outcome of 0% for threshold performance or below and 50% of maximum for on-target performance. The Remuneration Committee has discretion to adjust formulaic outcomes if they are not considered to be representative of the overall performance of the Company. Performance outcomes may be subject to a discretionary downward risk adjustment. 50% of any STI payable to an Executive Director will normally be deferred over three years into an award over M&G shares under the Deferred Incentive Plan. The rate of deferral may be adjusted upwards and a post-vesting holding period may be applied to meet remuneration regulatory requirements where required. Dividend equivalents may accrue on deferred share awards and may also accrue during any applicable post-vesting holding period. Malus and/or clawback provisions apply to both cash and deferred STI awards.
Long-Term Incentive Plan (LTIP)	LTIP awards are subject to a limit of 375% of base salary in respect of any financial year. Awards are normally granted annually over M&G plc shares and are subject to performance conditions measured over a three-year vesting period from 1 January of the year of grant with vesting occurring on the third anniversary of the grant date. Vested awards are subject to an additional holding period of two years. The performance conditions may comprise a combination of financial (including TSR) and non-financial measures, with financial measures normally comprising at least 75% of the scorecard. A threshold and maximum performance level is set for each measure, with straight-line interpolation for performance between these levels. At threshold performance, 0% will vest for all metrics with the exception of TSR, for which 25% will vest. There is zero vesting for performance below the threshold. Maximum performance will result in 100% vesting. The Remuneration Committee has discretion to adjust formulaic outcomes if they are not considered to be representative of the overall performance of the Company and performance outcomes may be subject to a discretionary downward risk adjustment. Dividend equivalents may accrue on LTIP awards and may also accrue during any applicable post-vesting holding period. Malus and clawback provisions apply during the vesting and holding periods.

Directors' Remuneration Policy continued

Malus and clawback

All STI and LTIP awards operated by M&G are subject to malus and clawback provisions in the following circumstances:

Application to STI	– Cash STI – Deferred STI (in shares)	– Clawback for 3 years from the payment date – Malus for the 3-year vesting period
Application to LTIP	– 3-year vesting period – 2-year holding period	– Malus for the 3-year vesting period – Clawback for the 2-year holding period

These periods are considered appropriate and proportionate as they extend beyond the applicable performance period and allow a suitable time horizon for any issues to be identified and for the Committee to ensure an appropriate response.

The circumstances in which the Remuneration Committee may consider the application of malus and/or clawback are defined in the plan rules and can be summarised as follows:

- a material misstatement of published accounts;
- an error in the calculation of performance outcomes or such calculation being based on inaccurate information;
- material risk management failures;
- reasonable evidence of individual misconduct or material error;
- breach of an applicable law, regulation or code of practice and/or failure by the individual to meet standards of fitness and propriety;
- actions or responsibility for conduct leading to significant loss(es) and/or reputational harm to the company or any Group Member;
- material downturn in financial performance; or
- corporate failure.

Malus can be applied to an alternative unvested award to satisfy a clawback event on a vested/released award. The periods that malus and clawback apply may be extended if required to meet regulatory requirements.

Legacy arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office where the terms of payment:

- came into effect before this policy was approved and implemented (including where such payments are in line with a previously approved policy); and
- were agreed at a time when the individual was not a Director of the Company and, in the opinion of the Committee, the payment is not in consideration for the individual becoming a Director.

Remuneration Committee discretion

The Remuneration Committee retains discretion in the operation and administration of the Directors' Remuneration Policy, noting that no material changes will be made to the advantage of the Executive Directors without obtaining shareholder approval.

Shareholding requirement

Executive Director	Shareholding requirement
Group Chief Executive Officer	**375% of base salary**
Chief Financial Officer	**275% of base salary**

Executive Directors must normally attain the shareholding requirement and maintain this level of holding within five years of becoming an Executive Director, and a post-employment shareholding requirement will be operated for two years post-employment.

External appointments

The Executive Directors may take up external directorships and retain the fees for such appointments with the approval of the Board.

Remuneration regulations

This policy has been designed to ensure compliance with all remuneration regulations applicable to the Company. The Remuneration Committee reserves discretion to amend the Policy if it is required to do so in order to maintain compliance with any new or amended regulations.

Remuneration Policy for new appointments

Remuneration packages for new Executive Directors (including those promoted internally) will be in line with the requirements of this Policy, including maximum incentive levels, and will be determined on the principle of delivering remuneration that is proportionate and not more than what is necessary to recruit and secure talented individuals with the requisite levels of skills and experience, ensuring that the cost to secure the right candidate is appropriate. If required, awards may be granted to replace awards or amounts forfeited by a previous employer (buyout awards). Any buyout awards would be limited to what is considered to be a fair estimate of the value of remuneration forfeited and with equivalent terms. As buyout awards may cover multiple years of awards from a previous employer, the grant value is not subject to the maximum limits described in this policy.

Service agreements

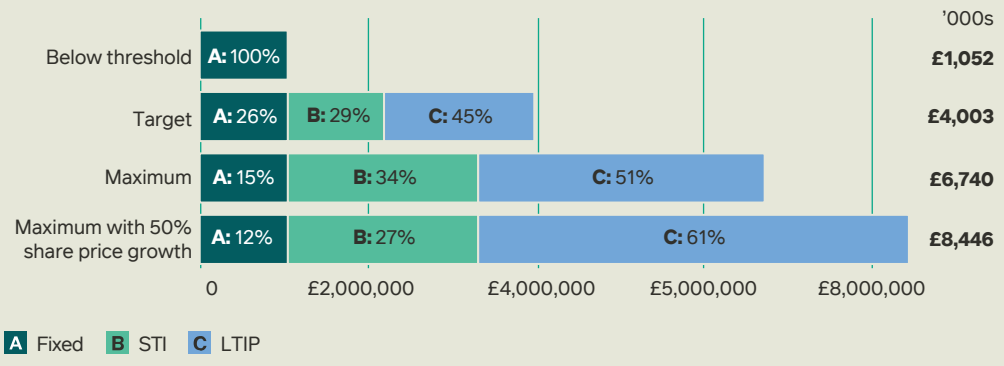
All Executive Directors have service agreements of an indefinite duration that can be terminated by either party by serving 12 months' notice. The service contracts are available for inspection on request from the Company's offices.

Directors' Remuneration Policy continued

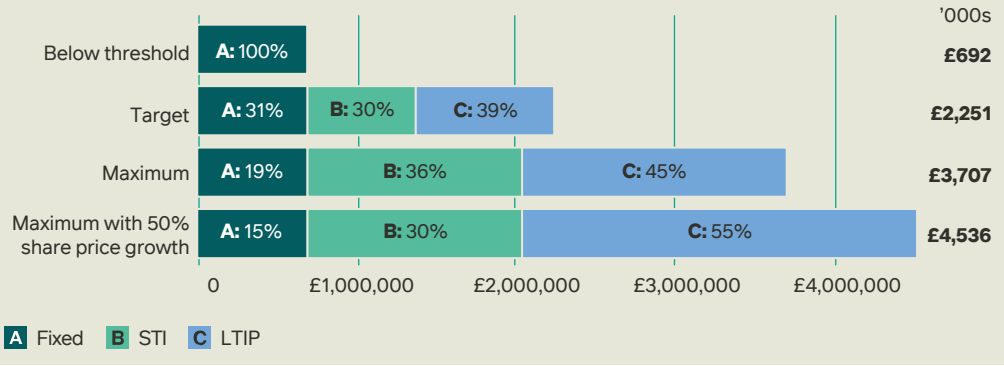
Scenario charts

This Policy is designed to ensure that executive remuneration is directly aligned with the delivery of key financial and non-financial performance objectives and the creation of shareholder value, achieved in accordance with the Company's policies and values for risk management, conduct, customer and culture. The majority of the remuneration packages are in the form of incentive awards with the maximum values only achievable with significant outperformance of Business Plans and objectives. The LTIP and 50% of the STI award are delivered in shares to maintain close alignment with shareholders. The table below illustrates the potential earnings of each Executive Director in four performance scenarios:

Group Chief Executive Officer - Andrea Rossi



Chief Financial Officer - Kathryn McLeland



The performance scenarios incorporate the following assumptions:

Fixed remuneration	Base salary, pension and benefits
Target remuneration	Fixed remuneration STI with a 50% outcome for on-target performance LTIP with a 53.125% outcome for on-target performance
Maximum remuneration	Fixed remuneration and maximum STI and LTIP
Maximum remuneration with 50% share price growth	Maximum remuneration, with shares granted under the LTIP increasing in value by 50% from the share price at grant

Loss of office

Termination terms to be determined by reference to the service agreement, this Policy, the rules of the relevant incentive plans, relevant regulatory requirements and the signing of a settlement agreement, as detailed in the full Remuneration Policy.

Remuneration arrangements throughout the Company

The Committee takes careful consideration of remuneration arrangements for employees across the Company in determining the Remuneration Policy and its implementation, and considers the impact of Board or management decisions on pay on the wider population.

Remuneration Policy for Non-Executive Directors

Element	Policy
Fees	Reviewed annually taking account of the time commitment and responsibilities of the roles and market reference points for comparable FTSE organisations.
Benefits	The Chair and Non-Executive Directors are not eligible to participate in the Company's pension or incentive arrangements. Benefits may be provided in specific circumstances to the Non-Executive Directors that are immaterial in nature and value, up to a maximum value of £1,000. Reasonable expenses may be reimbursed by the Company. The Company may pay any tax due on reimbursed expenses. The Chair is eligible to receive private medical insurance.
Recruitment	Normally aligned with the fee structure applicable to other Non-Executive Directors at the time of appointment.

Directors' Report

Directors' Report

The Directors present their Report for the financial year ended 31 December 2025. The information that fulfils the requirements of the Corporate Governance Statement for the purposes of the FCA's DTRs can be found in the governance section of the Annual Report on pages 79-139 (all of which forms part of this Directors' Report) and in this Directors' Report.

Directors

The names and details of the current Directors, along with their biographical details as at the date of this Report, are set out on pages 81-83.

Details of the Directors' and executives' beneficial interests in the share capital of the Company can be found in the Directors' Remuneration Report on page 118.

Powers of the Board

The Board may exercise all powers conferred on it by the Company's Articles of Association (Articles) and the Companies Act 2006. This includes the powers of the Company to borrow money and to mortgage or charge any of its assets (subject to the limitations set out in the Companies Act 2006 and the Company's Articles which can be found on our website) and to give a guarantee, security or indemnity in respect of a debt or other obligation of the Company. The Articles also govern the appointment and replacement of Directors (so long as the number of Directors does not exceed the limit prescribed in the Articles). The Board has the power to appoint additional Directors or to fill a casual vacancy amongst Directors. Any such Director only holds office until the next AGM and may offer themselves for election.

Information included in the Strategic Report

The Company's Strategic Report on pages 1-77 includes the following information that would be otherwise be required to be disclosed in this Directors' Report:

Subject matter	Page reference
Corporate responsibility governance	75
Employment practices and engagement	34
Greenhouse gas emissions	66
Charitable donations	77
Assessing and monitoring culture	85
Internal control and risk management objectives and policies	40-41
Business review and future developments of the business	18-31
Stakeholder engagement with suppliers, customers and others	34-36

In addition, the principal risks set out on pages 42-48, the financial instruments set out on page 231, the changes in borrowings set out on pages 260-262 and the Shareholder Information on page 339 are incorporated by reference into the Directors' Report.

Requirements of UK Listing Rule 6.6.1R

Information to be included in the Annual Report and Accounts under UK Listing Rule 6.6.1R, where applicable, can be found as follows:

Subject matter	Page reference
Details of long-term incentive schemes	125
Shareholder waivers of dividends	136
Shareholder waivers of future dividends	136
Publication of unaudited financial information	323

Share capital

Issued share capital

The issued share capital as at 31 December 2025 consisted of 2,412,524,010 ordinary shares of 5 pence each, all fully paid up and listed on the London Stock Exchange. At 31 December 2025, the Company held 3,414,030 ordinary shares in Treasury. Accordingly, at 31 December 2025, the total number of voting rights in the Company was 2,409,109,980.

Rights and obligations

The rights and obligations attaching to the Company's shares are set out in full in the Articles. There are currently no voting restrictions on the ordinary shares, all of which are fully paid and each share carries one vote on a poll. If votes are cast on a show of hands, each shareholder present in person or by proxy, or in the case of a corporation, each of its duly authorised corporate representatives, has one vote except that if a proxy is appointed by more than one member, the proxy has one vote for and one vote against if instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. Where, under an employee share scheme, participants are the beneficial owners of the shares but not the registered owners, the voting rights are normally exercisable by Apex Group Fiduciary Services Limited and Equiniti Share Plan Trustees Limited (The Trustees) in accordance with the relevant plan rules. The Trustees would not usually vote any unallocated shares held in trust, but they may do so at their discretion provided it would be considered to be in the best interests of the beneficiaries of the trust and permitted under the relevant trust deed. As at 5 March 2026, Trustees held 1.67% of the issued share capital under the various plans in operation. Rights to dividends under the various schemes are set out in the Directors' Remuneration Report.

Directors' Report continued

Restrictions on transfer

In accordance with English company law, shares may be transferred by an instrument of transfer or through an electronic system (currently CREST) and any transfer is not restricted except that the Directors may, in certain circumstances, refuse to register transfers of shares but only if such refusal does not prevent dealings in the shares from taking place on an open and proper basis. If the Directors make use of that power, they must send the transferee notice of the refusal within two months. Certain restrictions may be imposed from time to time by applicable laws and regulations (for example, the UK Listing Rules and insider trading laws), as well as under the rules of some of the Group's employee share plans. All Executive Directors are required to hold a minimum number of shares under guidelines approved by the Board, described on page 119 of the Directors' Remuneration Report.

The Company is party to an Implementation Agreement entered into on 30 May 2025 with Dai-ichi Life Holdings, Inc. (Dai-ichi Life HD) in connection with a long-term strategic partnership across Asset Management and Life. The Implementation Agreement contains provisions relating to Dai-ichi Life HD's shareholding and governance rights in the Company. Further information on the strategic partnership can be found in the announcement ('Dai-ichi Life HD and M&G establish long-term strategic partnership') on the Company's website.

▶ **Find out more in our press releases** on group.mandg.com

In the Implementation Agreement, Dai-ichi Life HD has agreed to the following restrictions on the transfer of its shares in the Company (subject to customary exceptions): (i) lock up arrangements which last until the earlier of (a) the termination of the Implementation Agreement or (b) for two years following Dai-ichi Life HD's shareholding in the Company reaching 15%; (ii) a standstill restriction (which applies for the duration of the Implementation Agreement and for nine months following its termination), which prevents Dai-ichi Life HD acquiring shares above 19.99% of the Company's issued share capital; and (iii) other restrictions relating to disposals of shares, including restrictions on selling a significant number of shares in a short period and a restriction on transferring shares to certain restricted persons without the consent of the Company (which apply for the duration of the Implementation Agreement and for nine months following its termination).

Authority to issue shares

The Directors require authority from shareholders in relation to the issue of shares. Whenever shares are issued, these must be offered to existing shareholders pro-rata to their holdings unless the Directors have been given authority by shareholders to issue shares without offering them first to existing shareholders. M&G plc will seek authority from its shareholders on an annual basis to issue shares up to a maximum amount, of which a defined number may be issued without pre-emption. Dis-application of statutory pre-emption procedures is also sought for rights issues. Relevant resolutions to authorise share capital issuances will be put to shareholders at the 2026 AGM.

Authority to purchase own shares

The authority for the Company to purchase in the market for up to 240,779,400 of its ordinary shares (representing 10% of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM) granted at the Company's last AGM, expires on the date of the forthcoming AGM.

The Company has not utilised the authority obtained at the 2025 AGM. Shareholders will be asked to give a similar authority to purchase shares at the forthcoming 2026 AGM.

Major shareholders

Information provided to the Company by substantial shareholders pursuant to the Disclosure Guidance and Transparency Rules (DTRs) are published via a Regulatory Information Service and is available on the Company's website.

As at 31 December 2025, the Company had been notified under Rule 5 of the DTRs of the following holdings of voting rights in its shares. Between 31 December 2025 and 5 March 2026 (the latest practicable date for inclusion in this report), the Company has not received any additional notification pursuant to Rule 5 of the DTRs.

Other than as disclosed in relation to the Implementation Agreement with Dai-ichi Life HD, the Company is not aware of any agreements between holders of securities which may result in restrictions on the transfer of securities or on voting rights.

Shareholder	% of total voting rights
BlackRock, Inc.	7.21%
Dai-ichi Life Holdings, Inc.	9.60%
Kingdom Holding Company	6.37%
Norges Bank	3.99%[i]
Silchester International Investors LLP	4.99%[ii]

i The actual shareholding of 3.995% would, under normal rounding conventions, be presented as 4%. However, as this level would trigger an additional disclosure threshold under the Disclosure Guidance and Transparency Rules and given that all figures are reported to two decimal places, the percentage has been rounded down to 3.99%.

ii The actual shareholding of 4.997% would, under normal rounding conventions, be presented as 5%. However, as this level would trigger an additional disclosure threshold under the Disclosure Guidance and Transparency Rules and given that all figures are reported to two decimal places, the percentage has been rounded down to 4.99%.

Directors' Report continued

On 8 March 2022, Schroders plc notified the Company pursuant to the Disclosure Guidance and Transparency Rules of a reduction in its shareholdings from 5.22% to 4.98%. The Company has since confirmed that Schroders plc has reduced its shareholdings to a level which no longer needs to be disclosed and the Company has therefore excluded Schroders plc from the table of its major shareholders notwithstanding that this change in position was not notified to the Company pursuant to the Disclosure Guidance and Transparency Rules.

Between 31 December 2025 and 5 March 2026 (the latest practicable date for inclusion in this report) there have been no changes to the table of major shareholders.

Dividend information

The Directors have declared a second interim dividend for the financial year ended 31 December 2025 of 13.8 pence per Ordinary Share which will be paid out of distributable reserves. Below is a table of the key dates and further information regarding the dividend can be found on our website.

2025 dividend	Shareholders registered on the UK register
Ex-dividend date	19 March 2026
Record date	20 March 2026
Payment date	30 April 2026

A number of dividend waivers are in place and these relate to shares issued but not allocated under the Group's employee share plans. These shares are held by the Trustees and will, in due course, be used to satisfy requirements under the Group's employee share plans. As at 5 March 2026 (the latest practicable date for inclusion in this report), the Company held 3,414,030 shares in Treasury. Treasury shares are not taken into consideration in relation to the payment of dividends.

Cash dividend alternative

The Company operates a Dividend Reinvestment Plan (DRIP). Shareholders who have elected for the DRIP will automatically receive shares for all future dividends in respect of which a DRIP alternative is offered. The election may be cancelled at any time by the shareholder. Further details of the DRIP can be found on our website. The ability to receive dividend payments by cheque was withdrawn during 2021.

Dividends will be paid directly via bank mandate or shareholders can join the DRIP to use their dividend to purchase further M&G plc shares. Receiving dividends in this way, rather than by cheque, means shareholders can receive funds more quickly and securely.

Political donations

The Group does not make political donations or incur political expenditure within the ordinary meaning of those words and nor did it in 2025. However, the definitions of political donations, political parties, political organisations and political expenditure used in the UK Companies Act 2006 are broad. As a result, they may cover routine activities that form part of the normal business activities of the Group and are an accepted part of engaging with stakeholders, such as sponsoring events or supporting policy reviews where M&G has a legitimate business interest in policy development. While the Group prohibits political donations, the Group believes it appropriate to seek authority from shareholders in making political donations at the AGM in order to avoid inadvertent breaches.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. In the context of the Group as a whole, none of these are deemed to be significant in terms of their potential impact except for those listed below.

Credit facility

Under a £1,200 million multi-currency revolving credit facility between the Company and the banks and financial institutions named therein as lenders (Lenders) dated 14 November 2025 (the Facility), in the event that any person or group of persons acting in concert directly or indirectly gains control of the Company and its subsidiaries, then any Lender may elect within a prescribed time frame to be replaced by a new lender, or to cancel its commitment, under the Facility whereupon the Company shall be required to repay each loan made to it on the last day of the interest period for that loan and any loan repaid may be re-borrowed from a new lender, subject to the terms of the Facility.

Dai-ichi implementation agreement

The Implementation Agreement entered into on 30 May 2025 with Dai-ichi Life HD includes a termination right in favour of Dai-ichi Life HD in the event of a change of control of the Company to a competitor of Dai-ichi Life HD. The provisions of the Implementation Agreement will generally fall away on termination, except that certain restrictions on the transfer of shares in the Company by Dai-ichi Life HD fall away nine months after the termination date.

Risk management objectives and policies

Details of the framework which allows M&G to manage risk within agreed appetite levels are set out on pages 40-41. In this section is information on risk culture and governance, systems of internal control, how risks are categorised and how risk appetites and levels are set. Specific information around risk management objectives, policies (eg hedging) and exposure (eg market, credit, insurance, liquidity risk) is contained in the financial statements on pages 276-296.

Environmental, employee and social policies

Further information relating to environmental, employee and social policies (including community and human rights) can be found on page 57 of this Report.

Directors' Report continued

Equal opportunities and employment of disabled persons

M&G plc's Global Diversity and Inclusion Policy ensures that equal opportunities are afforded to all colleagues, candidates and suppliers in an environment in which each is treated with dignity and respect. Defined processes are in place to ensure diversity and inclusion is embedded in the culture of the workplace and that we comply with statutory and regulatory requirements in the local labour market; provide equal opportunity for all who apply for and perform work for M&G plc irrespective of sex, race, age, ethnic origin, educational, social and cultural background, marital or civil partnership status, religion or belief, sexual orientation, military service or disability; and allow for workplace adjustments to support those with special requirements. We also encourage the same standards of our recruitment and consultant suppliers.

The Company's targets around women in senior executive positions can be found on page 38 and the proportion of women on the Board and in senior executive positions can be found on page 39. The Company's ethnicity targets can be found on page 38. We provide workplace adjustments for colleagues with a temporary or permanent disability to ensure that both their individual role and M&G more broadly as a workplace remains accessible to them. Where workplace adjustments alone do not enable a colleague to continue in their role we aim to provide support to colleagues in identifying alternative roles.

Research and development

In the ordinary course of business, the Group develops new products and services in each of its businesses.

Conflicts of interest

The Company's Articles of Association allow the Board to authorise conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The Group has established procedures whereby actual and potential conflicts of interest are regularly reviewed, appropriate authorisation is sought prior to the appointment of any new Director and new conflicts are addressed appropriately. The decision to authorise a conflict of interest can only be made by non-conflicted Directors and, in making such decisions, the Directors must act in a way they consider, in good faith, would be most likely to promote the Company's success.

Directors' indemnities and insurance

The Company maintains Directors and Officers Liability insurance cover in respect of legal actions brought against its Directors and Officers. Pension Trustee Liability insurance is also in place to cover legal actions brought against pension trustees of the Group's pension schemes managed for staff pensions. The policies include coverage for M&G plc and its subsidiaries. Qualifying third-party indemnity provisions are also available for the benefit of the Directors of the Company and certain other such persons, including certain Directors of the other companies within the Group. Qualifying pension scheme indemnity provisions are also in place for the benefit of certain pension trustee Directors within the Group.

Branch registrations

The Group has registered branches in Belgium, France, Germany, Italy, The Netherlands, Poland, South Korea, Spain, Sweden and the UK.

Events since the end of the financial year

For further information on events since the reporting date, please see Note 38 on page 304.

Independent Auditors

The Directors are recommending the reappointment of PricewaterhouseCoopers LLP as the Group's statutory auditor at the 2026 AGM.

Statement of disclosure of information to the auditor

Each Director of the Company confirms that, as far as each is aware, there is no relevant audit information of which the Company's auditor is unaware and that each of the Directors has taken all reasonable steps to ascertain any relevant audit information and to ensure the Company's auditor is aware of that information.

Signed on behalf of the Board of Directors

Charlotte Heiss
General Counsel and Company Secretary
11 March 2026

Statement of Directors' responsibilities

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

The Board requested that the Audit Committee review the Annual Report and provide its opinion on whether the report is fair, balanced and understandable. The Audit Committee's opinion is on page 98.

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 the 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.

For further information on the comprehensive process followed by the Board in order to reach these conclusions please refer to the Audit Committee Report on pages 97-102.

Signed on behalf of the Board of Directors

Andrea Rossi
Group Chief Executive Officer
11 March 2026

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Independent auditors' report

to the members of M&G plc

Report on the audit of the financial statements

Opinion

In our opinion:

- M&G plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2025 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated and Company statements of financial position as at 31 December 2025;
- the Consolidated income statement, Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of changes in equity and the Consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

During the period, a PwC network firm was engaged by a controlled undertaking of the Group to provide a valuation service. The service was provided for the first time in November 2024, and fees were charged in relation to this service. As soon as the prohibited non-audit service was identified, it was immediately stopped. This is a prohibited non-audit service under paragraph 5.40 of the FRC Revised Ethical Standard 2019, and section 5.40 of the FRC Revised Ethical Standard 2024.

The entity that the non-audit service was provided to is a fund in which the Group holds an interest on behalf of its life policyholders. It is not a component for the purposes of our audit of the Group's consolidated financial statements. We confirm that, based on our assessment of this breach, the nature and scope of the services and the subsequent actions taken, the provision of the services has not affected our professional judgement or independence in connection with our audit of the year ended 31 December 2024 or the year ended 31 December 2025.

Other than those disclosed in Note 9, we have provided no non-audit services to the Parent Company or its controlled undertakings in the period under audit.

Our audit approach

Context

The Group is an international asset manager and insurer. Its operations primarily consist of the legal entity operations in the United Kingdom, Europe and Asia. Given the activities of the Group, we have established teams with the relevant industry experience in all significant locations in which the Group operates. In addition to forming this opinion, in this report we have also provided information on key audit matters we discussed with the Audit Committee, setting out a description of the matter, how we approached the audit in these areas, and our conclusion. In designing our audit approach, we have considered the impact that climate change could have on the Group, including physical or transitional risks which could arise. In particular, we have assessed the impacts on the financial statements of the commitments related to climate change which the Group has made.

Independent auditors' report continued

Overview

Audit scope

- Our audit scope has been determined to provide coverage of all material financial statement line items, and as part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.
- The Group has three operating segments, Asset Management, Life and Corporate Centre. Each operating segment includes a number of reporting components across different locations and legal entities.
- We tailored our in-scope components based on our assessment of inherent risk and their financial significance to the consolidated financial results. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.
- We conducted audit testing over twenty one components. These were selected based on our assessment of inherent risk and their financial significance to the consolidated financial results.
- We selected three components to be in scope as they were significant due to size or risk.
- We determined to perform additional procedures on certain balances and transactions in a further eighteen non-significant components.
- Our audit scope provided coverage over 85% of IFRS Profit before tax, 83% of Total assets, and 95% of Total liabilities.

Key audit matters

- Valuation of hard to value financial investments (level 3) (Group)
- Valuation of hard to value plan assets (level 3) and Valuation of defined benefit pension obligations (Group)
- Valuation of insurance contract liabilities: Annuitant mortality (Longevity) (Group)
- Valuation of insurance contract liabilities: Credit default allowance for annuity contracts (Group)
- Valuation of insurance contract liabilities: Expenses (Group)
- Valuation of insurance contract liabilities: Persistency for with-profit contracts (Group)
- Recoverability of the carrying value of investment in subsidiaries (Parent Company)

Materiality

- Overall Group materiality: £60 million (2024: £60 million) equivalent to 7.2% of Adjusted operating profit before tax.
- Overall Parent Company materiality: £104 million (2024: £104 million) based on 1% of Total assets.
- Performance materiality: £39 million (2024: £39 million) (Group) and £68 million (2024: £67 million) (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of insurance contract liabilities: Division of with-profit assets between policyholders and shareholders, which was a key audit matter last year, is no longer included. Under IFRS 17, estimating the part of the surplus with-profits assets allocated to current and future policyholders on transition required significant judgement. However, while the mix of business remains consistent, the judgement in setting this assumption is less uncertain and remains unchanged year on year.

Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter

Valuation of hard to value financial investments (Level 3) (Group)

Refer to notes 1.5.2, 1.5.5, 18.1, 31.3.1 and 31.4 to the Consolidated financial statements for disclosures of related accounting policies, valuation methodologies and balances.

The Group's financial investments are held to back the Group insurance contract liabilities and investment contracts within its Life business, and to meet regulatory capital requirements, as well as providing returns on shareholder assets.

Most of the Group's financial investments are valued by reference to prices on active markets. However, some are priced by reference to market data and/or valuation models. Investments that require the use of significant judgement and inputs that are not market observable have a higher level of inherent estimation uncertainty. These investments are classified as Level 3 under the fair value hierarchy and include:

- Equity release mortgages;
- Unlisted equity investments;
- Private credit and other illiquid debt securities; and
- Investment property.

The valuation of hard to value financial investments was a key area of focus given the magnitude and the inherent uncertainty involved in the estimation. Changes in estimates could result in material changes in the valuation.

Equity release mortgages (ERMs)

The valuation of the Group's ERM portfolio is inherently subjective. There are significant unobservable inputs relating to the No Negative Equity Guarantee. The valuation uses an internal discounted cash flow model with assumptions based on the current property value, net property growth rate and the discount rate (including spread assumptions to estimate an illiquidity premium above the risk-free discount rate).

Unlisted equity investments

Unlisted equity investments are held directly and through funds managed by internal and external fund managers. The investments are valued in line with the requirements of The International Private Equity and Venture Capital Valuation (IPEV) Guidelines. Given their magnitude, the external valuations are an area of focus. For pooled investment vehicles, valuations are performed periodically by the fund managers. The investments are included at the most recent Net Asset Value (NAV) provided by the fund manager adjusted for cash movements, where applicable. For directly held private equity investments, management adopt valuation models dependent on the investment type and set assumptions using available information and applying expert judgement.

We performed the following audit procedures to test the valuation of the investments classified as Level 3:

- Understood and evaluated the design effectiveness of key controls related to the valuation of investments; and
- Assessed both the methodology and assumptions used in the calculation of the year end valuation, including understanding the governance controls that are in place to monitor these processes.

For Equity release mortgages, we:

- Applied our industry knowledge and experience (using our actuarial specialists) to assess the appropriateness of the methodology, models and assumptions used against recognised actuarial practices;
- Tested data inputs used in the valuation models to underlying documentation on a sample basis;
- Evaluated the appropriateness of significant economic assumptions (including the spread applied above the risk-free rate) that are used within the valuation process, with reference to market information from potential or observed transactions, and industry benchmarks where available;
- Evaluated the appropriateness of the mortality and morbidity assumptions used in the valuation, based on available experience data and industry expectations of future mortality improvements; and
- Performed testing over the model calculations relating to the No Negative Equity Guarantee and future cash flows included within the ERMs fair value calculation, and tested the analysis of change in modelled results, to assess whether the model continues to operate as expected.

For Unlisted equity investments, we:

- Assessed the methodology used for the valuation of these investments and whether this is consistent with the International Private Equity and Venture Capital Valuation ('IPEV') guidelines;
- For a sample of positions, compared the most recent fund financial statements to the equivalent period end NAV statement to show that the audited valuation basis is materially equivalent to the Group's reporting basis;
- For a sample of positions, where the most recent NAV statements are not conterminous with the balance sheet, verified any adjustments made to the valuation for subsequent capital movements;
- For a sample of positions, reviewed the financial statements of the funds to ensure that the financial statement NAV is equivalent to a fair value;
- Where applicable, for sample positions, reviewed the fund manager's service organisation controls report to assess the effectiveness of relevant controls; and
- Where management has disposed of unlisted equity investment funds, we have verified the gain or loss on disposal in the year; and in the case that certain assets remain undisposed at year-end, we have validated that the valuation of these investments reflects any recent transaction prices.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Private credit and other illiquid debt securities Private credit and other illiquid debt are predominantly valued using discounted cash flow models. A key assumption applied in determining the discount rate used to calculate the fair value of these securities is the credit rating and the associated credit spread. The credit rating is determined by assessing the credit quality of the counterparty and security structure and assigning an internal credit rating, which is unobservable. The credit spread is then determined by reference to a comparable security or selection of securities. Determining the internal credit rating and the associated comparables requires expert judgement. At year-end 2025, M&G holds £932 million of assets backed by residential ground rents. In October 2025, the High Court dismissed the claims brought by freehold investors on the Leasehold and Freehold reform Act 2024 ("LAFRA") to challenge the abolition of marriage values and the capping of ground rents in leasehold extension calculations. At year end 2025, management valued residential ground rents with a scenario weighted discounted cash flow model, where the development of scenarios and their weighting are a key judgement in determining the year end valuation. Following a government announcement on the future of residential ground rent assets in January 2026, residential ground rents are expected to be capped from 2028 at £250 per annum for a transition period of 40 years, at the end of which all residential ground rents would be reduced to zero. The impact is disclosed as a non-adjusting post balance sheet event in Note 38.	For direct private equity investments: – For example positions, engaged our own valuation experts to review the valuation methodology and assumptions applied, verify any specific judgemental assumptions or inputs, and perform independent valuation for a risk-based sample of assets; – Additionally, where an external valuation expert is engaged to provide a valuation range, we have assessed their competence, capabilities and objectivity of the third party valuers by discussing the scope of their work and reviewed the terms of their engagement for any unusual terms of fee arrangements. Where management's expert valuation differs to our independent valuations for example positions, we investigate differences and assess the implications for financial reporting. For Private credit and other illiquid debt securities, we: – Tested inputs into the valuation model to external sources, where possible, and contractual data; – Engaged our valuation experts to assess the appropriateness of the methodology used to determine internal credit ratings; – For example positions, assessed the application of the internal credit rating methodology, including challenging the assumptions used in setting the internal credit rating; – For example positions, reperformed the valuation using our independently selected internal credit ratings and comparable securities; and – Where a management expert has been used to corroborate management's Level 3 valuations, we have assessed their competence, capabilities and objectivity by discussing the scope of their work and reviewing the terms of their engagement for unusual terms or fee arrangements. Where management's expert valuation differs to our independent valuations for example positions we investigate differences and assess the implications for financial reporting. In response to the continued uncertainty associated with assets backed by residential ground rents as at the year end, and in conjunction with our valuation experts, we have: – Assessed the appropriateness of the judgements made in determining the impact on the valuation of the assets backed by residential ground rent assets; – Assessed the consideration given to a range of likely outcomes; – Assessed and challenged management on the changes in credit ratings and associated credit spread applied; and – Assessed and challenged the associated disclosure given the continued inherent uncertainty. – We have reviewed the post balance sheet event disclosure of the potential impact of the proposed legislation on residential ground rents.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Investment properties The Group holds investment property (directly and indirectly) within the UK, Europe and Asia. The valuation of the Group's portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. There continues to be uncertainty facing the real estate sector as a result of the current economic environment and the impact of climate change. Valuations of investment properties are carried out by third party valuers engaged by the Group, who perform their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards or equivalent local standards. The valuations take into account the property-specific information including the current tenancy agreements and rental income, condition and location of the property, and future rental prospects, as well as prevailing market yields and market transactions.	For Investment properties, we: – Engaged our own valuation experts (who are qualified chartered surveyors with relevant market knowledge) where considered necessary to support us in our audit of the property valuations; – Assessed the competence, capabilities and objectivity of the third-party valuers and verified their qualifications. We discussed the scope of their work and reviewed the terms of their engagement for unusual terms or fee arrangements; – Assessed the assumptions and estimates used by the third-party valuers, including: – Reading the valuation reports and confirming that the valuation approach was in accordance with RICS standards or equivalent local standards; – Obtaining valuation details of properties held by the Group and setting an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market; – Comparing the investment yields used by the third-party valuers with our expected range of yields and the year-on-year capital movement to our expected range. – For properties under development valued using the residual valuation method, we obtained the development appraisal and assessed the reasonableness of the third-party valuers' key assumptions. This included comparing the yield to comparable market benchmarks, comparing the estimated costs to complete, to development plans and contracts, and considering the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as estimated rental value and developers' profit. – For properties where key assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations. This included holding meetings with the third-party valuers where we: challenged their approach to the valuations, the key assumptions (including reference to comparable transactions where relevant) and their rationale behind the more significant valuation movements during the year; and challenged the extent to which the valuations have taken into account the impact of climate change and related ESG considerations. – To verify the appropriateness of information and standing data, on a sample basis we tested inputs to the valuation reports by agreeing the inputs to the underlying property records. For all asset classes we assessed the adequacy of the disclosures in the financial statements. Based on the work performed and the evidence obtained, we consider the valuations for hard to value financial investments to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of defined benefit pension obligations and Valuation of hard to value plan assets (Level 3) (Group) Refer to notes 1.5.13 and 17 to the Consolidated financial statements for disclosures of related accounting policies and balances.	
The Group has three key defined benefit schemes which are all closed to new entrants. The schemes are run by Trustees on behalf of the beneficiaries. The defined benefit surplus or deficit presented is the difference between the fair value of the plan assets and the defined benefit obligations ("DBO"), with a restriction applied to the surplus in the Prudential Staff Pension Scheme ("PSPS"), one of the three schemes. The key areas of focus are the valuation of the defined benefit obligations and the valuation of the Level 3 plan assets which are complex and judgemental. The valuation of the DBO for the Group is performed by third party actuarial experts with key assumptions reassessed annually by the Group. The estimate of the DBO is dependent on a number of assumptions, including the discount rate, inflation rate and mortality rates. Small changes in these assumptions can have a material impact on the valuation due to the size and the duration of the pension obligations. Management performs a review of the DBO valuation methodology and assumptions each year with the assistance of third party actuaries. The Group produces the key assumptions to be used in the calculation of the DBO and shares them with the third party actuaries (who perform the calculations). The financial assumptions, including discount rate and inflation rate, are updated in line with market conditions at the reporting date. Other assumptions, such as mortality and cash commutation uptake, are set based on the results of scheme-specific analysis where available. The longevity improvements model for all three schemes has been updated consistent with the insurance business. The valuation of complex plan assets includes a longevity swap, illiquid private credit assets and investment property pooled investment vehicles. The valuation of the longevity swap has been performed by third party actuaries. The swap has been valued under the requirements of Fair Value, IFRS 13, which is consistent with assuming the swap had nil value at outset. This effectively means that there is a loading for expenses within the floating leg of the swap. The surplus recognised in the Prudential Staff Pension Scheme is limited to the amount which is recoverable through reduced future service contributions.	For the pension schemes, we have: – Understood and evaluated the design effectiveness of key controls in place in respect of the DBO; – Reviewed management expert's IAS 19 report and challenged the methods adopted to determine the valuation of the obligations; – Engaged our actuarial specialists to evaluate the judgements made by management in determining the key financial and mortality assumptions used in the calculation of the liability; – Assessed the reasonableness of the methodologies and assumptions adopted using our knowledge of market practice and industry developments, including use of benchmarks and external market data. We also used sensitivity analysis to determine the impact of alternative assumptions; – Assessed the competence, capabilities and objectivity of management's actuarial experts by their qualifications and by discussing the scope of their work; and – Reperformed calculations of pension liabilities and compared these with the expert's calculations. For the valuation of the Level 3 plan assets, our work focused on: – For the illiquid private credit assets, we assessed the methods and assumptions used to value the assets (as set out above), – For the pooled investment vehicles we performed procedures as set out above in the valuation of hard to value financial investments (Level 3) key audit matter, and – For the longevity swap, we reviewed the assumptions used to calculate the value of the longevity swap and assessed the magnitude of the change in value of the longevity swap since the previous year end. For the surplus recognised in the schemes, we assessed the availability of the pension surplus to the Group and recalculated the available surplus in the PSPS scheme. We read and assessed the disclosures made in the financial statements, including disclosure of the assumptions. Based on the evidence obtained, we found the valuation of the Scheme's defined benefit obligations and hard to value plan assets to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter

Valuation of insurance contract liabilities: Annuitant mortality (Longevity) (Group)

Refer to note 1.4, 1.5.2, 24 and 32.7 to the Consolidated financial statements for disclosures of related accounting policies and balances.

Annuitant mortality (longevity) assumptions are an area of significant management judgement, due to the inherent uncertainty involved. We consider these assumptions underpinning the insurance contract liabilities to be a key audit matter given the Group's exposure to a large volume of annuity business. The best estimate annuitant mortality assumption has two main components as set out below.

i) Base mortality assumptions

This component of the assumption is mainly driven by internal experience analyses. It requires expert judgement that includes determining the most appropriate level at which to carry out the analysis; the period used for historic experience (considering COVID-19 in recent periods); the choice of base table / rates; and adjustments made within the process of fitting rates to past experience using management's Prudential Retirement Mortality (PRM) model.

ii) Rate of future mortality improvements

This component of the assumption is more subjective given the lack of data and the uncertainty over how life expectancy will change in the future. The allowance for future mortality improvements is inherently subjective, as improvements develop over long timescales and cannot be captured by analysis of internal experience data. There is also additional uncertainty over the impact of wider mortality trends in the UK. The areas of judgement also include the selection of the mortality projection model, its calibration as well as re-expressing this in terms of the Continuous Mortality Investigation (CMI) Bureau industry standard model.

Risk adjustment for longevity risk

In addition, an allowance for risk in excess of the future best estimate cash flows within the insurance contract liabilities is held and represents the view of compensation for non-financial risk that management requires (known as the risk adjustment). The primary component of the risk adjustment is longevity risk, and the selection of the distribution and associated stresses is a matter of judgement.

We have performed the following procedures:

- Understood and evaluated the design effectiveness of key controls over the determination of the longevity assumptions, including the longevity stresses used for the risk adjustment component of the IFRS insurance contract liabilities;
- Assessed the appropriateness of the methodology for analysing experience and setting assumptions for longevity with reference to relevant requirements, actuarial guidance and by applying our industry knowledge and experience;
- Tested the design and operation of the controls in place to validate the assumptions and data used in the experience analysis and model calibration, including controls over the accuracy of the PRM model used to calculate actual and expected deaths;
- Examined the results of management's experience analysis and the resulting base mortality rates;
- Assessed the appropriateness of areas of expert judgement used in the future mortality improvements and the consistency of these with observed experience from the Group's own annuity portfolio and market data;
- Tested and challenged significant judgements made in the determination of longevity assumptions, including assessing the implications of wider mortality trends in the UK;
- Tested the re-expression of the projection basis in terms of CMI models and their parameterisation;
- Compared the longevity assumptions selected by management against those adopted by peers using our annual benchmarking survey of the market;
- Tested the appropriateness of the results of the longevity contribution to the risk adjustment by comparing to Solvency II stresses and using our expert knowledge;
- Examined management's calculation of the financial impact of changes to the longevity assumptions, to ensure that these are in line with our expectations; and
- Assessed the disclosure of the longevity assumptions and the commentary to support the profit (or CSM deferral) arising from any changes for 2025 reporting in the financial statements.

Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities: Credit default allowance for annuity contracts (Group) Refer to notes 1.4, 1.5.2, 24 and 32.7 to the Consolidated financial statements for disclosures of related accounting policies and balances.	
The discount rate for calculating the annuity in payment and deferment liabilities (future cash flows and risk adjustment) is determined in IFRS using a 'top-down' approach. In this approach the discount rate is set using the yield on a reference portfolio of assets (based on the actual assets held) with explicit deductions for both expected and unexpected credit default risk. The credit default assumptions are also used to determine the locked-in discount rate based on the target asset mix for new business written in the period (to calculate the contractual service margin). The allowance for expected and unexpected credit default risk is based on the credit rating of the reference portfolio of assets and consists of various components. The components include: – A mechanical long-term allowance for expected defaults and downgrades (based on historical data); – A credit risk premium; and – A short-term overlay reflecting a prospective outlook on future potential experience. Significant management judgement is required to set the internal credit ratings, particularly for illiquid level 3 assets (such as private credit assets and equity release mortgages). Once the credit rating has been established there is further judgement in selecting the short-term overlay to allow for risks not captured in the long-term credit default allowance. Changes to the valuation and internal credit rating of residential ground rent assets (see 'Valuation of hard to value assets' above) that back annuity liabilities impact the credit default allowances. The allowance for credit risk can have a significant impact on the annuity liabilities, with small changes having a large financial impact.	We have performed the following procedures: – Understood and evaluated the design effectiveness of key controls in place in respect of the credit default assumptions used to value the insurance contract liabilities; – Assessed the methodology used to derive the credit default assumptions with reference to relevant requirements of IFRS, actuarial guidance and by applying our industry knowledge and experience; – Obtained an understanding and challenged management over the analysis performed to assess internal credit ratings for illiquid assets such as equity release mortgages; – Tested the ratings ascribed and the resulting default allowances; – Tested the internal credit ratings are in line with those examined as part of the audit of the private credit and other illiquid debt securities valuation; – Tested and challenged key management judgements including the short-term overlay, referencing industry data, market benchmarking where available and our industry knowledge. In particular, consideration has been given to the appropriateness of management's proposals in the context of the current economic climate; – Assessed the legislative risk and valuation uncertainty as at the year-end relating to residential ground rents and ensured this was reflected in credit default risk assumptions; – Examined management's calculation of the financial impact of changes to the credit default assumptions on the liability, to ensure that these are in line with our expectations; and – Assessed the disclosure of the credit default risk assumptions and the commentary to support the impact of any changes for 2025 reporting in the financial statements. Based on the work performed and the evidence obtained, we consider the assumptions used for credit default risk to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities: Expenses assumptions (Group) Refer to notes 1.4, 1.5.2, 24 and 32.7 to the Consolidated financial statements for disclosures of related accounting policies and balances.	
Future maintenance expenses, investment expenses and expense inflation assumptions (or collectively the expenses assumptions) are used in the measurement of the insurance contract liabilities. The assumptions reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date, including an allowance for unavoidable project costs and investment costs. For IFRS, only those expenses which are directly attributable to each group of contracts are included in the valuation of insurance contract liabilities. Significant management judgement is required to determine the expense assumptions, including the allocation of costs between acquisition, maintenance, investment management and other expenses; the treatment of project costs; the allocation between with-profits and other policyholders and to individual products; and any short-term allowances. Judgement is also required over the long-term costs and policies in-force to spread fixed costs over. In addition, when calculating the liabilities, an assumption is also needed to reflect how these costs will change in future as a result of inflation rates or renewal of administration contracts. This assumption is set with reference to industry and market data; and management's view of how their cost base will inflate in future. The projection of these costs forward over the duration of the policies means that small changes in the expense assumptions can lead to significant changes in the liabilities.	We have performed the following procedures: – Examined and assessed the methodology applied in the cost model, choice of approach and cost drivers to confirm that these are reasonable and supportable; – Assessed the methodology used by management to derive the assumptions with reference to relevant requirements, actuarial guidance and by applying our industry knowledge and experience; – Assessed the design and implementation, and tested the operating effectiveness of the controls that management operates over the setting of key judgements used as the basis of the expense assumptions; – Tested the entity's cost base which is used as part of the input data that forms the basis of the setting of the expense assumption; – Tested cost drivers to verify that these are set in line with the business strategy and are consistent with the volumes in the products offered; – Tested the allocation of expenses to validate the completeness and accuracy of those included in the insurance contract liabilities are appropriate; – Assessed and challenged the appropriateness of significant judgements in the application of the methodology, including excluded costs; cost drivers; allocations between acquisition, maintenance, investment, and other costs; assumptions about external outsourced costs beyond current contracts; and the treatment on consolidation of look-through costs; – Tested the calculation of any components of the expense assumptions that are not based on the cost allocation model (for example, short-term expense allowances), by performing substantive testing; – Tested the assumption derived for expense inflation by assessing the use of industry data, assumed future new business volumes, current economic conditions and challenging the judgements used within the calculations to ensure that they are reasonable; – Examined management's calculation of the financial impact of changes to the expense assumptions, to ensure that these are in line with our expectations; and – Assessed the disclosure of the expense assumptions and commentary to support the profit (or CSM deferral) arising from any changes for 2025 reporting in the financial statements. Based on the work performed and the evidence obtained, we consider the assumptions used for expenses, both renewal and investment, to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities: Persistency for with-profit contracts (Group)	
Refer to notes 1.4, 1.5.2, 24 and 32.7 to the Consolidated financial statements for disclosures of related accounting policies and balances.	
Persistency risk can cover a wide range of policyholder actions including lapse, retirement (normal, early, late), rate of ceasing regular contributions (paying up), level of premium increments, and option take-up rates. However, the main persistency risk relates to lapse and retirement assumptions. For these assumptions: – Significant judgement is required to set the persistency assumptions including: the choice of predictive parameters, applicability of historic experience to the future, the impact of one-off or short-term events on the data (for example COVID 19) and potential changes in the economic and regulatory environment going forward; – In some areas, there is limited historic experience on which to base the assumptions, for example, retirement assumptions for certain products beyond the initial selected retirement age; and – The current economic conditions, trends and volatility which may increase the levels of uncertainty about future persistency. – A small change in the persistency assumptions can have a large financial impact.	We have performed the following procedures: – Understood and evaluated the design effectiveness of key controls over the persistency assumptions used to value the with-profit contract liabilities; – Examined the methodology for analysing the historic experience and then setting the assumptions for persistency and assessed whether these are reasonable and in line with our expectations and market practice; – Tested the operation of controls to validate the assumptions and the data used in the experience analysis calculations; – Examined the results of management's experience analysis and the resulting persistency assumption; – Assessed the appropriateness and justification for significant judgements applied, including: – Whether the data used is an appropriate representation of likely future experience or whether changes are needed; – The potential impact on persistency of changes in regulation and the current economic environment which may change the perceived value of products, ability to invest or retirement habits; – Examined the judgments applied where there is a lack of credible historical data to set the assumptions; – Where available and applicable, compared the persistency assumptions selected by management against those adopted by peers using our annual benchmarking survey of the market; – Examined management’s calculation of the financial impact of changes to the persistency assumptions, to ensure that these are in line with our expectations; and – Assessed the disclosure of the persistency assumptions and the commentary to support the profit (or CSM deferral) arising from any changes for 2025 reporting in the financial statements. Based on the work performed and the evidence obtained, we consider the persistency assumptions used to be appropriate.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Recoverability/carrying value of investment in subsidiaries (Parent Company)	
Refer to note A to the Parent Company financial statements for disclosures of related accounting policies and balances.	
In the Parent Company's financial statements, investments in subsidiaries are reported at cost less impairment. This balance is material to the Parent Company being the largest asset on the Parent Company's statement of financial position. During the year impairment indicators for the investments in subsidiaries have been noted for the subsidiary which holds the main operating entities within the group due to higher discount rates and the current economic environment. Management has undertaken an impairment assessment comparing the carrying value of investments in subsidiary to its recoverable value. The recoverable amount was based on fair value less cost of disposal being higher than value in use. Fair value was derived using the enterprise value of the group adjusted for Group assets and costs together with an estimate of disposal costs. Management concluded that there was no impairment required. For the remainder of the subsidiaries no impairment indicators have been identified.	Our procedures in relation to management's assessment of the carrying value of investments in subsidiaries as at 31 December 2025 included the following: – Obtained and assessed the completeness of impairment indicators noted by management; – Assessed investment in subsidiaries for any indication of impairment based on our understanding of the business and current market environment. Where an indicator of impairment was identified we have: – Engaged our valuation experts to assist us in assessing the fair value less costs of disposal; – Confirmed that management's estimate of fair value less costs of disposal was higher than value in use; – Challenged the methodology and assumptions used to determine the fair value including the calculation of the enterprise value, the adjustment for parent entity assets and costs, and the estimate of costs of disposal; – Tested the inputs back to source documents; – Recalculated the mathematical accuracy of the fair value less cost of disposal calculation; and – Assessed the disclosures in the financial statements. Based on the work performed and evidence obtained, we consider the carrying value of investments in subsidiaries is reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is an international asset manager and insurer, and its operations primarily consist of the legal entity operations in the United Kingdom, Europe and Asia. We performed a full scope audit over the following three components:

i) the Parent Company, M&G plc; ii) Prudential Assurance Company (the key contributor to the Life operating segment); and iii) M&G Group (the key contributor to the Asset Management operating segment).

For eighteen other components, we identified account balances which were considered to be significant in size or audit risk at the financial statement line item level in relation to the consolidated financial statements, and performed financial statement line item audit procedures over these specified balances. Analytical procedures over the remaining components that were not inconsequential were performed by the Group engagement team. We also performed audit procedures over the Group's centralised functions, including the consolidation process and payroll.

As the Group engagement team, we determined the level of involvement required at those components to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. In our role as Group auditors, we exercised oversight of the work performed by auditors of the components including performing the following procedures:

- Issued Group instructions outlining areas requiring additional audit focus, including the key audit matters included above;
- Evaluated the competence and capabilities of component auditors;
- Maintained an active dialogue with reporting component engagement teams throughout the year;
- Attended meetings with local management in person or via video conference;
- Attended Audit Committee meetings for certain in-scope components;
- Reviewed reporting requested from component teams, including those areas determined to be of heightened audit risk; and
- Reviewed working papers on component audit files, where considered relevant.

Independent auditors' report continued

The impact of climate risk on our audit

As part of our audit we have made enquiries of management (both within and outside of the Group's finance functions) to understand the governance and process adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support for the disclosures made within the Annual Report.

In addition to enquiries with management, we also read the Group's climate risk assessment documentation, reviewed Board minutes and considered disclosures in the Annual Report in relation to climate change (including those recommended by the Task Force on Climate-related Financial Disclosures "TCFD") in order to consider the completeness of management's climate risk assessment.

We have also made enquiries to understand the commitments made by the Group and how these may affect the financial statements and the audit procedures that we perform.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole for the year ended 31 December 2025.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Parent Company
Overall materiality	£60 million (2024: £60 million).	£104 million (2024: £104 million).
Materiality benchmark	The materiality amount was selected judgementally and is equivalent to 7.2% (2024: 7.2%) of Adjusted operating profit before tax.	1% (2024: 1%) of Total assets.
How we determined it	In determining our materiality we have considered financial metrics and benchmarks which we believe to be relevant to the primary users of the consolidated financial statements. Due to the disparate size of the Income Statement and Statement of Financial Position, the materiality amount was selected judgmentally by the Group engagement team having considered a range of relevant benchmarks including Adjusted Operating Profit before tax, Profit before tax, Operational Capital Generation before tax, Total assets, Shareholder Solvency II coverage ratio, Net Assets plus CSM and Total Assets.	Total assets has been used as the benchmark given the Parent Company's primary purpose is to act as a holding company and not to generate operating profits. Accordingly, a profit based measure is not relevant.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £10 million and £55 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 65% (2024: 65%) of overall materiality, amounting to £39 million (2024: £39 million) for the Group financial statements and £68 million (2024: £67 million) for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3 million (Group audit) (2024: £3 million) and £5.2 million (Parent Company audit) (2024: £5.1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the Directors' going concern assessment and challenged the rationale for the downside scenarios adopted and material assumptions made using our knowledge of the Group's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios (including reverse stress testing);
- Agreed the Group Solvency II information to the draft unaudited Group Solvency II schedules prepared by management;
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern; and
- Reviewed the disclosures included in the financial statements in relation to going concern, including the Basis of Preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Directors' Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Parent Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Parent Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditors' report continued

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK and International regulatory principles, such as those governed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgmental areas of the financial statements as shown in our 'Key audit matters', and the override of controls including the posting of inappropriate journal entries. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Attendance at Audit Committee and Joint Audit and Risk Committee meetings;
- Discussions with the Board, management, Internal Audit, management involved in the Risk and Compliance functions, and the legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Board of Directors, Audit, Risk, Remuneration and Disclosure Committees;
- Meeting with the PRA periodically and reading key correspondence with the PRA and the FCA, including those in relation to compliance with laws and regulations;
- Reviewing the Group's register of litigation and claims, Internal Audit reports, and compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Assessment of matters reported on the whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Evaluation of the operating effectiveness of the Group's entity level controls designed to prevent and detect irregularities;
- Identifying and testing journal entries based on risk criteria;
- Testing of judgements and assumptions in subjective areas as set out in the key audit matters; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the Parent Company for the financial year ended 31 December 2022. Our uninterrupted engagement covers four financial years.

Other matter

The Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Thomas Robb (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 March 2026

Consolidated financial statements

Consolidated income statement

For the year ended 31 December	Note	2025 £m	2024 £m
Insurance revenue	4	**4,425**	4,095
Insurance service expenses	24.3.1	**(2,935)**	(2,971)
Net expenses from reinsurance contracts held	24.3.1	**(24)**	(28)
Insurance service result		**1,466**	1,096
Interest revenue from financial assets not measured at fair value through profit or loss (FVTPL)	5	**578**	683
Interest revenue from financial assets measured at FVTPL	5	**3,051**	2,666
Net change in investment contract liabilities without discretionary participation features	5	**(851)**	(461)
Net credit impairment losses	5	**(3)**	(15)
Other investment return	5	**12,848**	5,813
Investment return		**15,623**	8,686
Finance expenses from insurance contracts issued	5	**(13,900)**	(8,426)
Finance income/(expenses) from reinsurance contracts held	5	**54**	(10)
Net insurance finance expenses		**(13,846)**	(8,436)
Net insurance and investment result		**3,243**	1,346
Fee income	6	**1,064**	1,029
Other income		**75**	70
Administrative and other expenses	7	**(2,725)**	(2,566)
Finance costs	7	**(138)**	(121)
Movements in third party interest in consolidated funds		**(226)**	363
Share of profit from joint ventures	14	**17**	24
Profit before tax[i]		**1,310**	145
Tax charge attributable to policyholders' returns	10	**(871)**	(477)
Profit/(loss) before tax attributable to equity holders		**439**	(332)
Total tax charge		**(996)**	(492)
Less tax charge attributable to policyholders' returns	10	**871**	477
Tax charge attributable to equity holders	10	**(125)**	(15)
Profit/(loss) for the year		**314**	(347)
Profit/(loss) for the year:			
Attributable to equity holders of M&G plc		**302**	(360)
Attributable to non-controlling interests		**12**	13
Total profit/(loss) for the year		**314**	(347)
Earnings per share:			
Basic (pence per share)	11	**12.6**	(15.1)
Diluted (pence per share)	11	**12.3**	(15.1)

i Profit before tax comprises the pre-tax result attributable to equity holders and an amount equal and opposite to the tax charge attributable to policyholders' returns. This is the formal measure of profit or loss before tax under IFRS, but it is not the result attributable to equity holders. This is principally because the corporate taxes of the Group include taxes borne by policyholders. These amounts are required to be included in the tax charge of the Company under IFRS. The tax charge attributable to policyholders' returns is removed from the Group's total profit before tax in arriving at the Group's profit/(loss) before tax attributable to equity holders. As the net of tax profits attributable to policyholders is zero, the Group's pre-tax profit attributable to policyholders is an amount equal and opposite to the tax charge attributable to policyholders included in the total tax charge.

The Notes on pages 164 to 313 are an integral part of these consolidated financial statements.

Consolidated financial statements continued

Consolidated statement of comprehensive income

For the year ended 31 December	Note	2025 £m	2024 £m
Profit/(loss) for the year		**314**	(347)
Items that may be reclassified subsequently to profit or loss:			
Exchange movements arising on foreign operations[i]		**16**	(16)
Other comprehensive income/(loss) on items that may be reclassified subsequently to profit or loss		**16**	(16)
Items that will not be reclassified to profit or loss:			
(Loss)/gain on remeasurement of defined benefit pension scheme	17	**(2)**	52
Tax on remeasurement of defined benefit pension scheme	10	**1**	(13)
Other comprehensive (loss)/income on items that will not be reclassified to profit or loss		**(1)**	39
Other comprehensive income for the year, net of related tax		**15**	23
Total comprehensive income/(loss) for the year		**329**	(324)
Attributable to equity holders of M&G plc		**315**	(336)
Attributable to non-controlling interests		**14**	12
Total comprehensive income/(loss) for the year		**329**	(324)

i Of the exchange movements arising on foreign operations, £14m gain is attributable to equity holders of M&G plc (2024: £15m loss) and £2m gain is attributable to non-controlling interests (2024: £1m loss).

The Notes on pages 164 to 313 are an integral part of these consolidated financial statements.

Consolidated financial statements continued

Consolidated statement of financial position

As at 31 December	Note	2025 £m	2024 £m
Assets			
Goodwill and intangible assets	13	**1,754**	1,714
Deferred acquisition costs		**25**	19
Defined benefit pension asset	17	**43**	45
Investment in joint ventures accounted for using the equity method	14	**250**	284
Property, plant and equipment	15	**1,537**	1,654
Investment property	16	**14,243**	14,385
Deferred tax assets	10	**422**	487
Insurance contract assets	24	**49**	39
Reinsurance contract assets	24	**1,067**	1,043
Equity securities and pooled investment funds	18	**70,749**	64,890
Loans	18	**4,011**	4,135
Debt securities	18	**66,908**	69,775
Derivative assets	18	**1,258**	1,085
Deposits	18	**17,648**	15,794
Current tax assets	10	**76**	65
Accrued investment income and other debtors	19	**3,308**	2,506
Assets held for sale	2	**2,349**	1,466
Cash and cash equivalents	20	**4,904**	4,838
Total assets		**190,601**	184,224
Equity			
Share capital	21	**121**	120
Share premium reserve	21	**391**	383
Shares held by employee benefit trusts	22	**(41)**	(9)
Treasury shares	22	**(6)**	(6)
Retained earnings		**14,279**	14,435
Other reserves	23	**(11,608)**	(11,642)
Equity attributable to equity holders of M&G plc		**3,136**	3,281
Non-controlling interests		**52**	42
Total equity		**3,188**	3,323
Liabilities			
Insurance contract liabilities	24	**147,545**	141,264
Reinsurance contract liabilities	24	**260**	280
Investment contract liabilities without discretionary participation features	25	**11,507**	12,144
Third party interest in consolidated funds		**10,346**	9,484
Subordinated liabilities and other borrowings	26	**6,519**	6,486
Defined benefit pension liability	17	**261**	258
Deferred tax liabilities	10	**1,040**	705
Lease liabilities	27	**393**	425
Current tax liabilities	10	**123**	81
Derivative liabilities	18	**2,471**	3,202
Other financial liabilities	18	**1,101**	1,018
Provisions	28	**90**	114
Accruals, deferred income and other liabilities	29	**4,769**	4,367
Liabilities held for sale	2	**988**	1,073
Total liabilities		**187,413**	180,901
Total equity and liabilities		**190,601**	184,224

The Notes on pages 164 to 313 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 158 to 313 were approved by the Board and signed on its behalf by the following Directors on 11 March 2026:

Andrea Rossi
Group Chief Executive Officer

Kathryn McLeland
Chief Financial Officer

Consolidated financial statements continued

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Shares held by employee benefit trusts £m	Treasury shares £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of M&G plc £m	Non-controlling interests £m	Total equity £m
As at 1 January 2025		**120**	**383**	**(9)**	**(6)**	**14,435**	**(11,642)**	**3,281**	**42**	**3,323**
Profit for the year		—	—	—	—	**302**	—	**302**	**12**	**314**
Other comprehensive income for the year	23	—	—	—	—	**(1)**	**14**	**13**	**2**	**15**
Total comprehensive income for the year		—	—	—	—	**301**	**14**	**315**	**14**	**329**
Non-controlling interests arising through business combinations	2	—	—	—	—	—	—	—	**9**	**9**
Dividends paid to equity holders of M&G plc	12	—	—	—	—	**(482)**	—	**(482)**	—	**(482)**
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	**(13)**	**(13)**
Proceeds from shares issued to settle employee share option schemes	21	**1**	**8**	—	—	—	—	**9**	—	**9**
Shares distributed by employee trusts or from treasury shares	22	—	—	**16**	—	**(16)**	—	—	—	—
Exercised employee share-based payments	23	—	—	—	—	**34**	**(34)**	—	—	—
Expense recognised in respect of share-based payments	23	—	—	—	—	—	**47**	**47**	—	**47**
Shares issued to, acquired by or transferred to employee trusts	22	—	—	**(48)**	—	—	—	**(48)**	—	**(48)**
Tax effect of items recognised directly in equity	23	—	—	—	—	**7**	**7**	**14**	—	**14**
Net increase/(decrease) in equity		**1**	**8**	**(32)**	—	**(156)**	**34**	**(145)**	**10**	**(135)**
As at 31 December 2025		**121**	**391**	**(41)**	**(6)**	**14,279**	**(11,608)**	**3,136**	**52**	**3,188**

Consolidated financial statements continued

Consolidated statement of changes in equity (continued)

	Note	Share capital £m	Share premium £m	Shares held by employee benefit trusts £m	Treasury shares £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of M&G plc £m	Non-controlling interests £m	Total equity £m
As at 1 January 2024		119	379	(26)	(21)	15,223	(11,633)	4,041	43	4,084
Profit for the year		—	—	—	—	(360)	—	(360)	13	(347)
Other comprehensive income for the year	23	—	—	—	—	39	(15)	24	(1)	23
Total comprehensive loss for the year		—	—	—	—	(321)	(15)	(336)	12	(324)
Dividends paid to equity holders of M&G plc	12	—	—	—	—	(468)	—	(468)	—	(468)
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	(13)	(13)
Proceeds from shares issued to settle employee share option schemes	21	—	4	—	—	—	—	4	—	4
Shares distributed by employee trusts or from treasury shares	22	—	—	37	—	(37)	—	—	—	—
Exercised employee share-based payments	23	—	—	—	—	33	(33)	—	—	—
Expense recognised in respect of share-based payments	23	—	—	—	—	—	40	40	—	40
Shares issued to, acquired by or transferred to employee trusts	22	1	—	(20)	15	—	—	(4)	—	(4)
Tax effect of items recognised directly in equity	23	—	—	—	—	5	(1)	4	—	4
Net increase/(decrease) in equity		1	4	17	15	(788)	(9)	(760)	(1)	(761)
As at 31 December 2024		120	383	(9)	(6)	14,435	(11,642)	3,281	42	3,323

The Notes on pages 164 to 313 are an integral part of these consolidated financial statements.

Consolidated financial statements continued

Consolidated statement of cash flows

For the year ended 31 December	Note	2025 £m	2024 £m
Cash flows from operating activities:			
Profit before tax		**1,310**	145
Non-cash and other movements in operating assets and liabilities included in profit before tax:			
Investments		**(6,204)**	4,167
Other non-investment and non-cash assets		**(562)**	837
Insurance and reinsurance contract liabilities		**6,238**	(930)
Investment contract liabilities		**(694)**	(370)
Other liabilities (including operational borrowings)		**2,284**	(3,041)
Interest income and expense and dividend income included in profit before tax		**(5,138)**	(4,773)
Other non-cash items		**(909)**	286
Operating cash items:			
Interest receipts		**3,644**	3,312
Interest payments		**(282)**	(359)
Dividend receipts		**1,819**	1,917
Tax paid[i]		**(553)**	(514)
Net cash flows from operating activities[ii]		**953**	677
Cash flows from investing activities:			
Purchases of property, plant and equipment		**(175)**	(289)
Proceeds from disposal of property, plant and equipment		**9**	21
Net cash paid on acquisition of subsidiaries, joint ventures and associates[iii]		**(102)**	(31)
Divestment of subsidiaries by consolidated private equity vehicles[iv]		**116**	451
Net cash flows from investing activities		**(152)**	152
Cash flows from financing activities:			
Interest paid[v]		**(166)**	(188)
Lease capital repayments	27	**(32)**	(28)
Repurchase of subordinated debt	26	**—**	(450)
Proceeds from shares issued	21	**9**	5
Dividends paid to equity holders of M&G plc	12	**(482)**	(468)
Dividends paid to non-controlling interests		**(13)**	(13)
Acquisition of additional interest in subsidiary		**(13)**	—
Net cash flows from financing activities		**(697)**	(1,142)
Net increase/(decrease) in cash and cash equivalents		**104**	(313)
Cash and cash equivalents at 1 January		**4,838**	5,148
Effect of exchange rate changes on cash and cash equivalents		**(38)**	3
Cash and cash equivalents at end of period	20	**4,904**	4,838

i Tax paid for the year ended 31 December 2025 includes £338m (2024: £299m) paid on profits taxable at policyholder rather than equity holder rates.

ii Cash flows in respect of other borrowings of the With-Profits Fund, which principally relate to consolidated investment funds, are included within cash flows from operating activities.

iii Net cash paid on acquisition of subsidiaries, joint ventures and associates consists of £50m (2024: £25m) of cash paid, net of £17m (2024: £4m) cash acquired. Refer to Note 2.2 for further information on shareholder acquisitions made in the period. An additional £69m (2024: £14m) of cash paid relates to the acquisition of subsidiaries, joint ventures and associates held by the With-Profits Fund, with no offsetting cash acquired relating to subsidiaries in 2025 (2024: £4m).

iv Divestment in subsidiaries by consolidated private equity vehicles represents the amount paid or received in relation to the purchase or sale of underlying investee companies held by the Group's consolidated private equity vehicles.

v Interest paid on subordinated liabilities.

The Notes on pages 164 to 313 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Basis of preparation and material accounting policies

1.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2025 comprise the financial statements of M&G plc ('the Company') and its subsidiaries (together referred to as 'the Group'). The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards (IAS) and the legal requirements of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost basis except for investment property measured at fair value, certain financial assets and financial liabilities (including derivative instruments) that are measured at fair value through profit and loss (FVTPL), insurance contract liabilities that are measured in accordance with the requirements of IFRS 17: Insurance contracts, and defined benefit assets and liabilities, measured at the fair value of plan assets less the present value of the defined benefit obligations. Assets and disposal groups held for sale are stated at the lower of the previous carrying amount and fair value less costs to sell.

The consolidated financial statements are stated in million pounds sterling, the Group's presentation currency.

Going concern

The Directors have a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of approval of the consolidated financial statements.

To satisfy themselves of the appropriateness of the use of the going concern assumption in relation to the consolidated financial statements, the Directors have considered the liquidity projections of the Group, including the impact of applying specific liquidity stresses. The Directors also considered the ability of the Group to access external funding sources and the management actions that could be used to manage liquidity.

In addition, the Directors also gave particular attention to the solvency projections of the Group under a base scenario and its sensitivity to various individual economic stresses and tested the resilience of the balance sheet to adverse scenarios using reverse stress testing.

The impact of the following individual stresses on solvency were considered as part of the assessment:

- 20% fall in equity prices;
- 20% fall in property prices;
- (50bps) parallel shift in nominal yields;
- 20% of the credit portfolio downgrading by one full letter; and
- +100bps spread widening (A-rated assets).

The scenarios considered as part of the assessment included a range of different scenarios (base, optimistic and pessimistic) taking into account the plausible pathways that the global economy would take, its impact on consumer demand and actions that central banks could take. We have also assessed the resilience of our financial position and the economic implications resulting from a high inflationary and low growth environment (stagflation scenario) and the aftermath of a major climate event (climate scenario). In addition, we also assessed the strength of our solvency position to the recent legislative change announced in January 2026 following on from the UK Government draft Leasehold and Commonhold Reform Bill, which materially restricts the future income that can be generated from the notes backing residential ground rent assets within the Group's portfolio. This is explained further in Note 38.

The results of the assessment demonstrated the ability of the Group to meet all obligations, including payments to shareholders and debt holders, and future business requirements for the foreseeable future. In addition, the assessment demonstrated that the Group was able to remain above its regulatory solvency requirements in a stressed scenario. For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Presentation of risk and capital management disclosures

We have provided additional disclosures relating to the nature and extent of certain financial risks and capital management in the Supplementary Information section of this report.

1.2 New accounting pronouncements

1.2.1 New accounting pronouncements adopted by the Group

The Group has adopted the following amendments to standards which became effective from 1 January 2025:

- Lack of exchangeability (Amendments to IAS 21), issued in August 2023.

The above amendment does not have a material effect on these consolidated financial statements.

1 Basis of preparation and material accounting policies (continued)

1.2.2 New accounting pronouncements not yet effective

The following standards have been issued which are effective for periods beginning on or after 1 January 2027:

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) – Issued in April 2024 (endorsed by the UK Endorsement Board) and effective from 1 January 2027

IFRS 18 will replace IAS 1 Presentation in Financial Statements and introduces new requirements around:

- categories and subtotals to be used in the statement of profit or loss;
- specific disclosures for management-defined performance measures (MPMs); and
- location, aggregation and disaggregation of financial information.

IFRS 18 will require an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. Entities will also be required to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'.

IFRS 18 introduces the concept of MPMs which are metrics defined from the statement of profit or loss and are used to communicate management's views on financial performance externally. In the context of the Group, this would apply to our adjusted operating profit metric. IFRS 18 requires disclosure of information about all of an entity's MPMs within a single note to the financial statements and requires further disclosures on how the measure is calculated and a reconciliation to the most comparable subtotal specified by IFRS 18.

IFRS 18 also provides guidance on the location of information in the primary financial statements and the notes. It also requires aggregation and disaggregation of information to be performed with reference to similar and dissimilar characteristics.

The adoption of the standard will have a significant impact on how the Group's income statement is presented and may potentially impact disclosures on our alternative performance measures and the accounting measurement choice for certain investments. As part of the impact assessment, the Group is considering the transitional exception to the measurement of joint ventures. Furthermore, the expectation is that adjusted operating profit before tax will be an MPM. The Group has mobilised a cross-functional project to implement the requirements of IFRS 18 with an initial impact assessment created and further progress will be conducted throughout the year.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19) – Issued in May 2024 and effective from 1 January 2027 (subject to endorsement by the UK Endorsement Board)

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. This standard does not have any impact on these consolidated financial statements.

Other amendments

Furthermore, the following amendments have been issued and endorsed by the UK Endorsement Board, but are not yet effective:

- Amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7), issued in May 2024 and effective from 1 January 2026; and
- Annual improvements to IFRS accounting standards— Volume 11, issued in July 2024 and effective from 1 January 2026.

These amendments are not expected to have a material impact on the Group.

1.3 Judgements in applying accounting policies and sources of estimation uncertainty

A full list of the Group's material accounting policies is provided in Note 1.5. The accounting policies adopted by the Group have not changed materially from those applied in the Group's Annual Report and Accounts for the year ended 31 December 2024. In applying these accounting policies, the Group has made a number of key judgements which have a significant effect on the amounts recognised in the consolidated financial statements.

The impact of climate change has been considered when preparing these consolidated financial statements, particularly in the context of our climate-related disclosures included on pages 58 to 71. While climate change is a source of uncertainty, management has considered the potential impacts on these financial statements, concluding that there is no significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The following table sets out the basis of the accounting policy judgements, and references the associated accounting policy and related note which both give further detail on the specific application.

1 Basis of preparation and material accounting policies (continued)

Financial statement area	Key judgement	Accounting policy	Note
Consolidation of structured entities	IFRS 10 requires entities that the Group controls to be consolidated in the consolidated financial statements. Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Due to the nature of structured entities, judgement is required to determine whether the Group controls and therefore consolidates structured entities. Judgement is also required where certain seed capital investments in structured entities are classified as held for sale investments, and therefore not consolidated on a line-by-line basis.	1.5.1	30
Classification of insurance and investment contracts	IFRS 17 requires that contracts that transfer significant insurance risk are accounted for as insurance contracts. Judgement is required to determine whether contracts written by the Group transfer significant insurance risk, unless a specific scope exception applies. Judgement is also required in the case of certain investment contracts which provide an additional benefit in addition to guaranteed benefits to determine whether they meet the criteria to be considered as discretionary participation features, and therefore accounted for under IFRS 17.	1.5.2	24
Contractual Service Margin (CSM) measurement model	IFRS 17 requires an assessment of whether contracts meet the conditions for having direct participation features and when this is the case such contracts must use the Variable Fee Approach to measure the CSM. For with-profits and unit-linked contracts, judgement is required to assess whether the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and whether the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. The assessment is carried out at the contract level and judgement is also applied to determine the extent to which mutualisation between contracts is allowed for.	1.5.2	24
Underlying items	Underlying items are items that determine some of the amounts payable to a policyholder as part of their with-profits or unit-linked contract and therefore are a component of the insurance contract or investment contracts with discretionary participation features (DPF) liabilities. Judgement is required to define underlying items for with-profits contracts that reflect the mutualisation between contracts and how to split underlying items between current and future policyholders.	1.5.2	24
Division of surplus relating to the With-Profits Fund	Judgement is required to determine the amount of surplus that should be divided between current and future with-profits policyholders as well as with the Group and the amount of surplus attributable solely to the Group.	1.5.2	24
Provision of insurance contract services	The amount of CSM recognised in profit or loss in each reporting period is determined by reference to coverage units, which represent the insurance contract services provided in that period. Judgement is required to define the services provided, and the relative weighting if these include both insurance and investment services.	1.5.2	24

1 Basis of preparation and material accounting policies (continued)

1.4 Sources of estimation uncertainty

The preparation of these consolidated financial statements requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of any contingent assets and liabilities.

The following table sets out the estimates and assumptions which have a significant risk of resulting in a material adjustment to carrying value within the next financial year. Details of the nature of the estimate is provided in the related accounting policy and details of the assumptions applied at the statement of financial position date are provided in the related note.

Financial statement asset or liability	Key estimate and assumptions	Accounting policy	Note
Insurance contract liabilities	The areas where the assumptions applied to estimate future amounts due to the policyholder could have a material impact are: – for with-profits contracts, the assumed future investment returns on the backing assets, the assumptions used in determining the allowance for persistency and maintenance expenses, the policyholders' share of historic and future surpluses, and the illiquidity premium in setting the discount rate; and – for annuity contracts, the assumed rates of policyholder mortality, maintenance expenses, and the selection of the reference portfolio and allowance for credit risk in setting the discount rate. In addition, when measuring the insurance contract liabilities, a risk adjustment is included. The assessment of the risk adjustment requires assumptions about the compensation that the Group requires for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk, the most significant of which is the assumed rates of the policyholder mortality for annuity contracts.	1.5.2	24, 32
Assets classified as level 3 in the fair value hierarchy	Determination of the fair value of financial assets classified as level 3 in the fair value hierarchy involves the use of inputs which are not observable in the market and hence require a high degree of estimation which could result in a significant change in the valuation. This includes the determination of the spread above risk free rate and the application of probability weights to determine plausible outcomes relevant to the valuation of notes backing residential ground rents that are subject to legislative uncertainty which potentially will result in restriction on future income generated from these assets based on information available as at the balance sheet date. As detailed in Note 38, in January 2026, the UK Government published the draft Commonhold and Leasehold Reform Bill which finalises proposals on the treatment of residential ground rent income and effectively results in materially capping the income that can be generated from the portfolio which is not reflected in the year end valuation.	1.5.5, 1.5.12	18, 31
Determination of recoverable amount of goodwill	Goodwill is assessed for impairment at least on an annual basis by comparing the recoverable amount of each cash-generating unit or group of cash-generating units to which goodwill has been allocated with its carrying value. Recoverable amount is defined as the higher of fair value less costs to sell and the value in use where the value in use is based on the present value of future cash flows. The determination of the value in use requires the use of various assumptions around future cash flows, future growth rates and appropriate discount rates based on the risks associated with the cash-generating-unit or group of cash-generating units which can have a material impact on the calculation.	1.5.15	13
Defined benefit pension liability	The defined benefit pension scheme liability is calculated using actuarial valuations which incorporate a number of assumptions including discount rates, inflation rates, and expected future mortality. Due to the long-term nature of the schemes, the value of the pension scheme obligation is sensitive to these assumptions and small changes can lead to material impacts to the valuation.	1.5.13	17
Valuation of intangibles acquired at acquisition	Valuation of intangible assets acquired as part of a business combination are based on various assumptions around expected future economic benefit and appropriate discount rates which can have a material impact on the valuation.	1.5.16	13
Recognition of deferred tax asset	IAS 12 requires deferred tax assets to be recognised to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised. Judgement is required to determine the extent to which future taxable profits emerge and the corresponding period over which unused tax credits and unused tax losses will be utilised.	1.5.14	10.2

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5 Accounting policies

1.5.1 Basis of consolidation

The Group has control over an investee if all three of the following conditions are met:

- it has power over an investee;
- it is exposed to, or has rights to, variable returns from its involvement with the investee; and
- it has the ability to use its power over the investee to affect its own returns.

(i) Subsidiaries

Subsidiaries are those investees that the Group controls. Where the Group is deemed to control an entity, the entity is treated as a subsidiary and its results, assets and liabilities are consolidated. Where the Group holds a minority share in an entity but does not have control, joint control or significant influence over the entity, the investments are carried at FVTPL within financial investments on the consolidated statement of financial position.

The Group performs a reassessment of consolidation whenever there is a change in the substance of the relationship between the Group and an investee.

(ii) Joint ventures and associates

Joint ventures are joint arrangements arising from a contractual agreement whereby the Group and other investors have joint control of the net assets of the arrangement. In these arrangements, the Group's share of the underlying net assets may be lower or higher than 50% but the terms of the relevant agreement make it clear that control is jointly exercised between the Group and the third party, for example, where significant decisions required unanimous approval of all parties, or where all parties have equal voting rights.

Associates are entities over which the Group has significant influence, but which it does not control. Generally, it is presumed that the Group has significant influence if it holds between 20% and 50% of the voting rights of the entity.

Investments in associates and joint ventures held by the With-Profits Fund through investments, including venture capital business, mutual funds and unit trusts, and certain directly held investments are accounted for at FVTPL. All other investments in joint ventures and associates are accounted for using the equity method of accounting. Under the equity method, the Group's share of profit or loss of its joint ventures and associates is recognised in the income statement and its share of movements in other comprehensive income is recognised in other comprehensive income.

(iii) Structured entities

Structured entities are those that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Voting rights relate to administrative tasks. Relevant activities are directed by means of contractual arrangements. The Group invests in structured entities such as:

- collective investment vehicles including Open-Ended Investment Companies (OEICs), Authorised Contractual Schemes (ACSs), Luxembourg-domiciled Sociétés d'Investissement à Capital Variable (SICAVs) and unit trusts;
- limited partnerships;
- collateralised debt obligations;
- mortgage-backed securities; and
- similar asset-backed securities.

Collective investment vehicles

The Group invests in OEICs, ACSs, SICAVs and unit trusts, which invest mainly in equities, bonds, cash and cash equivalents, and properties.

The assessment of control over OEICs, ACSs, SICAVs and unit trusts requires judgement. In assessing control, the Group determines whether it is acting as principal or agent. This includes an assessment of the scope of its decision-making authority, including rights held by third parties, which may provide these parties substantive removal rights that may affect the Group's ability to direct the relevant activities and indicate that the Group does not have power.

In addition, the assessment considers the aggregate economic interest of the Group, which includes both direct holding and expected management fees if the fund manager is a Group company, however, management fees in most cases forms an immaterial part of the aggregate economic interest of the Group.

Holdings in such investments can fluctuate on a daily basis according to the participation of the Group and other investors in them. As a result, in determining control, the Group looks at the trend of ownership over a longer period (rather than at a point in time) to mitigate the impact of daily fluctuations which do not reflect the wider facts and circumstances of the Group's involvement.

Consolidation assessment is performed in line with the following principles having taken into account substantial removal rights:

- where the Group manages the assets of the entity, and the aggregate of the Group's ownership holding in the entity exceeds 50%, the Group is judged to have control over the entity;

1 Basis of preparation and material accounting policies (continued)

- where the Group manages the assets of the entity, and the aggregate of the Group's ownership holding in the entity is between 20% and 50%, the facts and circumstances of the Group's involvement in the entity are considered, including the rights to any fees earned by the asset manager from the entity, in forming a judgement as to whether the Group has control over the entity;
- where the Group manages the assets of the entity, and the aggregate of the Group's ownership holding in the entity is less than 20%, the Group is judged to not have control over the entity; or
- where the assets of the entity are managed externally, an assessment is made of whether the Group has existing rights that give it the ability to direct the current activities of the entity and therefore control the entity. In assessing the Group's ability to direct an entity, the Group considers its ability relative to other investors. The Group has a limited number of investments in externally managed OEICs and unit trusts where it considers it has such ability.

Where the Group is deemed to control these entities, they are treated as subsidiaries and are consolidated, with the interests of investors other than entities within the Group being classified as liabilities, presented as third party interest in consolidated funds.

Where the Group does not control these entities (as it is deemed to be acting as an agent), and they do not meet the definition of associates, they are carried at FVTPL within equity securities and pooled investment funds on the consolidated statement of financial position.

Where the Group initially sets up OEICs, ACSs, SICAVs and unit trusts as part of its operations through its investment management business, and invests the initial seed capital which results in a significant holding resulting in control of the fund, the Group assesses whether there is a formal plan in place to divest its holding to below the threshold triggering control within 12 months. In this situation, the vehicle is not consolidated, but classified as held for sale and carried at FVTPL.

Limited partnerships

The Group invests in a number of limited partnerships, either directly or through unit trusts, through a mix of capital and loans. These limited partnerships are managed by general partners, in which the Group holds equity.

Such interests in general partners and limited partnerships provide the Group with voting and similar rights to participate in the governance framework of the relevant activities which the limited partnerships are engaged in. Accounting for the limited partnerships (including underlying investees) as subsidiaries, joint ventures, associates or other financial investments depends on the terms of each partnership agreement and the level of shareholdings in the general partners.

Other structured entities

The Group holds investments in mortgage-backed securities, collateralised debt obligations and similar asset-backed securities.

The Group consolidates the vehicles that hold the investments where the Group is deemed to control the vehicles. When assessing control over the vehicles, the factors considered include the purpose and design of the vehicle, the Group's exposure to the variability of returns and the scope of the Group's ability to direct the relevant activities of the vehicle, including any kick-out or removal rights that are held by third parties. The outcome of the control assessment is dependent on the terms and conditions of the respective individual arrangements, taking into account aggregate economic interest where relevant.

(iv) Qualifying partnerships

Entities consolidated by the Group include Qualifying Partnerships as defined under the UK Partnerships (Accounts) Regulations 2008 (the 'Partnership Act'). Some of these limited partnerships have taken advantage of the exemption under regulation 7 of the Partnerships Act from the financial statements requirements. This is under regulations 4 to 6, on the basis that these limited partnerships are dealt with on a consolidated basis in these financial statements.

(v) Third party interests

Interests of parties other than the Group in entities which the Group controls are assessed to determine whether they should be classified as financial liabilities or as non-controlling interests in equity on the consolidated statement of financial position. Puttable third party interests such as units held by external investors in unit trusts are classified as financial liabilities. Third party interests in private equity vehicles set up with finite lives are also classified as financial liabilities.

1.5.2 Insurance contracts

(i) Contracts within the scope of IFRS 17

An entity must apply IFRS 17 to determine the requirements for recognition, measurement, presentation and disclosure of:

- Insurance contracts (including reinsurance contracts issued);
- Reinsurance contracts held; and
- Investment contracts with discretionary participation features (DPF) issued, provided the entity also issues insurance contracts.

1 Basis of preparation and material accounting policies (continued)

IFRS 17 defines insurance contracts as contracts under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Reinsurance contracts are insurance contracts issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts).

The Group judges that a contract transfers significant insurance risk if there is at least one scenario where the amounts that could be payable under the contract represent 10% or more than the amounts payable if the insured event does not occur.

In addition to accepting insurance risk from the insurance contracts issued, the Group is exposed to financial risk from the insurance and investment contracts it issues and reinsurance contracts it holds.

The Group's reinsurance contracts are predominantly contracts held under which risks are transferred to an external third party. The Group has one reinsurance contract under which it accepts risks from with-profits contracts issued by another insurer.

Insurance contracts can be issued and reinsurance contracts can be initiated by the Group, or they can be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Group, unless otherwise stated.

Investment contracts with DPF have the legal form of insurance contracts, but do not transfer significant insurance risk and so are classified as financial instruments. Nevertheless such contracts fall within the scope of IFRS 17.

An investment contract with DPF is a financial instrument that provides a particular investor with the contractual right to receive, as a supplement to an amount not subject to the discretion of the issuer, additional amounts:

- that are expected to be a significant portion of the total contractual benefits;
- the timing or amount of which are contractually at the discretion of the issuer; and
- that are contractually based on:
  - the returns on a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the entity or fund that issues the contract.

The Group judges that the additional discretionary benefits are significant when they are expected to be at least 5% of the total contractual benefits.

The Group's investment contracts with DPF comprise the with-profits business that do not transfer significant insurance risk. This includes propositions which give individual investors access to the PruFund range of funds.

Investment contracts without DPF are not accounted for under IFRS 17 but instead fall within the scope of IFRS 9. For the Group these primarily comprise unit-linked contracts that do not transfer significant insurance risk. Also within the scope of IFRS 9 are contracts issued to corporate bodies to facilitate investment in PruFund, which as a result of cancellation rights included in those contracts, are judged by the Group to not provide significant discretionary benefits.

(i) Contracts within the scope of IFRS 17 (continued)

If several insurance contracts are transacted with the same or a related counterparty and the Group assesses that the contracts are designed to achieve an overall commercial effect, the contracts are combined in order to report the substance of the transactions. This includes instances where certain non-standard benefits covered by a bulk purchase annuity may be executed through a separate legal contract for regulatory purposes but are accounted for as a single contract under IFRS 17.

Some investment contracts issued by the Group provide policyholders with the option to invest their premiums in both unit-linked funds and with-profits funds (including access to PruFund). The Group accounts for such contracts as two separate in substance contracts enabling the investment in with-profits and PruFund to be accounted for under IFRS 17 and the investment in unit-linked funds to be accounted for under IFRS 9.

The Group has previously issued and still holds a book of equity release mortgages. These contracts contain a no negative equity guarantee which ensures that, should the policyholder pass away or move into residential care during the term of the instrument and the accrued loan value is in excess of the sale proceeds of the mortgaged property, then the policyholder's beneficiaries would not have to repay any excess. This feature has been assessed to consider whether it gives rise to insurance risk. The Group judges that the equity release mortgages meet the definition of an insurance contract, but the compensation for insured events is limited to the amount otherwise required to settle the policyholder's obligation created by the contract. In this circumstance IFRS 17 permits the issuer of contracts to choose whether to account for these contracts under IFRS 17 or IFRS 9. The Group has opted to account for these contracts under IFRS 9. As stated in Note 2.3 the portfolio of equity release mortgages was classified as held for sale as at 31 December 2025.

1 Basis of preparation and material accounting policies (continued)

(ii) Separating components

At inception, the Group must identify and separate the following components from contracts within the scope of IFRS 17 and account for the components as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and where the component issued as a standalone contract is not itself a contract that falls within the scope of IFRS 17; and
- distinct investment components other than investment components with DPF: ie investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Group must separate any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and account for them as separate contracts with customers (ie these are accounted for under IFRS 15). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant level of service by integrating the good or service with the insurance component.

The Group has assessed the contracts it has issued and no contracts were identified as containing embedded derivatives, distinct investment components or distinct goods and non-insurance services that must be separated and accounted for under other IFRS standards.

Certain contracts have been determined to contain non-distinct investment components, rights to a refund of premiums, and other non-insurance components (ie amounts payable to a policyholder that are not contingent on the occurrence of an insured event) which are not required to be separated from the host insurance contract but do require specific treatment under IFRS 17. These payments are excluded from the value of insurance revenue and insurance service expenses presented in profit and loss.

Non-distinct investment components, rights to a refund of premiums, and other non-insurance components typically arise in contracts where there is some form of surrender benefit payable at any time of the policyholder's choosing. The Group has opted as an accounting policy choice to consistently define the surrender value to be net of surrender charges or penalties when determining the amounts to exclude from insurance revenue and insurance service expenses.

(iii) Level of aggregation

Insurance contracts

Insurance contracts issued are aggregated into groups for measurement purposes. Groups of insurance contracts are first determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together.

The Group interprets that, when aggregating contracts by similar risk, all risks must be considered but 'similar risks' is not interpreted to mean 'identical risks'. The Group judges that an appropriate method is to aggregate contracts according to which of the three risk categories of protection, longevity and investment is the dominant risk which the Group is exposed to from writing the contract. These three categories have been chosen as they best represent the risks that the Group is exposed to without unnecessary granularity and subdivision.

In aggregating contracts that are managed together, the Group considers the following factors:

- the existence of a common pool of assets backing the contracts;
- the approach to risk management, for example hedging strategies or the existence of reinsurance arrangements;
- for business in a with-profits fund, the approach to risk-bearing, profit-sharing and the application of discretion;
- the source of the business, eg UK or overseas; and
- the categorisation of contracts for the segmental reporting reported in the accounts or for internal management information.

Each portfolio is divided into a minimum of:

- a group of contracts that are onerous on initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of the remaining contracts in the portfolio, if any.

The Group does not currently have any groups of contracts that fall into the category that on initial recognition have no significant possibility of becoming onerous subsequently.

Each of these groups must then be further subdivided, if necessary to ensure that each group does not contain contracts that have been issued more than one year apart.

1 Basis of preparation and material accounting policies (continued)

For annuities, unisex pricing may be required under gender neutral pricing regulations, and may, for example, result in policies sold to females being onerous and policies sold to males being non-onerous. As the other elements of the pricing basis are identical, the difference in onerousness is solely due to the legal constraint. IFRS 17 permits such contracts to be included in the same group.

Reinsurance contracts held

Reinsurance contracts held are similarly aggregated into groups for measurement purposes by first identifying portfolios. However, rather than dividing the portfolios into three groups based on profitability, the contracts are grouped according to whether or not there is a net gain at initial recognition for a group, that is into a minimum of:

- a group of contracts for which there is a net gain on initial recognition, if any;
- a group of contracts for which, on initial recognition, there is no significant possibility of there being a net gain subsequently, if any; and
- a group of the remaining contracts in the portfolio, if any.

As for groups of contracts issued, no group may contain contracts that have been issued more than one year apart and so the groups must be further subdivided to meet this requirement as necessary.

The Group does not currently have any groups of contracts that fall into the category of, on initial recognition, having no significant possibility of there being a net gain subsequently.

Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Group concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Group's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

(iv) Recognition

A group of contracts issued by the Group is recognised from the earliest of:

- the beginning of the coverage period of the group (ie the period during which the Group provides services in respect of any premiums within the boundaries of the contracts);
- when the first payment from a policyholder in the group becomes due or, if there is no contractual due date, when it is received from a policyholder; and
- for a group of onerous contracts, when the group becomes onerous.

The Group is required to determine whether any contracts form a group of onerous contracts before the earlier of the first two dates above if facts and circumstances indicate there is such a group.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

The recognition date of an investment contract with DPF is the date that the entity becomes party to the contract.

A group of reinsurance contracts held is recognised from the earlier of the following:

- the beginning of the coverage period of the group of reinsurance contracts held; and
- the date the Group recognises an onerous group of underlying insurance contracts, if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

For groups of reinsurance contracts held that provide proportionate coverage, which for the Group consists of quota share reinsurance contracts, recognition is delayed until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

Reinsurance contracts that are acquired are recognised from the date of acquisition.

(v) Onerous groups of contracts

The Group considers the following factors to identify if a group of contracts is onerous:

- the Group's pricing frameworks;
- profit testing results; and
- calculations for individual contracts.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

(vi) Contract boundary

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows:

Insurance contracts

Cash flows are within the contract boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Group, which may include both insurance and financial risks, but exclude lapse and expense risks.

Investment contracts with DPF

Cash flows are within the contract boundary of an investment contract with DPF if they result from a substantive obligation of the entity to deliver cash at a present or future date. The entity has no substantive obligation to deliver cash if it has the practical ability to reassess the risk and, as a result, can set a price for the promise to deliver the cash that fully reflects the related risks.

Reinsurance contracts

Cash flows are within the contract boundary of a reinsurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

In assessing contract boundaries for insurance, investment with DPF and reinsurance contracts the Group makes the following judgements:

Granularity of contract boundary assessment

The contract boundary is assessed at an individual contract level.

Practical ability to set a price or level of benefits that fully reflect the risks

Only policyholder risks (the insurance and financial risks that the insurance contract transfers from the policyholder to the Group) are considered when assessing the Group's ability to set a price or level of benefits that fully reflects the risks. Individual components of a single insurance contract are assessed separately, and the full insurance contract is subject to the same single boundary which is the longest of the individual components.

The Group considers the practical ability to set a price or level of benefits that fully reflects the risks only exists where the Group is not prevented from setting the same price it would for a new contract with the same characteristics. In addition to the constraints that apply in relation to new business, constraints on the Group's ability to set a price or level of benefits that fully reflects the risks also include wider market competitiveness and commercial considerations and contractual, legal or regulatory restrictions.

The constraints must have commercial substance to bind the Group, where commercial substance is defined as having a 'discernible effect on the economics of the transaction'.

Right to terminate the contract

Policyholder behaviour is not relevant in assessing whether a contract binds the Group. The Group includes, within the fulfilment cash flows, the probability-weighted expectation of contract terminations, including allowance for policyholder behaviour.

Adding insurance coverage

Where there is an option to add insurance coverage to the same contract at a future date, then the cash flows arising from the option will only fall outside the contract boundary if the Group has the practical ability to fully reassess the risks for the entire contract (including the option) at the point the option is exercised.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

Frequency of assessment

The assessment of the contract boundary is performed and reassessed to include the effect of changes in circumstances on the entity's substantive rights and obligations.

Treatment of non-contractual premium top-ups for accumulating with-profits and PruFund range of funds

The Group judges that, on initial recognition of an accumulating with-profits contract or PruFund range of funds contract, it has no substantive right to any profits associated with future non-contractual premiums and no substantive obligations. Therefore future non-contractual premiums are considered to be outside the contract boundary of the original contract. Non-contractual top-up premiums for these contracts are recognised from the date of payment and are reported as new business in the year of payment.

(vii) Measurement - insurance contracts (initial measurement)

On initial recognition, the Group measures a group of insurance contracts as the total of:

- the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and
- the Contractual Service Margin (CSM).

Estimates of future cash flows

The estimated future cash flows are an explicit, unbiased and probability-weighted estimate (ie expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfils insurance contracts. For most contracts the cash inflows and outflows primarily consist of premiums, claims and costs relating to the fulfilment of the contracts.

The With-Profits Fund contains surplus assets that have accumulated from a number of sources over a long period. Surpluses may continue to arise, for example if the amounts charged to policies exceed the costs they are intended to cover. These surpluses accrue to the With-Profits Fund and can be utilised to meet deficits arising on other with-profits contracts or to enhance the benefits payable to current or future policyholders. The expression 'mutualisation' is used to refer to the feature whereby the cash flows of some contracts may affect or be affected by the cash flows of other contracts.

This feature of the With-Profits Fund is recognised under IFRS 17 through:

- Adjustments to the estimated future cash flows of each with-profits group of insurance contracts to reflect the policyholders' share of the future surpluses/deficits that are expected to emerge from that group of insurance contracts.
- A liability that is separate to the liabilities for the groups of insurance contracts that reflects the additional amounts expected to be paid to current or future policyholders (in accordance with paragraph B71 of IFRS 17).

Estimating the policyholders' share of the surplus assets is an area requiring significant judgement.

IFRS 17 requires that only costs that are directly attributable to fulfilling the insurance contracts are included in the cash flows. Management considers that the majority of the expenses incurred in relation to contracts within the scope of IFRS 17 meet this requirement. Examples of costs that would typically be excluded are those relating to corporate restructuring, brand marketing, and regulatory failings.

IFRS 17 requires that cash flows within the contract boundary include costs that the entity will incur in providing an investment activity to enhance benefits for the policyholder. The Group's interpretation is that the Investment Management Expenses (IMEs) incurred on assets backing the fulfilment cash flows are included in the fulfilment cash flows for the majority of business, with the exception of non-profit protection contracts. This is on the basis of the effect of the Group's investment activities and expected investment returns on the benefits payable, even if the benefits are contractually fixed at inception (as for annuity contracts). If the Group were to invest the premiums received for annuity contracts in less risky asset classes, a lower level of benefits would then be offered for the same premiums. Therefore, the benefits to the policyholder if an insured event occurs are enhanced by the investment activities performed, and so the associated expenses are included within the fulfilment cash flows.

Where there are cash flows between different components of the reporting entity (such as policyholder funds and shareholder funds) IFRS 17 requires that these are not included when estimating the cash flows that will arise as the entity fulfils an existing insurance contract, provided these cash flows do not change the amount that will be paid to the policyholders.

The Group's interpretation is that expenses will reflect the costs incurred by the Group, which may differ from the internal charges to companies within the Group.

The cash flows of a group of insurance contracts do not reflect the Group's non-performance risk.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

Discount rates

Cash flows are discounted using risk-free yield curves adjusted to reflect the liquidity characteristics of the contracts.

The Group determines the adjustment for illiquidity using either a top-down or a bottom-up approach.

Under the top-down approach a yield curve that reflects the current market rates of return implicit in a fair value measurement of a reference portfolio of assets is adjusted to eliminate any factors that are not relevant to the insurance contracts, such as cash flow mismatching and credit risk. There is no requirement to adjust the yield curve for differences in the liquidity characteristics of the insurance contracts and the reference portfolio. Judgement is required to choose an appropriate reference portfolio and to determine the element of the yield on the portfolio that is attributable to factors not relevant to the insurance contracts.

Under the bottom-up approach a liquid risk-free yield curve is increased to reflect the differences between the liquidity characteristics of the financial instruments that underlie the risk-free rates observed in the market and the liquidity characteristics of the insurance contracts. Judgement is required to determine the illiquidity premium.

The Group applies the top-down approach for non-profit annuity contracts and other similar policies that are backed primarily by debt securities. The Group applies the bottom-up approach for all other contracts, including the majority of with-profits policies.

The reference portfolios chosen for non-profit annuities are the Assigned Portfolios used for the Solvency II Matching Adjustment. These are considered to be suitable as reference portfolios for IFRS 17 reporting because their objective is to closely match the liability cash flows and there is strong governance around their management.

The largest adjustment made to reference portfolio yield is in relation to credit risk. IFRS 17 is not prescriptive as to how the adjustment for credit risk is determined other than that it should reflect market risk premiums for credit risk. The Group continues to calculate the credit risk adjustment using the same approach previously used for IFRS 4 reporting. This methodology is considered appropriate for IFRS 17 reporting as it incorporates allowances for expected and unexpected credit events, including internal and external views on the outlook for credit risk, and considers the relationship between credit risk and yield spreads.

For with-profits contracts the illiquidity premium is derived from a portfolio of fixed interest assets, comprising highly liquid government bonds and less liquid corporate bonds, that have similar characteristics and duration to the liabilities. The illiquidity premium for this portfolio is determined as the spread over risk-free rates less an allowance for credit risk. A weighting is then applied to this premium to reflect the relative liquidity characteristics of the with-profits contracts.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation that the Group requires for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk, such as insurance risk, expense risk and lapse risk.

For all lines of business, the Group uses a confidence level technique under which the target confidence level is determined by consideration of the Group's pricing framework for insurance contracts issued and the prices at which the Group has previously transacted reinsurance contracts held. The target confidence level is translated into product-specific non-financial assumptions by reference to the Group's view of the likely risk distributions of non-financial risk events, which have a time horizon of one year. The risk adjustment for non-financial risk is determined as the increase in the discounted value of the future cash flows from using these assumptions instead of unbiased non-financial assumptions.

There is significant overlap in the risks considered between IFRS 17 and Solvency II reporting. The IFRS 17 risk adjustment does not include financial risks or non-financial risks that do not arise from insurance contracts. The majority of the risk adjustment relates to the assumed rates of policyholder mortality for annuity contracts. Lapse risk is also a significant risk factor.

The risk adjustment reflects the impact of diversification of non-financial risks within each entity in the Group but not diversification of risks between entities. The risk adjustment is calculated separately gross of reinsurance and for reinsurance contracts held.

For reinsurance contracts held, the risk adjustment represents the amount of risk being transferred by the Group to the reinsurer. The same approach is used to determine the risk adjustment, ie as the difference in the discounted value of future cash flows between using best estimate assumptions and assumptions calibrated to the required confidence level.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

CSM

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group is a net inflow, then the group is not onerous. In this case, the CSM is measured as the value of the net inflow, which results in no income or expenses arising on initial recognition.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

(vii) Measurement - insurance contracts (subsequent measurement)

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

The method for calculating the CSM for a group of contracts subsequent to initial recognition of the group depends on whether the group consists of contracts that are with or without direct participation features.

A contract within the scope of IFRS 17 is considered to have direct participation features if at inception:

a. the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

b. the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and

c. the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Conversely all contracts that do not meet the definition of being with direct participation features at inception are contracts without direct participation features.

Contracts must be individually assessed to determine whether they are with direct participation features and once classified they are not reassessed unless the contract is modified.

Where contracts are subject to mutualisation, criteria (b) and (c) are assessed allowing for the impact of mutualisation.

The Group's contracts with direct participation features comprise all of the with-profits business and unit-linked contracts accounted for under IFRS 17, except for the Prudential Guaranteed Income Plan.

All of the Group's other business that is within the scope of IFRS 17 are contracts without direct participation features. In particular IFRS 17 prescribes that reinsurance contracts, held or issued, can only be contracts without direct participation features.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

Underlying items

The underlying items are items that determine some of the amounts payable to a policyholder. Underlying items can comprise any items, for example, a reference portfolio of assets, the net assets of the entity, or a specified subset of the net assets of the entity.

For in-force with-profits contracts the Group defines the underlying items to be the assets backing asset shares (which are the accumulated value of all items of income and charges for various costs) and, where applicable, the assets backing the amounts expected to be added to asset shares in the future, for example to reflect miscellaneous surplus that has arisen (such as from some non-profit business written in the With-Profits Fund).

A liability, that is separate to the liabilities for the in-force with-profits contracts (in accordance with paragraph B71 of IFRS 17), is held in the With-Profits Fund that reflects the additional amounts expected to be paid to current or future policyholders. The Group defines the underlying items for these benefits to be:

- the entirety of the assets in the With-Profits Fund;
- less: the underlying items of the in-force with-profits contracts;
- less: the assets held to meet other liabilities of the With-Profits Fund, for example for non-profit contracts.

For unit-linked contracts the Group defines the underlying items to be the assets backing the units allocated to all contracts in the unit of account (the 'unit fund'). For contracts where actuarial funding is used the underlying items are defined as the funded value of units, that is the face value of units multiplied by the actuarial funding factor.

Insurance contracts without direct participation features

For insurance contracts without direct participation features, the carrying amount of the CSM subsequent to initial recognition is calculated using the General Measurement Model (GMM). Applying GMM, the carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the effect of any new contracts that are added to the group in the reporting period;
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future service, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the reporting period.

Changes in fulfilment cash flows that relate to future service comprise:

- experience adjustments arising from premiums received in the reporting period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for changes that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the reporting period, determined as the payment expected at the start of the reporting period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the reporting period; and
- changes in the risk adjustment for non-financial risk that relate to future services.

A key aspect of GMM is that adjustments to the CSM resulting from changes to the present value of future cash flows must be measured using the discount rate that applied at inception of the group of contracts. However, the standard does not explicitly state whether this is intended to extend to all financial assumptions. The Group's interpretation is that all financial assumptions must be set at inception but are only 'locked-in' for future years, therefore the estimates of cash flows up to the measurement date reflect the effect of actual historical financial risk experience. For example, for index-linked annuities the estimated future cash flows reflect the actual inflationary increases that have been added to benefits since inception rather than the locked-in assumed inflationary increases.

After recognising a loss on an onerous group of insurance contracts, specified fulfilment cash flows must be allocated on a systematic basis between the loss component of the liability for remaining coverage and the liability for remaining coverage excluding the loss component. For this purpose, the proportion allocated to the loss component is determined as the ratio of the amount of the loss component to the discounted value of the future cash outflows plus the risk adjustment for non-financial risk.

1 Basis of preparation and material accounting policies (continued)

Insurance contracts with direct participation features

Direct participating contracts are contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

In respect of the variable fee for the Group's in-force with-profits contracts, the Group's share of the fair value of the underlying items consists of:

- shareholder transfers, gross of tax (for products that distribute surplus through this mechanism); and
- the Group's share of the excess of charges and deductions taken from the asset share (such as annual management charges or surrender penalties) over shareholder transfers, gross of tax, and costs that vary directly with the underlying items.

The fulfilment cash flows that do not vary based on the returns of the underlying items are:

- the Group's share of amounts that are expressed as a monetary amount, such as administration expenses, policy fees and the risk adjustment for non-financial risk. For certain types of cost, such as investment management expenses and additional death benefits in excess of the asset share, some costs vary directly with the underlying items and others do not. Despite this difference, the whole amount of these types of cost is included in the fulfilment cash flows that do not vary based on the returns of the underlying items.
- less the fee margin charged by the Group's asset managers for managing the investments backing the with-profits contracts.

There is no variable fee or CSM in relation to the additional amounts expected to be paid to current or future policyholders (that are recognised in accordance with paragraph B71 of IFRS 17).

In respect of the variable fee for the Group's unit-linked contracts, the Group's share of the fair value of the underlying items consists of charges and deductions taken from the unit fund (such as annual management charges or surrender penalties), less costs that vary directly with the underlying items. The fulfilment cash flows that do not vary based on the returns of the underlying items are amounts that are expressed as a monetary amount, such as administration expenses, policy fees and the risk adjustment for non-financial risk. For certain types of cost, such as investment management expenses and additional death benefits in excess of the unit fund, some costs vary directly with the underlying items and others do not. The whole amount of these types of cost is included in the fulfilment cash flows that do not vary based on the returns of the underlying items.

For insurance contracts with direct participation features, the carrying amount of the CSM subsequent to initial recognition is calculated using the Variable Fee Approach (VFA). When measuring a group of direct participating contracts, the Group adjusts the fulfilment cash flows by the whole of the change in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Group then adjusts any CSM for changes in the amount of the Group's share of the fair value of the underlying items, which relate to future services, as explained below.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the CSM of any new contracts that are added to the group in the reporting period;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
  - an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the reporting period.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items eg the effect of financial guarantees.

1 Basis of preparation and material accounting policies (continued)

In determining the change in CSM attributable to the effect of the time value of money and financial risk on the Group's share of the fair value of the underlying items and the fulfilment cash flows, the Group has chosen not to use the risk mitigation option whereby the changes would be adjusted to reflect the use of derivatives, non-derivative financial instruments or reinsurance contracts held to mitigate the effect of financial risk.

After recognising a loss on an onerous group of insurance contracts, specified fulfilment cash flows must be allocated on a systematic basis between the loss component of the liability for remaining coverage and the liability for remaining coverage excluding the loss component. For this purpose, the proportion allocated to the loss component is determined as the ratio of the amount of the loss component to the discounted value of the future cash outflows plus the risk adjustment for non-financial risk.

(vii) Measurement - reinsurance contracts

To measure a group of reinsurance contracts, the Group applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset or liability for remaining coverage and the asset or liability for incurred claims. The asset or liability for remaining coverage comprises: (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods; and (b) any remaining CSM at that date.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts. The present value of the future cash flows for reinsurance contracts held is also adjusted for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured as the amount of the total of: (a) the fulfilment cash flows; (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group; (c) any cash flows arising at that date; and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date.

However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the reinsurance, then the Group recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the effect of any new contracts that are added to the group in the reporting period;
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates determined on initial recognition;
- income recognised in profit or loss in the reporting period on initial recognition of an onerous group of underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows allocated to a group of underlying contracts that do not adjust the CSM for the group of underlying insurance contracts;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the reporting period.

The discount rates determined on initial recognition may differ from those used for the underlying contracts because of differences in the timing of initial recognition.

Reinsurance of onerous underlying insurance contracts

The Group adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of an onerous group of underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts.

If the reinsurance contract covers only some of the insurance contracts included in an onerous group of contracts, then the Group determines the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract.

1 Basis of preparation and material accounting policies (continued)

A loss-recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

(viii) Derecognition and contract modification

The Group derecognises a contract when it is extinguished – ie when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have significantly changed the accounting for the contract had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

M&G's bulk annuity transactions have a two-step process. Firstly, M&G enter into a buy-in contract with a pension scheme and the second step is the conversion of buy-in contract to buy-out contract under which individual contracts are issued to pension scheme members. Generally, all buy-in contracts of the Group include a buy-out clause setting out terms and conditions of buy-out conversion. Also, these conversions do not change benefits provided under the original contract. As such, the Group do not consider buy-out conversion as a modification or derecognition event. However, at each buy-out conversion, the Group assess the underlying terms and conditions of the related contract to determine whether this treatment is appropriate.

On derecognition of a contract from within a group of contracts:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group (see 'Release of the CSM' below).

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

(ix) Value Share

During 2024, the Group completed its first Value Share transaction which comprises a traditional Bulk Purchase Annuity (BPA) buy-in arrangement and a separate reinsurance contract with a captive reinsurer that transfers some of the insurance and investment risk back to the sponsor of the originating pension scheme. The reinsurance arrangement is collateralised to reduce the risk of default.

The accounting policies for the BPA arrangement are the same as for other BPAs transacted by the Group and are set out in the earlier sections in Note 1.5.2.

Application of the Group's accounting policies to the reinsurance arrangement results in the following outcomes:

- the reinsurance contract contains significant insurance risk and so is classified as an insurance contract within the scope of IFRS 17. An insured event occurs when the value of the liabilities determined in accordance with a specified basis exceeds the value of the assets backing the BPA liabilities. Such an event would trigger a claim payment from the reinsurer to the Group;
- the reinsurance contract is measured separately from the BPA contract; and
- the reinsurance contract is subject to different risks and is managed separately from other insurance and reinsurance contracts and so is in a different portfolio of insurance contracts.

1 Basis of preparation and material accounting policies (continued)

(x) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the consolidated statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts are included in the carrying amount of the related portfolios of contracts.

The Group disaggregates amounts recognised in the statement of profit or loss into: (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. The Group has elected to disaggregate the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Group excludes from both insurance revenue and insurance service expenses any non-distinct investment components, refunds of premiums and other non-insurance components. The Group has made the accounting policy choice that accounting estimates made in interim financial statements are changed when applying IFRS 17 in the subsequent annual reporting period.

Insurance revenue

The Group recognises insurance revenue as it satisfies its performance obligations (ie as it provides services to groups of insurance contracts). The insurance revenue relating to the services provided for each reporting period represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and comprises the following items:

- a release of the CSM, measured based on coverage units provided (see 'Release of the CSM' below);
- changes in the risk adjustment for non-financial risk relating to current services;
- policyholder tax; and
- claims and other insurance service expenses incurred in the reporting period, measured as the amounts expected at the beginning of the reporting period.

In addition, the Group allocates a portion of premiums that relate to recovering any insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Group recognises the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition in relation to GMM business and current discount rate in relation to VFA business, as insurance revenue and an equal amount as insurance service expenses.

Release of the CSM

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in the reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before recognising any amounts in profit or loss) equally to each coverage unit provided in the current reporting period and expected to be provided in future reporting periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current reporting period. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

Services provided to insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders (investment-related services). In addition, insurance contracts without direct participation features may also provide investment services for generating an investment return for the policyholder (investment-return service), but only if:

- an investment component exists or the policyholder has a right to withdraw an amount (eg the policyholder's right to receive a surrender value on cancellation of a contract);
- the investment component or withdrawal amount is expected to include an investment return; and
- the Group expects to perform investment activities to generate that investment return.

The Group defines the coverage units for its contracts as follows:

- Insurance coverage (where the benefit is a single lump sum payment, eg term assurances): the sum assured.
- Insurance coverage (where the benefit is a regular income, eg annuities and income protection): the annualised amount of income, as confirmed by the IFRS Interpretation Committee (IFRIC) in 2022.
- Investment-related service (with-profits and unit-linked): the asset share or unit fund value.
- Investment-return service (eg annuities): the transfer amount (for deferred annuities in the accumulation phase and for the Prudential Guaranteed Income Plan) or the payment of annuity benefits within a guaranteed payment period.

1 Basis of preparation and material accounting policies (continued)

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

Where a contract provides both insurance coverage and investment services, the Group must apply judgement to determine appropriate weightings to assign to the two types of service in order to calculate the coverage units for each reporting period. The weights are not locked-in at inception of the group of contracts and instead are reviewed and updated at each reporting date, consistent with the treatment of the coverage units.

With-profits and unit-linked contracts are predominantly investment contracts but may additionally provide insurance coverage if the contract provides a death benefit in excess of the underlying items. For these contracts weighted coverage units are determined as the maximum of the asset share or unit fund and the amount payable on death.

IFRS 17 does not provide explicit guidance as to whether the assumptions used to project the expected coverage units for future reporting periods should be current or locked-in (ie those that applied at inception of the group of contracts). In addition, the standard does not provide guidance as to whether the future coverage units should be discounted when determining the amount of CSM to be released in the current reporting period.

The Group judges that in regards to the assumptions used for both GMM and VFA CSM it is appropriate to use current assumptions to calculate the coverage units expected to be provided in the future. This is on the basis that it results in the most accurate estimate of the service that will be provided in future.

In respect of discounting, the Group judges that it is appropriate to discount the future coverage units as that is consistent with the CSM calculation allowing for the time value of money. The discounting approach follows the method applied in the CSM calculation, namely coverage units for GMM CSM are discounted using the rates that applied at inception and coverage units for VFA CSM are discounted using current rates.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred. They exclude repayments of non-distinct investment components, rights to a refund of premiums, and other non-insurance components, and comprise the following items:

- incurred claims and other insurance service expenses;
- amortisation of insurance acquisition cash flows: this is equal to the amount of insurance revenue recognised in the reporting period that relates to recovering insurance acquisition cash flows;
- losses on onerous contracts and reversals of such losses;
- adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein; and
- impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage.

Coverage units for reinsurance contracts held are typically consistent with the underlying insurance contracts, adjusted for differences in the services received from the reinsurer. For reinsurance contracts held that provide reinsurance of mortality or morbidity risk, the coverage units are typically defined as the sum at risk reinsured. For longevity swap reinsurance arrangements in relation to non-profit annuity business, the coverage units are based on the proportion of the actual annuity payments made on the underlying contracts that the Group recovers from the reinsurer.

For a group of reinsurance contracts covering onerous underlying contracts, the Group establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts.

1 Basis of preparation and material accounting policies (continued)

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

The Group has opted as an accounting policy choice to recognise all insurance finance income or expenses for the reporting period in profit or loss and to not recognise any part of that income or expenses in other comprehensive income (OCI).

1.5.3 Investment contracts without discretionary participation features (DPF)

(i) Investment contracts without DPF

Investment contracts without DPF, such as unit-linked savings and similar contracts, are accounted for as financial instruments. This treatment reflects the deposit nature of the arrangement, with premiums and claims reflected as deposits and withdrawals and recognised directly on the consolidated statement of financial position as movements in the financial liability. These investment contracts are classified as financial instruments and designated as FVTPL because the resulting liabilities are managed, and their performance is evaluated on a fair value basis. For unit-linked contracts, the fair value of the liability is equal to the unit value obligation.

(ii) Reinsurance

The Group enters into various reinsurance arrangements in relation to unit-linked savings contracts where there is no transfer of significant insurance risk to the reinsurer (fund reinsurance). Such contracts are classified as a financial instruments and measured at FVTPL and included with Equity securities and pooled investment funds in the consolidated statement of financial position.

(iii) Deferred acquisition costs

The Group incurs various costs in acquiring new investment contracts without DPF. The incremental, directly attributable acquisition costs relating to these contracts are capitalised and amortised in line with the related revenue. If the contracts involve upfront charges, this income is also deferred and amortised through the consolidated income statement, as the service is provided in accordance with IFRS 15.

The recoverability of any deferred acquisition costs is reviewed at each reporting date, and to the extent that these are no longer deemed recoverable from future revenue, the carrying value is written down to the recoverable amount and the related impairment charge recorded in the consolidated income statement.

1.5.4 Business acquisitions

Business acquisitions are accounted for by applying the acquisition method of accounting, where the identifiable assets and liabilities of the acquired business are recorded at fair value on the date of acquisition. The excess of the fair value of acquisition consideration over the recorded value of the assets and liabilities of the acquired entity is recorded on the consolidated statement of financial position as goodwill. Expenses related to acquiring new business are charged to the consolidated income statement in the year in which they are incurred. Income and expenses of acquired entities are included in the consolidated income statement from the date of acquisition.

Acquisitions of entities under common control are accounted for under merger accounting principles. Under merger accounting, the results and statement of financial position for entities acquired are presented as if they had always been combined. Assets and liabilities of the entities acquired are recorded at their carrying values and a fair value measurement is not undertaken. No new goodwill is recognised and the differences between the cost of investment, which is its fair value, and the carrying value of assets and liabilities acquired is recorded within equity.

1.5.5 Financial instruments

(i) Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially recognised on the trade date measured at their fair value.

(ii) Measurement categories

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost
- FVTPL

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

(iii) Financial instruments measured at amortised cost

Financial instruments are held at amortised cost if both of the following conditions are met:

- the instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and
- the contractual terms of the debt instrument give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

(iv) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of asset sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business.

(v) The SPPI test

As a second step of its classification process the Group assesses the contractual terms to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

(vi) Financial assets measured at FVTPL

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is to collect contractual cash flows.

(vii) Subsequent measurement

After initial measurement, deposits, cash and accrued investment income and other debtors are measured at amortised cost, using the Effective Interest Rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. An allowance for Expected Credit Loss (ECL) is recognised in investment return in the consolidated income statement when the investments are impaired.

Financial assets at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in investment return in the consolidated income statement. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rates. Dividend income from equity instruments measured at FVTPL is recorded in investment return in the consolidated income statement when the right to receive the payment has been established.

(viii) Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which there has been a change in business model.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

(ix) Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

(x) Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as a derecognition gain or loss.

When assessing whether or not to derecognise an instrument, among others, the Group considers the following factors:

- change in currency of the debt instrument;
- introduction of an equity feature;
- change in counterparty; and
- if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss.

(xi) Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the appropriate EIR.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For certain instruments with an investment grade rating, the Group uses the low credit simplification and consequently, a determination of significant increase in credit risk will not be required and the impairment loss would always be calculated based on a 12-month ECL.

The Group also makes use of a simplified impairment approach for trade receivables and contract assets as allowed under IFRS 9. Under this approach, impairment is calculated using a provisioning matrix that is based on days past due.

(xii) Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

(xiii) Recognition of interest income

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the debt instrument.

1 Basis of preparation and material accounting policies (continued)

If expectations of fixed rate financial assets' cash flows are revised for reasons other than credit risk, the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the balance sheet with a corresponding increase or decrease in interest income.

(xiv) Interest and similar income

Interest income comprises amounts calculated using the EIR method for assets measured at amortised cost.

Other interest income includes interest on all financial assets measured at FVTPL, using the contractual interest rate.

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

(xv) Determination of fair value

The Group uses current bid prices to value its investments with quoted prices. Actively traded investments without quoted prices are valued using prices provided by third parties. Financial assets measured at fair value are classified into a three-level hierarchy as described in Note 31.

If the market for a financial investment of the Group is not active, the fair value is determined using valuation techniques. The Group establishes fair value for these financial investments by using quotations from independent third parties, such as brokers or pricing services, or by using internally developed pricing models. Priority is given to publicly available prices from independent sources when available, but overall the source of pricing and/or the valuation technique is chosen with the objective of arriving at a fair value measurement, which reflects the price at which an orderly transaction would take place between market participants on the measurement date.

The valuation techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option-adjusted spread models and, if applicable, enterprise valuation and may include a number of assumptions relating to variables such as credit risk and interest rates. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these financial investments. Details of the financial investments classified as 'level 3' to which valuation techniques are applied, and the sensitivity of profit before tax to a change in these items' valuation, are presented in Note 31.

1.5.6 Fee Income

Revenue arising from contracts with customers consists of investment management and performance fee income from the Group's asset management business, investment management fee income from investment contracts without DPF, platform fee and other fees and commissions.

Management fee income is based on investment assets under management and is only recognised when the Group satisfies its performance obligation to provide the asset management services. It is recognised in the year in which the services are rendered and is recognised net of rebates. Since the asset management service the Group provides is a continuous service, it satisfies its performance obligation over time. Therefore, the Group meets the criteria for its revenue to be recognised over time as the client benefits from the asset management services received from the Group.

Performance fee income is based on the achievement of prescribed performance hurdles. It is only recognised when the performance obligations are satisfied or upon the crystallisation event occurring and when it is highly probable that a significant reversal will not occur.

Fees from investment contracts without DPF are recognised over time as the services are provided, which is the point at which the cash is received. Other fees and commissions such as from the provision of financial advice to customers are recognised when performance obligations are satisfied or upon the crystallisation of an event. The price is determined based on the agreed initial or ongoing adviser charge.

Platform fees are recognised as the related services are provided to the customer.

No significant judgements are applied on the timing or transaction price or the determination of the costs incurred to obtain or fulfil a contract.

1.5.7 Investment return

Investment return included in the consolidated income statement comprises interest income, rental income, dividends, foreign exchange gains and losses, realised and unrealised gains and losses on investments designated as FVTPL, and realised gains and losses (including impairment) on items held at amortised cost. Interest income is recognised as it accrues on an effective interest basis. Dividends on equity securities are recognised on the ex-dividend date and rental income is recognised on an accruals basis.

1 Basis of preparation and material accounting policies (continued)

1.5.8 Derivatives and hedge accounting

The primary areas of the Group's operations where derivative instruments are held are in the With-Profits Fund and annuity business. Management designates derivatives on inception and those that are not designated as hedging instruments are carried at fair value, with movements in fair value being recorded within investment return in the consolidated income statement.

The Group does not regularly seek to apply fair value or cash flow hedging treatment under IFRS 9 and has had no fair value or cash flow hedges for the years ended 31 December 2025 and 31 December 2024.

1.5.9 Derecognition of financial assets and liabilities

The Group's policy is to derecognise financial assets when it is deemed that substantially all the risks and rewards of ownership have been transferred. Gains and losses on disposal are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the consolidated income statement.

The Group derecognises financial liabilities only when the obligation specified in the contract is discharged, cancelled or has expired.

1.5.10 Securities lending and reverse repurchase agreements

The Group is party to various securities lending agreements and repurchase agreements under which securities are transferred to third parties on a short-term basis. The transferred securities are not derecognised; rather, they continue to be recognised within the appropriate investment classification. The Group's policy is that collateral in excess of 100% of the fair value of securities loaned is required from all securities' borrowers and typically consists of cash, debt securities, equity securities or letters of credit.

In cases where the Group takes possession of the collateral under its securities lending programme, including cash collateral which is not legally separated from the Group, the collateral and corresponding obligation to return such collateral is recognised as a financial liability on the consolidated statement of financial position.

The Group is also party to various reverse repurchase agreements under which securities are purchased from third parties with an obligation to resell the securities. The securities are not recognised as investments on the consolidated statement of financial position. The right to receive the return of any cash paid as purchase consideration plus interest is recognised as a financial asset on the consolidated statement of financial position.

1.5.11 Subordinated liabilities and other borrowings

Subordinated liabilities include loan notes issued by the Group which are classified as financial liabilities as they have a fixed repayment date and do not represent a residual interest in the net assets of the Company on liquidation. The notes rank junior to all other liabilities of the Group in the event of liquidation, but above share capital.

Borrowings include operational borrowings attributable to shareholder-financed operations and other borrowings attributable to the With-Profits Fund.

Subordinated liabilities and other borrowings are initially recognised at fair value, net of transaction costs. Borrowings, excluding those backing equity release mortgages, which are managed on a fair value basis and designated at FVTPL in line with the underlying loan assets, are subsequently accounted for on an amortised cost basis using the EIR method. Under the EIR method, the difference between the redemption value of the borrowing and the initial proceeds (net of related issue costs) is amortised through the consolidated income statement to the date of maturity, or for hybrid debt, over the expected life of the instrument.

1.5.12 Investment property

Investments in leasehold and freehold properties not for occupation by the Group, including properties under development for future use as investment property, are carried at fair value, with changes in fair value included in the consolidated income statement. Properties are valued annually either by the Group's qualified surveyors or by taking into consideration the advice of professional external valuers using the Royal Institution of Chartered Surveyors (RICS) valuation standards. Each property is externally valued at least once every three years.

1.5.13 Defined benefit pension schemes

For the Group's defined benefit schemes, if the present value of the defined benefit obligation for the relevant scheme exceeds the fair value of the scheme assets, then a liability is recorded on the Group's consolidated statement of financial position in respect of that scheme. By contrast, if the fair value of the assets of the relevant scheme exceeds the present value of the defined benefit obligation then the surplus in respect of that scheme will only be recognised if the nature of the arrangements under the trust deed, and funding arrangements between the Trustee and the employing entity, support the availability of refunds or recoverability through agreed reductions in future contributions. In addition, if there is a constructive obligation for the employing entity to pay deficit funding in respect of schemes where there is no unconditional right to a refund to any surplus, this is also recognised such that the financial position recorded for the scheme reflects the higher of any underlying IAS 19 Employee Benefits deficit and the obligation for deficit funding.

1 Basis of preparation and material accounting policies (continued)

The Group utilises the projected unit credit method to calculate the defined benefit obligation. This method sees each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Estimated future cash flows are then discounted at a high-quality corporate bond rate, adjusted to allow for the difference in duration between the bond index and the pension liabilities where appropriate, to determine its present value. These calculations are performed by independent actuaries.

The plan assets of the Group's pension schemes may include insurance contracts that have been issued by other entities in the Group. These assets are excluded from plan assets in determining the pension surplus or deficit recognised on the consolidated statement of financial position. The plan assets also exclude any reimbursement right assets resulting from buy-in of the scheme liabilities from other entities in the Group. The aggregate of the actuarially determined service costs of the currently employed personnel, and the net interest on the net defined benefit obligation at the start of the year, is charged to the consolidated income statement. Actuarial and other gains and losses as a result of changes in assumptions or experience variances are recognised as other comprehensive income.

Contributions to the Group's defined contribution pension schemes are expensed when due.

1.5.14 Tax

The Group applies IAS 12 Income Taxes in accounting for taxes on income. Income tax comprises current tax and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax expense is charged or credited based upon amounts estimated to be payable or recoverable as a result of taxable amounts for the current year and adjustments made in relation to prior years. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior periods. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are provided under the liability method for all relevant temporary differences. IAS 12 Income Taxes does not require all temporary differences to be provided for, in particular, the Group does not provide for deferred tax on undistributed earnings of subsidiaries where the Group is able to control the timing of the distribution and the temporary difference created is not expected to reverse in the foreseeable future. Deferred tax is also not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and laws that have been enacted or are substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

The total tax recorded in the consolidated income statement includes tax attributable to both policyholders and shareholders. The tax attributable to policyholders comprises the tax on the income of the consolidated with-profits and unit-linked funds. In certain jurisdictions, such as the UK, life insurance companies are taxed on both their shareholders' profits and on their policyholders' investment returns on certain insurance and investment products. Although both types of tax are included in the total tax charge in the Group's consolidated income statement, they are presented separately in the consolidated income statement to provide the most relevant information about tax that the Group pays on its profits.

The Group is subject to tax in numerous jurisdictions and the calculation of the total tax charge inherently involves a degree of estimation and judgement. The positions taken in tax returns, where applicable tax regulation is subject to interpretation, are recognised in full in the determination of the tax charge in the financial statements if the Group considers that it is probable that the taxation authority will accept those positions. Otherwise, the Group considers an uncertain tax position to exist and a provision is recognised to reflect that a taxation authority, upon review of the positions, could alter the tax returns. From recognition, the provision is measured based on management's judgement and estimate of the likely amount of the liability, or recovery by providing for the single best estimate of the most likely outcome or the weighted average expected value where there are multiple possible outcomes, taking into account external advice where appropriate. Each uncertain tax treatment is considered separately or together as a group, depending on management's judgement as to which approach better predicts the resolution of the uncertainty. It is assumed that tax authorities will examine the uncertain tax treatments and they have full knowledge of all related information.

The judgements and estimates made to recognise and measure the effect of uncertain tax positions are reassessed whenever circumstances change or when there is new information that affects those judgements.

Notes to the consolidated financial statements continued

1 Basis of preparation and material accounting policies (continued)

1.5.15 Goodwill

Goodwill arises when the Group acquires a business and the fair value consideration paid exceeds the fair value of the net assets acquired. Goodwill arising on acquisitions of subsidiaries and businesses is capitalised and carried on the consolidated statement of financial position at initial value less any accumulated impairment losses. Goodwill impairment testing is conducted annually and/or when there is an indication of impairment. For the purposes of impairment testing, goodwill is allocated to a group of cash-generating units. Goodwill impairment charges are recognised immediately in the consolidated income statement.

1.5.16 Intangible assets

Intangible assets acquired through business combinations are measured at fair value on acquisition. Separately acquired intangible assets such as licences and software, are recognised at the price paid to acquire them. Intangible assets arising from development costs are capitalised when it has been established that the project is technically and financially feasible and the Group has both the intention and ability to use the completed asset.

Intangible assets are subsequently carried at cost less amortisation and any accumulated impairment losses.

Intangible assets are amortised on a basis to reflect the pattern in which the future economic benefits are expected to be consumed by reference to new business production levels unless the pattern cannot be determined reliably, in which case a straight-line method is applied. Impairment testing is conducted when there is an indication of impairment. If an impairment has occurred, an impairment charge is recognised for the difference between the carrying value and recoverable amount of the asset. The recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is calculated as the present value of future expected cash flows from the asset, cash-generating unit or group of cash-generating units to which it is allocated.

Amortisation and impairment of intangible assets is charged to the consolidated income statement.

1.5.17 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, debt securities and money market funds with less than 90 days' maturity from the date of acquisition as these instruments are considered to be readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.5.18 Dividends

Dividends are recognised when the obligation becomes certain, ie when the dividend is no longer at the discretion of the Company. In the case of interim dividends, this occurs when the dividends are paid. For final dividends, this occurs when they are recommended by the Board and approved by shareholders.

1.5.19 Share capital and share premium

An equity instrument is any contract that evidences a residual interest in the assets of the Group, after deducting all of its liabilities. Shares are classified as equity when their terms do not create an obligation to transfer assets. The nominal value of shares issued is recorded in share capital.

Where the consideration received from the issue or sale of existing shares exceeds the nominal value recorded in share capital, the difference is recorded in share premium. Share premium is recorded net of share issue costs.

1.5.20 Treasury shares

Where any of the Group entities purchase the Company's share capital, the consideration paid, including any attributable transaction costs, is shown as a deduction from total shareholders' equity. Any gains and losses arising on treasury shares are included within equity.

1.5.21 Merger reserve

The merger reserve arises from the application of merger accounting principles to acquisitions of entities under common control. It represents the difference between the aggregate capital reserves and value of the entities acquired, which is recognised directly in equity. On disposal of the relevant entity, the related merger reserve is released directly to retained earnings.

1.5.22 Share-based payments

All share-based payments made to employees for services rendered are measured based on the fair value of the equity instrument granted. The fair value takes into account the impact of market-based vesting conditions and non-vesting conditions, but excludes any impact of non-market-based vesting conditions. The related share-based payment expense is recognised over the vesting period. The fair value is determined using an option pricing model such as Black-Scholes where appropriate, taking into account the terms and conditions of the award.

For equity-settled share-based payments, the fair value of service rendered is based on the fair value of the equity instrument at grant date, which is not remeasured subsequently. The share-based payment expense is recognised over the vesting period and is based on the number of equity instruments expected to vest, with the corresponding entry to equity.

For cash-settled share-based payments, the fair value of service rendered is based on the fair value of the liability related to the equity instrument granted. The fair value of the equity instrument granted is remeasured at each reporting date with any changes recognised in the share-based payment expense in the consolidated income statement for the period.

1 Basis of preparation and material accounting policies (continued)

A cancellation of an award without the grant of a replacement equity instrument is accounted for as an acceleration of vesting. Accordingly, any share-based expense that would have been recognised over the remaining vesting period is recognised immediately.

On vesting or exercise, the difference between the expense charged to the consolidated income statement and the actual cost to the Group is transferred to retained earnings.

1.5.23 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, excluding treasury shares and shares held by the employee benefit trust.

Diluted EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares, excluding treasury shares and shares held by the employee benefit trust, adjusted to take into account the effect of any dilutive potential ordinary shares. The Group's only class of potentially dilutive ordinary shares are share options and awards granted to employees. Potential ordinary shares are treated as dilutive when their conversion to ordinary shares results in a decrease in EPS.

1.5.24 Foreign exchange

The Group's consolidated financial statements are presented in million pounds sterling, the Group's presentation currency. Accordingly, the results and financial position of foreign subsidiaries are translated into the presentation currency of the Group from their functional currencies. All assets and liabilities of foreign subsidiaries are converted at year-end exchange rates while all income and expenses are converted at average exchange rates where this is a reasonable approximation of the rates prevailing on transaction dates.

Foreign currency monetary assets and liabilities are translated at the spot exchange rate for the functional currency at the reporting date. Changes resulting from exchange rates are recognised in the consolidated income statement.

Foreign currency transactions are translated into functional currencies at the spot rate prevailing on the date of transactions.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Exchange differences arising on the translation of foreign subsidiaries are recognised in other comprehensive income and taken to other reserves within equity. On disposal of the foreign subsidiary, the related exchange differences are transferred out of this reserve and are recognised in the consolidated income statement as part of the gain or loss on disposal.

The income statements and cash flows, and statements of financial position of Group entities that have a different functional currency from the Group's presentation currency, have been translated using the following principal exchange rates.

	2025		2024	
	Income statement and cash flows (average rate)	Statement of financial position (closing rate)	Income statement and cash flows (average rate)	Statement of financial position (closing rate)
Euro (EUR)	**1.17**	**1.15**	1.18	1.21
Indian Rupee (INR)	**114.99**	**120.89**	106.95	107.22
Polish Złoty (PLN)	**4.95**	**4.84**	5.09	5.17
South African Rand (ZAR)	**23.56**	**22.29**	23.42	23.63
Swedish Krona (SEK)	**12.92**	**12.40**	13.51	13.84
Swiss Franc (CHF)	**1.09**	**1.07**	1.13	1.14
US Dollar (USD)	**1.32**	**1.35**	1.28	1.25

1 Basis of preparation and material accounting policies (continued)

1.5.25 Leases

The Group leases office property to conduct its business. At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. In simple terms this applies if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception, the Group allocates the consideration in a contract to each lease component. However, for the leases of land and buildings, in which the Group acts as lessee, the Group has elected to account for the lease and non-lease components as a single lease component.

Where the Group acts as a lessee, it recognises a 'right of use' asset and a corresponding lease liability, representing the obligation to make lease payments at the lease commencement date. The Group applies the cost model to the right of use assets, except for those that meet the definition of an investment property, to which the fair value model is applied.

The asset is initially measured at cost which comprises the amount of the lease liability, and lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs related to the dilapidation of the asset that would be incurred, less any lease incentives received. Subsequently, the asset is depreciated using the straight-line method from the commencement date to the earlier of: (i) the end of the right of use asset's useful life; and (ii) the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's own incremental borrowing rate. Subsequently, the lease liability is measured at amortised cost, using the EIR method. From time to time, the lease liability is remeasured where there is a change in future lease payments for example, where the Group reassesses whether it will exercise a purchase, extension or termination option. Where this happens, a corresponding adjustment is made to the carrying amount of the right of use asset or an amount is recognised in the consolidated income statement if the carrying amount of the right of use asset has been reduced to zero.

The Group presents the right of use assets that do not meet the definition of investment property in 'Property, plant and equipment' on the consolidated statement of financial position. The corresponding lease liabilities are presented in 'Lease liabilities'.

Where the Group acts as lessor, it classifies and accounts for its leases as operating or finance leases. Where the Group acts as an intermediate lessor, as it does with some of its property leases, it accounts for its interests in the head lease and the sub-lease separately. The Group assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. Where substantially all the risks and rewards of ownership are transferred to the lessee, the Group recognises a receivable asset on the consolidated statement of financial position, equal to the present value of the lease payments, within 'Accrued investment income and other debtors'. The Group recognises finance income over the lease term to reflect the rate of return on the net investment in the lease, within 'Other income'. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Investment return'.

1.5.26 Property, plant and equipment (PPE)

PPE includes Group occupied properties and other tangible assets, such as computer equipment, motor vehicles, leasehold improvements and fixtures and fittings. PPE including owner-occupied property is measured at cost, which represents the original purchase price less any expenses incurred in bringing it to its working conditions, and subsequently measured using the cost model.

Depreciation is charged to the consolidated income statement on a straight-line basis over the assets estimated useful lives as follows:

Type of asset	Estimated useful life[i]
Group occupied property	20–50 years
Right of use asset	2–50 years
Other tangible assets	2–40 years

i Note that the useful lives stated are inclusive of PPE held by consolidated infrastructure private equity vehicles which typically have longer useful lives than other assets of the Group.

Management determines useful lives and residual values for assets when they are acquired. The Group assesses the useful life, residual value and depreciation method for PPE on an annual basis and any adjustments are made where required.

An impairment review of PPE is carried out whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management assesses impairment at the lowest level for which there are separately identifiable cash flows. Where the carrying amount of an asset is greater than its estimated recoverable amount, which is the higher of the assets fair value less costs of disposal and value in use, it is written down immediately to its recoverable amount and an impairment loss is recognised in the consolidated income statement.

1 Basis of preparation and material accounting policies (continued)

1.5.27 Assets and liabilities held for sale

The Group classifies assets and liabilities as held for sale when the carrying amount is expected to be recovered through a sale transaction, usually within one year, and management is committed to the sale.

Assets and liabilities held for sale are shown separately on the consolidated statement of financial position and are measured at the lower of their carrying amount and their fair value less costs to sell. No depreciation or amortisation is charged on an asset which is classified as held for sale.

When the Group is committed to a sale of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Income and expenses of subsidiaries sold during the year are included in the consolidated income statement up to the date of disposal. The gain or loss on disposal is calculated as the difference between sale proceeds net of selling costs, less the net assets of the entity at the date of disposal, adjusted for foreign exchange movements attaching to the sold entity that are required to be recycled to the consolidated income statement under IAS 21 'The Effects of Changes in Foreign Exchange Rates'.

1.5.28 Provisions and contingent assets and liabilities

Provisions are recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation resulting from a past event, it is more probable than not that a loss will be made in settling the obligation and the amounts can be estimated reliably.

Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are discounted and represent the present value of the expected expenditure where the effect of the time value of money is material.

Contingent liabilities are possible obligations of the Group where the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the consolidated statement of financial position, unless they are assumed by the Group as part of a business combination. Contingent liabilities are however disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured, it is no longer treated as contingent and recognised as a liability.

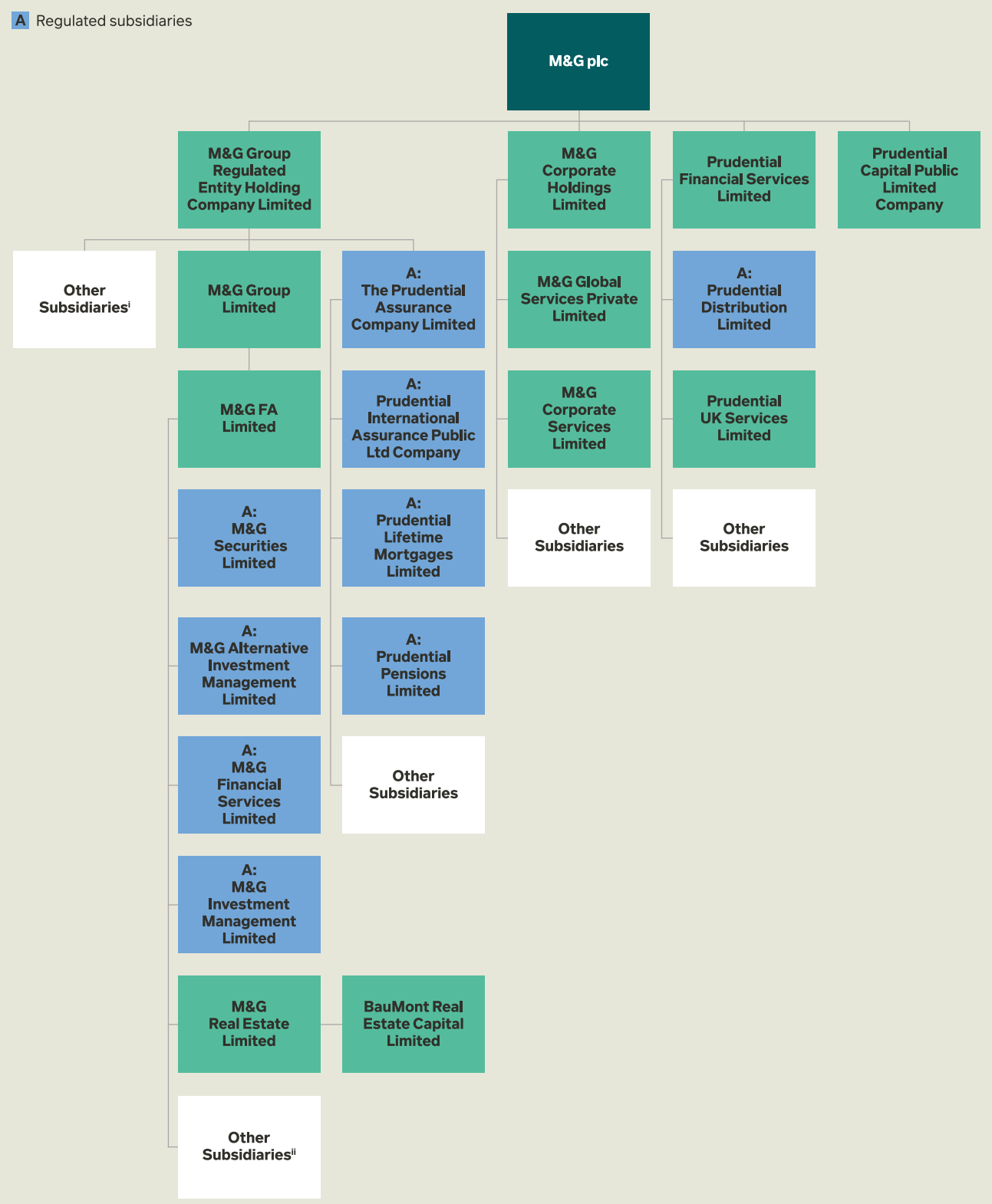
Contingent assets which are possible benefits to the Group are only disclosed if it is probable that the Group will receive the benefit. If such a benefit becomes virtually certain, it is no longer considered contingent and is recognised on the consolidated statement of financial position as an asset.

Notes to the consolidated financial statements continued

2 Group structure and products

2.1 Group composition

The following diagram is an extract of the Group structure as at 31 December 2025 and gives an overview of the composition of the Group. M&G plc is the holding company of the Group.



i. Including Investment Funds Direct Limited, Sandringham Financial Partners Limited and My Continuum Financial Limited.
ii. Including P Capital Partners AB, MandG Investments Southern Africa (Pty) Ltd and responsAbility Investments AG.

A list of the Group's related undertakings comprising subsidiaries, joint ventures, associates and other significant holdings is contained within Note 39.

Notes to the consolidated financial statements continued

2 Group structure and products (continued)

2.2 Corporate transactions

BauMont Real Estate Capital Limited acquisition

On 29 October 2024, M&G Real Estate Limited, a wholly owned subsidiary of the Group, acquired 65% of the entire issued share capital of BauMont Real Estate Capital Limited (BauMont), for an initial purchase consideration of £13m.

The Group retains call options over the remaining 35% holding where the exercise price has a fixed and variable element based on fair value at the exercise date. The Group has accounted for the transaction on the basis it controls 100% of BauMont presenting the full purchase consideration of £20m from the date of acquisition of the initial 65% stake on 29 October 2024. A liability of £7m (2024: £7m) has been recognised in respect of the Group's obligation under the call option arrangement.

BauMont is now part of the Group's Asset Management segment, bolstering the Group's value-add capability, enabling growth through the expansion of our real estate client proposition, beyond core, residential and debt strategies. BauMont is based in Paris and London, and manages €1.5 billion of assets in European value-add real estate.

As at the acquisition date the consideration and net assets acquired and resulting Goodwill and intangible assets were as follows:

	£m
Total consideration	**20**
Net assets acquired:	
Accrued investment income and other debtors	**3**
Cash and cash equivalents	**1**
Total assets	**4**
Accruals, deferred income and other liabilities	**(4)**
Total liabilities	**(4)**
Intangible assets and related deferred tax liability arising on acquisition:	
Investment management agreements and co-investment contracts	**8**
Segregated client mandates	**1**
Deferred tax liability	**(2)**
Goodwill	**13**

The goodwill of £13m represents revenue synergies with BauMont expected to benefit from M&G's broader client network and capabilities.

Intangible assets identified relate to BauMont's existing investment management agreements and co-investment contracts and existing segregated client mandates, recognised at fair values of £8m and £1m respectively. The valuations were based on the multi-period excess earnings method and the key assumptions used in measuring the fair value were the revenue projections, related profit margins and the discount rate.

The revenue and profit before tax for the year ended 31 December 2025 included in the consolidated income statement in respect of BauMont were £9m and £1m respectively.

P Capital Partners acquisition

On 3 June 2025, M&G FA Limited (MGFA), a wholly owned subsidiary of the Group, acquired 70% of the issued 'A' share capital of P Capital Partners AB (PCP), for a purchase consideration of £90m. The acquired shareholding gives MGFA 68% of voting equity interest in PCP.

PCP is now part of the Group's Asset Management segment, broadening our client offering in the private and structured credit sector. PCP operates as an Alternative Investment Fund Manager, regulated in Sweden. The company offers private debt predominantly to non-sponsored and founder-led borrowers in northern Europe.

The purchase consideration includes £50m of cash consideration paid at the completion date and deferred consideration of £40m, payable in three tranches. On the first anniversary of the acquisition £26m will be paid, unconditionally. On or after the second anniversary of the acquisition, £10m contingent on a revenue hurdle being achieved, will be paid. Finally, a third deferred consideration estimated to be £4m is payable in relation to providing the PCP founder-sellers a share of benefit anticipated from the utilisation of tax losses built up prior to the acquisition date. The deferred consideration is recognised as a financial liability on the consolidated statement of financial position.

The acquisition has been accounted for using the acquisition accounting method with the Group electing to use the proportional interest method to value the non-controlling interests' share at the date of acquisition, utilising the proportionate share of the value of the identifiable assets acquired and liabilities assumed.

2 Group structure and products (continued)

As at the acquisition date the consideration and net assets acquired and resulting Goodwill and intangible assets were as follows:

	£m
70% consideration	**90**
Non-controlling interest	**9**
Total consideration	**99**
Net assets acquired:	
Accrued investment income and other debtors	**31**
Cash and cash equivalents	**17**
Total assets	**48**
Accruals, deferred income and other liabilities	**(47)**
Total liabilities	**(47)**
Intangible assets and related deferred tax liability arising on acquisition	
Fund management agreements	**18**
Customer relationships	**17**
Deferred tax liability	**(6)**
Goodwill	**69**

The goodwill of £69m represents revenue and distribution synergies with PCP expected to benefit from M&G's broader client network and from launching segregated investment portfolios, seeded by M&G's balance sheet.

Intangible assets identified relate to PCP's existing fund management agreements and existing customer relationships benefitting future fund launches, recognised at fair values of £18m and £17m respectively. The valuations were based on the multi-period excess earnings method and the key assumptions used in measuring the fair value were the revenue projections, related profit margins, discount rate, and assumed reinvestment into future funds for the customer relationship asset.

The revenue and profit before tax included in the consolidated income statement in respect of PCP were £7m and £1m respectively. The revenue and loss before tax for the year ended 31 December 2025 for PCP were £12m and £2m respectively.

2 Group structure and products (continued)

2.3 Held for sale

The assets and liabilities classified as held for sale on the consolidated statement of financial position comprise of the following:

As at 31 December	2025 £m	2024 £m
Investment properties	**387**	468
Equity securities and pooled investment funds[i,ii]	**94**	92
Loans	**929**	—
Other assets (including cash and cash equivalents)[iii]	**939**	906
Assets held for sale	**2,349**	1,466
Other liabilities[iii]	**988**	1,073
Liabilities held for sale	**988**	1,073

i Includes £40m (2024: £92m) of seed capital classified as held for sale as it is expected to be divested within 12 months.

ii During the year, the Group disposed of a portfolio of pooled investment funds as part of a coordinated sale to an external fund not controlled by the Group. As part of the transaction, certain investments, with a value of £54m, have a trade date of 1 January 2026 or 1 January 2027 and therefore have been classified as held for sale as at the year end.

iii Includes £910m (2024: £906m) of assets held for sale and £974m (2024: £1,073m) of liabilities held for sale in relation to the Group's consolidated infrastructure capital private equity vehicles.

As at 31 December 2025, the Group's equity release mortgage portfolio, with a carrying value of £929m, met the criteria for being classified as held for sale.

2.4 Insurance and investment contracts written by the Group's insurance entities

A description of the main contract types written by the Group's insurance entities is provided below.

The Group's with-profits contracts are written in the With-Profits Fund in which policyholders share in the profit of the fund; there are two with-profits sub-funds: the With-Profits Sub-Fund (WPSF) and the Defined Charge Participating Sub-Fund (DCPSF).

Shareholder-backed business represents all insurance and investment contracts in the Group other than contracts written in the With-Profits Fund. The profit on these contracts accrues directly to the Group's shareholders.

2.4.1 With-profits contracts

With-profits contracts provide returns to policyholders through bonuses that are smoothed to reduce the impact of volatility of the investment performance of the assets in the fund.

2.4.1.1 Conventional and accumulating with-profits contracts written in WPSF and DCPSF

Conventional and accumulating with-profits policyholders receive their share of profit by way of regular and final bonuses.

Regular bonus rates are determined for each type of policy primarily by targeting the bonus level at a prudent proportion of the long-term expected future investment return on underlying assets, reduced as appropriate for each type of policy to allow for items such as expenses, charges, tax and shareholder transfers.

In normal investment conditions, the Group expects changes in regular bonus rates to be gradual over time. However, the Group retains the discretion whether or not to declare a regular bonus each year, and there is no limit on the amount by which regular bonus rates can change.

A final bonus, which is normally declared annually, may be added when a claim is paid. The rates of final bonus usually vary by type of policy and by reference to the period, usually a year, in which the policy commences or each premium is paid. These rates are determined by reference to the asset shares of representative sample policies and are subject to smoothing.

Regular bonuses are typically declared once a year, and once credited are guaranteed in accordance with the terms of the particular product. Final bonus rates are guaranteed only until the next bonus declaration.

Contracts are predominantly written in the WPSF, where the shareholders are entitled to an amount up to one-ninth of the bonus declared, which is payable as a cash transfer from the With-Profits Fund. For the business written in the DCPSF, the charges accrue to shareholders who also meet the corresponding expenses. Profits arising in the DCPSF are attributed wholly to DCPSF policyholders. The shareholders' profit arises as the difference between charges and expenses.

2 Group structure and products(continued)

2.4.1.2 With-profits contracts with a PruFund investment option ('PruFund contracts')

These are a range of with-profits contracts offering policyholders a choice of investment profiles (PruFund funds). Unlike the with-profits contracts described above, no regular or final bonuses are declared. Instead, policyholders participate in profits by means of an increase in their investment, which grows in line with an Expected Growth Rate (EGR). The EGR is adjusted for significant market movements.

The EGR may be applied for each of the different PruFund funds within the range, varying depending on the individual asset mix of that fund. The applicable EGR, net of the relevant charges, is applied to calculate the 'smoothed unit value' of policyholder funds. The EGRs are reviewed and updated quarterly, with the smoothed unit value calculated daily. In normal investment conditions, the EGR is expected to reflect our view of how the funds will perform over the longer term.

Policyholders are protected from some of the extreme short-term ups and downs of direct investments by using an established smoothing process. Prescribed adjustments are made to the smoothed unit value if it moves outside a specified range relative to the value of the underlying assets.

PruFund contracts are predominantly written in the WPSF, where the shareholder is entitled to an amount up to one-ninth of the difference between the smoothed unit value on withdrawal and the initial investment. The DCPSF also contains PruFund contracts, and for these contracts the shareholders receive profits or losses arising from the difference between the charges and expenses on this business.

2.4.2 Unit-linked contracts

Unit-linked contracts are contracts where the value of the policy is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investments or indices. Investment risk associated with the product is primarily borne by the policyholder. Some unit-linked contracts provide an element of insurance coverage, such as a benefit payable on death in excess of the value of the units, and these contracts are classified as insurance contracts and accounted for under IFRS 17 (see Note 24.2.5).

Charges are deducted from the unit-linked funds for investment and administration services and, for certain contracts, insurance coverage. Benefits payable will depend on the price of the units prevailing at the time of surrender, death or the maturity of the product.

2.4.3 Annuities

Annuities are contracts which offer policyholders a regular income over the policyholder's life, in exchange for an upfront premium, and may be immediate or deferred. For immediate annuities, the regular income starts immediately after the premium payment but, for deferred annuities, the regular income is delayed until a specified date in the future. There are various types of annuity contracts written across the Group: level, fixed increase, inflation-linked (all referred to as 'non-profit annuities') and with-profits annuities.

- Level annuities: provide a regular (for example, monthly) fixed annuity payment over the policyholder's life.
- Fixed increase annuities: provide a regular annuity payment which incorporates automatic increases in annuity payments by either fixed percentages or fixed amounts over the policyholder's life.
- Inflation-linked annuities: provide a regular annuity payment to which an additional amount is added periodically based on the increase in an inflation index.
- With-profits annuities: are written in the With-Profits Fund. These combine the income features of annuity contracts with the investment smoothing features of with-profits products and enable policyholders to obtain exposure to investment returns on the With-Profits Fund. In addition, some non-profit annuities are written in the With-Profits Fund, and profits relating to this business accrue to the With-Profits Fund.

During 2024, the Group completed a Value Share transaction which comprises a traditional BPA buy-in arrangement, while also allowing corporate sponsors to participate in the risk and reward generated from the transaction through a separate reinsurance contract with a captive reinsurer that transfers some of the insurance and investment risk back to the sponsor of the originating pension scheme.

Notes to the consolidated financial statements continued

3 Segmental analysis

The Group's operating segments are defined and presented in accordance with IFRS 8: Operating Segments on the basis of the Group's management reporting structure and its financial management information. The Group's primary reporting format is by product type. The Chief Operating Decision Maker for the Group is the Group Executive Committee. Reporting of assets and liabilities by reportable segment has not been included below, as this is not information that is provided to key decision makers on a regular basis.

3.1 Operating segments

The Group's operating segments are:

Asset Management

The Group's investment management capability is offered to both wholesale and institutional clients. The Group's wholesale clients invest through either UK domiciled OEICs or Luxembourg domiciled SICAVs and have access to a broad range of actively managed investment products, including Equities, Fixed Income and Multi-Asset. The Group serves these clients through its many business-to-business relationships both in the UK and overseas, which include independent financial advisers, high-street banks and wealth managers. The Group's institutional investors, include pension funds, insurance companies and banks from around the world, who invest through segregated mandates and pooled funds into a diverse range of Equities, Fixed Income and Real Estate investment products and services.

The Asset Management segment generates revenues by charging fees which are typically based on the level of assets under management. The Asset Management segment also earns investment management revenues from the management of a significant proportion of Life assets.

Life

The Life business operates in the savings and pensions market and includes corporate pension solutions, individual life and pensions, international solutions and advice.

Corporate pension solutions consists of our Bulk Purchase Annuity (BPA) business along with workplace pensions.

Individual products include annuity contracts: level annuities, which provide a fixed annuity payment; fixed increase annuities, which incorporate a periodic automatic fixed increase in annuity payments; inflation-linked annuities, which incorporate a periodic increase based on a defined inflation index; and with-profits annuities, written in the With-Profits Fund, combining income features of annuity contracts with the investment-smoothing features of with-profits products. Some inflation-linked annuities have minimum and/or maximum increases relative to the corresponding inflation index. The life products are primarily whole of life assurance, endowment assurances, term assurance contracts, income protection, and critical illness products. Investment products include unit-linked contracts and the Prudential bond offering, which mainly consists of single-premium-invested whole of life policies, where the client has the option of taking ad hoc withdrawals, regular income or the option of fully surrendering their bond. Investment products also include the newly launched Prudential Guaranteed Income Plan which provides, in exchange for a lump-sum investment, a guaranteed regular income over a fixed term, typically between 5 and 15 years, and/or a guaranteed lump-sum payment at the end of the term.

All of the Group's products that give access to the PruFund investment proposition are included in Life. The PruFund investment proposition gives customers access to savings contracts with smoothed investment returns and a wide choice of investment profiles. See Note 2.4.1 for further information.

International solutions include our savings businesses based in Ireland and Poland (Prudential International Assurance plc). The Group's products which give non-UK clients access to the PruFund investment proposition are also included.

Advice provides access to a range of retirement, savings and investment management solutions to its clients. These products are distributed to clients through intermediaries and advisers, and include the Retirement Account (a combined individual pension and income drawdown product), individual pensions, ISAs, collective investments and a range of on-shore and off-shore bonds.

Corporate Centre

Corporate Centre includes central corporate costs and debt costs.

3 Segmental analysis (continued)

3.2 Adjusted operating profit before tax methodology

Adjusted operating profit before tax is one of the Group's non-GAAP alternative performance measures, which complements IFRS GAAP measures and is key to decision-making and the internal performance management of operating segments.

Details of the methodology are presented below:

Fee based business

For the Group's fee based business written by Asset Management and Life segments, adjusted operating profit before tax includes fees received from clients and operating costs for the business including overheads, expenses required to meet regulatory requirements and regular business development/restructuring and other costs. Costs associated with fundamental Group-wide restructuring and transformation are not included in adjusted operating profit before tax.

Business written in the With-Profits Fund

For the Group's business written in the With-Profits Fund in the Life segment, adjusted operating profit before tax includes the release of the risk adjustment and the expected release of the CSM for the period. The expected CSM release for the period is calculated as the CSM at the start of the period, updated to reflect long-term expected investment returns including the CSM generated on expected new business over the period, multiplied by the expected amortisation factor for the period.

- The long-term expected investment returns are calculated as at 1 January on the assumption of real-world investment returns, which are determined by reference to the risk-free rate plus a risk premium based on the mix of assets held to back the asset shares. In the calculation of the expected CSM release for with-profits business, the long-term expected investment returns for 2025 are 7.8% pa (2024: 8.2% pa).
- The expected amortisation factor for the period reflects the expected pattern of release of the CSM for the with-profits business over the life of the contracts. The expected amortisation factor varies for PruFund and Traditional business due to differing maturity profiles; for PruFund the factor used for 2025 is 11.1% pa (2024: 10.8%) and for Traditional was 13.1% (2024: 12.8%).

Adjusted operating profit before tax for the Group's business written in the With-Profits Fund also includes the expected investment return for the shareholder's share of the IFRS value of the excess assets in the Fund. For 2025, the expected return was 6.2% pa (2024: 6.8% pa).

Adjusted operating profit for the Life segment does not include the impact of any margins on investment management fee earned by other Group entities. These are recognised in the Asset Management segment as they emerge.

The application of IFRS 17 to non-profit contracts in the With-Profits Fund results in a mismatch due to the difference between their value under the IFRS 17 General Measurement Model (GMM) accounting for these contracts (primarily annuities) and how these contracts are treated in determining their fair value when assessing current and future with-profits contracts under the Variable Fee Approach (VFA). Although the impact of this mismatch balances over the life of the current and future with-profit contracts as the CSM under the VFA is set up and released, results for the period do not reflect the long-term economics of the transaction. Therefore, the impact of the mismatch has been excluded from adjusted operating profit before tax.

Shareholder annuity business

For the Group's shareholder annuity products written by the Life segment, adjusted operating profit before tax includes the release of the CSM and the risk adjustment for the period. Adjusted operating profit before tax also includes the returns on surplus assets in excess of IFRS 17 liabilities based on long-term expected investment returns, calculated as at 1 January and determined by reference to the risk-free rate plus a risk premium based on the mix of assets. For 2025 the long-term expected investment returns for shareholder annuities were 5.2% pa (2024: 5.6% pa). The net effect of changes to the valuation rate of interest due to asset trading and portfolio rebalancing, and experience variances are also included in adjusted operating profit before tax.

The results of the intercompany buy-in transaction executed between the trustees of M&G Group Pension Scheme (M&GGPS) and PAC in 2023 are included in adjusted operating profit before tax as this generates economic value for the Group.

Adjusted operating profit before tax for shareholder annuities excludes the impact of the mismatch resulting from the measurement of fulfilment cash flows using current interest rates and any changes to CSM being measured using locked-in rates.

For Value Share BPAs, the adjusted operating profit before tax reflects the net results of the underlying BPA and the reinsurance arrangement after removing the impact of any mismatches that arise on the accounting for these transactions as stated below. The resulting impact mainly represents the contribution of the intermediary fee earned on this arrangement.

3 Segmental analysis (continued)

Corporate Centre

For the Corporate Centre adjusted operating profit before tax is the expense incurred to run the head office and the actual investment return on treasury activities and debt costs.

Key adjusting items between IFRS profit before tax and adjusted operating profit before tax

Certain adjustments that are considered to be non-recurring or strategic, or due to short-term movements not reflective of longer-term performance are made to IFRS profit or loss before tax to determine adjusted operating profit before tax. Adjustments are in respect of short-term fluctuations in investment returns, mismatches arising on the application of IFRS 17, impairment and amortisation in respect of acquired intangibles, costs associated with fundamental Group-wide restructuring and transformation, profit or loss arising on business and corporate transactions and profit or loss before tax from any discontinued operations.

Short-term fluctuations in investment returns

The adjustment for short-term fluctuations in investment returns represents:

- difference between actual CSM release for the period and expected CSM release for the period for with-profit contracts. For non-profit business in the With-Profits Fund it is the CSM release for the period;
- movements in the fair value of instruments held to manage equity risk in the future with-profits shareholder transfer and to mitigate interest rate risk for the optimisation of the Group's capital position on a Solvency II basis;
- difference between actual and long-term expected investment return on surplus assets backing the shareholder annuity capital and shareholders' share of excess assets in the With-Profits Fund measured on an IFRS basis;
- foreign exchange movements on the US dollar subordinated debt held in the Corporate Centre;
- fair value movements on strategic investments;
- impact of short-term credit risk provisioning and experience variances on the measurement of best estimate liabilities, specifically:
  - the impact of credit risk provisioning for short-term adverse credit risk experience;
  - the impact of credit risk provisioning for actual upgrade and downgrade experience during the year. This is calculated by reference to current interest rates;
  - credit experience variance relative to long-term assumptions, reflecting the impact of defaults and other similar experience, such as asset exchanges arising from debt restructuring; and
  - the impact of market movements on bond portfolio weightings and the subsequent impact on credit provisions.
- the elimination on consolidation of the results of the intercompany buy-in transaction executed between the trustees of M&GGPS and PAC in 2023.

Mismatches arising on the application of IFRS 17

The application of IFRS 17 results in the following mismatches in valuation basis being recognised in total profit/loss before tax. For the purposes of calculating adjusted operating profit before tax the impact of these mismatches has been excluded.

- difference between the value under IFRS 17 GMM for non-profit contracts (primarily annuities) written in the With-Profits Fund and how these contracts are treated in determining their fair value when assessing current and future with-profits contracts under the VFA;
- mismatch resulting from measurement of fulfilment cash flows for shareholder non-profit business (primarily annuities) using current interest rates while related changes to the CSM are measured using locked-in rates; and
- mismatches resulting from measurement differences arising on the accounting for Value Share BPAs related to the definition of the insurance service for the annuity contracts compared to the reinsurance contract and the discount rate used for each type of contract.

Amortisation and impairment of intangible assets acquired in business combinations

Amortisation and impairment of intangible assets (including goodwill) acquired in business combinations are excluded from adjusted operating profit before tax.

Profit/(loss) on disposal of businesses and corporate transactions

Certain additional items are excluded from adjusted operating profit before tax where those items are considered to be non-recurring or strategic, or considered to be one-off, due to their size or nature, and therefore not indicative of the long-term operating performance of the Group. These include profits or losses arising on corporate transactions (including any liabilities that arise from matters that arose prior to any acquisition by the Group) and costs associated with completing those transactions, and profits or losses on discontinued operations.

Restructuring costs and other

Restructuring costs and other primarily reflect the shareholder allocation of costs associated with the transformation of our business. These costs represent fundamental Group-wide restructuring and transformation and are therefore excluded from adjusted operating profit before tax.

Notes to the consolidated financial statements continued

3 Segmental analysis (continued)

3.3 Analysis of Group adjusted operating profit before tax by segment

Analysis of Group adjusted operating profit/(loss) before tax by segment:

For the year ended 31 December	2025 £m	2024 £m
Asset Management	**280**	289
Life	**764**	746
Corporate Centre	**(206)**	(198)
Total segmented adjusted operating profit before tax	**838**	837
Short-term fluctuations in investment returns[i]	**(164)**	(643)
Mismatches arising on application of IFRS 17[ii]	**(106)**	(333)
Amortisation and impairment of intangible assets acquired in business combinations	**(52)**	(115)
(Loss)/profit on disposal of business and corporate transactions	**(5)**	11
Restructuring costs and other[iii]	**(90)**	(106)
IFRS profit/(loss) before tax and non-controlling interests attributable to equity holders	**421**	(349)
IFRS profit before tax attributable to non-controlling interests[iv]	**18**	17
IFRS profit/(loss) before tax attributable to equity holders[v]	**439**	(332)

i Losses from short-term fluctuations in investment returns significantly reduced in the year. These losses primarily comprise a £66m loss (2024: £247m loss) in relation to shareholder annuities including the difference in actual and expected long-term investment return on surplus assets backing the shareholder annuity portfolio which has decreased as the rise in yields of longer duration was smaller in 2025 relative to 2024. This rise in yields also resulted in a lower loss of £34m (2024: £227m loss) on interest rate swaps purchased to protect PAC's Solvency II capital position against falls in interest rates. Additionally, there was a £174m loss (2024: £98m loss) on the hedging instruments held to protect the Solvency II capital position from falling equity markets, due to rises in equity values in both years. This was partly offset by £30m of foreign exchange gains (2024: £8m losses) on the USD denominated subordinated loan note due to weakening of the currency against GBP over 2025.

ii Mismatches arising on application of IFRS 17 primarily relates to a mismatch which occurs in relation to non-profit business in the With-Profits Fund generating a loss £61m (2024: £239m loss). Additionally, there was a loss of £47m (2024: £89m loss) from mismatch for annuities due to divergence between locked-in rate used to value the CSM and valuation discount rate.

iii Restructuring costs and other excluded from adjusted operating profit includes costs that relate to the transformation of our business which are allocated to the shareholder. These differ to Restructuring costs presented in the analysis of administrative and other expenses in Note 7 which include costs allocated to the With-Profits Fund. In the year, restructuring costs and other of £90m (2024: £106m) includes £27m (2024: £44m) in relation to actions taken to reduce our cost base and £22m (2024: £21m) of investment spend in building out capacity in our Asset Management business. Also includes £19m (2024: £nil) in relation to the Group's Financial Crime Enhancement Programme.

iv Excludes non-controlling interests in relation to amortisation of intangible assets acquired in business combinations which is presented net within amortisation and impairment of intangible assets acquired in business combinations.

v The tax charge attributable to equity holders of £125m (2024: £15m) results in an IFRS profit for the year of £314m (2024: £347m loss) as presented in consolidated income statement.

3.4 Analysis of Group revenue by segment

The following table shows revenue by segment for the Group:

For the year ended 31 December	2025 £m	Restated[i] 2024 £m
Life	**4,425**	4,095
Total insurance revenue	**4,425**	4,095
Asset Management[ii]	**899**	864
Life	**165**	165
Total fee income	**1,064**	1,029
Total	**5,489**	5,124

i Following a review of the presentation of Group revenue by segment, comparative amounts for the year ended 31 December 2024 have been restated from those previously reported. Interest revenue is no longer included, and fee income is presented on a consolidated basis, net of inter-segment fee income.

ii Asset Management fee income is net of inter-segment fee income and other presentational differences of £182m (2024: £179m).

The Group has a widely diversified client base. There are no clients whose revenue represents greater than 10% of fee income.

Notes to the consolidated financial statements continued

3 Segmental analysis (continued)

3.5 Total external revenue by geography

The following table provides a geographical segmentation of insurance revenue and fee income, as presented in the consolidated income statement:

For the year ended 31 December	2025 £m	Restated[i] 2024 £m
United Kingdom:		
Insurance revenue	**4,277**	3,965
Fee income	**438**	442
Total United Kingdom	**4,715**	4,407
Rest of the World:		
Insurance revenue	**148**	130
Fee income	**626**	587
Total Rest of the World	**774**	717
Total:		
Insurance revenue	**4,425**	4,095
Fee income	**1,064**	1,029
Total	**5,489**	5,124

i Following a review of the presentation of external revenue by geography, comparative amounts for the year ended 31 December 2024 have been restated from those previously reported. Other income is no longer included.

The geographical analyses of revenue from long-term business are based on the territory of the operating unit assuming the risk. Fee income from external asset management clients reflect the domicile of where revenues are generated.

The following table provides a segmentation of non-current, non-financial assets as presented in the consolidated statement of financial position:

Total non-current, non-financial assets by geographical location

As at 31 December	2025 £m	2024 £m
UK	**12,270**	12,503
Rest of the World	**5,539**	5,553
Total	**17,809**	18,056

Non-current, non-financial assets for this purpose consist of goodwill and intangible assets, deferred acquisition costs, property, plant and equipment, investment property, and investment in joint ventures accounted for using the equity method.

Notes to the consolidated financial statements continued

4 Insurance revenue

The Group's exposure to risks arising from insurance assets and liabilities is different for each component of the Group's business. The Group's Insurance revenue is presented below for the different components of business:

	2025			
For the year ended 31 December	With-profits £m	Unit-linked business £m	Annuity and other long-term business £m	Total £m
Amounts relating to the changes in the liability for remaining coverage:				
Expected incurred claims and other expenses	**1,556**	**32**	**1,240**	**2,828**
Change in the risk adjustment for non-financial risk for the risk expired	**25**	**1**	**32**	**58**
CSM recognised in profit or loss for the services provided	**626**	**14**	**190**	**830**
Revenue recognised for incurred policyholder tax	**610**	**11**	**—**	**621**
Amounts relating to the recovery of insurance acquisition cash flows:				
Allocation of premium	**54**	**—**	**34**	**88**
Total insurance revenue	**2,871**	**58**	**1,496**	**4,425**

	2024			
For the year ended 31 December	With-profits £m	Unit-linked business £m	Annuity and other long-term business £m	Total £m
Amounts relating to the changes in the liability for remaining coverage:				
Expected incurred claims and other expenses	1,623	34	1,196	2,853
Change in the risk adjustment for non-financial risk for the risk expired	25	1	36	62
CSM recognised in profit or loss for the services provided	568	8	169	745
Revenue recognised for incurred policyholder tax	356	4	—	360
Amounts relating to the recovery of insurance acquisition cash flows:				
Allocation of premium	43	—	32	75
Total insurance revenue	2,615	47	1,433	4,095

Insurance revenue is recognised as services under the group of insurance contracts are provided to policyholders. This is at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services but excludes investment components.

The amount of CSM recognised in the profit or loss in the period is based on coverage units provided during the current period. The number of coverage units is a quantification of services provided under the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period.

Services provided to insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders (investment-related services). In addition, insurance contracts without direct participation features may also provide investment services for generating an investment return for the policyholder (investment-return service).

Notes to the consolidated financial statements continued

5 Investment income and insurance finance expenses

An analysis of net investment income and net insurance finance expenses by each component of the Group's business is presented below:

	2025				
For the year ended 31 December	With-profits £m	Unit-linked business £m	Annuity and other long-term business £m	Other £m	Total £m
Interest revenue from financial assets not measured at FVTPL	414	60	77	27	578
Interest revenue from financial assets measured at FVTPL	2,293	148	587	23	3,051
Net change in investments contract liabilities without DPF	(141)	(694)	(16)	—	(851)
Net credit impairment losses	(3)	—	—	—	(3)
Other investment return:					
Dividend income	1,499	317	1	1	1,818
Net gains/(losses) on financial assets measured at FVTPL	9,008	1,220	(214)	21	10,035
Rental income from investment properties	828	16	68	—	912
Net gains on investment properties	276	1	3	—	280
Foreign exchange (losses)/gains	(222)	(4)	3	26	(197)
Total other investment return	11,389	1,550	(139)	48	12,848
Total investment return	13,952	1,064	509	98	15,623
Insurance finance income/(expenses) from insurance contracts issued:					
Due to changes in the value of underlying assets of contracts measured under the VFA	(12,308)	(538)	(31)	—	(12,877)
Interest accreted to insurance contracts measured under GMM	(312)	—	(656)	—	(968)
Due to changes in interest rates and other financial assumptions	(15)	—	(40)	—	(55)
Net foreign exchange gains/(losses)	—	—	—	—	—
Total insurance finance income/(expenses) from insurance contracts issued	(12,635)	(538)	(727)	—	(13,900)
Reinsurance finance income/(expenses) from reinsurance contracts held:					
Interest accreted to reinsurance contracts measured under GMM	—	(1)	(13)	—	(14)
Due to changes in interest rates and other financial assumptions	—	1	67	—	68
Total reinsurance finance income/(expenses) from reinsurance contracts held	—	—	54	—	54
Total net investment return and insurance finance income/(expenses)	1,317	526	(164)	98	1,777

5 Investment income and insurance finance expenses (continued)

For the year ended 31 December	2024 With-profits £m	Unit-linked business £m	Annuity and other long-term business £m	Other £m	Total £m
Interest revenue from financial assets not measured at FVTPL	471	82	96	34	683
Interest revenue from financial assets measured at FVTPL	1,892	168	577	29	2,666
Net change in investments contract liabilities without DPF	(73)	(315)	(73)	—	(461)
Net credit impairment losses	(15)	—	—	—	(15)
Other investment return:					
Dividend income	1,572	350	1	—	1,923
Net gains/(losses) on financial assets measured at FVTPL	4,095	262	(1,055)	34	3,336
Rental income from investment properties	862	20	65	—	947
Net losses on investment properties	(273)	(36)	(31)	—	(340)
Foreign exchange losses	(41)	—	(1)	(11)	(53)
Total other investment return	6,215	596	(1,021)	23	5,813
Total investment return	8,490	531	(421)	86	8,686
Insurance finance income/(expenses) from insurance contracts issued:					
Due to changes in the value of underlying assets of contracts measured under the VFA	(7,893)	(255)	(22)	—	(8,170)
Interest accreted to insurance contracts measured under GMM	(361)	—	(654)	—	(1,015)
Due to changes in interest rates and other financial assumptions	226	—	526	—	752
Net foreign exchange gains/(losses)	9	—	(2)	—	7
Total insurance finance income/(expenses) from insurance contracts issued	(8,019)	(255)	(152)	—	(8,426)
Reinsurance finance income/(expenses) from reinsurance contracts held:					
Interest accreted to reinsurance contracts measured under GMM	—	(2)	(42)	—	(44)
Due to changes in interest rates and other financial assumptions	—	2	32	—	34
Total reinsurance finance income/(expenses) from reinsurance contracts held	—	—	(10)	—	(10)
Total net investment return and insurance finance income/(expenses)	471	276	(583)	86	250

In relation to the business in scope of IFRS 17, the table above provides detail of the total investment income and detail of the resulting or corresponding changes in liabilities included in insurance and reinsurance finance income/(expenses). The key offsetting movements in liabilities are:

- the offsetting change in liabilities due to changes in the value of the underlying items of contracts measured under the VFA;
- the offsetting changes in liabilities due to changes in interest rates and other financial assumptions; and
- the interest accreted to contracts measured under the GMM.

There are also certain items that contribute to investment income but do not have a corresponding offset within insurance and reinsurance finance income/(expenses). These include:

- investment returns on surplus assets that back the annuity portfolio;
- investment returns on excess assets in the With-Profits Fund that do not form part of the asset share for policyholders;
- gains and losses on financial instruments that are used to hedge the capital position of the Group; and
- investment returns on other assets not relating to the Life business.

As a result, although there is some offset between investment income and insurance and reinsurance finance income/(expenses), these items do not offset perfectly.

Notes to the consolidated financial statements continued

5 Investment income and insurance finance expenses (continued)

The interest revenue, dividend income, net gains or losses at FVTPL and other investment income for each class of financial asset are as follows:

	2025			
	Fair value through profit or loss		Amortised cost	Total
For the year ended 31 December	Designated £m	Mandatory £m	£m	£m
Total interest revenue from financial assets not measured at FVTPL:				
Cash and cash equivalents	—	—	73	73
Deposits with credit institutions	—	—	505	505
	—	—	578	578
Total interest revenue from financial assets measured at FVTPL:				
Loans	—	327	—	327
Debt securities	—	2,724	—	2,724
	—	3,051	—	3,051
Net change in investment contract liabilities without DPF	(851)	—	—	(851)
Net credit impairment losses	—	—	(3)	(3)
Dividend income	—	1,818	—	1,818
Total net gains from financial assets measured at FVTPL:				
Equity securities and pooled investment funds	—	8,892	—	8,892
Loans	—	64	—	64
Debt securities	—	16	—	16
Derivatives	—	1,063	—	1,063
	—	10,035	—	10,035
Foreign exchange losses	—	—	(197)	(197)
Total interest revenue and investment income from financial assets and liabilities	(851)	14,904	378	14,431

5 Investment income and insurance finance expenses (continued)

	2024			
	Fair value through profit or loss		Amortised cost	Total
For the year ended 31 December	Designated £m	Mandatory £m	£m	£m
Total interest revenue from financial assets not measured at FVTPL:				
Cash and cash equivalents	—	—	105	105
Deposits with credit institutions	—	—	578	578
	—	—	683	683
Total interest revenue from financial assets measured at FVTPL:				
Loans	—	288	—	288
Debt securities	—	2,378	—	2,378
	—	2,666	—	2,666
Net change in investment contract liabilities without DPF	(461)	—	—	(461)
Net credit impairment losses	—	—	(15)	(15)
Dividend income	—	1,923	—	1,923
Total net gains from financial assets measured at FVTPL:				
Equity securities and pooled investment funds	—	4,942	—	4,942
Loans	—	(57)	—	(57)
Debt securities	—	(1,495)	—	(1,495)
Derivatives	—	(54)	—	(54)
	—	3,336	—	3,336
Foreign exchange losses	—	—	(53)	(53)
Total interest revenue and investment income from financial assets and liabilities	(461)	7,925	615	8,079

Notes to the consolidated financial statements continued

6 Fee income

The following table disaggregates management fee revenue by segment:

For the year ended 31 December	2025 £m	2024 £m
Management fees	**896**	876
Rebates	**(15)**	(18)
Performance fees and carried interest	**18**	6
Total Asset Management fee income	**899**	864
Investment contracts without DPF	**31**	37
Platform fees	**29**	32
Advice fees	**105**	96
Total Life fee income	**165**	165
Total fee income	**1,064**	1,029

7 Administrative and other expenses

For the year ended 31 December	Note	2025 £m	2024 £m
Staff and employment costs	8	**923**	939
Acquisition costs incurred:			
Investment contracts without DPF		**16**	16
Other contracts		**181**	151
Acquisition costs deferred:			
Other contracts		**(16)**	(7)
Amortisation of deferred acquisition costs:			
Investment contracts without DPF		**1**	4
Other contracts		**11**	7
Depreciation of property, plant and equipment	15	**139**	164
Impairment of property, plant and equipment[i]	15	**316**	76
Amortisation of intangible assets	13	**30**	26
Impairment of goodwill and intangible assets[ii]	13	**82**	149
Restructuring costs		**184**	180
Interest expense		**326**	298
Commission expense		**170**	149
Investment management fees		**106**	141
Property related costs		**246**	222
Other expenses		**831**	852
		3,546	3,367
Less amounts directly attributable to insurance results:			
Expenses attributed to insurance acquisition cash flows incurred during the year		**(192)**	(140)
Other directly attributable expenses		**(629)**	(661)
Total administrative and other expenses		**2,725**	2,566

i Consists of impairment of certain property, plant and equipment held by the Group's infrastructure capital private equity vehicles of £316m (2024: £76m). £304m of these assets are classified as held for sale at 31 December 2025 (2024: £76m) and so the values differ to amounts in Note 15 Property, plant and equipment.

ii Includes impairment of certain intangible assets held by the Group's infrastructure capital private equity vehicles of £47m (2024: £38m). As at 31 December 2024 the assets were classified as held for sale and so the value differs to the amounts in Notes 13 Goodwill and intangible assets.

In addition to the interest expense shown above of £326m (2024: £298m), the interest expense incurred in respect of subordinated liabilities for the year ended 31 December 2025 was £138m (2024: £150m). For the year ended 31 December 2024 there was a £29m gain attributable to the cancellation of the 5.56% subordinated notes in June 2024. This was shown as finance costs in the consolidated income statement.

Notes to the consolidated financial statements continued

8 Staff and employment costs

The average number of staff employed by the Group during the year was:

For the year ended 31 December	2025	2024
Average staff headcount[i]	**8,282**	8,454

i The headcount includes employees of the operating entities held in the Group's consolidated infrastructure and private equity funds.

The following table shows the staff costs and specific other employee-related costs:

For the year ended 31 December	Note	2025 £m	2024 £m
Wages and salaries		**752**	792
Social security costs		**97**	90
Share-based payments	37	**47**	40
Pension costs:			
Defined benefit schemes	17	**24**	31
Defined contribution schemes		**95**	73
Other staff costs		**57**	57
Total staff and employment costs		**1,072**	1,083

The table below provides a breakdown of staff and employment costs charged within administrative and other expenses:

For the year ended 31 December	2025 £m	2024 £m
Staff and employment costs	**923**	939
Acquisition costs	**86**	68
Restructuring costs	**55**	66
Other expenses	**8**	10
Total staff and employment costs	**1,072**	1,083

Information in respect of Directors' remuneration is provided in the Directors' remuneration report on pages 105 to 107.

9 Fees payable to the auditor

The following table shows the auditor remuneration, excluding VAT:

For the year ended 31 December	2025 £m	2024 £m
Fees payable to the Company's auditor and its associates for audit and assurance services:		
Fees payable to the Company's auditor for the audit of the Company's individual and consolidated financial statements	**4.0**	4.1
Audit of subsidiaries pursuant to legislation	**12.0**	12.2
Audit-related assurance services	**2.4**	2.4
Other assurance services	**1.0**	1.0
Total fees payable to the auditor	**19.4**	19.7

Fees payable to the auditor disclosed above exclude audit and non-audit fees payable to the Group's principal auditor by funds managed by the Group, but which are not controlled by the Group, and therefore are not consolidated in the Group financial statements.

For more information on non-audit services, refer to the Audit Committee Report on page 100.

10 Tax

10.1 Tax charged/(credited) to the consolidated income statement

For the year ended 31 December	2025 £m	Restated[i] 2024 £m
The total tax charge comprises:		
Current tax:		
Current year[i]	**560**	457
Adjustments in respect of prior years	**29**	46
Current year amounts in respect of applicable Pillar Two regimes[i]	**2**	1
Prior year amounts in respect of applicable Pillar Two regimes	**1**	—
Total current tax charge[ii]	**592**	504
Deferred tax:		
Origination and reversal of temporary differences in the year	**409**	12
Adjustments in respect of prior years	**(5)**	(24)
Total deferred tax charge/(credit)[ii]	**404**	(12)
Total tax charge	**996**	492

i The 2024 amount of £1m is presented in a separate line item to align with current year presentation of Pillar 2 top up tax.

ii The current tax charge includes £(2)m tax benefit (2024: nil) and deferred tax charge includes £3m tax charge (2024: nil) in relation to assets classified as held for sale. These amounts are not included in the movements explained within the tax notes in sections 10.2 and 10.3.

The tax charge above, comprising current and deferred tax, can be analysed as follows:

For the year ended 31 December	2025 £m	2024 £m
UK tax	**794**	336
Overseas tax	**202**	156
Total tax charge	**996**	492

10.1.1 Allocation of profit/(loss) before tax and tax charge between equity holders and policyholders

The profit before tax reflected in the consolidated income statement for the year ended 31 December 2025 of £1,310m (2024: £145m) comprises the pre-tax result attributable to equity holders and an amount equal and opposite to the tax charge attributable to policyholder returns. This is the formal measure of profit or loss before tax under IFRS but it is not the result attributable to equity holders.

This is principally because the corporate taxes of the Group include those on the income of consolidated with-profits and unit-linked funds that, through adjustments to benefits, are borne by policyholders. These amounts are required to be included in the tax charge of the Company under IAS 12. Consequently, this measure of profit before all taxes is not representative of pre-tax profit attributable to equity holders.

The tax charge attributable to policyholder returns is removed from the Group's total profit before tax in arriving at the Group's profit before tax attributable to equity holders. As the net of tax profit attributable to policyholders is zero, the Group's pre-tax profit attributable to policyholders is an amount equal and opposite to the tax charge attributable to policyholders included in the total tax charge/(credit).

	2025			2024		
For the year ended 31 December	Equity holders £m	Policyholders £m	Total £m	Equity holders £m	Policyholders £m	Total £m
Profit/(loss) before tax	**439**	**871**	**1,310**	(332)	477	145
Tax charge	**(125)**	**(871)**	**(996)**	(15)	(477)	(492)
Profit/(loss) for the year	**314**	**—**	**314**	(347)	—	(347)

Notes to the consolidated financial statements continued

10 Tax (continued)

10.1.2 Tax reconciliation

For the year ended 31 December	2025 Equity holders £m	2025 Policyholders £m	2025 Total £m	2024 Equity holders £m	2024 Policyholders £m	2024 Total £m
Profit/(loss) before tax	**439**	**871**	**1,310**	(332)	477	145
Tax charge/(credit) based on the standard UK corporation tax rate of 25.0% (2024: 25.0%)	**110**	**218**	**328**	(83)	119	36
Impact of profit or loss earned in jurisdictions with different statutory rates to the UK	**(4)**	**—**	**(4)**	(2)	—	(2)
Recurring items:						
Different basis of taxation - policyholders	**—**	**630**	**630**	—	365	365
Deductions not allowable for tax purposes[i]	**22**	**—**	**22**	22	—	22
Differences arising on rate of deferred tax compared to standard UK corporation tax rate[ii]	**1**	**—**	**1**	32	—	32
Income and gains not taxable or taxable at concessionary rates[iii]	**(7)**	**—**	**(7)**	(5)	—	(5)
Items related to taxation of life insurance business[iv]	**8**	**—**	**8**	10	—	10
Changes in recognition of deferred tax and effect of unrecognised tax losses[v]	**(20)**	**—**	**(20)**	(11)	—	(11)
Other	**6**	**—**	**6**	(3)	—	(3)
Non-recurring items:						
Adjustments in relation to prior periods[vi]	**2**	**23**	**25**	29	(7)	22
Impairment of goodwill	**7**	**—**	**7**	26	—	26
Tax charge	**125**	**871**	**996**	15	477	492

i Deductions not allowable for tax purposes of £22m (2024: £22m), include £18m (2024: £16m) relating to non-taxable adjustments in relation to the Life business. The remaining amount relates to expenses that are not deductible for tax purposes, primarily in the UK.

ii This represents deferred tax recognised during the period at a rate that differs to the standard UK Corporation tax rate. It primarily represents deferred tax recognised on accounting differences between IFRS and local GAAP which is used for the purposes of preparing statutory corporation tax returns.

iii Predominantly relates to non-taxable dividend income in the UK.

iv This represents profit/loss within the life insurance business taxable at different rates.

v The £(20)m (2024: £(11)m), includes £(6)m (2024: £(6)m) related to the utilisation of capital losses on which no deferred tax asset was recognised and £(14)m (2024: £(4)m) in relation to the remeasurement of deferred tax assets on capital losses carried forward.

vi The equity holders impact of £2m (2024: £29m) and policyholder impact of £23m (2024: £(7)m) relate to changes in estimates of prior year positions.

The Group's profit is taxed at different rates depending on the country or territory in which the profit arises. The key applicable tax rate for 2025 is the UK Corporation tax rate of 25.0% (effective from 1 April 2023) as the majority of the Group's profit is earned and taxed in the UK.

10.1.3 Factors that may impact the future tax rate

The majority of the Group's profit is generated in the UK. Taking into account recurring tax adjusting items, the underlying effective tax rate for equity holders' portion of profits is expected to be marginally higher than the statutory rate in the UK of 25%.

The Group has unused UK tax losses carried forward of £583m (2024: £646m), on which no deferred tax is recognised. Should appropriate taxable profit arise in future periods it will result in tax benefits thereby reducing the future effective tax rate in the relevant periods.

The Group is subject to the global minimum top-up tax under Pillar Two legislation enacted in the UK and effective for the year ended 31 December 2024 onwards. The Group has completed an assessment to estimate the top-up tax that would be due for 2025, which indicates that top up tax is due. The Group has applied a temporary mandatory exclusion from deferred tax accounting for the impacts of top-up tax.

10 Tax (continued)

As the compliance, reporting and/or notification obligations become clear in the UK or other relevant countries where M&G plc is the relevant taxpayer, M&G plc shall take appropriate steps to ensure compliance with any consequent relevant obligations under Pillar Two as enacted in the UK.

10.1.4 Use of accounting estimates and judgements

The calculation of the Group's tax charge involves a degree of estimation and judgement. The two principal areas of judgement that could impact the reported tax position are the recognition and measurement of deferred tax assets and the level of provisioning for uncertain tax positions.

The recognition of a deferred tax asset relies on an assessment of the probability of future taxable profit, future reversals of existing taxable temporary differences and ongoing tax planning strategies.

Deferred tax assets are reviewed at each reporting date. In considering their recoverability, the Group assesses the likelihood of them being recovered within the expiry of losses and/or while operating as a going concern. This takes into account the future expected profit profile and business model of each relevant company or country, and any potential legislative restrictions on use. Short-term timing differences are generally recognised ahead of losses and other tax attributes as being likely to reverse more quickly.

The provisions for uncertain tax positions cover a wide range of issues, only a fraction of these are expected to be subject to challenge by a tax authority at any point in time. The Group engages constructively and transparently with tax authorities with a view to early resolution of uncertain tax matters. Estimated positions are based on the probability of potential challenge within certain jurisdictions and the possible outcome based on relevant facts and circumstances. The judgements and estimates made to recognise and measure the effect of uncertain tax positions are reassessed whenever circumstances change or when there is new information that affects those judgements.

Notwithstanding any origination and reversal of temporary differences in the year, the Group does not consider there to be a significant risk of a material adjustment in the next financial year to the deferred and current tax balances from either recognition and measurement of deferred tax assets or the level of provisioning for uncertain tax positions.

10.1.5 Tax (credited)/charged to other comprehensive income

For the year ended 31 December	2025 £m	2024 £m
The tax (credit)/charge booked to other comprehensive income, current and deferred tax, comprises:		
Actuarial (losses)/gains on defined benefit pension schemes	**(1)**	13
Total tax (credit)/charge to other comprehensive income	**(1)**	13

10.1.6 Tax credited to equity

For the year ended 31 December	2025 £m	2024 £m
The tax credit booked to shareholders' equity, current and deferred tax, comprises:		
Share-based payments	**(14)**	(4)
Total tax credit to equity	**(14)**	(4)

10.2 Deferred tax

10.2.1 Deferred tax assets and liabilities

Under IAS 12, deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting period. Deferred tax assets are recognised as recoverable to the extent that, on the basis of all available evidence, it is regarded as probable there will be suitable taxable profit from which the future reversal of the underlying temporary differences can be deducted or tax losses utilised. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

10.2.2 Deferred tax in the statement of financial position

The following table shows movements on deferred tax assets and liabilities during the year. The amounts are different from those disclosed in the consolidated statement of financial position as the below amounts are presented before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

Changes in tax laws and rates may affect recorded deferred tax assets and liabilities as the carrying values of our deferred tax assets and liabilities will be revalued based on current tax rates. The majority of the UK deferred tax balances are measured at a policyholder rate of tax and remaining UK balances are held at the UK corporation tax rate of 25%.

Notes to the consolidated financial statements continued

10 Tax (continued)

On 26 November 2025, the UK Government announced that the rate of policyholder tax would increase from 20% to 22% effective from 6 April 2027. As the rate change was not substantively enacted as at 31 December 2025, the increased rate does not affect the amounts of current or deferred incomes taxes recognised as at 31 December 2025. If the new tax rate were applied to policyholder related deferred tax items as at 31 December 2025, the deferred tax liability would increase by £40m.

	2025								
For the year ended 31 December	Unrealised gains /(losses) on investments[i] £m	Other short-term timing differences[ii] £m	Deferred acquisition costs[iii] £m	Defined benefit pensions £m	Capital allowances £m	Tax losses carried forward[iv] £m	Share-based payments £m	Balances relating to insurance and investment contracts[v] £m	Total £m
Assets	**2**	**108**	**18**	**—**	**18**	**516**	**23**	**313**	**998**
Liabilities	**(699)**	**(29)**	**—**	**(28)**	**—**	**—**	**—**	**(460)**	**(1,216)**
As at 1 January 2025	**(697)**	**79**	**18**	**(28)**	**18**	**516**	**23**	**(147)**	**(218)**
Income statement	**(347)**	**6**	**(7)**	**—**	**(3)**	**(13)**	**4**	**(41)**	**(401)**
Equity and other comprehensive income	**—**	**—**	**—**	**1**	**—**	**—**	**7**	**—**	**8**
Other movements/ foreign exchange	**15**	**(21)**	**—**	**—**	**—**	**—**	**—**	**(1)**	**(7)**
As at 31 December 2025	**(1,029)**	**64**	**11**	**(27)**	**15**	**503**	**34**	**(189)**	**(618)**
Assets	**3**	**98**	**11**	**—**	**15**	**503**	**34**	**281**	**945**
Liabilities	**(1,032)**	**(34)**	**—**	**(27)**	**—**	**—**	**—**	**(470)**	**(1,563)**
As at 31 December 2025	**(1,029)**	**64**	**11**	**(27)**	**15**	**503**	**34**	**(189)**	**(618)**

	2024								
For the year ended 31 December	Unrealised gains /(losses) on investments[i] £m	Other short-term timing differences[ii] £m	Deferred acquisition costs[iii] £m	Defined benefit pensions £m	Capital allowances £m	Tax losses carried forward[iv] £m	Share-based payments £m	Balances relating to insurance and investment contracts[v] £m	Total £m
Assets	2	158	27	—	21	505	23	263	999
Liabilities	(675)	(35)	(1)	(21)	—	—	—	(506)	(1,238)
As at 1 January 2024	(673)	123	26	(21)	21	505	23	(243)	(239)
Income statement	(39)	(53)	(8)	6	(3)	11	2	96	12
Equity and other comprehensive income	—	—	—	(13)	—	—	(1)	—	(14)
Other movements/ foreign exchange	15	9	—	—	—	—	(1)	—	23
As at 31 December 2024	(697)	79	18	(28)	18	516	23	(147)	(218)
Assets	2	108	18	—	18	516	23	313	998
Liabilities	(699)	(29)	—	(28)	—	—	—	(460)	(1,216)
As at 31 December 2024	(697)	79	18	(28)	18	516	23	(147)	(218)

10 Tax (continued)

i Deferred tax on unrealised gains/(losses) on investments primarily arise on two key components. The largest component relates to gains/(losses) on certain investments which are only taxed when realised, ie when an asset is sold. The second component relates to gains/(losses) on certain investments held by life insurance companies, which for UK corporation tax purposes are deemed to have been disposed of and immediately reacquired at market value at the end of each accounting period. Any gain/(loss) arising on the deemed disposal is required to be spread over a seven year period.

ii The closing balance at 31 December 2025 primarily comprises £63m (2024: £69m) of deferred tax assets on subordinated debt together with a £28m (2024: £19m) of deferred tax liability in relation to intangible assets arising on acquisitions. The remaining balance primarily relates to deferred tax assets on employee related compensation.

iii The Group incurs various incremental, directly attributable acquisition costs in obtaining new contracts. For UK corporation tax purposes, acquisition expenses incurred until 31 December 2022 in respect of certain life insurance business were required to be spread over a seven year period. A deferred tax asset was recognised for the expected future tax deductions.

iv The tax losses carried forward at 31 December 2025 relate to £1,891m of UK tax losses (2024: £1,998m) and £121m (2024: £66m) of UK capital losses.

v Deferred tax recognised in relation to differences arising on accounting for insurance contracts between IFRS 17 and FRS 103 - Insurance Contracts (used for the preparation of the statutory accounts of one of the Group's subsidiaries, The Prudential Assurance Company Limited).

The Group's net deferred tax liability (DTL) at 31 December 2025 of £618m increased from the net DTL at 31 December 2024 of £218m representing an overall net movement of £400m. The movement is predominantly due to an increase in both the DTL on unrealised gains/losses on investments and the DTL arising on balances relating to insurance and investment contracts and a decrease in the deferred tax asset (DTA) on short term timing differences.

The recognition of a DTA relies on an assessment of the probability of future taxable profits. The Group's expectations of future UK taxable profits require management judgement, and take into account the Group's long-term financial and strategic plans and projected future shareholder transfers.

The DTA on tax losses carried forward at 31 December 2025 of £503m (2024: £516m) comprises of £473m in relation to UK income tax losses (2024: £499m) and £30m (2024: £17m) in respect of UK capital losses. The DTA on UK income tax losses has been recognised in full based upon sufficient future taxable profit arising from shareholder transfers. These transfers are considered a reliable source of profit and are a consistent measure used in the Group's Business Plans and Solvency II calculations. The DTA on UK capital losses has been partially recognised and is based upon expected reversal of the taxable temporary differences recognised on unrealised gains on investments, only a proportion of which are expected to be available for offset against the UK capital losses.

Modelling was undertaken to review the recovery period of the DTA on both the income and capital losses. Under current UK tax legislation, there is no time limit on utilisation of both the income and capital losses, however, these tax losses can only be used against 50% of taxable income profit and capital gains in future periods. These restrictions in utilisation mean that the value of the DTA in respect of income tax losses is only expected to be fully recovered by 2037 in the base case forecast. An impaired scenario was also modelled which reflected a 10% reduction of forecast shareholder transfer in each period, this extended the recovery to 2039. The DTA in respect of income tax losses arose from losses in 2022 and are not expected to be recurring in future periods and given the forecast of future profitability and the Group's commitment to the UK market, in management's judgement it is probable that the value of the DTA on losses will be recovered by the Group while still operating as a going concern. The modelling of future capital gains arising on investments show that the recognised DTA on capital losses is expected to be recovered by 2031.

It is possible that future tax law changes could materially affect the timing of recovery and the value of these losses ultimately realised by the Group.

The deferred tax balances arise in the following parts of the Group:

	Deferred tax assets		Deferred tax liabilities	
For the year ended 31 December	2025 £m	2024 £m	2025 £m	2024 £m
UK	**416**	477	**(685)**	(413)
Overseas	**6**	10	**(355)**	(292)
As at 31 December	**422**	487	**(1,040)**	(705)

10.2.3 Unrecognised deferred tax

Tax losses and temporary differences

At the end of the reporting period, the Group has unused tax losses of £583m (2024: £644m) for which no deferred tax asset is being recognised. The Group's unused tax losses primarily relate to capital losses in the UK of £575m (2024: £636m). No deferred tax asset is recognised on these losses as it is considered not probable that future taxable UK capital gains or other appropriate profit will be available against which they can be utilised. Under UK law, capital losses and trade losses can be carried forward indefinitely.

10 Tax (continued)

Group investments in subsidiaries, branches and investments

Retained earnings of overseas subsidiaries are expected to be re-invested indefinitely or remitted to the UK free from further taxation by virtue of Parent Company exemptions on dividends from subsidiaries and on capital gains on disposal. Consequentially, the Group does not consider there to be any significant taxable temporary differences associated with investments in subsidiaries, branches, associates and joint arrangements.

10.3 Current tax assets and liabilities

Movements on corporation tax current tax assets and liabilities were as follows:

For the year ended 31 December	2025 £m	2024 £m
Net corporation tax liability as at 1 January	**(16)**	(30)
Income statement	**(594)**	(504)
Reserves movement for the period	**7**	5
Corporation tax paid	**553**	514
Other movements	**3**	(1)
Net corporation tax liability as at 31 December	**(47)**	(16)
Corporation tax assets:		
UK	**4**	6
Overseas	**72**	59
Corporation tax liabilities:		
UK	**(62)**	(34)
Overseas	**(61)**	(47)
Net corporation tax liability as at 31 December	**(47)**	(16)

The net corporation tax liability consists of £76m current tax assets (2024: £65m) and £123m current tax liabilities (2024: £81m). All corporation tax assets and liabilities are expected to be settled within 12 months.

One of the Group's subsidiaries, The Prudential Assurance Company Limited (PAC), is the lead litigant in a combined group action against HM Revenue and Customs (HMRC) concerning the correct historical tax treatment applying to dividends received from overseas portfolio investments of its With-Profits Fund.

In February 2018, the Supreme Court heard HMRC's appeal against the earlier Court of Appeal decision in PAC's favour. The decision of the Supreme Court, released in July 2018, upheld the main point of dispute in PAC's favour but reversed the decisions of the lower courts on some practical points of how to apply that principle. The Supreme Court issued its order giving effect to its decision in October 2019, stating any remaining issues of computation be remitted back to the High Court. PAC and HMRC are working through the mechanics of implementing the Supreme Court decisions. To date, this work has led to a reduction in the estimate for policyholder tax credit recoverable, and the associated estimate of interest receivable.

As at 31 December 2025, PAC has recognised a total policyholder tax credit of £114m (2024: £114m) in respect of its claim against HMRC. Of this amount, £40m (2024: £40m) has been paid by HMRC leaving a tax recoverable balance of £74m (2024: £74m) recorded as an amount of tax due from HMRC. PAC will be entitled to interest on the tax repaid. Discussions with HMRC are continuing to determine a mechanism for repayment and this is expected to be finalised during 2026 at which point PAC should receive full and final payment.

Notes to the consolidated financial statements continued

11 Earnings per share

Basic earnings per share (EPS) for the year ended 31 December 2025 was 12.6p (2024: (15.1)p) and diluted EPS was 12.3p (2024: (15.1)p). Basic EPS is based on the weighted average ordinary shares outstanding after deducting treasury shares and shares held by the employee benefit trust. Diluted EPS is based on the potential future shares outstanding resulting from exercise of options under the various share-based payment schemes in addition to the weighted average ordinary shares outstanding. The following tables shows details of basic and diluted earnings per share:

For the year ended 31 December	2025 £m	2024 £m
Profit/(loss) attributable to equity holders of M&G plc	**302**	(360)

For the year ended 31 December	2025 Millions	2024 Millions
Weighted average number of ordinary shares outstanding	**2,404**	2,388
Dilutive effect of share options and awards	**56**	—
Weighted average number of diluted ordinary shares outstanding	**2,460**	2,388

For the year ended 31 December	2025 Pence per share	2024 Pence per share
Basic earnings/(loss) per share	**12.6**	(15.1)
Diluted earnings/(loss) per share	**12.3**	(15.1)

As the Group made a loss attributable to equity holders of the Company for the year ended 31 December 2024, the diluted earnings per share is the same as the basic earnings per share as it is not permissible for the diluted earnings per share to be greater than the basic earnings per share.

12 Dividends

For the year ended 31 December	2025 Pence per share	2025 £m	2024 Pence per share	2024 £m
Dividends relating to reporting period:				
First interim dividend - Ordinary	**6.7**	**161**	6.6	157
Second interim dividend - Ordinary	**13.8**	**328**	13.5	321
Total	**20.5**	**489**	20.1	478
Dividends paid in reporting period:				
Prior year's interim dividend - Ordinary	**13.5**	**321**	13.2	311
First interim dividend - Ordinary	**6.7**	**161**	6.6	157
Total	**20.2**	**482**	19.8	468

Subsequent to 31 December 2025, the Board has declared a second interim dividend for 2025 of 13.8 pence per ordinary share and, an estimated £328m in total. The dividend is expected to be paid on 30 April 2026 and will be recorded as an appropriation of retained earnings in the Parent Company's financial statements at the time that it is paid.

Notes to the consolidated financial statements continued

13 Goodwill and intangible assets

For the year ended 31 December	2025 Goodwill £m	2025 Other Intangibles £m	2025 Total £m	2024 Goodwill £m	2024 Other Intangibles £m	2024 Total £m
Cost						
At 1 January	**1,632**	**386**	**2,018**	1,589	397	1,986
Transfer to held for sale	**—**	**(1)**	**(1)**	(51)	(77)	(128)
Reclassification in statement of financial position	**(7)**	**9**	**2**	22	(34)	(12)
Additions:						
Arising on acquisitions	**69**	**35**	**104**	62	8	70
Other purchases	**—**	**44**	**44**	16	94	110
Disposals and transfers	**—**	**(7)**	**(7)**	—	(2)	(2)
Foreign exchange differences	**8**	**1**	**9**	(6)	—	(6)
At 31 December	**1,702**	**467**	**2,169**	1,632	386	2,018
Accumulated amortisation and impairment						
At 1 January	**(174)**	**(130)**	**(304)**	(70)	(101)	(171)
Transfer to/(from) held for sale	**—**	**1**	**1**	—	(1)	(1)
Reclassification in statement of financial position	**—**	**—**	**—**	—	(1)	(1)
Amortisation	**—**	**(30)**	**(30)**	—	(26)	(26)
Impairment	**(82)**	**—**	**(82)**	(106)	(5)	(111)
Disposals and transfers	**—**	**6**	**6**	—	2	2
Foreign exchange differences	**(4)**	**(2)**	**(6)**	2	2	4
At 31 December	**(260)**	**(155)**	**(415)**	(174)	(130)	(304)
Net book amount	**1,442**	**312**	**1,754**	1,458	256	1,714

For the year ended 31 December	2025 £m	2024 £m
Goodwill comprises:		
Asset Management	**1,302**	1,269
Other	**19**	21
Subsidiaries held by the With-Profits Fund	**121**	168
	1,442	1,458

None of the goodwill recognised is expected to be deductible for income tax purposes.

13.1 Impairment assessment

Goodwill does not generate cash flows independently of other groups of assets and thus is assigned to a group of cash-generating units (CGUs) for the purposes of impairment testing. The group of CGUs are based upon how management monitors the business and represent the lowest level to which goodwill can be allocated on a reasonable basis.

Goodwill is tested annually for impairment, and where there is an indication of impairment, by comparing the carrying amount of the group of CGUs, including any goodwill, with its recoverable amount.

Asset Management cash-generating units

The carrying value of Asset Management goodwill predominantly relates to that arising on the acquisition of M&G Group Limited, split between the Wholesale Asset Management CGU (excluding MandG Investments Southern Africa (Pty) Limited), the Institutional Asset Management CGU (excluding responsAbility Investments AG, BauMont Real Estate Capital Limited, and P Capital Partners AB), and the Internal Asset Management CGU. Goodwill arising on the acquisition of the MandG Investments Southern Africa (Pty) Limited CGU, the responsAbility Investments AG CGU, BauMont Real Estate Capital Limited CGU and the P Capital Partners AB CGU is also recognised.

Comparative figures for the pre-tax discount rates have been restated where noted below, as those previously disclosed reflected post-tax rates.

13 Goodwill and intangible assets (continued)

M&G Group Limited

An impairment assessment has been undertaken, which resulted in no impairment charge being recognised.

The recoverable amount of the group of CGUs was determined by calculating the value in use. The value in use represents the present value of future cash flows based on the Business Plan to 2028 approved by management, and relevant assumptions for cash flows for later years.

The future cash flows used in the value in use calculation are based on a set of economic, market and business assumptions. These include the direct and secondary effects of recent developments, such as changes in global equity markets and trends in fund flows, which are considered by management in arriving at the expectations for the final projections for the Business Plan. The Business Plan also considers anticipated growth in sustainability-focused fund propositions, including those aimed at managing climate risk, and their impact on projected AUMA flows based on our strategy. As climate-related risk remains an emerging area with developing data and methodologies, forecast cash flows may not fully capture its potential impacts.

Based on the assessment, the value in use of the group of CGUs was higher than the carrying value and no impairment has been recognised as at 31 December 2025 in respect of goodwill arising on the acquisition of M&G Group Limited.

The value in use is particularly sensitive to a number of key assumptions as follows:

- The cash flow forecast has been extrapolated beyond the Business Plan period to incorporate a five-year value in use assessment, estimating growth rates for 2029 and 2030, tapering the growth expected in 2028 down over the two-year period, to the long-term growth rate (based on long-term inflation and nominal gross domestic product rates for the UK).
- The post-tax discount rate as at 31 December 2025 was 12% (2024: 11%) and is based on the estimated cost of equity, under the capital asset pricing model, for M&G Group Limited. A 50bps increase in the discount rate would result in the value in use decreasing by £115m (2024: £145m). This would not result in any impairment charge being recorded for goodwill. The equivalent pre-tax discount rate as at 31 December 2025 was 16% (2024 restated: 14%).
- The terminal value was calculated using a standard growth model, and a long-term growth rate of 2% (2024: 2%). A 50bps decrease in the long-term growth rate would result in the value in use decreasing by £94m (2024: £100m). This would not result in any impairment charge being recorded for goodwill.
- That asset management contracts continue on similar terms.

No reasonable change in assumptions stated above would result in any impairment being recorded. Furthermore, there would be no impairment recorded even if the individual stresses to assumptions stated above were to apply concurrently which demonstrates the headroom available on the carrying value.

responsAbility Investments AG

During the year to 31 December 2025 an impairment of £33m (2024: £30m) has been recognised in respect of the responsAbility Investments AG CGU to bring the carrying value down to its recoverable amount which is its value in use of £62m (2024: £94m). The change primarily reflects a revised view of the delivery of the revenue synergies expected through use of the Group's distribution capabilities as anticipated when the company was acquired in 2022. The impairment has been allocated against goodwill, with the expense recorded in administrative expenses in the consolidated income statement, effectively resulting in the goodwill balance relating to the investment being written off in full. The key assumptions in determining the value in use were a post-tax discount rate of 11.3% (2024: 9.8%), a long-term growth rate of 1.5% (2024: 1.4%) and a terminal value earnings before interest, taxation, depreciation and amortisation margin of 22.2% (2024: 23.9%). The equivalent pre-tax discount rate was 14.3% (2024 restated: 11.5%).

Subsidiaries held by the With-Profits Fund through consolidated investment vehicles

This balance relates to goodwill arising on acquisition of subsidiaries held within consolidated infrastructure private equity vehicles which are held by the With-Profits Fund. Management have undertaken an impairment assessment by comparing the fair value of the subsidiaries with their carrying value. During the year £47m (2024: £38m) of impairments, were recognised in respect of goodwill and other intangibles. In the prior year, the impairment related to assets that were classified as held for sale and were therefore not shown in the impairment movement line in the above movement table.

13 Goodwill and intangible assets (continued)

13.2 Intangible assets

Intangible assets comprise customer relationships acquired through business combinations, software, service concessions, royalties and licences. All intangibles are amortised on a straight-line basis.

Intangible assets arising on acquisitions

During the year, fund management agreements and customer relationships have been recognised by the Group as part of the acquisition of P Capital Partners AB in June 2025. Additionally, the purchase price allocation of BauMont Real Estate Capital Limited acquired in October 2024 completed within the year. Further details are set out in Note 2.2.

The description of the separate intangible assets acquired, including their estimated useful life, is as follows:

Acquisition	Intangible asset type	Average useful life at acquisition date	Acquisition date	Fair value on acquisition date £m	Carrying value £m
P Capital Partners AB	Fund management agreements	4 years	3 June 2025	18	16
P Capital Partners AB	Customer relationships	7 years	3 June 2025	17	16
BauMont Real Estate Capital Limited	Investment management agreements and co-investment contracts	5 years	29 October 2024	8	6
BauMont Real Estate Capital Limited	Segregated client mandates	6 years	29 October 2024	1	1

All intangibles will be amortised on a straight-line basis.

In arriving at the fair value of intangible assets acquired in business combinations, a number of assumptions and judgements are applied. Any reasonable change in the assumptions and judgements made would have a minimal impact on the valuation.

14 Investments in joint ventures

14.1 Investments in joint ventures accounted for using the equity method

As at 31 December	2025 £m	2024 £m
Interests in joint ventures	**250**	284
Investments in joint ventures accounted for using the equity method	**250**	284

For the year ended 31 December	2025 £m	2024 £m
Share of profit from joint ventures	**17**	24
Share of profit from joint ventures accounted for using the equity method	**17**	24

There is no share of other comprehensive income from joint ventures.

All of the Group's investments in joint ventures which are accounted for using the equity method are property vehicles held in the With-Profits Fund.

No joint ventures are considered to be material individually or in aggregate to the Group for the years ended 31 December 2025 and 31 December 2024. None of the Group's joint ventures are listed and financial information of these investments covering the same reporting period as that of the Group has been used for accounting for these investments.

14.2 Interests in joint ventures and associates accounted for at fair value through profit or loss (FVTPL)

The Group has investments in OEICs, unit trusts, property unit trusts and venture capital investments of the With-Profits Fund where the Group has significant influence or joint control. These investments are accounted for on a FVTPL basis and are included within equity securities and pooled investment funds in the consolidated statement of financial position.

14.2.1 Associates accounted for at FVTPL

As at 31 December 2025, the Group held 29.1% of M&G European Property Fund (MEP) (2024: 29.2%) with a fair value of £1,101m (2024: £958m). No other associates accounted for at FVTPL are considered individually material to the Group for the years ended 31 December 2025 and 31 December 2024.

The aggregate fair value of associates accounted for at FVTPL, including MEP, at 31 December 2025 was £2,670m (2024: £2,611m).

14.2.2 Joint ventures accounted for at FVTPL

The aggregate fair value of joint ventures accounted for at FVTPL through equity securities and pooled investment funds at 31 December 2025 was £2,038m (2024: £1,987m). The 2024 amount is restated from that previously reported to include joint ventures excluded in the disclosure.

None of the joint ventures accounted for at FVTPL are considered individually material to the Group for the years ended 31 December 2025 and 31 December 2024.

Notes to the consolidated financial statements continued

15 Property, plant and equipment

Property, plant and equipment (PPE) comprises right of use assets, properties and land occupied by the Group and other tangible assets. A reconciliation of the carrying amount of these items from the beginning to the end of the year is as follows:

	2025				2024			
For the year ended 31 December	Right of use assets £m	Group occupied property £m	Other tangible assets £m	Total £m	Right of use assets £m	Group occupied property £m	Other tangible assets £m	Total £m
Cost								
At 1 January	**314**	**43**	**2,499**	**2,856**	294	12	2,545	2,851
Transfer (to)/from held for sale	**—**	**—**	**(260)**	**(260)**	82	40	(219)	(97)
Additions	**11**	**—**	**175**	**186**	16	—	289	305
Disposals and transfers	**(16)**	**—**	**(108)**	**(124)**	(73)	(7)	(59)	(139)
Foreign exchange differences	**9**	**4**	**51**	**64**	(5)	(2)	(57)	(64)
At 31 December	**318**	**47**	**2,357**	**2,722**	314	43	2,499	2,856
Accumulated depreciation and impairment								
At 1 January	**(89)**	**(32)**	**(1,081)**	**(1,202)**	(124)	—	(662)	(786)
Transfer to/(from) held for sale	**—**	**—**	**92**	**92**	(16)	(33)	(353)	(402)
Depreciation charge for the year	**(26)**	**(1)**	**(112)**	**(139)**	(25)	(1)	(138)	(164)
Impairment	**—**	**—**	**(12)**	**(12)**	—	—	—	—
Disposals and transfers	**15**	**—**	**91**	**106**	73	1	46	120
Foreign exchange differences	**3**	**(1)**	**(32)**	**(30)**	3	1	26	30
At 31 December	**(97)**	**(34)**	**(1,054)**	**(1,185)**	(89)	(32)	(1,081)	(1,202)
Net book amount	**221**	**13**	**1,303**	**1,537**	225	11	1,418	1,654

15.1 Right of use assets

The Group recognises right of use assets for leases of land and buildings which are used as office space across various locations. Some leases include lease break options that are exercisable at the option of the Group.

As at 31 December 2025, £82m (2024: £88m) of right of use assets were held by the With-Profits Fund.

15.2 Other tangible assets

As at 31 December 2025, other tangible assets with a net book value of £1,236m (2024: £1,327m) were held by the With-Profits Fund, of which £13m (2024: £63m) are assets under construction. The other tangible assets within the With-Profits Fund are held by the Group's infrastructure capital and private equity vehicles which are consolidated by the Group.

During the year £316m (2024: £76m) of impairments, net of reversals, were recognised in respect of other tangible assets held by the Group's infrastructure capital and private equity vehicles. In the current year, impairments of £304m (2024: £76m) related to assets classified as held for sale and therefore are not shown in the above property, plant and equipment disclosure.

Within the context of scenario analysis disclosed in our climate-related disclosures on page 71, consideration was given to the potential impact of climate risk on certain infrastructure assets which are consolidated in the Group statement of financial position. The assessment of assets identified as being located in high-risk areas, concluded that no impairment indicator is present due to adaptation and mitigation measures in place for each asset.

Notes to the consolidated financial statements continued

16 Investment property

Investment property is primarily held by the With-Profits Fund and is carried at fair value. A reconciliation of the carrying amount of investment property from the beginning of the year to the end of the year is set out below:

For the year ended 31 December	2025 £m	2024 £m
At 1 January	**14,385**	15,422
Transfer to held for sale	**(181)**	(482)
Additions:		
Resulting from property acquisitions	**607**	705
Resulting from expenditure capitalised	**286**	272
Arising on acquisition of subsidiaries	**—**	106
Disposals and other	**(1,015)**	(1,320)
Net fair value gains/(losses)	**280**	(340)
Foreign exchange differences	**(119)**	22
At 31 December	**14,243**	14,385

For the year ended 31 December 2025 rental income from investment property was £912m (2024: £947m). Direct operating expenses, including repairs and maintenance arising from these properties for the year ended 31 December 2025 were £242m (2024: £220m). Direct operating expenses on investment property not generating rental income for the year ended 31 December 2025 was £6m (2024: £5m).

The Group's policy is to let investment property to tenants through operating leases. The leases typically include clauses to enable periodic rent reviews according to prevailing market conditions. In some agreements, the rents might be variable and linked to an index. Certain leases contain options to break before the end of the lease term by either party.

Minimum future rental income to be received on non-cancellable leases of the Group's freehold and leasehold investment property are receivable in the following periods:

As at 31 December	2025 £m	Restated[i] 2024 £m
Less than 1 year	**621**	631
After 1 year to 2 years	**536**	521
After 2 years to 3 years	**498**	447
After 3 years to 4 years	**445**	400
After 4 years to 5 years	**392**	352
Over 5 years	**2,690**	2,574
Total minimum future rental income	**5,182**	4,925

i Following a review of the disclosure, prior period figures have been restated to report minimum future rental income in relation to a property fund not previously included.

17 Defined benefit pension schemes

17.1 Background and summary economic and IAS 19 financial positions

The Group operates three defined benefit pension schemes, which historically have been funded by the Group. The largest defined benefit scheme as at 31 December 2025 is the Prudential Staff Pension Scheme (PSPS), which accounts for 83% (2024: 83%) of the present value of the defined benefit pension obligation.

The Group also operates two smaller defined benefit pension schemes that were originally established by the M&G Group Limited (M&GGPS) and Scottish Amicable (SASPS) businesses.

On 18 September 2023, M&GGPS Trustees executed a buy-in transaction with PAC covering all deferred and pensioner member liabilities. A premium of £329m was transferred to PAC as part of the transaction. The assets transferred to PAC as premium are recognised in the relevant line within financial assets in the consolidated statement of financial position. As a result of the buy-in the relevant plan assets transferred were replaced with a single line insurance policy reimbursement right asset which is eliminated on consolidation. This reimbursement right asset, although available to the Scheme does not constitute a plan asset under IAS 19. The value of this insurance policy at 31 December 2025 was £262m (2024: £261m).

M&GGPS agreed to transfer the liability related to all active members to the PSPS scheme. Subsequent to this transfer, transacted at the same time as the buy-in, a portion of the net economic pension surplus of PSPS is attributable to M&G FA Limited, a subsidiary of the Group, and is attributable to the shareholders. As at 31 December the net economic pension surplus attributed to the With-Profits Fund is 59% (2024: 61%) and to the Group's shareholders is 41% (2024: 39%).

Under IAS 19: Employee Benefits and IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, the Group can only recognise a surplus to the extent that it is able to access the surplus either through an unconditional right of refund or through reduced future contributions relating to ongoing service of active members. The Group has no unconditional right of refund to any surplus in PSPS. Accordingly, PSPS's net economic pension surplus is restricted up to the present value of the Group's economic benefit, which is calculated as the difference between the estimated future cost of service for active members and the estimated future ongoing contributions. The level of the restriction is set out in the tables that follow.

In contrast, the Group is able to access the surplus of SASPS and M&GGPS through an unconditional right of refund. Therefore, the surplus resulting from the schemes (if any) would be recognised in full. As at 31 December 2025 and 31 December 2024 the SASPS scheme is in surplus and the M&GGPS schemes is in deficit based on the IAS 19 valuation.

M&GGPS is in a net economic surplus position but in deficit on an IAS 19 basis as a result of the elimination of the reimbursement right asset recognised in respect of the buy-in of the Scheme by PAC as explained above. The Scheme also has investments in insurance policies issued by Prudential Pensions Limited (PPL), a subsidiary of the Group, through which it invests in certain pooled funds. Under IAS 19, non-transferable insurance policies issued by a related party do not qualify as plan assets and these are eliminated.

The gross economic position of M&GGPS which includes the PPL policies and reimbursement right asset is reflected in the financial statements of M&G FA Limited.

The SASPS net economic pension surplus is attributed 40% to the With-Profits Fund and 60% to the Group's shareholders. Both the policyholder and shareholder allocation of SASPS is reflected in the financial statements of PAC.

In June 2023, the UK High Court passed a judgment in the Virgin Media Limited v NTL Pension Trustees II Limited case which stated that certain historical amendments in respect of contracted-out defined benefit schemes in the period from 6 April 1997 to 5 April 2016 would be invalid if not accompanied at the time by a relevant actuarial confirmation. The judgment was subject to an appeal in July 2024 where the Court of Appeal upheld the decision of the High Court and concluded that the initial judgment applied to amendments to both future and past service. On 5 June 2025, the UK Government announced that it will introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. The legislation was subsequently introduced as part of the Pensions Bill that is expected to become law in mid-2026.

The Group's updated assessment is that once this legislation is effective any remaining uncertainty around the matter will be removed, and no adjustments are expected to be required to the defined benefit obligations of the Group's pension schemes.

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes (continued)

The pension plan assets and liabilities for the defined benefit pension schemes are as follows:

	2025			
	PSPS	SASPS	M&GGPS	Total
As at 31 December	£m	£m	£m	£m
Fair value of plan assets	**3,938**	**519**	**277**	**4,734**
Present value of defined benefit obligation	**(3,595)**	**(481)**	**(262)**	**(4,338)**
Effect of restriction on surplus	**(338)**	**—**	**—**	**(338)**
Net economic pension surplus[i]	**5**	**38**	**15**	**58**
Non-qualifying insurance policies	**—**	**—**	**(14)**	**(14)**
Elimination of reimbursement right asset on consolidation	**—**	**—**	**(262)**	**(262)**
Net total pension surplus/(deficit)	**5**	**38**	**(261)**	**(218)**

	2025			
	PSPS	SASPS	M&GGPS	Total
As at 31 December	£m	£m	£m	£m
Attributable to:				
Shareholder-backed business	**2**	**23**	**(261)**	**(236)**
With-Profits Fund	**3**	**15**	**—**	**18**
Net total pension surplus/(deficit)	**5**	**38**	**(261)**	**(218)**

	2024			
	PSPS	SASPS	M&GGPS	Total
As at 31 December	£m	£m	£m	£m
Fair value of plan assets	4,034	524	274	4,832
Present value of defined benefit obligation	(3,725)	(486)	(261)	(4,472)
Effect of restriction on surplus	(302)	—	—	(302)
Net economic pension surplus[i]	7	38	13	58
Non-qualifying insurance policies	—	—	(10)	(10)
Elimination of reimbursement right asset on consolidation	—	—	(261)	(261)
Net total pension surplus/(deficit)	7	38	(258)	(213)

	2024			
	PSPS	SASPS	M&GGPS	Total
As at 31 December	£m	£m	£m	£m
Attributable to:				
Shareholder-backed business	3	23	(258)	(232)
With-Profits Fund	4	15	—	19
Net total pension surplus/(deficit)	7	38	(258)	(213)

i The economic basis reflects the position of the defined benefit schemes from the perspective of the pension schemes, adjusted for the effect of IFRIC 14 for the derecognition of PSPS's unrecognisable surplus and before adjusting for any non-qualifying assets.

17.1.1 Triennial actuarial valuations

A full actuarial valuation is required for defined benefit pension schemes every three years in order to assess the appropriate level of funding for schemes in relation to their commitments. These valuations include assessments of the likely rate of return on the assets held within the separate trustee administered funds. The actuarial valuation differs from the IAS 19 accounting basis valuation in a number of respects, including the discount rate assumption where IAS 19 prescribes a rate based on high-quality corporate bonds while a more prudent assumption is typically used for the actuarial valuation.

17 Defined benefit pension schemes (continued)

Summary information on the latest completed actuarial valuation for each of the schemes, as at 31 December 2025, is shown in the table below.

	PSPS	SASPS	M&GGPS
Last completed actuarial valuation date	05 April 2023	31 March 2023	31 December 2023
Funding level at the last valuation	108%	101%	100%
Deficit funding arrangement agreed with the Trustees based on the last completed valuation	No deficit funding required	No deficit funding required	No deficit funding required
Current level of employer contributions for active members	Are at the minimum level required under the scheme rules (approximately £2m per annum)[i]	Approximately £3m per annum	Zero contribution: no active members remaining post-buy-in
Contributions to cover ongoing administration and other expenses	Approximately £7.6m per annum	Approximately £1.8m per annum	Approximately £1.5m per annum

i Note that this includes the estimate amount in respect of PSPS members at the last triennial valuation plus the expected contribution at the minimum level in respect of members transferred from M&GGPS.

The contributions detailed above broadly represent the Group's current expectation of amounts that will be paid to each respective plan in the next annual reporting period.

17.1.2 Risks to which the defined benefit schemes expose the Group

The plans are subject to the statutory funding objective requirements of the Pensions Act 2004, which require that plans be funded to at least the level of their technical provisions (an actuarial estimate of the assets needed to provide for the benefits already built up under the plan). Where there is a deficit, the employers of the schemes would agree a deficit recovery plan. Accordingly, the pension schemes expose the Group to a number of risks, the most significant of which are interest rate risk, equity risk, inflation risk, credit risk and mortality risk.

We recognise climate change has potential to affect the value of investments within the Schemes. Both PSPS and M&GGPS incorporate climate-related factors when executing their strategic objectives.

17.1.3 Corporate governance

The Group's pension schemes are established under trust and are subject to UK legal requirements; this includes being subject to regulation by the Pensions Regulator in accordance with the Pensions Act 2021. Each scheme has a corporate trustee to which some Directors are appointed by Group employers with the remaining Directors nominated by members in accordance with UK legal requirements. The Trustees have the ultimate responsibility to ensure that each scheme is managed in accordance with its Trust Deed and Rules. The Trustees act in the best interests of the schemes' beneficiaries; this includes taking appropriate account of each employer's legal obligation and financial ability to support the schemes when setting investment strategy and when agreeing funding with the employers. The employers' contribution commitments are formally updated at each triennial valuation; between valuations funding levels and employer strength continue to be monitored, with the Trustees being able to bring forward the next triennial valuation if they consider it appropriate to do so.

All of the Group's defined benefit pension schemes are final salary schemes, which are closed to new entrants. The pensionable salaries for most members are capped at the levels as at 30 September 2019. The Trustee of each scheme sets the general investment policy and specifies any restrictions on types of investment and the degrees of divergence permitted from the benchmark, but delegates the responsibility for selection and realisation of specific investments to the investment managers. The Trustees consult with the principal employer for each scheme on the investment principles, but the ultimate responsibility for the investment of the assets of the schemes lies with the Trustees.

The Trustees of each of the schemes manage the investment strategy of the scheme to achieve an acceptable balance between investing in the assets that most closely match the expected benefit payments and assets that are expected to achieve a greater return in the expectation of reducing the contributions required or providing additional benefits to members. For PSPS and SASPS, a significant portion of the scheme assets are invested in liability matching assets such as bonds and gilts, including index-linked gilts, to partially hedge against inflation. In addition, the schemes maintain portfolios of interest rate and inflation swaps to match more closely the duration and inflation profiles of their assets to their liabilities.

As noted above, the Trustees of M&GGPS executed a buy-in transaction with PAC in 2023, whereby the longevity and investment risk in respect of all deferred and pensioner members was transferred to PAC. Furthermore, liabilities relating to all active members of the scheme were transferred to PSPS during 2023 which further de-risks the scheme.

17 Defined benefit pension schemes (continued)

PSPS and SASPS have invested in a mix of both return-seeking assets, such as equities and property, and matching assets, including leveraged liability-driven investment portfolios to reflect the liability profile of the scheme. They manage the risks of the return-seeking exposure by investing in a diversified mix of investments.

During 2020 PSPS entered into a longevity swap transaction with Pacific Life Re Limited. This arrangement provides long-term protection for PSPS against costs that could result from unexpected increases in life expectancy relating to the pensions that were in payment on 6 April 2019, excluding any future discretionary increases. As at 31 December 2025, the longevity swap covered £1.7bn (2024: £1.8bn) of current pensioner scheme liabilities, on an IAS 19 basis.

17.2 Assumptions

17.2.1 Demographic assumptions

Post-retirement mortality

The calculation of the defined benefit obligation for the Group's schemes requires assumptions to be set for both current mortality and the allowance for future mortality improvements. The table below sets out the mortality tables and mortality improvement model used for the Group's schemes, along with the associated life expectancies.

				Expectation of life from retirement at aged 60			
As at	Scheme	Mortality tables (with scaling factors applied to reflect experience)	Mortality improvements model[i]	Male currently aged 60	Male currently aged 40	Female currently aged 60	Female currently aged 40
31 December 2025	**PSPS**	**S3PMA/S3PFA Middle for males/ females**	**CMI 2023**	**26.2**	**28.5**	**27.9**	**30.1**
	SASPS	**S3PMA/S3PFA for males/ females**	**CMI 2023**	**26.7**	**28.8**	**28.8**	**30.7**
	M&GGPS	**S3PMA/S3PFA Light for males/ females**	**CMI 2023**	**27.9**	**30.1**	**29.8**	**31.8**
31 December 2024	PSPS	S3PMA/S3PFA Middle for males/ females	CMI 2022	26.3	28.6	27.9	30.2
	SASPS	S3PMA/S3PFA for males/females	CMI 2022	27.2	28.9	28.9	30.7
	M&GGPS	S3PMA/S3PFA Light for males/ females	CMI 2022	28.1	30.2	29.9	31.9

i The mortality assumptions are adjusted to make allowance for future improvements in longevity.

As at 31 December 2025, this allowance was based on the CMI 2023 mortality improvements model, with a long-term improvement rate of 1.60% per annum for males (smoothing parameter (Sk) = 7.25 and A parameter varies by age) and 1.60% per annum for females (Sk = 7.25 and A parameter varies by age).

As at 31 December 2024 this allowance was based on the CMI 2022 mortality improvements model, with a long-term improvement rate of 1.60% per annum for males (Sk = 7.25 and A parameter varies by age) and 1.60% per annum for females (Sk = 7.25 and A parameter varies by age).

Within the CMI 2023 model 10% weight is applied to 2022 data and 15% weight is applied to 2023 data as at 31 December 2025. At 31 December 2024 a 15% weight was applied to 2022 data within the CMI 2022 model, no weight was required for 2023 data. 0% weight is applied to 2020 and 2021 data at 31 December 2025 and 31 December 2024.

17 Defined benefit pension schemes (continued)

17.2.2 Economic assumptions

The actuarial assumptions used in determining defined benefit obligations and the net periodic benefit costs for each of the Group's defined benefit pension schemes are as follows:

	2025			2024		
For the year ended 31 December	**PSPS**	**SASPS**	**M&GGPS**	**PSPS**	**SASPS**	**M&GGPS**
Discount rate[i]	**5.5%**	**5.6%**	**5.7%**	5.4%	5.5%	5.5%
Salary inflation[ii]	**3.1%**	**3.1%**	**N/A**	3.5%	3.2%	N/A
Retail prices index (RPI)	**3.1%**	**3.1%**	**3.1%**	3.1%	3.0%	2.9%
Consumer prices index (CPI)	**2.8%**	**2.6%**	**2.9%**	2.8%	2.7%	2.7%
Rate of increase of pensions in payment for inflation[iii]						
CPI (maximum 5%)	**2.9%**	**N/A**	**N/A**	2.8%	N/A	N/A
CPI (maximum 2.5%)	**2.3%**	**N/A**	**N/A**	2.5%	N/A	N/A
Discretionary	**2.6%**	**N/A**	**N/A**	2.8%	N/A	N/A
RPI (maximum 5%)	**N/A**	**3.1%**	**3.1%**	N/A	3.0%	2.9%
RPI (maximum 2.5%)	**N/A**	**2.5%**	**2.5%**	N/A	2.5%	2.5%
Inflation volatility assumptions[iv]						
RPI (pre-reform)	**1.5%**	**1.5%**	**1.5%**	N/A	N/A	N/A
CPI	**1.3%**	**1.3%**	**1.3%**	N/A	N/A	N/A
CPIH/Post reform RPI	**1.1%**	**1.1%**	**1.1%**	N/A	N/A	N/A

i The discount rate has been determined using a cash flow matching approach based on an 'AA' corporate bond index. The single equivalent rates in the table above are illustrative as the full yield curve is used in the calculation of the liability.

ii Due to the scheme changes during 2019, a cap to future pensionable salary increase came into effect and, as a result, salary growth inflation is only applied for certain levels of pensionable salary which represent a very small proportion of the total liability.

iii The long-term margin between RPI and CPI reflects expected changes in RPI from 2030 as a result of the UK Statistics Authority stated intention to align RPI with CPI including owner occupiers' housing costs (CPIH). The rate of inflation used reflects the long-term assumption for UK RPI or CPI, depending on the particular tranche of scheme benefits, with caps and floors applied in accordance with the scheme rules. Certain tranches of scheme benefits within PSPS have statutory pension increases in line with the higher of CPI up to a maximum level, or a discretionary level determined by the employer. Other tranches are not guaranteed and determined by the employer on a discretionary basis. The single equivalent rates in the table above are illustrative as the full inflation curve is used in the calculation of the liability.

iv Effective 31 December 2025, Limited Price Index (LPI) benefits have been valued by determining option adjusted curves using the 'Black-Scholes Model', the relevant cap/floor and assumptions for inflation volatility are also aligned to the internal annuity valuation basis.

17.2.3 Other assumptions

In October 2018, the High Court ruled that pension schemes are required to equalise benefits for the effect of guaranteed minimum pensions (GMPs). GMPs are a minimum benefit that schemes that were contracted-out on a salary-related basis between 1978 and 1997 are required to provide. There was a further Court ruling in November 2020 which required benefits in respect of past transfers out of the schemes to also be equalised. In light of these Court rulings, at 31 December 2025 and 31 December 2024, the Group has recognised an estimated allowance for GMP equalisation within the IAS 19 valuation for all the UK schemes - comprising £25m for PSPS, £9m for SASPS, and £3m for M&GGPS as at 31 December 2025 (2024: £29m for PSPS, £10m for SASPS and £3m for M&GGPS).

17.2.4 Sensitivity of the pension scheme liabilities to key variables

The sensitivity information below is based on the core scheme liabilities and assumptions at the balance sheet date. The sensitivities are calculated based on a change in one assumption with all other assumptions being held constant. As such, interdependencies between the assumptions are excluded. The impact of the rate of inflation assumption sensitivity includes the impact of inflation on the rate of increase in salaries, where applicable, and on the rate of increase of pensions in payment.

The sensitivities of the underlying pension scheme liabilities as shown below do not directly equate to the impact on the Group's comprehensive income due to the effect of the restriction on surplus for PSPS and the allocation of a share of the interest in the financial position of PSPS and SASPS to the With-Profits Fund. In addition, the sensitivities shown do not include the impact on assets, which for PSPS and SASPS would significantly offset the impact of the discount rate and inflation sensitivities on the IAS 19 surplus or deficit. For M&GGPS the reimbursement right asset would fully offset the impacts on the defined benefit obligation. For the PSPS scheme, the mortality rate sensitivity impact would also be partially mitigated by the longevity swap asset held.

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes (continued)

As at 31 December	Sensitivity of the change in assumptions	2025 Increase/(decrease) in the present value of the scheme's defined benefit obligation PSPS £m	SASPS £m	M&GGPS £m	Total £m
Base position	N/A	**3,595**	**481**	**262**	**4,338**
Discount rate	Decrease by 0.5%	**190**	**34**	**21**	**245**
	Increase by 0.5%	**(174)**	**(31)**	**(19)**	**(224)**
Rate of inflation with consequent reduction in salary increases (where applicable)	Decrease by 0.2% (with consequent reduction in salary increases)	**(50)**	**(8)**	**(7)**	**(65)**
Mortality rate	Increase in life expectancy by 1 year	**119**	**13**	**5**	**137**

As at 31 December	Sensitivity of the change in assumptions	2024 Increase/(decrease) in the present value of the scheme's defined benefit obligation PSPS £m	SASPS £m	M&GGPS £m	Total £m
Base position	N/A	3,725	486	261	4,472
Discount rate	Decrease by 0.5%	203	36	21	260
	Increase by 0.5%	(188)	(32)	(19)	(239)
Rate of inflation with consequent reduction in salary increases (where applicable)	Decrease by 0.2% (with consequent reduction in salary increases)	(50)	(7)	(6)	(63)
Mortality rate	Increase in life expectancy by 1 year	120	13	6	139

17.3 Plan assets and other assets of the scheme

As at 31 December 2025 83% of the total value of the scheme assets, excluding the reimbursement asset, were derived from quoted prices in an active market (2024: 80%), while the value of the remaining assets is derived from the use of various observable and unobservable inputs. None of the scheme assets included property occupied by the Group. The IAS 19 basis plan assets as at 31 December 2025 of £4,720m (2024: £4,822m) is different from the economic basis plan assets of £4,734m (2024: £4,832m) as shown below due to the exclusion of investment in Group insurance policies by M&GGPS as described in 17.1.

As at 31 December	2025 PSPS £m	Other schemes £m	Total £m	%	2024 PSPS £m	Other schemes £m	Total £m	%
Equities:								
UK	**22**	**—**	**22**	**1%**	26	—	26	1%
Overseas	**6**	**41**	**47**	**1%**	13	38	51	1%
Bonds[i]:								
Government	**2,659**	**455**	**3,114**	**66%**	2,824	423	3,247	67%
Corporate	**1,040**	**2**	**1,042**	**22%**	1,037	2	1,039	22%
Asset-backed securities	**343**	**82**	**425**	**9%**	332	81	413	9%
Derivatives[ii]	**(689)**	**(145)**	**(834)**	**(18)%**	(689)	(128)	(817)	(17)%
Properties	**226**	**95**	**321**	**7%**	233	119	352	7%
Other assets	**331**	**4**	**335**	**6%**	258	2	260	5%
Reimbursement right asset[iii]	**—**	**262**	**262**	**6%**	—	261	261	5%
Total value of assets	**3,938**	**796**	**4,734**	**100%**	4,034	798	4,832	100%

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes (continued)

	2025				2024			
As at 31 December	Quoted in an active market £m	Other £m	Total £m	%	Quoted in an active market £m	Other £m	Total £m	%
Equities:								
UK	—	**22**	**22**	**1%**	—	26	26	1%
Overseas	—	**47**	**47**	**1%**	—	51	51	1%
Bonds[i]:								
Government	**3,109**	**5**	**3,114**	**66%**	3,242	5	3,247	67%
Corporate	**836**	**206**	**1,042**	**22%**	799	240	1,039	22%
Asset-backed securities	**319**	**106**	**425**	**9%**	316	97	413	9%
Derivatives[ii]	**(778)**	**(56)**	**(834)**	**(18)%**	(755)	(62)	(817)	(17)%
Properties	—	**321**	**321**	**7%**	—	352	352	7%
Other assets	**239**	**96**	**335**	**6%**	66	194	260	5%
Reimbursement right asset[iii]	—	**262**	**262**	**6%**	—	261	261	5%
Total value of assets	**3,725**	**1,009**	**4,734**	**100%**	3,668	1,164	4,832	100%

i As at 31 December 2025 89% of the bonds were investment grade (2024: 90%).

ii Included within derivatives is a £55m liability in respect of the longevity swap transaction with Pacific Life Re Limited (2024: £64m), valued at fair value as per IAS 19 and based on the principles of IFRS 13.

iii Although available to the scheme, under IAS 19 the reimbursement right asset does not constitute part of the plan assets.

17.4 Reconciliation in movement of schemes' surplus/deficit

	Economic basis					
	Fair value of plan and other assets £m	Present value of benefit obligation £m	Restriction on surplus £m	Net economic pension surplus/ (deficit) £m	Other adjustments £m	Net pension surplus/ (deficit) £m
Net defined benefit pension asset/(liability) at 1 January 2025	**4,832**	**(4,472)**	**(302)**	**58**	**(271)**	**(213)**
Total income/(expense) recognised in the income statement[i]						
Current service cost	—	**(5)**	—	**(5)**	—	**(5)**
Net interest income/(expense)	**255**	**(235)**	**(16)**	**4**	**(14)**	**(10)**
Administration expenses	**(9)**	—	—	**(9)**	—	**(9)**
	246	**(240)**	**(16)**	**(10)**	**(14)**	**(24)**
Remeasurement (losses)/gains[ii]						
Return on the scheme assets less amount included in interest income	**(71)**	—	—	**(71)**	**1**	**(70)**
Gains on changes in demographic assumptions	—	**28**	—	**28**	—	**28**
Gains on changes in financial assumptions	—	**78**	—	**78**	—	**78**
Losses on scheme liabilities	—	**(18)**	—	**(18)**	—	**(18)**
Unrecognisable surplus	—	—	**(20)**	**(20)**	—	**(20)**
	(71)	**88**	**(20)**	**(3)**	**1**	**(2)**
Benefit payments	**(286)**	**286**	—	—	**11**	**11**
Employers' contributions	**13**	—	—	**13**	—	**13**
Divestment from non-qualifying insurance policies	—	—	—	—	**(3)**	**(3)**
Net defined benefit pension asset/(liability) at 31 December 2025	**4,734**	**(4,338)**	**(338)**	**58**	**(276)**	**(218)**

Notes to the consolidated financial statements continued

17 Defined benefit pension schemes (continued)

	Economic basis					
	Fair value of plan and other assets	Present value of benefit obligation	Restriction on surplus	Net economic pension surplus/ (deficit)	Other adjustments	Net pension surplus/ (deficit)
	£m	£m	£m	£m	£m	£m
Net defined benefit pension asset/(liability) at 1 January 2024	5,508	(5,134)	(339)	35	(310)	(275)
Total income/(expense) recognised in the income statement[i]						
Current service cost	—	(7)	—	(7)	—	(7)
Net interest	245	(228)	(15)	2	(17)	(15)
Administration expenses	(9)	—	—	(9)	—	(9)
	236	(235)	(15)	(14)	(17)	(31)
Remeasurement (losses)/gains[ii]						
Return on the scheme assets less amount included in interest income	(658)	—	—	(658)	43	(615)
Gains on changes in demographic assumptions	—	126	—	126	—	126
Losses on changes in financial assumptions	—	501	—	501	—	501
Experience losses on scheme liabilities	—	(12)	—	(12)	—	(12)
Unrecognisable surplus	—	—	52	52	—	52
	(658)	615	52	9	43	52
Benefit payments	(282)	282	—	—	11	11
Employers' contributions	28	—	—	28	—	28
Divestment from non-qualifying insurance policies	—	—	—	—	2	2
Net defined benefit pension asset/(liability) at 31 December 2024	4,832	(4,472)	(302)	58	(271)	(213)

i An expense of £6m is included in the total amount recognised in the consolidated income statement for the year ended 31 December 2025 relating to the With-Profits Fund (2024: expense of £6m).

ii Included in the share of remeasurement gains and losses recognised in other comprehensive income for the year ended 31 December 2025, are gains attributable to the Group totalling £1m (2024: gains of £49m) and losses attributable to the With-Profits Fund of £3m (2024: gains of £3m).

17.5 Maturity analysis of benefit obligations

The following table provides an expected maturity analysis of the undiscounted defined benefit obligations:

	All schemes						
	1 year or less	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years	Total
	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2025	**280**	**1,169**	**1,479**	**1,425**	**1,293**	**3,865**	**9,511**
As at 31 December 2024	275	1,168	1,506	1,473	1,350	4,125	9,897

The weighted average duration of each scheme's defined benefit obligations (in years) are as follows:

	PSPS	SASPS	M&GGPS
As at 31 December 2025	**11**	**14**	**16**
As at 31 December 2024	11	14	15

Notes to the consolidated financial statements continued

18 Classification of financial instruments

18.1 Financial assets

		2025			
		Fair value through profit or loss			
		Designated	Mandatory	Amortised cost	Total
As at 31 December	Note	£m	£m	£m	£m
Equity securities and pooled investment funds	31	—	**70,749**	—	**70,749**
Loans[i]		—	**4,011**	—	**4,011**
Debt securities	31	—	**66,908**	—	**66,908**
Derivative assets	31	—	**1,258**	—	**1,258**
Deposits	32	—	—	**17,648**	**17,648**
Accrued investment income and other debtors	19	—	—	**3,268**	**3,268**
Cash and cash equivalents	20	—	—	**4,904**	**4,904**
Total financial assets		—	**142,926**	**25,820**	**168,746**

		2024			
		Fair value through profit or loss			
		Designated	Mandatory	Amortised cost	Total
As at 31 December	Note	£m	£m	£m	£m
Equity securities and pooled investment funds	31	—	64,890	—	64,890
Loans[i]		—	4,135	—	4,135
Debt securities	31	—	69,775	—	69,775
Derivative assets	31	—	1,085	—	1,085
Deposits	32	—	—	15,794	15,794
Accrued investment income and other debtors	19	—	—	2,428	2,428
Cash and cash equivalents	20	—	—	4,838	4,838
Total financial assets		—	139,885	23,060	162,945

i Loans primarily consist of mortgage loans of £836m (2024: £1,891m) and other loans of £3,175m (2024: £2,243m).

As at 31 December 2025, total mortgage loans were £836m (2024: £1,891m), of which £244m (2024: £1,222m) were held by the shareholder-backed business. As at 31 December 2024, 78% of the mortgages held by the shareholder business related to equity release mortgage business which had an average loan to property value of 41%. Key assumptions in relation to the valuation of the equity release mortgages are provided in Note 31.8. As stated in Note 2.3 the portfolio of equity release mortgages was classified as held for sale as at 31 December 2025.

Other loans mainly comprise collateralised loan obligations and other private debt instruments held by funds that are consolidated by the Group.

Accrued investment income and other debtors exclude items which do not meet the definition of a financial asset.

Financial assets expected to be recovered after one year as at 31 December 2025 are £68,641m (2024: £70,383m).

Notes to the consolidated financial statements continued

18 Classification of financial instruments (continued)

18.2 Financial liabilities

		2025			
		Fair value through profit or loss			
		Designated	Mandatory	Amortised cost	Total
As at 31 December	Note	£m	£m	£m	£m
Investment contract liabilities without DPF	25	**11,507**	**—**	**—**	**11,507**
Third party interest in consolidated funds	31	**10,346**	**—**	**—**	**10,346**
Subordinated liabilities and other borrowings	26	**—**	**—**	**6,519**	**6,519**
Derivative liabilities	31	**—**	**2,471**	**—**	**2,471**
Other financial liabilities		**—**	**—**	**1,101**	**1,101**
Accruals, deferred income and other liabilities		**218**	**—**	**4,326**	**4,544**
Total financial liabilities		**22,071**	**2,471**	**11,946**	**36,488**

		2024			
		Fair value through profit or loss			
		Designated	Mandatory	Amortised cost	Total
As at 31 December	Note	£m	£m	£m	£m
Investment contract liabilities without DPF	25	12,144	—	—	12,144
Third party interest in consolidated funds	31	9,484	—	—	9,484
Subordinated liabilities and other borrowings	26	—	—	6,486	6,486
Derivative liabilities	31	—	3,202	—	3,202
Other financial liabilities		—	—	1,018	1,018
Accruals, deferred income and other liabilities		221	—	4,002	4,223
Total financial liabilities		21,849	3,202	11,506	36,557

Other financial liabilities relate to obligations under funding, securities lending and sale and repurchase agreements. Accruals, deferred income and other liabilities exclude items which do not meet the definition of a financial liability.

Financial liabilities expected to be settled in more than one year as at 31 December 2025 were £12,064m (2024: £10,326m). For financial liabilities designated at FVTPL there was no material impact from movement in credit risk in 2025 and 2024.

18.3 Fair value of underlying items for contracts measured under the Variable Fee Approach (VFA)

The fair value of the assets held by the With-Profits Fund for contracts measured under the VFA are as follows:

	2025	2024
	With-Profits Fund	With-Profits Fund
As at 31 December	£m	£m
Investment properties	**4,793**	4,979
Equity securities and pooled investment funds	**86,264**	81,194
Loans	**419**	456
Debt securities	**41,420**	41,437
Derivative assets	**874**	603
Derivative liabilities	**(684)**	(1,272)
Cash, cash equivalents and other receivables	**1,854**	1,488
Total assets	**134,940**	128,885
Non-profit business in the With-Profits Fund	**(5,777)**	(6,223)
Other liabilities	**(4,916)**	(5,610)
Total fair value of VFA underlying items	**124,247**	117,052

In addition to the participating business underlying items detailed above, there are £3,911m of underlying items (unit-linked fund assets) for unit-linked insurance contracts measured under the VFA (2024: £3,848m).

Notes to the consolidated financial statements continued

19 Accrued investment income and other debtors

As at 31 December	2025 £m	2024 £m
Interest receivable	**909**	907
Other accrued investment income and prepayments	**336**	314
Total interest receivable, accrued investment income and prepayments	**1,245**	1,221
Other debtors:		
Outstanding sales of investment securities	**635**	117
Investment management fee debtors	**142**	124
Property related debtors	**366**	283
Cancellation of units awaiting settlement	**17**	18
Finance leases	**426**	183
Other	**477**	560
Total accrued investment income and other debtors	**3,308**	2,506
Analysed as:		
Expected to be settled within one year	**2,526**	1,973
Expected to be settled after one year	**782**	533
Total accrued investment income and other debtors	**3,308**	2,506

Finance income from the net investment in all finance leases amounted to £19m (2024: £14m). Income from subleasing right-of-use assets amounted to £3m (2024: £4m).

The table below presents a maturity analysis of undiscounted lease receipts due on these leases:

As at 31 December	2025 £m	2024 £m
Less than 1 year	**14**	8
After 1 year to 2 years	**15**	15
After 2 years to 3 years	**15**	14
After 3 years to 4 years	**16**	15
After 4 years to 5 years	**18**	15
Over 5 years	**699**	475
	777	542
Unearned finance income	**(351)**	(359)
Net investment in finance leases	**426**	183

20 Cash and cash equivalents

As at 31 December	2025 £m	2024 £m
Cash	**3,088**	3,220
Cash equivalents	**1,816**	1,618
Total cash and cash equivalents	**4,904**	4,838

Cash equivalents consist of short-term, highly liquid investments that are readily convertible into known amounts of cash subject to insignificant risk of changes in value.

21 Issued share capital and share premium

Issued shares of 5p fully paid	2025 Number of ordinary shares	2025 Share capital £m	2025 Share premium £m	2024 Number of ordinary shares	2024 Share capital £m	2024 Share premium £m
At 1 January	**2,407,168,284**	**120**	**383**	2,382,058,117	119	379
Shares issued to settle employee share option schemes	**5,355,726**	**1**	**8**	3,110,167	—	4
Shares issued to employee benefit trusts	**—**	**—**	**—**	22,000,000	1	—
At 31 December	**2,412,524,010**	**121**	**391**	2,407,168,284	120	383

Amounts recorded in share capital represent the nominal value of shares issued with any difference between proceeds received on issue of shares, net of issue costs, and the nominal value of shares issued being credited to the share premium account.

In 2025, 5,355,726 (2024: 3,110,167) newly issued shares and nil (2024: nil) treasury shares were used to satisfy obligations under the UK SAYE scheme. Further details are outlined in Note 37.2. The newly issued shares resulted in an increase in share capital of £0.3m (2024: £0.2m) and share premium of £7.6m (2024: £4.4m).

No newly issued shares were acquired by the employee benefit trust in 2025. During 2024, 22,000,000 newly issued shares were acquired by the employee benefit trust and this resulted in an increase in share capital of £1.1m. Further details are outlined in Note 22.1.

22 Shares held by employee benefit trusts and other treasury shares

The Group buys and sells its own shares in relation to its employee share schemes or via transactions that may be undertaken by authorised investment funds that the Group is deemed to control. These authorised investment funds undertake transactions in the Group's shares as part of their investment decisions.

22.1 Shares held by employee benefit trusts

The M&G Employee Share Trust (the Trust) was created on 20 September 2019 to facilitate the procurement, holding and distribution of M&G plc shares under the various employee incentive schemes in operation. The Trust is funded by M&G plc. In addition, there is a separate trust that holds shares in respect of Share Incentive Plan (SIP) schemes.

The movement in the M&G plc shares held in employee benefit trusts are detailed below:

For the year ended 31 December	2025 Number of shares	2024 Number of shares
At 1 January	**36,597,947**	21,496,591
Shares acquired and transferred from treasury shares during the period	**22,806,664**	15,281,422
Newly issued shares acquired	**—**	22,000,000
Shares awarded during the period	**(31,760,527)**	(22,180,066)
At 31 December	**27,644,084**	36,597,947

The Trust holds 16,903,082 shares at 31 December 2025 (2024: 26,072,739) while a further 10,741,002 shares are held by the trustee of the SIP scheme at 31 December 2025 (2024: 10,525,208).

No newly issued shares were acquired by the trust in 2025. During 2024, the Trust acquired 22,000,000 newly issued shares which resulted in an increase in share capital of £1m and a corresponding increase in the value of shares held by employee benefit trust of £1.1m.

The cost of shares held in the employee benefit trusts of £41m as at 31 December 2025 (2024: £9m) is deducted from equity.

22.2 Other treasury shares

No shares were distributed in relation to employee share schemes or transferred to the employee benefit trusts in 2025. During 2024, 10,000,000 shares with a carrying value of £15m were transferred to the employee benefit trust. As at 31 December 2025, 3,414,030 treasury shares (2024: 3,414,030 treasury shares) with a carrying value of £6m (2024: £6m) are disclosed as a deduction to Shareholders equity within the Treasury shares reserve.

All share transactions were made on an exchange.

Notes to the consolidated financial statements continued

23 Other reserves

	Equity-settled share-based payment reserve £m	Merger reserve £m	Foreign currency translation reserve £m	Capital redemption reserve £m	Total Other reserves £m
As at 1 January 2025	**95**	**(11,732)**	**(16)**	**11**	**(11,642)**
Exchange movements arising on foreign operations	**—**	**—**	**14**	**—**	**14**
Total items recognised in comprehensive income	**—**	**—**	**14**	**—**	**14**
Exercised employee share-based payments	**(34)**	**—**	**—**	**—**	**(34)**
Expense recognised in respect of share-based payments	**47**	**—**	**—**	**—**	**47**
Tax effect of items recognised directly in equity	**7**	**—**	**—**	**—**	**7**
Net increase in equity	**20**	**—**	**14**	**—**	**34**
As at 31 December 2025	**115**	**(11,732)**	**(2)**	**11**	**(11,608)**

	Equity-settled share-based payment reserve £m	Merger reserve £m	Foreign currency translation reserve £m	Capital redemption reserve £m	Total Other reserves £m
As at 1 January 2024	89	(11,732)	(1)	11	(11,633)
Exchange movements arising on foreign operations	—	—	(15)	—	(15)
Total items recognised in comprehensive income	—	—	(15)	—	(15)
Exercised employee share-based payments	(33)	—	—	—	(33)
Expense recognised in respect of share-based payments	40	—	—	—	40
Tax effect of items recognised directly in equity	(1)	—	—	—	(1)
Net increase/(decrease) in equity	6	—	(15)	—	(9)
As at 31 December 2024	95	(11,732)	(16)	11	(11,642)

The merger reserve arises from the application of merger accounting principles to the acquisition of entities under common control. It represents the difference between the aggregate capital reserves and the value of the entities acquired. On disposal of the relevant entity, the related merger reserve is released directly to retained earnings.

24 Insurance liabilities

24.1 Insurance, investment with discretionary participation features and reinsurance contracts

The breakdown of groups of insurance, investment with DPF and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	2025			
		Shareholder-backed funds		
As at 31 December	With-profits[i] £m	Unit-linked business £m	Annuity and other long-term business £m	Total £m
Insurance contract liabilities				
Insurance contract liabilities	**28,209**	**4,257**	**14,653**	**47,119**
Investment contracts with DPF liabilities	**100,207**	**—**	**219**	**100,426**
	128,416	**4,257**	**14,872**	**147,545**
Insurance contract assets				
Insurance contract assets	**—**	**—**	**49**	**49**
	—	**—**	**49**	**49**
Reinsurance contracts				
Reinsurance contract assets	**19**	**3**	**1,045**	**1,067**
Reinsurance contract liabilities	**1**	**22**	**237**	**260**

	2024			
		Shareholder-backed funds		
As at 31 December	With-profits[i] £m	Unit-linked business £m	Annuity and other long-term business £m	Total £m
Insurance contract liabilities				
Insurance contract liabilities	28,777	4,108	13,686	46,571
Investment contracts with DPF liabilities	94,467	—	226	94,693
	123,244	4,108	13,912	141,264
Insurance contract assets				
Insurance contract assets	—	—	39	39
	—	—	39	39
Reinsurance contracts				
Reinsurance contract assets	15	4	1,024	1,043
Reinsurance contract liabilities	1	22	257	280

i Includes the With-Profits Sub-Fund (WPSF) and the Defined Charge Participating Sub-Fund (DCPSF), including the non-profit business written within these funds.

The IFRS 17 disclosures have been disaggregated based on the following lines of business:

- With-profits business (including non-profit business in the With-Profits Fund)
- Unit linked business
- Annuities and other long-term business

This reflects the level of granularity at which the assumptions are set and the insurance contract liabilities calculated.

All lines of business mentioned below form part of the Life segment and further information on the nature of the products written in each line of business is presented in Note 2.4.

24 Insurance liabilities (continued)

24.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business

Note 2.4 describes the different types of insurance and investment contracts across the business. The contracts are disclosed according to management's view of the business. A description relating to the determination of the policyholder and reinsurance contract balances with the key assumptions for each component of business is set out in the notes below. The sensitivity of IFRS profit/(loss) after tax to the key economic and non-economic assumptions is shown in Note 32.7.

24.2.1 Discount rates

Cash flows relating to insurance and reinsurance contracts issued and reinsurance contracts held are discounted using risk-free yield curves adjusted to reflect the liquidity characteristics of the contracts. As described in Note 1.5, the Group determines the adjustment for illiquidity using either a top-down approach (for non-profit annuity contracts) or a bottom-up approach (for all other contracts, including with-profits).

For with-profits contracts, the illiquidity premium is determined at each reporting date by applying a weighting of 75% to the illiquidity premium for the reference portfolio of fixed interest assets. The illiquidity premium included in the discount rate as at 31 December 2025 was 37bps (2024: 39bps). The assumed investment returns are consistent with the discount rates applied to the cash flows. The volatility of investment returns is set with reference to implied volatility data on traded market instruments, where available, or on a best estimate basis where not.

The unit-linked contracts are considered to be highly liquid as they can be surrendered at any time by the policyholder for a surrender value which is the value of the units less any surrender charge. Therefore the cash flows are discounted using rates derived from the risk-free yield curve without addition of an illiquidity premium. The assumed unit fund growth rates are consistent with the discount rates applied to the cash flows.

For non-profit annuity contracts, the illiquidity premium is derived from the yield of a reference portfolio of assets which is adjusted to eliminate any factors that are not relevant to the annuity contracts. The implied illiquidity premium at 31 December 2025 was 133bps (2024: 149bps) for shareholder-backed annuities and 146bps (2024: 143bps) for annuities in the With-Profits Fund. There is no requirement to adjust the yield curve for any differences in the liquidity characteristics of the insurance contracts and the reference portfolio. The reference portfolios chosen for in-force annuities are the assigned portfolios used to determine the Solvency II matching adjustment. These are considered to be suitable as reference portfolios for IFRS 17 reporting because their objective is to closely match the liability cash flows and there is strong governance around their management. The discount rates at the inception of each contract are based on the yields within a reference portfolio of assets which the Group expects to acquire to back the portfolio of new insurance contracts (the 'target portfolio'). A weighted average of these discount rate curves is determined for the purpose of locking-in and calculating movements in the CSM relating to each group of contracts. The point of sale discount rate curves are weighted by the premiums in each group. On subsequent measurement of the fulfilment cash flows the yield at the valuation date on the reference portfolio is adjusted, where necessary, in respect of new contracts incepting in the period to allow for a period of transition from the actual asset holdings to the target portfolio. Typically, this period of transition can be up to 12 months but may be dependent on the volume of new business. For the Value Share transaction written in 2024 the period of transition can be up to 24 months.

The largest adjustment made to reference portfolio yield is in relation to credit risk. IFRS 17 is not prescriptive as to how the adjustment for credit risk should be determined other than that it should reflect market risk premiums for credit risk. The credit risk allowance comprises an amount for long-term best estimate defaults and downgrades, a provision for credit risk premium and, where appropriate, an additional short-term overlay to reflect the prospective outlook for experience over the coming period, including uncertainty in the outlook. It incorporates allowances for expected and unexpected credit events, including internal and external views on the outlook for credit risk, and considers the relationship between credit risk and yield spreads. The allowance for credit risk within the discount rate for shareholder-backed annuities as at 31 December 2025 was 54bps (2024: 53bps). The allowance for credit risk within the discount rate for annuities in the With-Profits Fund as at 31 December 2025 was 62bps (2024: 56bps).

The derivation of the discount rates include, based on information available as at the balance sheet date, the impact on the portfolio yield of the legislative uncertainty which potentially would have resulted in restriction on future income generated from the notes backing residential ground rents. Subsequently, in January 2026, the UK Government published the draft Commonhold and Leasehold Reform Bill which finalises proposals on the treatment of residential ground rent income and effectively results in materially capping the income that can be generated from the portfolio which has not been reflected in the year end derivation of the discount rates. This is further explained in Note 31.8.1.

The derivation of the discount rates for the Value Share BPA insurance contract is as described above. The derivation of the discount rates for the Value Share reinsurance arrangement is as described above except that the reference portfolio of assets is the pool of assets that backs the Value Share BPA liabilities.

24 Insurance liabilities (continued)

The tables below show the discount rates used as at 31 December 2025 and 31 December 2024.

Discount rates as at 31 December 2025

	1 year	5 years	10 years	15 years	20 years	25 years	30 years
With-profits contracts	**3.91%**	**4.03%**	**4.41%**	**4.73%**	**4.90%**	**4.97%**	**4.96%**
Unit-linked contracts	**3.54%**	**3.67%**	**4.04%**	**4.36%**	**4.54%**	**4.60%**	**4.59%**
Non-profit annuities – shareholder-backed	**4.87%**	**5.00%**	**5.38%**	**5.69%**	**5.87%**	**5.94%**	**5.92%**
Non-profit annuities – in the With-Profits Fund	**5.00%**	**5.12%**	**5.50%**	**5.82%**	**5.99%**	**6.06%**	**6.05%**

Discount rates as at 31 December 2024

	1 year	5 years	10 years	15 years	20 years	25 years	30 years
With-profits contracts	4.85%	4.43%	4.46%	4.62%	4.70%	4.69%	4.62%
Unit-linked contracts	4.46%	4.04%	4.07%	4.23%	4.30%	4.30%	4.23%
Non-profit annuities – shareholder-backed	5.95%	5.53%	5.56%	5.72%	5.79%	5.79%	5.72%
Non-profit annuities – in the With-Profits Fund	5.89%	5.47%	5.50%	5.66%	5.73%	5.72%	5.66%

The tables below show the credit risk allowances for annuity business as at 31 December 2025 and 31 December 2024.

Credit risk allowances as at 31 December 2025

	Shareholder-backed annuities	Annuities in the With-Profits Fund
Credit risk allowance	**54 bps**	**62 bps**
Credit risk allowance as proportion of spread over swaps	**28.17%**	**26.92%**
Net of reinsurance credit reserve (£m)	**511**	**150**

Credit risk allowances as at 31 December 2024

	Shareholder-backed annuities	Annuities in the With-Profits Fund
Credit risk allowance	53 bps	56 bps
Credit risk allowance as proportion of spread over swaps	25.67%	25.56%
Net of reinsurance credit reserve (£m)	454	157

24.2.2 Persistency and expense assumptions

The table below summarises the range of lapse rate assumptions used as at 31 December 2025 and 31 December 2024. These exclude assumptions related to retirement rates for pension contracts, which may be as high as 100% at certain ages.

Lapse rate assumptions

	31 December 2025	31 December 2024
With-profits contracts	**0% - 30%**	0% - 30%
Unit-linked contracts[i]	**2.5% - 9.5%**	2.5% - 9.5%
Non-profit annuities – shareholder-backed	**N/A**	N/A
Non-profit annuities – in the With-Profits Fund	**N/A**	N/A

i Updated to include insurance business only. 31 December 2024 assumptions have been updated from those previously presented.

The table below summarises the range of maintenance expense assumptions used as at 31 December 2025 and 31 December 2024, before allowance for future inflationary increases.

Maintenance expense assumptions (per policy)

	31 December 2025 £ pa	31 December 2024 £ pa
With-profits contracts	**7 - 265**	8 - 199
Unit-linked contracts[i,ii]	**64 - 186**	70 - 170
Non-profit annuities – shareholder-backed	**35 - 74**	36 - 68
Non-profit annuities – in the With-Profits Fund	**35**	37

i For Prudential International Assurance plc, maintenance expenses assumptions are modelled as a percentage of assets under management and not included in the range. For 31 December 2025 and 31 December 2024, the range was 0.12% - 0.13% of assets under management.

ii Updated to include insurance business only. 31 December 2024 assumptions have been updated from those previously presented.

24 Insurance liabilities (continued)

24.2.3 Risk adjustment

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is determined as the increase in the discounted value of the future cash flows derived from non-financial assumptions set at the target confidence level instead of unbiased non-financial assumptions. The table below shows the confidence level used to determine the risk adjustment for with-profits contracts, unit-linked contracts, annuities and other long-term business:

	As at 31 December	
	2025	**2024**
Confidence level (percentile of the Group's one year risk distributions)	**75th**	75th
Confidence level (percentile of the risk distributions over the remaining lifetime)	**60th**	60th

24.2.4 With-profits business

The With-Profits Fund mainly contains with-profits contracts but also contains some non-profit business (annuities, unit-linked, and term assurances).

The with-profits contracts are a combination of insurance contracts, investment contracts with DPF and investment contracts without DPF. The investment contracts without DPF are within the scope of IFRS 9 and are presented in Note 25.

For the with-profits contracts the insurance contract liability is the sum of the liability for incurred claims and the liability for remaining coverage, which comprises:

- the fair value of the underlying items for in-force contracts, ie the value of the asset shares and the expected future additions to asset shares, plus the present value of future costs less charges;
- the allowance for 'mutualisation' on in-force business;
- the risk adjustment for non-financial risk;
- the CSM; and
- the historical allowance for 'mutualisation' (based on the underlying items for the additional amounts expected to be paid to current or future policyholders).

These items are described further below.

Future costs less charges

The future costs include a market-consistent valuation of the costs of guarantees, options and smoothing and this amount is determined using stochastic modelling techniques. The main assumptions used to value the future costs less charges are listed below:

- Assumptions relating to persistency (see Note 24.2.2) and the take-up of options offered on certain with-profits contracts are set based on the results of the most recent experience analysis looking at the experience over recent years of the relevant business, and supplemented by expert judgement within the business. In line with legislative changes, including pension freedoms, the Group expects all policyholders of pension contracts to choose alternative post-vesting options;
- Management actions under which the With-Profits Fund is managed in different scenarios;
- Maintenance and, for some classes of business, termination expense assumptions are expressed as per policy amounts (see Note 24.2.2). They are set based on forecast expense levels, including an allowance for ongoing investment management expenses, and are allocated between entities and product groups in accordance with the Group's internal cost allocation model. They reflect the costs incurred by the Group which may differ from the internal charges to companies within the Group;
- Expense inflation assumptions are set consistent with the economic basis and based on the inflation swap spot curve;
- The contract liabilities for with-profits business also require assumptions for mortality. These are set based on the results of recent experience analysis. Mortality experience over 2020 and 2021 was significantly higher than previous years as a result of the COVID-19 pandemic. In line with broader industry approach, no weight has been given to pandemic experience; and
- Future investment return assumptions and discount rates are set at a risk-free yield curve plus an illiquidity premium (as set out in Notes 1.5 and 24.2.1).

24 Insurance liabilities (continued)

Allowances for mutualisation

The allowance for mutualisation on in-force business is the policyholders' share, which is assumed to be 90% (consistent with the division of profits permitted by the Articles of Association), of the expected future surpluses arising from with-profits contracts, which are determined as:

- the discounted value of the amounts that will be charged to policies;
- less: the discounted value of future shareholder transfers, gross of tax;
- less: the discounted value of other costs directly attributable to the group of insurance contracts; and
- less: the amount of any additional tax attributable to the above items.

The allowance for mutualisation on in-force business is included in the liabilities of the groups of insurance contracts.

The historical allowance for mutualisation is the policyholders' share of the surpluses that have arisen in the past, which are determined as the policyholders' share of the fair value of the underlying items for the additional amounts expected to be paid to current or future policyholders less, if required, an allowance for any further tax balances that should be apportioned between policyholders and shareholders. The policyholders' share is assessed on a prospective basis and is assumed to be 90%, consistent with the division of profits permitted by the Articles of Association. The fair value of the underlying items reflects, among other things, the fair value of the non-profit contracts in the With-Profits Fund. The fair value is measured as the sum of the best estimate of the liability, determined using a discounted cash flow technique and assumptions used for Solvency II reporting; and the compensation a market participant would require for taking on the obligation, over and above the best estimate liability, determined using a cost of capital approach.

The historical allowance for mutualisation is separate from the liabilities of the groups of insurance contracts (in accordance with IFRS 17 paragraph B71) and the Group has chosen to present this as part of the liability for remaining coverage.

With-profits options and guarantees

Certain policies written in the Group's With-Profits Fund give potentially valuable guarantees to policyholders, or options to change policy benefits which can be exercised at the policyholders' discretion.

Most with-profits contracts give a guaranteed minimum payment on a specified date or range of dates or on death if before that date or dates. For pensions products, the specified date is the policyholder's chosen retirement date or a range of dates around that date. For endowment contracts, guarantees apply at the maturity date of the contract. For with-profits bonds it is often a specified anniversary of commencement, in some cases with further dates thereafter.

The main types of options and guarantees offered for with-profits contracts are as follows:

- for conventional with-profits contracts, including endowment assurance contracts and whole of-life assurance contracts, payouts are guaranteed at the sum assured together with any declared regular bonus;
- conventional with-profits deferred annuity contracts have a basic annuity per annum to which bonuses are added. At maturity, the cash claim value will reflect the current cost of providing the deferred annuity. Regular bonuses when added to with-profits contracts usually increase the guaranteed amount;
- for unitised with-profits contracts and cash accumulation contracts the guaranteed payout is the initial investment (adjusted for any withdrawals, where appropriate), less charges, plus any regular bonuses declared. If benefits are taken at a date other than when the guarantee applies, a market value reduction may be applied to reflect the difference between the accumulated value of the units and the market value of the underlying assets;
- for certain unitised with-profits contracts and cash accumulation contracts, policyholders have the option to defer their retirement date when they reach maturity, and the terminal bonus granted at that point is guaranteed;
- for with-profits annuity contracts, there is a guaranteed minimum annuity payment below which benefit payments cannot fall over the lifetime of the policies; and
- certain pensions products have guaranteed annuity options at retirement, where the policyholder has the option to take the benefit in the form of an annuity at a guaranteed conversion rate.

CSM

The Variable Fee Approach (VFA) is used to measure the CSM for with-profits business.

For contracts that provide both insurance coverage and investment-related services the amount of the services provided in any given period is measured as the greater of the asset shares and the amounts payable on death during that period.

24 Insurance liabilities (continued)

24.2.5 Unit-linked business

Only unit-linked contracts that transfer significant insurance risk are within the scope of IFRS 17. For these contracts the insurance contract liability is the sum of the liability for incurred claims and the liability for remaining coverage, which comprises:

- the fair value of the underlying items, ie the value of the unit funds, plus the present value of future costs less charges;
- the risk adjustment for non-financial risk; and
- the CSM.

Future cash flows

The present value of future costs less charges is determined using best estimate assumptions for the non-financial risks of mortality, on a basis that is appropriate for the policyholder profile, expenses and persistency (see Note 24.2.2). The assumed unit fund growth rates are consistent with the discount rates applied to the cash flows (see Note 24.2.1).

Certain parts of the unit-linked business are reinsured externally by way of fund reinsurance. Where this is the case, the fair value of the underlying asset and liability is equal to the unit value obligation.

CSM

The VFA is used to measure the CSM for unit-linked business.

The amount of the services provided in any given period is measured as the greater of the unit funds and the amounts payable on death during that period.

24.2.6 Annuities and other long-term business

The majority of the policyholder liabilities in the 'annuities and other long-term business' component relate to annuity contracts, for which some of the risk has been reinsured to external third parties. The annuity insurance contract liabilities are calculated as the sum of the liability for incurred claims and the liability for remaining coverage, which comprises:

- the expected value of future annuity payments and expenses;
- the risk adjustment for non-financial risk; and
- the CSM.

Future cash flows

The key assumptions used to value the future cash flows for annuity contracts, both insurance contracts issued and reinsurance contracts held, are described below.

Mortality

Mortality assumptions for annuity business are set in light of recent population and internal experience, with an allowance for expected future mortality improvements. Given the long-term nature of annuity business, annuitant mortality remains a significant assumption in determining insurance liabilities. The assumptions used reference recent England & Wales population mortality data, consistent with the CMI mortality projections model with specific risk factors applied on a per policy basis to reflect the features of the Group's portfolio.

An increase in mortality rates was observed over 2020-21 due to the COVID-19 pandemic, however mortality rates have since recovered to pre-pandemic levels. There remains significant uncertainty following the pandemic and the longer-term implications for mortality rates among the annuitant population will continue to be monitored by the Group.

For current mortality, the Group has a detailed longevity model calibrated to mortality experience data. The model has been reviewed and updates made to allow for distinct assumptions for second lives on joint life policies. The updates for second lives resulted in a slight weakening of assumptions.

The best estimate mortality improvements assumption is expressed in terms of the industry wide CMI model. For 2025, the assumption has been updated to be expressed in terms of the CMI 2023 model (2024: CMI 2022 model). The future improvement assumptions give no weight to experience in 2020-2021; 10% weight on 2022 and 15% weight on 2023; reflecting more recent experience is likely to be partially reflective of future mortality. The drivers which could impact future experience are continually monitored.

The potential impact of climate change, primarily physical risks, has been considered when calibrating the longevity model. Based on available data, climate risk is not expected to materially influence the best estimate mortality assumptions across the assessed scenarios, and no separate adjustment has been applied to annuitant mortality in relation to climate risk.

24 Insurance liabilities (continued)

The mortality improvement assumptions used are summarised in the table below, with all other assumptions reflecting the core CMI projection:

Period ended	Model version[i, ii]	Long-term improvement rate[iii]	Smoothing parameter (Sk)[iv]
31 December 2025	**CMI 2023**	**For males: 1.60% pa** **For females: 1.60% pa**	**For males: 7.25** **For females: 7.25**
31 December 2024	CMI 2022	For males: 1.60% pa For females: 1.60% pa	For males: 7.25 For females: 7.25

i A parameter in the model to reflect socio-economic differences between the portfolio and population experience is also utilised. This adjusts initial mortality improvement rates, varying by age and gender. This is unchanged at all ages relative to 31 December 2024.

ii Within the CMI 2023 model 10% weight is applied to 2022 data and 15% weight is applied to 2023 data as at 31 December 2025. At 31 December 2024 a 15% weight was applied to 2022 data within the CMI 2022 model. No weight is applied to 2020 and 2021 data at 31 December 2025 and 31 December 2024.

iii The tapering of improvements to zero is set to occur between ages 90-110 at 31 December 2025 which is unchanged from 31 December 2024.

iv The smoothing parameter controls the amount of smoothing by calendar year when determining the level of initial mortality improvements.

The mortality assumptions for in-force vested annuities also cover annuities in deferment.

Discount rates

See Note 24.2.1. The same approach is also used to derive the discount rates applied to reinsurance cash flows.

Expenses

Maintenance expense assumptions are expressed as per policy amounts (see Note 24.2.2). They are set based on a combination of current year costs and forecast expenses, and are allocated between entities and product groups in accordance with the Group's internal cost allocation model. They reflect the costs incurred by the Group which may differ from the internal charges to companies within the Group. A separate explicit allowance is made for ongoing investment management expenses. Expense inflation assumptions are set consistent with the economic basis and based on the inflation swap spot curve. Increases in costs that are expected to follow an inflation index are considered by the Group to relate to financial risk.

Value Share reinsurance cash flows

Payments made to or received from the reinsurer are dependent on the relationship between the value of the assets backing the BPA liabilities and the value of the liabilities determined in accordance with a specified basis. These cash flows are estimated by projecting the assets and liabilities and comparing their values on the calculation dates prescribed in the reinsurance contract. The assumed investment returns on the assets are the same as the discount rates used for the Value Share reinsurance arrangement (see Note 24.2.1).

CSM

The General Measurement Model (GMM) is used to measure the CSM for annuities and other long-term business. For annuities in payment the amount of the services provided in any given period is the annualised amount of income.

24.3 Insurance, investment with DPF and reinsurance contract balances

The following reconciliations show how the net carrying amounts of insurance, investment with DPF and reinsurance contracts in each group of insurance contracts issued, and reinsurance contracts held, changed during the year as a result of cash flows and amounts recognised in the consolidated income statement.

For insurance contracts issued and reinsurance contracts held, tables are presented that analyse changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM and separate tables that analyse movements in the liabilities for remaining coverage and liabilities for incurred claims, reconciling these movements to the line items in the statement of profit or loss.

For insurance contracts issued, these analysis tables are then presented for each line of business. For reinsurance contracts held 98% (2024: 98%) relates to annuity and other long-term business contracts and so separate tables for each line of business are not presented.

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3.1 Total insurance contract liabilities

Insurance contracts

Analysis by remaining coverage and incurred claims

Total insurance contracts	2025				2024			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
For the year ended 31 December	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Opening insurance contract liabilities	**140,213**	**107**	**944**	**141,264**	141,007	80	1,048	142,135
Opening insurance contract assets	**(46)**	**—**	**7**	**(39)**	(50)	—	6	(44)
Net opening balance	**140,167**	**107**	**951**	**141,225**	140,957	80	1,054	142,091
Insurance revenue								
Contracts under the modified retrospective transition approach	**(1,442)**	**—**	**—**	**(1,442)**	(692)	—	—	(692)
Contracts under the fair value transition approach	**(2,649)**	**—**	**—**	**(2,649)**	(3,216)	—	—	(3,216)
New contracts and contracts under the fully retrospective transition approach	**(334)**	**—**	**—**	**(334)**	(187)	—	—	(187)
	(4,425)	**—**	**—**	**(4,425)**	(4,095)	—	—	(4,095)
Insurance service expenses								
Incurred claims and other insurance service expenses	**—**	**(6)**	**2,817**	**2,811**	—	(5)	2,862	2,857
Amortisation of insurance acquisition cash flows	**88**	**—**	**—**	**88**	73	—	—	73
Adjustments to liability for incurred claims	**—**	**—**	**4**	**4**	—	—	3	3
Losses and reversals of losses on onerous contracts	**—**	**32**	**—**	**32**	—	38	—	38
	88	**26**	**2,821**	**2,935**	73	33	2,865	2,971
Insurance service result	**(4,337)**	**26**	**2,821**	**(1,490)**	(4,022)	33	2,865	(1,124)
Finance expense/(income) from insurance contracts issued	**13,904**	**(4)**	**—**	**13,900**	8,432	(6)	—	8,426
Total changes in income statement	**9,567**	**22**	**2,821**	**12,410**	4,410	27	2,865	7,302
Investment components and premium refunds	**(11,554)**	**—**	**11,554**	**—**	(12,023)	—	12,023	—
Cash flows								
Premiums received	**8,321**	**—**	**—**	**8,321**	6,988	—	—	6,988
Incurred claims paid and other insurance service expenses paid including investment component	**—**	**—**	**(14,255)**	**(14,255)**	—	—	(14,991)	(14,991)
Insurance acquisition cash flows	**(205)**	**—**	**—**	**(205)**	(165)	—	—	(165)
Total cash flows	**8,116**	**—**	**(14,255)**	**(6,139)**	6,823	—	(14,991)	(8,168)
Net closing balance	**146,296**	**129**	**1,071**	**147,496**	140,167	107	951	141,225
Closing insurance contract liabilities	**146,352**	**129**	**1,064**	**147,545**	140,213	107	944	141,264
Closing insurance contract assets	**(56)**	**—**	**7**	**(49)**	(46)	—	7	(39)
Net closing balance	**146,296**	**129**	**1,071**	**147,496**	140,167	107	951	141,225

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

Insurance contracts

Analysis by measurement component

Total insurance contracts	2025						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	134,216	613	1,908	3,943	584	6,435	141,264
Opening insurance contract assets	(94)	4	—	14	37	51	(39)
Net opening balance	134,122	617	1,908	3,957	621	6,486	141,225
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	(242)	(503)	(85)	(830)	(830)
Change in the risk adjustment for non-financial risk for the risk expired	—	(58)	—	—	—	—	(58)
Revenue recognised for incurred policyholder tax	(621)	—	—	—	—	—	(621)
Experience adjustments	(16)	—	—	—	—	—	(16)
	(637)	(58)	(242)	(503)	(85)	(830)	(1,525)
Changes that relate to future services							
Contracts initially recognised in the period	(224)	50	—	—	174	174	—
Changes in estimates reflected in the CSM	(867)	(145)	221	734	57	1,012	—
Changes in estimates that result in onerous contract losses or reversal of those losses	32	(1)	—	—	—	—	31
	(1,059)	(96)	221	734	231	1,186	31
Changes that relate to past services							
Adjustments to liabilities for incurred claims	4	—	—	—	—	—	4
	4	—	—	—	—	—	4
Insurance service result	(1,692)	(154)	(21)	231	146	356	(1,490)
Finance expense/(income) from insurance contracts issued	13,498	107	108	137	50	295	13,900
Total changes in income statement	11,806	(47)	87	368	196	651	12,410
Cash flows							
Premiums received	8,321	—	—	—	—	—	8,321
Incurred claims paid and other insurance service expenses paid including investment component	(14,255)	—	—	—	—	—	(14,255)
Insurance acquisition cash flows	(205)	—	—	—	—	—	(205)
Total cash flows	(6,139)	—	—	—	—	—	(6,139)
Net closing balance	139,789	570	1,995	4,325	817	7,137	147,496
Closing insurance contract liabilities	139,900	565	1,995	4,311	774	7,080	147,545
Closing insurance contract assets	(111)	5	—	14	43	57	(49)
Net closing balance	139,789	570	1,995	4,325	817	7,137	147,496

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

Total insurance contracts	2024						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	135,738	632	1,747	3,609	409	5,765	142,135
Opening insurance contract assets	(93)	4	—	12	33	45	(44)
Net opening balance	135,645	636	1,747	3,621	442	5,810	142,091
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	(241)	(441)	(63)	(745)	(745)
Change in the risk adjustment for non-financial risk for the risk expired	—	(62)	—	—	—	—	(62)
Revenue recognised for incurred policyholder tax	(360)	—	—	—	—	—	(360)
Experience adjustments	3	—	—	—	—	—	3
	(357)	(62)	(241)	(441)	(63)	(745)	(1,164)
Changes that relate to future services							
Contracts initially recognised in the period	(186)	31	—	—	155	155	—
Changes in estimates reflected in the CSM	(897)	(19)	289	582	45	916	—
Changes in estimates that result in onerous contract losses or reversal of those losses	39	(2)	—	—	—	—	37
	(1,044)	10	289	582	200	1,071	37
Changes that relate to past services							
Adjustments to liabilities for incurred claims	3	—	—	—	—	—	3
	3	—	—	—	—	—	3
Insurance service result	(1,398)	(52)	48	141	137	326	(1,124)
Finance expense/(income) from insurance contracts issued	8,043	33	113	195	42	350	8,426
Total changes in income statement	6,645	(19)	161	336	179	676	7,302
Cash flows							
Premiums received	6,988	—	—	—	—	—	6,988
Incurred claims paid and other insurance service expenses paid including investment component	(14,991)	—	—	—	—	—	(14,991)
Insurance acquisition cash flows	(165)	—	—	—	—	—	(165)
Total cash flows	(8,168)	—	—	—	—	—	(8,168)
Net closing balance	134,122	617	1,908	3,957	621	6,486	141,225
Closing insurance contract liabilities	134,216	613	1,908	3,943	584	6,435	141,264
Closing insurance contract assets	(94)	4	—	14	37	51	(39)
Net closing balance	134,122	617	1,908	3,957	621	6,486	141,225

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

Reinsurance contracts

Analysis by remaining coverage and incurred claims

Reinsurance contracts	2025				2024			
	Assets for remaining coverage				Assets for remaining coverage			
For the year ended 31 December	Excluding loss recovery component £m	Loss recovery component £m	Recoverable for incurred claims £m	Total £m	Excluding loss recovery component £m	Loss recovery component £m	Recoverable for incurred claims £m	Total £m
Opening reinsurance contract liabilities	**290**	**—**	**(10)**	**280**	369	—	(12)	357
Opening reinsurance contract assets	**(922)**	**(60)**	**(61)**	**(1,043)**	(999)	(41)	(59)	(1,099)
Net opening balance	**(632)**	**(60)**	**(71)**	**(763)**	(630)	(41)	(71)	(742)
Net expenses from reinsurance contracts held								
Allocation of reinsurance premiums paid	**514**	**—**	**—**	**514**	516	—	—	516
Amounts recoverable from reinsurers:								
Recoveries of incurred claims and other insurance service expenses	**—**	**—**	**(466)**	**(466)**	—	—	(466)	(466)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	**—**	**(19)**	**—**	**(19)**	—	(19)	—	(19)
Adjustments to assets for incurred claims	**—**	**—**	**(5)**	**(5)**	—	—	(3)	(3)
	—	**(19)**	**(471)**	**(490)**	—	(19)	(469)	(488)
Effect of changes in the risk of reinsurers non-performance	**—**	**—**	**—**	**—**	—	—	—	—
	514	**(19)**	**(471)**	**24**	516	(19)	(469)	28
Finance expenses/(income) from reinsurance contracts held	**(54)**	**—**	**—**	**(54)**	10	—	—	10
Total changes in income statement	**460**	**(19)**	**(471)**	**(30)**	526	(19)	(469)	38
Cash flows								
Premiums and similar expenses paid	**(494)**	**—**	**—**	**(494)**	(528)	—	—	(528)
Amounts recovered	**—**	**—**	**480**	**480**	—	—	469	469
Total cash flows	**(494)**	**—**	**480**	**(14)**	(528)	—	469	(59)
Net closing balance	**(666)**	**(79)**	**(62)**	**(807)**	(632)	(60)	(71)	(763)
Closing reinsurance contract liabilities	**263**	**—**	**(3)**	**260**	290	—	(10)	280
Closing reinsurance contract assets	**(929)**	**(79)**	**(59)**	**(1,067)**	(922)	(60)	(61)	(1,043)
Net closing balance	**(666)**	**(79)**	**(62)**	**(807)**	(632)	(60)	(71)	(763)

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

Analysis by measurement component

Reinsurance contracts	2025						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening reinsurance contract liabilities	621	(94)	—	(232)	(15)	(247)	280
Opening reinsurance contract assets	(793)	(44)	(5)	(14)	(187)	(206)	(1,043)
Net opening balance	(172)	(138)	(5)	(246)	(202)	(453)	(763)
Changes that relate to current services							
CSM recognised in profit or loss for the services received	—	—	1	30	9	40	40
Change in the risk adjustment for non-financial risk for the risk expired	—	11	—	—	—	—	11
Experience adjustments	2	—	—	—	—	—	2
	2	11	1	30	9	40	53
Changes that relate to future services							
Contracts initially recognised in the period	14	(18)	—	—	4	4	—
Changes in estimates reflected in the CSM	95	32	—	(92)	(35)	(127)	—
Changes in the fulfilment cash flows that do not adjust the CSM for the group of underlying contracts	(24)	—	—	—	—	—	(24)
	85	14	—	(92)	(31)	(123)	(24)
Changes that relate to past services							
Asset for incurred claims	(5)	—	—	—	—	—	(5)
	(5)	—	—	—	—	—	(5)
Insurance service result	82	25	1	(62)	(22)	(83)	24
Net finance income from reinsurance contracts	(25)	(17)	—	(7)	(5)	(12)	(54)
Total changes in the income statement	57	8	1	(69)	(27)	(95)	(30)
Cash flows							
Premiums and similar expenses paid	(494)	—	—	—	—	—	(494)
Amounts recovered	480	—	—	—	—	—	480
Total cash flows	(14)	—	—	—	—	—	(14)
Net closing balance	(129)	(130)	(4)	(315)	(229)	(548)	(807)
Closing reinsurance contract liabilities	673	(100)	—	(298)	(15)	(313)	260
Closing reinsurance contract assets	(802)	(30)	(4)	(17)	(214)	(235)	(1,067)
Net closing balance	(129)	(130)	(4)	(315)	(229)	(548)	(807)

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

Reinsurance contracts	2024						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening reinsurance contract liabilities	581	(94)	—	(129)	(1)	(130)	357
Opening reinsurance contract assets	(847)	(55)	(5)	(8)	(184)	(197)	(1,099)
Net opening balance	(266)	(149)	(5)	(137)	(185)	(327)	(742)
Changes that relate to current services							
CSM recognised in profit or loss for the services received	—	—	—	22	6	28	28
Change in the risk adjustment for non-financial risk for the risk expired	—	14	—	—	—	—	14
Experience adjustments	14	—	—	—	—	—	14
	14	14	—	22	6	28	56
Changes that relate to future services							
Contracts initially recognised in the period	26	(11)	—	—	(15)	(15)	—
Changes in estimates reflected in the CSM	125	4	—	(125)	(4)	(129)	—
Changes in the fulfilment cash flows that do not adjust the CSM for the group of underlying contracts	(25)	—	—	—	—	—	(25)
	126	(7)	—	(125)	(19)	(144)	(25)
Changes that relate to past services							
Asset for incurred claims	(3)	—	—	—	—	—	(3)
	(3)	—	—	—	—	—	(3)
Insurance service result	137	7	—	(103)	(13)	(116)	28
Net finance income from reinsurance contracts	16	4	—	(6)	(4)	(10)	10
Total changes in the income statement	153	11	—	(109)	(17)	(126)	38
Cash flows							
Premiums and similar expenses paid	(528)	—	—	—	—	—	(528)
Amounts recovered	469	—	—	—	—	—	469
Total cash flows	(59)	—	—	—	—	—	(59)
Net closing balance	(172)	(138)	(5)	(246)	(202)	(453)	(763)
Closing reinsurance contract liabilities	621	(94)	—	(232)	(15)	(247)	280
Closing reinsurance contract assets	(793)	(44)	(5)	(14)	(187)	(206)	(1,043)
Net closing balance	(172)	(138)	(5)	(246)	(202)	(453)	(763)

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3.2 With-profits business

Insurance contracts

Analysis by remaining coverage and incurred claims

With-profits business	2025				2024			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
For the year ended 31 December	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Opening insurance contract liabilities	**122,859**	**9**	**376**	**123,244**	123,197	11	388	123,596
Opening insurance contract assets	**—**	**—**	**—**	**—**	—	—	—	—
Net opening balance	**122,859**	**9**	**376**	**123,244**	123,197	11	388	123,596
Insurance revenue								
Contracts under the modified retrospective transition approach	**(1,436)**	**—**	**—**	**(1,436)**	(686)	—	—	(686)
Contracts under the fair value transition approach	**(1,281)**	**—**	**—**	**(1,281)**	(1,866)	—	—	(1,866)
New contracts and contracts under the fully retrospective transition approach	**(154)**	**—**	**—**	**(154)**	(63)	—	—	(63)
	(2,871)	**—**	**—**	**(2,871)**	(2,615)	—	—	(2,615)
Insurance service expenses								
Incurred claims and other insurance service expenses	**—**	**(1)**	**1,559**	**1,558**	—	(1)	1,630	1,629
Amortisation of insurance acquisition cash flows	**54**	**—**	**—**	**54**	43	—	—	43
Adjustments to liability for incurred claims	**—**	**—**	**—**	**—**	—	—	—	—
Losses and reversals of losses on onerous contracts	**—**	**(7)**	**—**	**(7)**	—	(1)	—	(1)
	54	**(8)**	**1,559**	**1,605**	43	(2)	1,630	1,671
Insurance service result	**(2,817)**	**(8)**	**1,559**	**(1,266)**	(2,572)	(2)	1,630	(944)
Finance expense/(income) from insurance contracts issued	**12,635**	**—**	**—**	**12,635**	8,019	—	—	8,019
Total changes in income statement	**9,818**	**(8)**	**1,559**	**11,369**	5,447	(2)	1,630	7,075
Investment components and premium refunds	**(11,053)**	**—**	**11,053**	**—**	(11,459)	—	11,459	—
Cash flows								
Premiums received	**6,551**	**—**	**—**	**6,551**	5,803	—	—	5,803
Incurred claims paid and other insurance service expenses paid including investment component	**—**	**—**	**(12,587)**	**(12,587)**	—	—	(13,101)	(13,101)
Insurance acquisition cash flows	**(161)**	**—**	**—**	**(161)**	(129)	—	—	(129)
Total cash flows	**6,390**	**—**	**(12,587)**	**(6,197)**	5,674	—	(13,101)	(7,427)
Net closing balance	**128,014**	**1**	**401**	**128,416**	122,859	9	376	123,244
Closing insurance contract liabilities	**128,014**	**1**	**401**	**128,416**	122,859	9	376	123,244
Closing insurance contract assets	**—**	**—**	**—**	**—**	—	—	—	—
Net closing balance	**128,014**	**1**	**401**	**128,416**	122,859	9	376	123,244

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

Analysis by measurement component

With-profits business	2025						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	118,686	218	1,908	1,990	442	4,340	123,244
Opening insurance contract assets	—	—	—	—	—	—	—
Net opening balance	118,686	218	1,908	1,990	442	4,340	123,244
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	(242)	(317)	(67)	(626)	(626)
Change in the risk adjustment for non-financial risk for the risk expired	—	(25)	—	—	—	—	(25)
Revenue recognised for incurred policyholder tax	(610)	—	—	—	—	—	(610)
Experience adjustments	2	—	—	—	—	—	2
	(608)	(25)	(242)	(317)	(67)	(626)	(1,259)
Changes that relate to future services							
Contracts initially recognised in the period	(134)	6	—	—	128	128	—
Changes in estimates reflected in the CSM	(663)	(51)	221	429	64	714	—
Changes in estimates that result in onerous contract losses or reversal of those losses	(7)	—	—	—	—	—	(7)
	(804)	(45)	221	429	192	842	(7)
Changes that relate to past services							
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Insurance service result	(1,412)	(70)	(21)	112	125	216	(1,266)
Finance expense/(income) from insurance contracts issued	12,307	45	108	135	40	283	12,635
Total changes in income statement	10,895	(25)	87	247	165	499	11,369
Cash flows							
Premiums received	6,551	—	—	—	—	—	6,551
Incurred claims paid and other insurance service expenses paid including investment component	(12,587)	—	—	—	—	—	(12,587)
Insurance acquisition cash flows	(161)	—	—	—	—	—	(161)
Total cash flows	(6,197)	—	—	—	—	—	(6,197)
Net closing balance	123,384	193	1,995	2,237	607	4,839	128,416
Closing insurance contract liabilities	123,384	193	1,995	2,237	607	4,839	128,416
Closing insurance contract assets	—	—	—	—	—	—	—
Net closing balance	123,384	193	1,995	2,237	607	4,839	128,416

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

With-profits business	2024						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	119,435	222	1,747	1,877	315	3,939	123,596
Opening insurance contract assets	—	—	—	—	—	—	—
Net opening balance	119,435	222	1,747	1,877	315	3,939	123,596
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	(241)	(277)	(50)	(568)	(568)
Change in the risk adjustment for non-financial risk for the risk expired	—	(25)	—	—	—	—	(25)
Revenue recognised for incurred policyholder tax	(356)	—	—	—	—	—	(356)
Experience adjustments	6	—	—	—	—	—	6
	(350)	(25)	(241)	(277)	(50)	(568)	(943)
Changes that relate to future services							
Contracts initially recognised in the period	(96)	4	—	—	92	92	—
Changes in estimates reflected in the CSM	(583)	(12)	289	252	54	595	—
Changes in estimates that result in onerous contract losses or reversal of those losses	(1)	—	—	—	—	—	(1)
	(680)	(8)	289	252	146	687	(1)
Changes that relate to past services							
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Insurance service result	(1,030)	(33)	48	(25)	96	119	(944)
Finance expense/(income) from insurance contracts issued	7,708	29	113	138	31	282	8,019
Total changes in income statement	6,678	(4)	161	113	127	401	7,075
Cash flows							
Premiums received	5,803	—	—	—	—	—	5,803
Incurred claims paid and other insurance service expenses paid including investment component	(13,101)	—	—	—	—	—	(13,101)
Insurance acquisition cash flows	(129)	—	—	—	—	—	(129)
Total cash flows	(7,427)	—	—	—	—	—	(7,427)
Net closing balance	118,686	218	1,908	1,990	442	4,340	123,244
Closing insurance contract liabilities	118,686	218	1,908	1,990	442	4,340	123,244
Closing insurance contract assets	—	—	—	—	—	—	—
Net closing balance	118,686	218	1,908	1,990	442	4,340	123,244

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3.3 Unit-linked business

Insurance contracts

Analysis by remaining coverage and incurred claims

Unit-linked business	2025				2024			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
For the year ended 31 December	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Opening insurance contract liabilities	**3,694**	**(1)**	**415**	**4,108**	3,909	—	495	4,404
Opening insurance contract assets	**—**	**—**	**—**	**—**	—	—	—	—
Net opening balance	**3,694**	**(1)**	**415**	**4,108**	3,909	—	495	4,404
Insurance revenue								
Contracts under the modified retrospective transition approach	**—**	**—**	**—**	**—**	—	—	—	—
Contracts under the fair value transition approach	**(58)**	**—**	**—**	**(58)**	(49)	—	—	(49)
New contracts and contracts under the fully retrospective transition approach	**—**	**—**	**—**	**—**	1	—	—	1
	(58)	**—**	**—**	**(58)**	(48)	—	—	(48)
Insurance service expenses								
Incurred claims and other insurance service expenses	**—**	**—**	**48**	**48**	—	—	52	52
Amortisation of insurance acquisition cash flows	**—**	**—**	**—**	**—**	(1)	—	—	(1)
Adjustments to liability for incurred claims	**—**	**—**	**(1)**	**(1)**	—	—	—	—
Losses and reversals of losses on onerous contracts	**—**	**—**	**—**	**—**	—	(1)	—	(1)
	—	**—**	**47**	**47**	(1)	(1)	52	50
Insurance service result	**(58)**	**—**	**47**	**(11)**	(49)	(1)	52	2
Finance expense/(income) from insurance contracts issued	**538**	**—**	**—**	**538**	255	—	—	255
Total changes in income statement	**480**	**—**	**47**	**527**	206	(1)	52	257
Investment components and premium refunds	**(437)**	**—**	**437**	**—**	(489)	—	489	—
Cash flows								
Premiums received	**21**	**—**	**—**	**21**	68	—	—	68
Incurred claims paid and other insurance service expenses paid including investment component	**—**	**—**	**(399)**	**(399)**	—	—	(621)	(621)
Insurance acquisition cash flows	**—**	**—**	**—**	**—**	—	—	—	—
Total cash flows	**21**	**—**	**(399)**	**(378)**	68	—	(621)	(553)
Net closing balance	**3,758**	**(1)**	**500**	**4,257**	3,694	(1)	415	4,108
Closing insurance contract liabilities	**3,758**	**(1)**	**500**	**4,257**	3,694	(1)	415	4,108
Closing insurance contract assets	**—**	**—**	**—**	**—**	—	—	—	—
Net closing balance	**3,758**	**(1)**	**500**	**4,257**	3,694	(1)	415	4,108

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

Analysis by measurement component

Unit-linked business	2025						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	4,049	12	—	47	—	47	4,108
Opening insurance contract assets	—	—	—	—	—	—	—
Net opening balance	4,049	12	—	47	—	47	4,108
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	—	(14)	—	(14)	(14)
Change in the risk adjustment for non-financial risk for the risk expired	—	(1)	—	—	—	—	(1)
Revenue recognised for incurred policyholder tax	(11)	—	—	—	—	—	(11)
Experience adjustments	17	—	—	—	—	—	17
	6	(1)	—	(14)	—	(14)	(9)
Changes that relate to future services							
Contracts initially recognised in the period	—	—	—	—	—	—	—
Changes in estimates reflected in the CSM	(29)	—	—	29	—	29	—
Changes in estimates that result in onerous contract losses or reversal of those losses	—	—	—	—	—	—	—
	(29)	—	—	29	—	29	—
Changes that relate to past services							
Adjustments to liabilities for incurred claims	(2)	—	—	—	—	—	(2)
	(2)	—	—	—	—	—	(2)
Insurance service result	(25)	(1)	—	15	—	15	(11)
Finance expense/(income) from insurance contracts issued	535	—	—	3	—	3	538
Total changes in income statement	510	(1)	—	18	—	18	527
Cash flows							
Premiums received	21	—	—	—	—	—	21
Incurred claims paid and other insurance service expenses paid including investment component	(399)	—	—	—	—	—	(399)
Insurance acquisition cash flows	—	—	—	—	—	—	—
Total cash flows	(378)	—	—	—	—	—	(378)
Net closing balance	4,181	11	—	65	—	65	4,257
Closing insurance contract liabilities	4,181	11	—	65	—	65	4,257
Closing insurance contract assets	—	—	—	—	—	—	—
Net closing balance	4,181	11	—	65	—	65	4,257

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

Unit-linked business	2024						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	4,349	6	—	49	—	49	4,404
Opening insurance contract assets	—	—	—	—	—	—	—
Net opening balance	4,349	6	—	49	—	49	4,404
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	—	(8)	—	(8)	(8)
Change in the risk adjustment for non-financial risk for the risk expired	—	(1)	—	—	—	—	(1)
Revenue recognised for incurred policyholder tax	(4)	—	—	—	—	—	(4)
Experience adjustments	17	—	—	—	—	—	17
	13	(1)	—	(8)	—	(8)	4
Changes that relate to future services							
Contracts initially recognised in the period	—	—	—	—	—	—	—
Changes in estimates reflected in the CSM	(9)	5	—	4	—	4	—
Changes in estimates that result in onerous contract losses or reversal of those losses	(2)	—	—	—	—	—	(2)
	(11)	5	—	4	—	4	(2)
Changes that relate to past services							
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Insurance service result	2	4	—	(4)	—	(4)	2
Finance expense/(income) from insurance contracts issued	251	2	—	2	—	2	255
Total changes in income statement	253	6	—	(2)	—	(2)	257
Cash flows							
Premiums received	68	—	—	—	—	—	68
Incurred claims paid and other insurance service expenses paid including investment component	(621)	—	—	—	—	—	(621)
Insurance acquisition cash flows	—	—	—	—	—	—	—
Total cash flows	(553)	—	—	—	—	—	(553)
Net closing balance	4,049	12	—	47	—	47	4,108
Closing insurance contract liabilities	4,049	12	—	47	—	47	4,108
Closing insurance contract assets	—	—	—	—	—	—	—
Net closing balance	4,049	12	—	47	—	47	4,108

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3.4 Annuity and other long-term business

Insurance contracts

Analysis by remaining coverage and incurred claims

Annuity and other long-term business	2025				2024			
	Liabilities for remaining coverage				Liability for remaining coverage			
For the year ended 31 December	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Opening insurance contract liabilities	**13,660**	**99**	**153**	**13,912**	13,901	69	165	14,135
Opening insurance contract assets	**(46)**	**—**	**7**	**(39)**	(50)	—	6	(44)
Net opening balance	**13,614**	**99**	**160**	**13,873**	13,851	69	171	14,091
Insurance revenue								
Contracts under the modified retrospective transition approach	**(6)**	**—**	**—**	**(6)**	(6)	—	—	(6)
Contracts under the fair value transition approach	**(1,310)**	**—**	**—**	**(1,310)**	(1,301)	—	—	(1,301)
New contracts and contracts under the fully retrospective transition approach	**(180)**	**—**	**—**	**(180)**	(125)	—	—	(125)
	(1,496)	**—**	**—**	**(1,496)**	(1,432)	—	—	(1,432)
Insurance service expenses								
Incurred claims and other insurance service expenses	**—**	**(5)**	**1,210**	**1,205**	—	(4)	1,180	1,176
Amortisation of insurance acquisition cash flows	**34**	**—**	**—**	**34**	31	—	—	31
Adjustments to liability for incurred claims	**—**	**—**	**5**	**5**	—	—	3	3
Losses and reversals of losses on onerous contracts	**—**	**39**	**—**	**39**	—	40	—	40
	34	**34**	**1,215**	**1,283**	31	36	1,183	1,250
Insurance service result	**(1,462)**	**34**	**1,215**	**(213)**	(1,401)	36	1,183	(182)
Finance expense/(income) from insurance contracts issued	**731**	**(4)**	**—**	**727**	158	(6)	—	152
Total changes in income statement	**(731)**	**30**	**1,215**	**514**	(1,243)	30	1,183	(30)
Investment components and premium refunds	**(64)**	**—**	**64**	**—**	(75)	—	75	—
Cash flows								
Premiums received	**1,749**	**—**	**—**	**1,749**	1,117	—	—	1,117
Incurred claims paid and other insurance service expenses paid including investment component	**—**	**—**	**(1,269)**	**(1,269)**	—	—	(1,269)	(1,269)
Insurance acquisition cash flows	**(44)**	**—**	**—**	**(44)**	(36)	—	—	(36)
Total cash flows	**1,705**	**—**	**(1,269)**	**436**	1,081	—	(1,269)	(188)
Net closing balance	**14,524**	**129**	**170**	**14,823**	13,614	99	160	13,873
Closing insurance contract liabilities	**14,580**	**129**	**163**	**14,872**	13,660	99	153	13,912
Closing insurance contract assets	**(56)**	**—**	**7**	**(49)**	(46)	—	7	(39)
Net closing balance	**14,524**	**129**	**170**	**14,823**	13,614	99	160	13,873

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

Analysis by measurement component

Annuity and other long-term business	2025						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	11,481	383	—	1,906	142	2,048	13,912
Opening insurance contract assets	(94)	4	—	14	37	51	(39)
Net opening balance	11,387	387	—	1,920	179	2,099	13,873
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	—	(172)	(18)	(190)	(190)
Change in the risk adjustment for non-financial risk for the risk expired	—	(32)	—	—	—	—	(32)
Experience adjustments	(35)	—	—	—	—	—	(35)
	(35)	(32)	—	(172)	(18)	(190)	(257)
Changes that relate to future services							
Contracts initially recognised in the period	(90)	44	—	—	46	46	—
Changes in estimates reflected in the CSM	(175)	(94)	—	276	(7)	269	—
Changes in estimates that result in onerous contract losses or reversal of those losses	39	(1)	—	—	—	—	38
	(226)	(51)	—	276	39	315	38
Changes that relate to past services							
Adjustments to liabilities for incurred claims	6	—	—	—	—	—	6
	6	—	—	—	—	—	6
Insurance service result	(255)	(83)	—	104	21	125	(213)
Finance expense/(income) from insurance contracts issued	656	62	—	(1)	10	9	727
Total changes in income statement	401	(21)	—	103	31	134	514
Cash flows							
Premiums received	1,749	—	—	—	—	—	1,749
Incurred claims paid and other insurance service expenses paid including investment component	(1,269)	—	—	—	—	—	(1,269)
Insurance acquisition cash flows	(44)	—	—	—	—	—	(44)
Total cash flows	436	—	—	—	—	—	436
Net closing balance	12,224	366	—	2,023	210	2,233	14,823
Closing insurance contract liabilities	12,335	361	—	2,009	167	2,176	14,872
Closing insurance contract assets	(111)	5	—	14	43	57	(49)
Net closing balance	12,224	366	—	2,023	210	2,233	14,823

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

Annuity and other long-term business	2024						
			Contractual service margin				
For the year ended 31 December	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	Total £m
Opening insurance contract liabilities	11,954	404	—	1,683	94	1,777	14,135
Opening insurance contract assets	(93)	4	—	12	33	45	(44)
Net opening balance	11,861	408	—	1,695	127	1,822	14,091
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	—	(156)	(13)	(169)	(169)
Change in the risk adjustment for non-financial risk for the risk expired	—	(36)	—	—	—	—	(36)
Experience adjustments	(20)	—	—	—	—	—	(20)
	(20)	(36)	—	(156)	(13)	(169)	(225)
Changes that relate to future services							
Contracts initially recognised in the period	(90)	27	—	—	63	63	—
Changes in estimates reflected in the CSM	(305)	(12)	—	326	(9)	317	—
Changes in estimates that result in onerous contract losses or reversal of those losses	42	(2)	—	—	—	—	40
	(353)	13	—	326	54	380	40
Changes that relate to past services							
Adjustments to liabilities for incurred claims	3	—	—	—	—	—	3
	3	—	—	—	—	—	3
Insurance service result	(370)	(23)	—	170	41	211	(182)
Finance expense/(income) from insurance contracts issued	84	2	—	55	11	66	152
Total changes in income statement	(286)	(21)	—	225	52	277	(30)
Cash flows							
Premiums received	1,117	—	—	—	—	—	1,117
Incurred claims paid and other insurance service expenses paid including investment component	(1,269)	—	—	—	—	—	(1,269)
Insurance acquisition cash flows	(36)	—	—	—	—	—	(36)
Total cash flows	(188)	—	—	—	—	—	(188)
Net closing balance	11,387	387	—	1,920	179	2,099	13,873
Closing insurance contract liabilities	11,481	383	—	1,906	142	2,048	13,912
Closing insurance contract assets	(94)	4	—	14	37	51	(39)
Net closing balance	11,387	387	—	1,920	179	2,099	13,873

Notes to the consolidated financial statements continued

24 Insurance liabilities (continued)

24.3.5 Maturity analysis

The following table sets out the carrying amounts of insurance, investment with DPF and reinsurance contracts expected to be recovered or settled more than 12 months after the reporting date.

As at 31 December	2025 £m	2024 £m
Insurance contract assets	**56**	46
Insurance contract liabilities	**(41,347)**	(40,986)
Investment contracts with DPF liabilities	**(90,192)**	(85,132)
Reinsurance contract assets	**1,005**	1,008
Reinsurance contract liabilities	**(295)**	(312)

24.4 Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance contracts in the year.

For the year ended 31 December	2025 Profitable contracts issued £m	2024 Profitable contracts issued £m
With-profits:		
Contracts initially recognised in current year		
Claims and other insurance service expenses payable	**5,825**	4,896
Insurance acquisition cash flows	**132**	129
Estimates of the present value of future cash outflows	**5,957**	5,025
Estimates of the present value of future cash inflows	**(6,091)**	(5,121)
Risk adjustment for non-financial risk	**6**	4
CSM	**128**	92
Losses recognised on initial recognition	**—**	—
Unit-linked liabilities:		
Losses recognised on initial recognition	**—**	—
Annuity and other long-term business:		
Contracts initially recognised in current year		
Claims and other insurance service expenses payable	**1,491**	888
Insurance acquisition cash flows	**36**	14
Estimates of the present value of future cash outflows	**1,527**	902
Estimates of the present value of future cash inflows	**(1,617)**	(992)
Risk adjustment for non-financial risk	**44**	27
CSM	**46**	63
Losses recognised on initial recognition	**—**	—
Total:		
Contracts initially recognised in current year		
Claims and other insurance service expenses payable	**7,316**	5,784
Insurance acquisition cash flows	**168**	143
Estimates of the present value of future cash outflows	**7,484**	5,927
Estimates of the present value of future cash inflows	**(7,708)**	(6,113)
Risk adjustment for non-financial risk	**50**	31
CSM	**174**	155
Losses recognised on initial recognition	**—**	—

24 Insurance liabilities (continued)

In the year ended 31 December 2025 in relation to reinsurance contracts there was £25m (2024: £37m) of new claims and other reinsurance service expenses payable offset by £11m (2024: £11m) of estimates of the present value of future cash inflows, £18m (2024: £11m) risk adjustment for non-financial risk and £(4)m (2024: £15m) of CSM. The reinsurance contract entered into during the year covered the BPA transactions that the Group completed in 2024.

24.5 Expected recognition of the Contractual Service Margin

	2025				2024			
	Insurance contracts issued				Insurance contracts issued			
As at 31 December	With-profits sub-funds £m	Unit-linked liabilities £m	Annuity and other long-term business £m	Total £m	With-profits sub-funds £m	Unit-linked liabilities £m	Annuity and other long-term business £m	Total £m
Number of years until expected to be recognised:								
0 to 1 year	**575**	**10**	**149**	**734**	502	7	133	642
1 to 2 years	**509**	**8**	**144**	**661**	441	6	129	576
2 to 3 years	**458**	**7**	**138**	**603**	398	5	125	528
3 to 4 years	**409**	**6**	**133**	**548**	357	5	120	482
4 to 5 years	**364**	**5**	**127**	**496**	319	4	116	439
5 to 10 years	**1,273**	**17**	**547**	**1,837**	1,135	12	505	1,652
10 to 15 years	**648**	**7**	**396**	**1,051**	602	5	377	984
15 to 20 years	**310**	**3**	**256**	**569**	300	2	252	554
20 to 25 years	**149**	**1**	**152**	**302**	146	1	152	299
Over 25 years	**144**	**1**	**191**	**336**	140	—	190	330
Total	**4,839**	**65**	**2,233**	**7,137**	4,340	47	2,099	6,486

The insurance contracts issued represents the run off of the net of insurance assets and insurance liabilities CSM. The amounts presented in the table represent the current discounted value of the CSM amortisation expected to be recognised in the insurance service result in future periods. The actual CSM amortisation in future periods will differ from that presented due to the impacts of future new business, recalibrations of the CSM, changes in estimates reflected in the CSMs and changes in the future coverage units.

	2025	2024
As at 31 December	Reinsurance contracts held £m	Reinsurance contracts held £m
Number of years until expected to be recognised:		
0 to 1 year	**(33)**	(25)
1 to 2 years	**(31)**	(24)
2 to 3 years	**(31)**	(23)
3 to 4 years	**(30)**	(23)
4 to 5 years	**(28)**	(22)
5 to 10 years	**(124)**	(100)
10 to 15 years	**(93)**	(79)
15 to 20 years	**(65)**	(57)
20 to 25 years	**(43)**	(38)
Over 25 years	**(70)**	(62)
Total	**(548)**	(453)

For reinsurance contracts held 96% (2024: 96%) relates to annuity and other long-term business contracts. The reinsurance contracts held represents the run off of the net of reinsurance assets and reinsurance liabilities CSM.

25 Investment contract liabilities without discretionary participation features (DPF)

Investment contract liabilities without DPF comprise unit-linked contracts that contain little or no insurance risk and certain contracts invested in PruFund with a low level of discretion (detailed below). For the former, the assets and liabilities arising under the contracts are distinguished between those that relate to the financial instrument liability, and the deferred acquisition costs and deferred income that relate to the component of the contract that relates to investment management. Deferred acquisition costs and deferred income are recognised in line with the level of service provision.

Certain contracts invested in PruFund which are sold via wholesale distribution agreements with certain European financial institutions and that are not considered to have DPF are also included in investment contract liabilities without DPF. Accordingly, the contracts are measured at FVTPL under IFRS 9. The fair value is measured as the higher of the surrender value and the sum of the best estimate of the liability and the compensation a market participant would require for taking on the obligation. The carrying value of these liabilities as at 31 December 2025 is £416m (2024: £316m).

The table below presents the analysis of change in investment contract liabilities without DPF:

	2025 £m	2024 £m
As at 1 January	**12,144**	12,535
Premiums	**576**	382
Surrenders	**(2,153)**	(1,144)
Maturities/deaths	**(98)**	(138)
Total net flows	**(1,675)**	(900)
Switches	**28**	11
Investment-related items and other movements[i]	**953**	519
Foreign exchange differences	**57**	(21)
As at 31 December	**11,507**	12,144

i Investment-related items and other movements, including foreign exchange differences, differ from the income statement line item Net change in investment contract liabilities without DPF due to presentational differences.

Certain parts of the unit-linked business are reinsured externally by way of fund reinsurance. Where this is the case, the fair value of the underlying asset and liability is equal to the unit value obligation.

26 Subordinated liabilities and other borrowings

As at 31 December	2025 £m	2024 £m
Subordinated liabilities	**3,118**	3,176
Operational borrowings	**45**	2
Borrowings attributable to the With-Profits Fund	**3,356**	3,308
Total subordinated liabilities and other borrowings	**6,519**	6,486

26.1 Subordinated liabilities

The Group's subordinated liabilities consist of subordinated notes which were transferred from Prudential plc on 18 October 2019 and were recorded at fair value on initial recognition. The transfer of the subordinated liabilities was achieved by substituting the Company in place of Prudential plc as issuer of the debt, as permitted under the terms and conditions of each applicable instrument. All costs related to the transaction were borne by Prudential plc.

	2025		2024	
As at 31 December	Principal amount	Carrying value £m	Principal amount	Carrying value £m
5.625% sterling fixed rate due 20 October 2051	**£750m**	**812**	£750m	823
6.25% sterling fixed rate due 20 October 2068	**£500m**	**597**	£500m	600
6.50% US dollar fixed rate due 20 October 2048	**$500m**	**396**	$500m	433
6.34% sterling fixed rate due 19 December 2063	**£700m**	**832**	£700m	836
5.56% sterling fixed rate due 20 July 2055	**£439m**	**481**	£439m	484
Total subordinated liabilities		**3,118**		3,176

Subordinated notes issued by the Company rank below its senior obligations and ahead of any preference shares and ordinary share capital.

26 Subordinated liabilities and other borrowings (continued)

A description of the key features of each of the Group's subordinated notes as at 31 December 2025 is as follows:

	5.625% Sterling fixed rate	6.25% Sterling fixed rate	6.50% US dollar fixed rate	6.34% Sterling fixed rate	5.56% Sterling fixed rate
Principal amount	£750m	£500m	$500m	£700m	£439m[i]
Issue date[ii]	3 October 2018	3 October 2018	3 October 2018	16 December 2013 (amended 10 June 2019)	9 June 2015 (amended 10 June 2019)
Maturity date	20 October 2051	20 October 2068	20 October 2048	19 December 2063	20 July 2055
Callable at par at the option of the Company from	20 October 2031 (and each semi-annual interest payment date thereafter)	20 October 2048 (and each semi-annual interest payment date thereafter)	20 October 2028 (and each semi-annual interest payment date thereafter)	19 December 2043 (and each semi-annual interest payment date thereafter)	20 July 2035 (and each semi-annual interest payment date thereafter)
Solvency II own funds treatment	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2

i On 19 June 2024 the Group completed a repurchase of £161m of 5.56% sterling fixed rate subordinated notes for a consideration of £150m.

ii The subordinated notes were originally issued by Prudential plc rather than by the Company.

As at 31 December 2025, the principal amount of all subordinated liabilities has a contractual maturity of more than 12 months and accrued interest of £33m (2024: £33m) is expected to be settled within 12 months.

26.1.1 Movement in subordinated liabilities

The following table reconciles the movement in subordinated liabilities in the year:

For the year ended 31 December	2025 £m	2024 £m
At 1 January	**3,176**	3,676
Amortisation[i]	**(28)**	(58)
Foreign exchange movements	**(30)**	8
Repurchases and redemptions	**—**	(450)
At 31 December	**3,118**	3,176

i Included within amortisation for the year ended 31 December 2024 is £29m attributable to the cancellation of the £161m of 5.56% sterling fixed rate subordinated notes repurchased on 19 June 2024 for a consideration of £150m.

On 19 June 2024 the Group completed a repurchase of £161m of 5.56% sterling fixed rate subordinated notes for a consideration of £150m. On 20 July 2024, the Group redeemed, at par, £300m 3.875% sterling fixed rate subordinated loan notes. These notes were issued 10 July 2019 with a maturity date of 20 July 2049.

The amortisation of premium on the subordinated notes based on an expected interest rate and the foreign exchange movement on the translation of the subordinated liabilities denominated in US dollar are both non-cash items.

26.2 Other borrowings

26.2.1 Operational borrowings attributable to shareholder-financed operations

In November 2025, the Group entered into a £1.2bn revolving credit facility with several banks and financial institutions, and this is due to mature in 2030. As at 31 December 2025, this remains undrawn.

26.2.2 Borrowings attributable to the With-Profits Fund

As at 31 December	2025 £m	2024 £m
Non-recourse borrowings held through consolidated investment funds[i]	**3,355**	3,300
Bank loans and overdrafts	**1**	8
Total	**3,356**	3,308

i In all instances, the holders of the debt instruments issued by these subsidiaries and funds do not have recourse beyond the assets of these subsidiaries and funds.

Notes to the consolidated financial statements continued

26 Subordinated liabilities and other borrowings (continued)

26.3 Maturity analysis

The following table sets out the remaining contractual maturity analysis of the Group's other borrowings as recognised in the consolidated statement of financial position:

	Operational borrowings							
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	No stated maturity	Total
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2025	**17**	**5**	**13**	**7**	**2**	**—**	**1**	**45**
As at 31 December 2024	—	—	—	—	—	—	2	2

	Borrowings attributable to the With-Profits Fund							
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	No stated maturity	Total
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2025	**539**	**446**	**915**	**370**	**1,065**	**20**	**1**	**3,356**
As at 31 December 2024	617	312	463	354	388	1,173	1	3,308

27 Lease liabilities

The Group leases various land and buildings which it utilises as office space and also sublets to other organisations. Information about leases for which the Group is a lessee is presented below.

For the year ended 31 December	2025 £m	2024 £m
At 1 January	**425**	387
Transfers[i]	**—**	64
Additions	**14**	14
Disposals and other	**(19)**	(5)
Interest expense	**14**	15
Foreign exchange differences	**5**	(5)
Lease repayments[ii]	**(46)**	(45)
At 31 December	**393**	425

i For the year ended 31 December 2025, there were no transfers of lease liabilities to/out of held for sale in relation to the Group's consolidated infrastructure capital private equity vehicles (2024: transfers out of £64m).

ii Lease repayments of £46m (2024: £45m) consists of £32m capital (2024: £28m) and £14m interest (2024: £17m). In the consolidated statement of cash flows, these are shown as financing activities and operating activities, respectively.

As at 31 December 2025, £110m (2024: £126m) of the lease liabilities are attributable to the With-Profits Fund. The table below presents a maturity analysis of lease liabilities:

As at 31 December	2025 £m	2024 £m
Expected to be settled within one year	**40**	50
Expected to be settled after one year	**353**	375
Total lease liabilities	**393**	425

The table below presents a maturity analysis of lease payments showing the undiscounted future minimum lease payments to be paid on an annual basis on these leases:

As at 31 December	2025 £m	2024 £m
Less than 1 year	**48**	51
1 to 5 years	**168**	178
Over 5 years	**479**	705

For the year ended 31 December 2025 there are no lease break options exercisable by the Group (2024: none).

Notes to the consolidated financial statements continued

28 Provisions

	2025 £m	2024 £m
Regulatory	**10**	10
Staff benefits	**54**	53
Other	**26**	51
Total provisions	**90**	114

For the year ended 31 December	2025 £m	2024 £m
At 1 January	**114**	82
Charged to consolidated income statement:		
Additional provisions	**8**	29
Unused amounts released	**(6)**	(1)
Used during the year	**(27)**	(6)
Foreign exchange difference	**1**	—
Transfer from held for sale	**—**	10
At 31 December	**90**	114

Regulatory

The regulatory provision primarily relates to a regulatory provision held within one of the Group's infrastructure consolidated private equity vehicles.

Staff benefits

Staff benefits primarily relates to performance-related bonuses expected to be paid to staff over the next three years.

Other

Other provisions at 31 December 2024 included amounts related to redress to customers in the platform business which occurred prior to the Group's acquisition of the relevant business. The reduction reflects the redress payouts made in 2025.

29 Accruals, deferred income and other liabilities

As at 31 December	2025 £m	2024 £m
Outstanding purchases of investment securities	**2,739**	2,409
Accruals and deferred income	**889**	929
Deferred consideration	**218**	221
Interest payable	**108**	50
Creation of units awaiting settlement	**89**	35
Property related creditors	**29**	26
Other	**697**	697
Total accruals, deferred income and other liabilities	**4,769**	4,367
Analysed as:		
Expected to be settled within one year	**4,490**	4,153
Expected to be settled after one year	**279**	214
Total accruals, deferred income and other liabilities	**4,769**	4,367

30 Structured entities

Structured entities are those that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The Group invests in structured entities such as:

- Pooled investment vehicles, including OEICs, unit trusts, SICAVs and limited partnerships.
- Debt securitisation vehicles, including collateralised debt obligations, mortgage-backed securities and other similar asset-backed securities.

Structured entities which the Group is deemed to control are consolidated in the consolidated financial statements. As at 31 December 2025 and 31 December 2024, the Group has not provided, and has no intention to provide, non-contractual financial or other support to consolidated or unconsolidated structured entities that could expose the Group to a loss.

30.1 Investments in unconsolidated structured entities

The table below shows aggregate carrying amounts of the investments in unconsolidated structured entities reported in the consolidated statement of financial position:

As at 31 December	2025 £m	2024 £m
Equity securities and pooled investment funds	**11,715**	10,284
Debt securities	**2,367**	2,132
Total	**14,082**	12,416

The Group generates returns and retains the ownership risks in these investments commensurate to its participation and does not have any further exposure to the residual risks or losses of the investments or the vehicles in which it holds investments. Further details on risks associated with financial assets and how they are managed are provided in Note 32.

Included in equity securities and pooled investment funds as at 31 December 2025 were £4,042m (2024: £3,703m) of investments in structured entities managed by the Group. Investment management fees for the year end 31 December 2025 of £446m (2024: £431m) were recognised from managing these entities.

The maximum exposure to loss for unconsolidated structured entities in which the Group holds an investment is the carrying value of the Group's investment and the loss of future fees.

The Group also has interests in structured entities managed by the Group in which it holds no investment, through the collection of investment management fees. The maximum exposure to loss for these interests is loss of future fees.

Investment management fees recognised for the year end 31 December 2025 from managing these entities were £202m (2024: £232m).

31 Fair value methodology

31.1 Determination of fair value hierarchy

The fair values of assets and liabilities for which fair valuation is required under IFRS are determined by the use of current market bid prices for exchange-quoted investments, by using quotations from independent third parties such as brokers and pricing services, or by using appropriate valuation techniques. Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction.

To provide further information on the approach used to determine and measure the fair value of certain assets and liabilities, the following fair value hierarchy categorisation has been used. This hierarchy is based on the inputs to the fair value measurement and reflects the lowest level input that is significant to that measurement.

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 1 principally includes exchange-listed equities, mutual funds with quoted prices, exchange-traded derivatives such as futures and options, and national government bonds, unless there is evidence that trading in a given instrument is so infrequent that the market could not be considered active. It also includes other financial instruments where there is clear evidence that the year-end valuation is based on a traded price in an active market.

Level 2 - inputs other than quoted prices included within level 1 that are observable either directly (ie as prices) or indirectly (ie derived from prices)

Level 2 principally includes corporate bonds and other national and non-national government debt securities which are valued using observable inputs, together with over-the-counter derivatives such as forward exchange contracts and non-quoted investment funds valued with observable inputs. It also includes investment contract liabilities without DPF valued with observable inputs.

31 Fair value methodology (continued)

Level 3 - significant inputs for the asset or liability are not based on observable market data (unobservable inputs)

Level 3 principally includes investments in private equity funds, directly held investment properties and investments in property funds which are exposed to bespoke properties or risks and investments which are internally valued or subject to a significant number of unobservable assumptions. It also includes debt securities and loans, which are rarely traded or traded only in privately negotiated transactions and hence where it is difficult to assert that their valuations have been based on observable market data.

Restatement of prior period information

Comparative figures in Note 31 have been restated following a presentational change in the levelling of Debt securities and Loans. Debt securities of £826m have been restated as at 31 December 2024 from level 2 to level 1 and Loans of £659m have been restated as at 31 December 2024 (1 January 2024: £341m) from level 3 to level 2.

31.2 Valuation approach for level 2 assets and liabilities

A significant proportion of the Group's level 2 assets are corporate bonds, structured securities and other national and non-national government debt securities. These assets, in line with market practice, are generally valued using independent pricing services or quotes from third party brokers. These valuations are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis on prices achieved on subsequent trades.

Pricing services, where available, are used to obtain third party broker quotes. When prices are not available from pricing services, quotes are sourced directly from brokers. The Group seeks to obtain a number of quotes from different brokers so as to obtain the most comprehensive information available on their executability.

Where quotes are sourced directly from brokers, the price used in the valuation is normally selected from one of the quotes based on a number of factors, including the timeliness and regularity of the quotes and the accuracy of the quotes considering the spreads provided. The selected quote is the one which best represents an executable quote for the security at the measurement date.

31.3 Level 3 assets and liabilities

31.3.1 Valuation approach for level 3

Investments valued using valuation techniques include financial investments which by nature do not have an externally quoted price based on regular trades, and financial investments for which markets are no longer active as a result of market conditions eg market illiquidity. The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option-adjusted spread models and, if applicable, enterprise valuation. These techniques may include a number of assumptions relating to variables such as credit risk and interest rates. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments. When determining the inputs into the valuation techniques used, priority is given to publicly available prices from independent sources when available, but overall the source of pricing is chosen with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants on the measurement date.

Where certain debt securities are valued using broker quotes, adjustments may be required in limited circumstances. This is generally where it is determined that the third-party valuations obtained do not reflect fair value (eg either because the value is stale and/or the values are extremely diverse in range). These are usually securities which are distressed or that could be subject to a debt restructure, or where reliable market prices are no longer available due to an inactive market or market dislocation. In these instances, prices are derived using internal valuation techniques with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants on the measurement date. The techniques used require a number of assumptions relating to variables such as credit risk and interest rates. Examples of such variables include credit spreads taken from appropriate public comparables. The input assumptions are determined based on the best available information at the measurement dates. Securities valued in such manner are classified as level 3 where these significant inputs are not based on observable market data.

Certain debt securities and commercial loans were valued based on the credit quality of the underlying borrower and allocating an internal credit rating which is unobservable. These debt securities are priced by taking the credit spreads on comparable quoted public debt securities and applying these to the equivalent debt securities, factoring in a specified illiquidity premium. The selection of comparable quoted public debt securities used to determine the credit spread takes into account the internal credit rating, maturity, sector and currency of the debt security.

31 Fair value methodology (continued)

The fair value estimates are made at a specific point in time, based upon any available market information and judgements about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time a significant volume of a particular financial instrument, nor do they consider the tax impact of the realisation of unrealised gains or losses from selling the financial instrument being fair valued. In some cases, the disclosed value cannot be realised in immediate settlement of the financial instrument. In accordance with the Group Risk Framework, the estimated fair value of derivative financial instruments valued internally using standard market practices are subject to assessment against external counterparties' valuations.

The fair value of certain funds classified as level 3 is based on the Group's share of the latest available Net Asset Value adjusted for any subsequent cash movements in accordance with International Private Equity and Venture Capital Valuation guidelines.

The Group's investment properties are valued by professionally qualified external valuers in accordance with RICS Valuation Standards, considering relevant guidance on sustainability and ESG factors. Valuations are market-based and predominantly use an income capitalisation approach, with yields and rental values informed by comparable transactions. ESG and climate-related factors are incorporated where they are observable in current market evidence. In practice, this means that any impact is reflected indirectly, for example, where more energy efficient or compliant assets achieve stronger rents, lower vacancy risk or tighter yields, and less efficient buildings attract pricing discounts due to higher anticipated upgrade costs or regulatory risk.

31.3.2 Governance of level 3

The Group's valuation policies, procedures and analyses for instruments categorised as level 3 are overseen by management committees as part of the Group's wider financial reporting governance processes. The procedures undertaken include approval of valuation methodologies, verification processes, and resolution of significant or complex valuation issues. In undertaking these activities, the Group makes use of the extensive expertise of its asset management function. In addition, the Group has minimum standards for independent price verification to ensure valuation accuracy is regularly independently verified.

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.4 Fair value hierarchy for assets measured at fair value in the consolidated statement of financial position

The tables below present the Group's assets measured at fair value by level of the fair value hierarchy for each component of business as set out in Note 32.

		2025			
		Level 1	Level 2	Level 3	Total
As at 31 December	Note	£m	£m	£m	£m
With-profits:					
Investment property		—	—	13,434	13,434
Equity securities and pooled investment funds		42,439	916	15,057	58,412
Loans		—	2,254	1,484	3,738
Debt securities		25,765	19,175	4,314	49,254
Derivative assets		38	894	—	932
Total with-profits		68,242	23,239	34,289	125,770
Unit-linked:					
Investment property		—	—	159	159
Equity securities and pooled investment funds		11,342	456	70	11,868
Debt securities		1,791	1,674	8	3,473
Derivative assets		—	7	—	7
Total unit-linked		13,133	2,137	237	15,507
Annuity and other long-term business:					
Investment property		—	—	650	650
Equity securities and pooled investment funds		192	80	2	274
Loans		—	—	273	273
Debt securities		4,302	5,036	4,037	13,375
Derivative assets		—	170	25	195
Total annuity and other long-term business		4,494	5,286	4,987	14,767
Other:					
Equity securities and pooled investment funds		127	—	68	195
Debt securities		642	164	—	806
Derivative assets		—	124	—	124
Total other		769	288	68	1,125
Group:					
Investment property	32	—	—	14,243	14,243
Equity securities and pooled investment funds	32	54,100	1,452	15,197	70,749
Loans	32	—	2,254	1,757	4,011
Debt securities	32	32,500	26,049	8,359	66,908
Derivative assets	32	38	1,195	25	1,258
Total assets at fair value		86,638	30,950	39,581	157,169

31 Fair value methodology (continued)

As at 31 December	Note	Restated[i] 2024 Level 1 £m	Level 2 £m	Level 3 £m	Total £m
With-profits:					
Investment property		—	—	13,738	13,738
Equity securities and pooled investment funds		35,666	1,373	16,343	53,382
Loans		—	1,372	1,501	2,873
Debt securities		23,432	24,231	4,484	52,147
Derivative assets		47	707	—	754
Total with-profits		59,145	27,683	36,066	122,894
Unit-linked:					
Investment property		—	—	—	—
Equity securities and pooled investment funds		10,552	430	61	11,043
Debt securities		1,915	2,685	9	4,609
Derivative assets		—	—	—	—
Total unit-linked		12,467	3,115	70	15,652
Annuity and other long-term business:					
Investment property		—	—	647	647
Equity securities and pooled investment funds		180	91	3	274
Loans		—	—	1,262	1,262
Debt securities		3,723	4,629	3,827	12,179
Derivative assets		—	172	26	198
Total annuity and other long-term business		3,903	4,892	5,765	14,560
Other:					
Equity securities and pooled investment funds		128	—	63	191
Debt securities		587	253	—	840
Derivative assets		—	133	—	133
Total other		715	386	63	1,164
Group:					
Investment property	32	—	—	14,385	14,385
Equity securities and pooled investment funds	32	46,526	1,894	16,470	64,890
Loans	32	—	1,372	2,763	4,135
Debt securities	32	29,657	31,798	8,320	69,775
Derivative assets	32	47	1,012	26	1,085
Total assets at fair value		76,230	36,076	41,964	154,270

i Following a review of the Group's presentation of the levelling of loans and debt securities, comparative amounts have been restated from those previously reported. See Note 31.1 for further information.

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.5 Fair value hierarchy for liabilities measured at fair value in the consolidated statement of financial position

The tables below present the Group's liabilities measured at fair value by level of the fair value hierarchy:

	2025			
	Level 1	Level 2	Level 3	Total
As at 31 December	£m	£m	£m	£m
Investment contract liabilities without DPF	—	11,507	—	11,507
Third party interest in consolidated funds	4,499	223	5,624	10,346
Derivative liabilities	52	2,410	9	2,471
Accruals, deferred income and other liabilities	—	—	218	218
Total liabilities at fair value	4,551	14,140	5,851	24,542

	2024			
	Level 1	Level 2	Level 3	Total
As at 31 December	£m	£m	£m	£m
Investment contract liabilities without DPF	—	12,144	—	12,144
Third party interest in consolidated funds	4,272	199	5,013	9,484
Derivative liabilities	151	3,039	12	3,202
Accruals, deferred income and other liabilities	—	—	221	221
Total liabilities at fair value	4,423	15,382	5,246	25,051

31.6 Transfers between levels

The Group's policy is to recognise transfers into and transfers out of levels as at the end of each half-year reporting period, except for material transfers, which are recognised as of the date of the event or change in circumstances that caused the transfer. Transfers are deemed to have occurred when there is a material change in the observed valuation inputs or a change in the level of trading activities of the securities.

	2025			
	Transfers between levels			
	Equity securities and pooled investment funds	Loans	Debt securities[i]	Total
For the year ended 31 December	£m	£m	£m	£m
From level 1 to level 2[iii]	—	—	2,397	2,397
From level 2 to level 1[iii]	1,295	—	5,329	6,624
From level 2 to level 3	137	2	26	165
From level 3 to level 1	106	—	—	106
From level 3 to level 2	—	49	225	274

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

	Restated[ii] 2024 Transfers between levels			
For the year ended 31 December	Equity securities and pooled investment funds £m	Loans £m	Debt securities[i] £m	Total £m
From level 1 to level 2[ii, iii]	70	—	2,826	2,896
From level 1 to level 3	15	—	90	105
From level 2 to level 1[iii]	148	—	10,136	10,284
From level 2 to level 3	85	5	606	696
From level 3 to level 2	2	26	768	796

i The transfers in debt securities are in line with the Group's levelling policy during the year ended 31 December 2025 and 31 December 2024.

ii Following a review of the Group's presentation of the levelling of debt securities, the level 1 to level 2 transfer for comparative amounts have been restated from those previously reported. See Note 31.1 for further information.

iii The transfers in debt securities from level 2 to 1 and level 1 to 2 are primarily driven by movements in liquidity in the bond markets towards the end of the financial year.

31.7 Reconciliation of movements in level 3 assets and liabilities

The movements during the year of level 3 assets and liabilities held at fair value (excluding those held for sale) are analysed in the tables below:

	2025										
	At 1 Jan £m	Total gains/ (losses) recorded in income statement £m	Foreign exchange £m	Purchases /other £m	Sales /other £m	Transfer to held for sale £m	Settled £m	Issued £m	Transfer into level 3 £m	Transfer out of level 3 £m	At 31 Dec £m
Level 3 assets:											
Investment property	**14,385**	**280**	**(119)**	**893**	**(1,015)**	**(181)**	**—**	**—**	**—**	**—**	**14,243**
Equity securities and pooled investment funds	**16,470**	**204**	**(588)**	**1,968**	**(2,773)**	**(115)**	**—**	**—**	**137**	**(106)**	**15,197**
Loans	**2,763**	**18**	**(13)**	**468**	**(502)**	**(930)**	**—**	**—**	**2**	**(49)**	**1,757**
Debt securities	**8,320**	**(162)**	**(42)**	**1,234**	**(671)**	**(121)**	**—**	**—**	**26**	**(225)**	**8,359**
Derivative assets	**26**	**2**	**—**	**—**	**—**	**—**	**(3)**	**—**	**—**	**—**	**25**
Total level 3 assets	**41,964**	**342**	**(762)**	**4,563**	**(4,961)**	**(1,347)**	**(3)**	**—**	**165**	**(380)**	**39,581**
Level 3 liabilities:											
Third party interest in consolidated funds	**5,013**	**(305)**	**(197)**	**—**	**23**	**—**	**(295)**	**1,373**	**12**	**—**	**5,624**
Derivative liabilities	**12**	**(3)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**9**
Other financial liabilities	**221**	**9**	**—**	**—**	**—**	**—**	**(12)**	**—**	**—**	**—**	**218**
Total level 3 liabilities	**5,246**	**(299)**	**(197)**	**—**	**23**	**—**	**(307)**	**1,373**	**12**	**—**	**5,851**

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

	Restated[i] 2024										
	At 1 Jan	Total gains/ (losses) recorded in income statement	Foreign exchange	Purchases /other	Sales /other	Transfer to held for sale	Settled	Issued	Transfer into level 3	Transfer out of level 3	At 31 Dec
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Level 3 assets:											
Investment property	15,422	(340)	22	1,083	(1,320)	(482)	—	—	—	—	14,385
Equity securities and pooled investment funds	15,135	(25)	67	1,567	(372)	—	—	—	100	(2)	16,470
Loans	2,820	(57)	7	499	(485)	—	—	—	5	(26)	2,763
Debt securities	8,725	(445)	10	1,630	(1,528)	—	—	—	696	(768)	8,320
Derivative assets	32	(3)	—	—	—	—	(3)	—	—	—	26
Total level 3 assets	42,134	(870)	106	4,779	(3,705)	(482)	(3)	—	801	(796)	41,964
Level 3 liabilities:											
Third party interest in consolidated funds	5,077	(375)	(145)	—	(6)	—	(522)	691	293	—	5,013
Derivative liabilities	13	(1)	—	—	—	—	—	—	—	—	12
Other financial liabilities	239	(5)	—	—	—	—	(13)	—	—	—	221
Total level 3 liabilities	5,329	(381)	(145)	—	(6)	—	(535)	691	293	—	5,246

i Following a review of the Group's presentation of the levelling of loans, comparative amounts have been restated from those previously reported. See Note 31.1 for further information.

31.8 Sensitivity of the fair value of level 3 instruments to changes in significant inputs

31.8.1 Level 3 assets inputs

Where possible, the Group assesses the sensitivity of the fair value of level 3 assets to reasonably possible changes in the most significant unobservable inputs.

The most significant unobservable inputs in determining the fair value of level 3 assets are presented within the tables below.

Real estate

As at 31 December	Property type	Geographical location	Estimated rental value range[i] 2025	Estimated rental value range[i] 2024	Equivalent yield range 2025	Equivalent yield range 2024
Investment property	Industrial	UK	**£4 to £32**	£4 to £29	**4.61% to 9.83%**	4.67% to 10.64%
		Asia/Pacific	**$77 to $302**	$68 to $284	**3.08% to 7.50%**	3.08% to 7.50%
	Office	UK	**£6 to £102**	£10 to £64	**4.00% to 11.32%**	4.73% to 10.52%
		Asia/Pacific	**$431 to $1,228**	$396 to $1,096	**2.89% to 7.13%**	2.87% to 7.50%
		North America	**$46**	$48	**8.00%**	8.00%
	Residential	UK	**£20 to £96**	£8 to £97	**4.25% to 6.35%**	4.25% to 8.00%
		Europe	**€131 to €408**	€209 to €329	**3.55% to 4.90%**	3.65% to 4.90%
		Asia/Pacific	**$30 to $894**	$197 to $266	**3.47% to 8.00%**	3.46% to 4.55%
	Retail	UK	**£3 to £111**	£10 to £55	**2.95% to 13.29%**	4.73% to 10.52%
		Asia/Pacific	**$330 to $1,993**	$328 to $1,808	**6.75% to 8.50%**	6.75% to 8.50%
	Other[ii]	UK	**£14 to £182**	£8 to £168	**3.53% to 8.75%**	5.49% to 6.50%
		Asia/Pacific	**$186 to $205**	$180 to $194	**8.00%**	8.00%

i The average estimated rental value for the UK and North America is quoted per square foot, while the average estimated rental value for Europe and Asia/Pacific is quoted per square metre in line with local practice.

ii Property type other represents hotels and student accommodation.

31 Fair value methodology (continued)

Other assets

As at 31 December	Unobservable input	2025	2024
Retail income strips	Discount rate	**2.22% to 6.67%**	2.11% to 6.41%
Equity release mortgages[i]	Illiquidity premium	**3.00%**	2.76%
	Total portfolio property value	**£2.6bn**	£2.8bn
	Assumed property growth rate	**Risk free + 1.45%**	Risk free + 1.10%
Private placement loans[ii]	*Credit risk premium:*		
	AAA to BBB+	**0.49% to 3.06%**	0.32% to 3.07%
	BBB to BB	**0.45% to 5.66%**	0.45% to 6.11%
Infrastructure fund investments	Discount rate	**12.00%**	9.3% to 12.00%

i As stated in Note 2.3 the portfolio of equity release mortgages was classified as held for sale as at 31 December 2025.

ii Note on residential ground rent assets.

Included within private placement loans are senior and junior notes backed by residential ground rents with a carrying value of £932m (2024: £1,077m), of which £641m are held in the shareholder-backed fund (2024: £743m).

As at the balance sheet date, the notes were subject to ongoing legislative risk resulting from the draft Leasehold and Commonhold Reform Bill included in the King's Speech on 17 July 2024, which, if implemented would result in significant reduction in the cash flows that can be generated from these assets. Furthermore, the High Court judgment in October 2025 maintained the provisions of the Leasehold and Freehold Reform Act 2024 which effectively results in abolition of marriage values (the linking of ground rents to increase in property values).

Based on information available as at the reporting date, the ongoing legislative risk associated with the asset class was captured in the valuation using a probability weighted methodology to generate future cash flows across different plausible scenarios. Following a review of the valuation model in January 2026 there has been an update to certain future cash flows in the downside scenario which would not have had a material impact on the consolidated financial statements as at 31 December 2025. The credit ratings of the portfolio range between A+ and BB- (2024: A+ and BBB). In addition, an incremental illiquidity spread of 0.30% (2024: 0.30%) above the comparable spread implied by the rating has been applied to reflect the compensation that a market participant would require at reporting date due to the uncertainty in future values.

Subsequently, in January 2026, the UK Government published the draft Commonhold and Leasehold Reform Bill which finalises proposals on the treatment of residential ground rent and effectively caps them at £250 a year before ultimately from 2028 reducing it to a peppercorn after 40 years which materially impacts the income that can be generated from these assets. This has been treated as a non-adjusting post balance sheet event and further information is provided in Note 38.

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

31.8.2 Level 3 asset sensitivities

The table below provides a breakdown of assets within the level 3 fair value hierarchy by investment type, the sensitivity of the fair value to the possible changes in the most significant unobservable inputs, and the impact on IFRS profit/(loss) after tax and shareholders' equity for those held within the shareholder-backed funds.

	2025						
As at 31 December	Fair value £m	Held in shareholder-backed fund £m	Valuation technique	Most significant unobservable input	Sensitivity	Change in fair value £m	Impact on IFRS profit after tax and shareholders' equity[i] £m
Investment property							
Property in use	**14,017**	**808**	Income capitalisation and other[ii]	Equivalent yield	Increase by 50bps	**(1,248)**	**(54)**
					Decrease by 50bps	**1,509**	**55**
				Estimated rental value	Increase by 10%	**1,265**	**55**
					Decrease by 10%	**(1,221)**	**(53)**
Property under development	**226**	**1**		Development cost	Increase by 10%	**23**	**—**
					Decrease by 10%	**(23)**	**—**
Loans							
Other mortgages and retail loans	**723**	**—**	Broker quotes[iii]	Broker quotes	Increase by 10%	**72**	**—**
					Decrease by 10%	**(72)**	**—**
Other commercial loans	**1,034**	**274**	Broker quotes[iii]	Broker quotes	Increase by 10%	**103**	**21**
					Decrease by 10%	**(103)**	**(21)**
Equity securities and pooled investment funds	**15,136**	**140**	Net asset statements	Net asset value	Increase by 10%	**1,514**	**10**
					Decrease by 10%	**(1,514)**	**(10)**
Infrastructure fund investments[iv]	**61**	**—**	Discounted cash flow[iv]	Discount rate	Increase by 10%	**(6)**	**—**
					Decrease by 10%	**6**	**—**
Debt securities							
Private placement loans[v]	**4,852**	**2,876**	Discounted cash flow[vi]	Discount rate	Increase by 50bps	**(219)**	**(97)**
					Decrease by 50bps	**215**	**96**
Retail income strips	**298**	**264**	Discounted cash flow[vi]	Discount rate	Increase by 50bps	**(17)**	**(11)**
					Decrease by 50bps	**20**	**13**
Unquoted corporate bonds	**3,209**	**904**	Broker quotes[iii], enterprise valuation, estimated recovery	Broker quotes	Increase by 10%	**321**	**68**
					Decrease by 10%	**(321)**	**(68)**
Derivative assets	**25**	**25**	Discounted cash flow	Discount rate	Increase by 50bps	**1**	**—**
					Decrease by 50bps	**(1)**	**—**
Total level 3	**39,581**	**5,292**					

Notes to the consolidated financial statements continued

31 Fair value methodology (continued)

	Restated 2024						
As at 31 December	Fair value £m	Held in shareholder-backed fund £m	Valuation technique	Most significant unobservable input	Sensitivity	Change in fair value £m	Impact on IFRS profit after tax and shareholders' equity[i]
Investment property[viii]							
Property in use (restated)	14,199	647	Income capitalisation and other[ii]	Equivalent yield	Increase by 50bps	(1,227)	(43)
					Decrease by 50bps	1,489	52
				Estimated rental value	Increase by 10%	1,141	40
					Decrease by 10%	(1,107)	(39)
Property under development (restated)	186	—		Development cost	Increase by 10%	19	—
					Decrease by 10%	(19)	—
Loans							
Equity release mortgages[ix]	952	952	Discounted cash flow[x]	Illiquidity premium	Increase by 50bps	(49)	(36)
					Decrease by 50bps	52	39
				Current property value	Increase by 10%	31	24
					Decrease by 10%	(41)	(30)
				Assumed annual property growth rate	Increase by 100bps	65	49
					Decrease by 100bps	(95)	(71)
				Assumed annual property rental yield	Increase by 100bps	(53)	(39)
					Decrease by 100bps	46	35
Other mortgages and retail loans	826	—	Broker quotes[iii]	Broker quotes	Increase by 10%	83	—
					Decrease by 10%	(83)	—
Other commercial loans (restated)[vii]	985	311	Broker quotes[iii]	Broker quotes	Increase by 10%	98	23
					Decrease by 10%	(98)	(23)
Equity securities and pooled investment funds	16,359	127	Net asset statements	Net asset value	Increase by 10%	1,636	10
					Decrease by 10%	(1,636)	(10)
Infrastructure fund investments[iv]	275	—	Discounted cash flow[iv]	Discount rate	Increase by 10%	(26)	—
					Decrease by 10%	31	—
Debt securities							
Private placement loans[v]	4,942	2,912	Discounted cash flow[vi]	Discount rate	Increase by 50bps	(242)	(107)
					Decrease by 50bps	302	133
Retail income strips	263	227	Discounted cash flow[vi]	Discount rate	Increase by 50bps	(12)	(8)
					Decrease by 50bps	14	9
Unquoted corporate bonds	2,951	696	Broker quotes[iii], enterprise valuation, estimated recovery	Broker quotes	Increase by 10%	295	52
					Decrease by 10%	(295)	(52)
Derivative assets	26	26	Discounted cash flow	Discount rate	Increase by 50bps	—	—
					Decrease by 50bps	—	—
Total level 3	41,964	5,898					

31 Fair value methodology (continued)

i Of the £5,292m (2024: £5,898m) of level 3 assets held in shareholder-backed funds, £237m (2024: £70m) is held by unit-linked business. These assets are included in the analysis presented however, as the investment risk is borne by the unit-linked policyholders, there is no impact on IFRS profit/(loss) after tax and shareholder's equity.

ii Property in use which is valued using a valuation technique other than income capitalisation is not considered to be material.

iii Quotes received from an external pricing service.

iv Infrastructure fund investments comprises £61m (2024: £111m) of equity securities and pooled investment funds and £nil (2024: £164m) of debt securities. These investments are valued in accordance with the International Private Equity and Venture Capital Valuation guidelines (latest edition December 2022). Valuations are also benchmarked against comparable infrastructure fund transactions. The discount rate is made up of cash flows from dividends due in respect of the equity investments and principal and interest from loan notes in respect of debt investments.

v Included within private placement loans is senior and junior notes backed by residential ground rent assets with a carrying value of £932m of which £641m were held in the shareholder-backed fund (2024: £1,077m of which £743m in the shareholder-backed fund) which were subject to the UK Government Draft Leasehold and Commonhold Reform Bill mentioned in Note 31.8.1. In January 2026, the UK Government published the draft Commonhold and Leasehold Reform Bill which finalises proposals on the treatment of residential ground rent income and effectively results in materially capping the income that can be generated from the portfolio. Further information is provided in Note 31.8.1.

vi The discount rate is made up of a risk-free rate and a credit spread. The risk-free rate is taken from an appropriate gilt of comparable duration and the spread is taken from a basket of comparable securities.

vii Following a review of the Group's presentation of the levelling of loans, comparative amounts have been restated from those previously reported. See Note 31.1 for further information

viii Following a review of the categorisation of investment property as at 31 December 2024, £340m of property previously recognised in property under development has been reclassified to property in use, to better reflect the nature of the property. There was no impact on balances held in shareholder-backed funds.

ix The equity release mortgages have a no-negative equity guarantee (NNEG) that caps the loan repayment in the event of death, or entry into long-term care, to be no greater than the proceeds from the sale of the property that the loans are secured against. The value of the NNEG, which is recognised as a deduction from the value of the loans, is based on a Black-Scholes option pricing valuation utilising a real-world approach and is estimated using assumptions, including future property growth rate and property price volatility. As stated in Note 2.3, the portfolio of equity release mortgages with a carrying value of £929m was classified as held for sale as at 31 December 2025.

x As at 31 December 2024, the equity release mortgage loans of £952m and a corresponding liability of £221m were valued internally using discounted cash flow models. Future cash flows were estimated based on assumptions, including prepayment, death and entry into long-term care, and discounted using an appropriate discount rate, which referenced market rates for equity release mortgage loans.

31.9 Unrealised gains and losses in respect of level 3 assets and liabilities

Unrealised gains and losses recognised in the consolidated income statement in respect of assets and liabilities classified as level 3 that are held at the end of the year are analysed as follows:

As at 31 December	2025 £m	Restated[i] 2024 £m
Investment property	**191**	(317)
Equity securities and pooled investment funds	**603**	219
Loans	**33**	(56)
Debt securities	**(75)**	(581)
Third party interest in consolidated funds	**305**	371
Derivatives	**2**	(5)
Other financial liabilities	**(9)**	5
Total	**1,050**	(364)

i Following a review of the Group's presentation of the levelling of loans, comparative amounts have been restated from those previously reported. See Note 31.1 for further information.

31.10 Fair value of assets and liabilities at amortised cost

The tables below show the fair value of assets and liabilities carried at amortised cost on the consolidated statement of financial position where the fair value does not approximate the carrying value:

	2025				
As at 31 December	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m	Total carrying value £m
Liabilities:					
Subordinated liabilities and other borrowings	**—**	**5,821**	**312**	**6,133**	**6,519**

31 Fair value methodology (continued)

	2024				
As at 31 December	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m	Total carrying value £m
Liabilities:					
Subordinated liabilities and other borrowings	—	5,608	339	5,947	6,486

The estimated fair value of subordinated liabilities are based on the quoted market offer price. The fair value of the other liabilities in the tables above have been estimated from the discounted cash flows expected to be received or paid. Where appropriate, an observable market interest rate has been used and the assets and liabilities are classified within level 2. Otherwise, they are included as level 3.

32 Risk management and sensitivity analysis

32.1 Risk overview

The Group's business involves the acceptance and management of risk. The Group's risk management process is governed by the Risk Management Framework (RMF). The RMF is designed to manage risk within agreed appropriate levels, aligned to delivering its strategy and creating long-term value for clients and shareholders. Risk management is the process of identifying, assessing, managing and reporting current and emerging risks, supported by embedded risk culture and strong governance. Effective risk management enables better decision-making and safeguards the Group's ability to meet commitments to its shareholders, customers and clients, comply with regulation, manage disruption and protects its reputation. For more information on the RMF, please refer to page 40.

Risk appetite is the amount and type of risk that the Group is willing to accept in pursuit of its business objectives, and is approved by the Board. The risk appetite statements and limits specify the risk appetite and tolerance to take on risk. The statements and limits are aligned to the business model and strategy and cover significant financial and non-financial risks. For more information on risk appetite and limits please refer to page 40.

A number of risk factors affect the Group's results and financial position. The financial risk categories affecting the Group's financial instruments, insurance assets and liabilities are set out below:

Risk type	Definition
Market risk	The risk of loss or adverse change in the financial health of the business resulting from fluctuations in the level or volatility of market prices of assets, currencies liabilities and financial instruments.
Credit risk	The risk of loss or adverse change in the financial situation of the business, or that of the Group's customers and clients, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (eg downgrade or spread widening).
Insurance risk	The risk of loss or adverse change in the financial situation of the business, or that of the Group's customers and clients, resulting from changes in the level, trend or volatility of mortality, longevity, morbidity, persistency and expense experience.
Liquidity risk	The risk that the Group and/or its businesses are unable to meet financial obligations (eg claims, creditors, debt interest and collateral calls) as they fall due because they do not have or are unable to generate sufficient liquid assets.

These risks are described in more detail in the following sections.

The Group's exposure to risks arising from financial instruments, insurance assets and liabilities is different for each component of the Group's business. The Group's consolidated statement of financial position is presented below for the different components of business.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

Analysis of consolidated statement of financial position by component of business

	2025				
	Shareholder-backed funds				
As at 31 December	With-profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
Assets:					
Goodwill and intangible assets	298	—	3	1,453	1,754
Deferred acquisition costs	—	—	4	21	25
Defined benefit pension asset	18	—	23	2	43
Investment in joint ventures accounted for using the equity method	250	—	—	—	250
Property, plant and equipment	1,331	—	9	197	1,537
Investment property	13,434	159	650	—	14,243
Deferred tax assets	19	1	231	171	422
Insurance contract assets	—	—	49	—	49
Reinsurance contract assets	19	3	1,045	—	1,067
Equity securities and pooled investment funds	58,412	11,868	274	195	70,749
Loans	3,738	—	273	—	4,011
Debt securities	49,254	3,473	13,375	806	66,908
Derivative assets	932	7	195	124	1,258
Deposits	14,903	1,174	1,393	178	17,648
Current tax assets	24	5	11	36	76
Accrued investment income and other debtors	2,389	166	247	506	3,308
Assets held for sale	1,324	56	929	40	2,349
Cash and cash equivalents	3,269	384	575	676	4,904
Total assets	149,614	17,296	19,286	4,405	190,601
Liabilities:					
Insurance contract liabilities	128,416	4,257	14,872	—	147,545
Reinsurance contract liabilities	1	22	237	—	260
Investment contract liabilities without DPF	2,119	9,375	13	—	11,507
Third party interest in consolidated funds	8,242	2,086	—	18	10,346
Subordinated liabilities and other borrowings	3,356	42	3	3,118	6,519
Defined benefit pension liability	—	—	—	261	261
Deferred tax liabilities	910	68	44	18	1,040
Lease liabilities	110	—	7	276	393
Current tax liabilities	73	15	31	4	123
Derivative liabilities	747	3	1,502	219	2,471
Other financial liabilities	829	1	190	81	1,101
Provisions	13	3	6	68	90
Accruals, deferred income and other liabilities	2,952	340	866	611	4,769
Liabilities held for sale	978	10	—	—	988
Total liabilities	148,746	16,222	17,771	4,674	187,413
Total equity					3,188
Total equity and liabilities					190,601

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

	2024				
	Shareholder-backed funds				
As at 31 December	With-profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
Assets:					
Goodwill and intangible assets	326	—	4	1,384	1,714
Deferred acquisition costs	—	1	3	15	19
Defined benefit pension asset	19	—	23	3	45
Investment in joint ventures accounted for using the equity method	284	—	—	—	284
Property, plant and equipment	1,432	—	11	211	1,654
Investment property	13,738	—	647	—	14,385
Deferred tax assets	29	2	289	167	487
Insurance contract assets	—	—	39	—	39
Reinsurance contract assets	15	4	1,024	—	1,043
Equity securities and pooled investment funds	53,382	11,043	274	191	64,890
Loans	2,873	—	1,262	—	4,135
Debt securities	52,147	4,609	12,179	840	69,775
Derivative assets	754	—	198	133	1,085
Deposits	11,918	1,827	2,044	5	15,794
Current tax assets	31	5	16	13	65
Accrued investment income and other debtors	1,563	195	274	474	2,506
Assets held for sale	1,117	256	1	92	1,466
Cash and cash equivalents	3,176	365	488	809	4,838
Total assets	142,804	18,307	18,776	4,337	184,224
Liabilities:					
Insurance contract liabilities	123,244	4,108	13,912	—	141,264
Reinsurance contract liabilities	1	22	257	—	280
Investment contract liabilities without DPF	1,886	10,252	6	—	12,144
Third party interest in consolidated funds	7,032	2,449	3	—	9,484
Subordinated liabilities and other borrowings	3,308	1	1	3,176	6,486
Defined benefit pension liability	—	—	—	258	258
Deferred tax liabilities	629	27	41	8	705
Lease liabilities	126	—	10	289	425
Current tax liabilities	33	2	43	3	81
Derivative liabilities	1,352	14	1,619	217	3,202
Other financial liabilities	822	—	86	110	1,018
Provisions	10	4	11	89	114
Accruals, deferred income and other liabilities	2,308	359	1,149	551	4,367
Liabilities held for sale	1,058	15	—	—	1,073
Total liabilities	141,809	17,253	17,138	4,701	180,901
Total equity					3,323
Total equity and liabilities					184,224

32 Risk management and sensitivity analysis (continued)

32.2 Market risk

Market risk is risk of loss or adverse change in the financial health of the business resulting from fluctuations in the level or volatility of market prices of assets, currencies, liabilities and financial instruments.

Market risk comprises six types of risk, namely:

- Interest rate risk: the risk of loss resulting from fluctuations in the level and volatility of interest rates or the shape or curvature of the yield curve or spread relationship.
- Inflation risk: the risk of loss resulting from fluctuations in actual or implied inflation rates.
- Equity risk: the risk of loss resulting from fluctuations in the level or volatility of equity investments.
- Property risk: the risk of loss resulting from fluctuations in the level or volatility of property investments.
- Currency risk: the risk of loss resulting from fluctuations, including translation risk, in the level or volatility of currency exposures.
- Alternative investments risk: the risk of loss resulting from fluctuations in the level or volatility of alternative investment exposures.

The primary market risks that the Group faces are equity risk, property risk and interest rate risk. Most assets the Group holds are investments that are either equity or property-type investments and subject to equity or property price risk, or bonds, mortgages and cash deposits, the values of which are subject to interest rate risk. Additionally, the Group holds alternative investments which may exhibit some or all of these risks depending on the type of investment. The amount of risk borne by the Group's shareholders depends on the extent to which its customers share the investment risk through the structure of the Group's products.

The split of the Group's investments between equity investments and interest-sensitive instruments depends principally on the type of liabilities supported by those investments and the amount of capital the Group has available. This mix of liabilities allows the Group to invest a substantial portion of its investment funds in equity and property investments that the Group believes produce greater returns over the long term.

Market risk is managed through a robust market risk framework which includes: policies, risk appetite statements and risk limits and triggers covering key market risk exposures; asset and liability management programmes; a quality of capital framework; strategic asset allocations; investment and hedging strategies; and the use of investment constraints and the limits for asset portfolios.

Procedures are in place to respond to significant market events and disruptions, bringing together colleagues from across the business to provide enhanced monitoring and decision-making capability.

32.2.1 Interest rate risk and inflation risk

The majority of the Group's interest rate exposure arises from shareholder-backed annuities. The value of the liabilities are exposed to interest rate movements, but these are closely matched with assets of an appropriate duration to manage interest rate risk in accordance with regulatory capital reporting requirements. The assets held in excess of the liabilities, which back the capital requirements of the annuity business, result in an exposure to interest rate risk.

Exposure to interest rate risk also arises on the shareholders' share of the excess assets in the With-Profits Fund.

The assets and liabilities for the with-profits and unit-linked components of business are sensitive to interest rates, but the shareholder is not directly exposed to changes in the value of these assets and liabilities. The shareholder is indirectly exposed to interest rate risk through the value of future shareholder transfers from with-profits business and charges levied on unit-linked and asset management business.

The Group manages its exposure to interest rate risk within defined constraints via hedging strategies.

Material increases in inflation may increase the Group's cost base and the amount that it needs to set aside to meet future obligations, negatively impacting profitability. Inflation risk primarily arises from certain annuity contracts that have benefit escalation linked to a price index. The Group manages this exposure by matching inflation-linked annuity liabilities with corresponding inflation-linked assets.

32.2.2 Equity and property risk

While the Group holds significant amounts of equity and property assets on its consolidated statement of financial position, the shareholders' exposure to equity and property risk for the with-profits and unit-linked business is limited as the risk is predominantly borne by the policyholder. For with-profits business, the impact of equity and property risk on shareholder transfers is reduced over the short-term due to the PruFund smoothing process and the prudent approach taken to regular bonuses declarations on traditional with-profits business. However, the impact of equity and property risk on long-term investment performance may affect future shareholder transfers. The Group has entered into a partial equity hedge of the shareholder transfers expected to emerge from the With-Profits Sub-Fund (WPSF) in order to mitigate this risk.

The Group's direct exposure to this risk arises from the 'annuities and other long-term business' component's holdings in equity securities and property, which are not hedged or matched by corresponding liabilities.

32 Risk management and sensitivity analysis (continued)

32.2.3 Currency risk

The Group invests significant amounts of policyholder funds in overseas assets as part of its investment strategy. The direct currency risk exposure to the shareholder from the with-profits and unit-linked components of business is minimal, although the shareholder is indirectly exposed to currency risk in relation to the future value of shareholder transfers from with-profits business and charges levied on unit-linked and asset management business. Currency risk exposure arising from overseas assets held by the shareholder-backed annuity and other long-term business is mitigated through the use of derivatives.

As at 31 December 2025, the Group held 54% (2024: 53%) and 44% (2024: 44%) of its financial assets and financial liabilities respectively, in currencies other than pounds sterling, the presentation currency of the Group. The non-sterling currencies are primarily US dollar and euro.

Of these financial assets, as at 31 December 2025, 93% (2024: 93%) are held by the With-Profits Fund, allowing the fund to obtain exposure to foreign equity markets. Of these financial liabilities, as at 31 December 2025, 70% (2024: 74%) are held by the With-Profits Fund, mainly relating to foreign currency borrowings. The exchange risks inherent in these exposures are mitigated through the use of derivatives, mainly forward currency contracts.

For the year ended 31 December 2025, exchange losses of £197m (2024: losses of £53m) were recognised within the total net insurance and investment result in the consolidated income statement; mainly arising on assets held by the With-Profits Fund, the majority of which are offset by changes in with-profits and unit-linked liabilities. This excludes exchange gains and losses arising on foreign currency investments measured at FVTPL, which are included as part of gains and losses included in investment return, which is shown in Note 5.

The Group is also exposed to structural currency translation risk as a result of overseas operations which contribute to equity. The assets and liabilities of foreign operations are translated into the Group's presentational currency, pounds sterling. Foreign exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

32.3 Credit risk

The Group's exposure to credit risk primarily arises from the annuity funds, which hold substantial volumes of public and private fixed income investments on which a certain level of defaults and downgrades are expected.

Exposure to credit risk also arises on the shareholders' share of the excess assets in the With-Profits Fund.

While the with-profits and unit-linked funds have large holdings of assets subject to credit risk, the shareholder results of the Group are not directly exposed to credit defaults on assets held in these components of business. However, the shareholder is indirectly exposed to credit risk from these components of business in relation to the future value of shareholder transfers from with-profits business and charges levied on unit-linked and asset management business. The direct exposure of the Group's shareholders' equity to credit default risk in the 'other' component is small in the context of the Group.

Credit risk is managed through a robust credit and counterparty framework which includes: policies, standards, appetite statements, limits and triggers (including relevant governance and controls); investment constraints and limits on the asset portfolios (in particular, in relation to credit rating, seniority, sector and issuer), and counterparties in particular for derivatives, reinsurance and cash; and a robust credit rating process.

32.3.1 Financial assets

The following tables provide an analysis of the quality of financial assets which are exposed to credit risk. The financial assets below are analysed according to external credit ratings issued, with equivalent ratings issued by different ratings agencies grouped together. Standard & Poor's ratings have been used where available. For securities where Standard & Poor's ratings are not immediately available, those produced by Moody's and then Fitch have been used as an alternative.

	2025						
As at 31 December	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	Below BBB- £m	Other £m	Total £m
Reinsurance contract assets	—	69	887	1	—	110	1,067
Loans	—	—	—	23	1,925	2,063	4,011
Debt securities	4,383	19,674	13,075	14,968	4,647	10,161	66,908
Deposits	50	2,204	12,429	1,254	23	1,688	17,648
Accrued investment income and other debtors	43	168	173	199	70	2,655	3,308
Cash and cash equivalents	646	696	3,344	65	115	38	4,904
Total financial assets	5,122	22,811	29,908	16,510	6,780	16,715	97,846

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

	2024						
As at 31 December	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	Below BBB- £m	Other £m	Total £m
Reinsurance contract assets	—	70	874	—	—	99	1,043
Loans	—	—	159	6	1,416	2,554	4,135
Debt securities	5,461	18,786	13,770	15,618	6,276	9,864	69,775
Deposits	53	3,006	10,520	373	65	1,777	15,794
Accrued investment income and other debtors	44	145	170	176	84	1,887	2,506
Cash and cash equivalents	576	761	3,345	25	31	100	4,838
Total financial assets	6,134	22,768	28,838	16,198	7,872	16,281	98,091

The credit ratings, information or data contained in this report which are attributed and specifically provided by Standard & Poor's, Moody's and Fitch Solutions and their respective affiliates and suppliers ('Content Providers') is referred to here as the 'Content'. Reproduction of any content in any form is prohibited except with the prior written permission of the relevant party. The Content Providers do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. The Content Providers expressly disclaim liability for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold any such investment or security, nor does it address the suitability of an investment or security and should not be relied on as investment advice.

In the table above, AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB- ratings. Financial assets which fall outside this range are classified as below BBB- and are non-investment grade.

The Group is exposed to the risk of counterparty default on its reinsurance contract assets. The Group evaluates the financial condition of its reinsurers and monitors concentration of credit risk to minimise its exposure from reinsurer insolvencies. The split of the reinsurance asset by credit rating is shown above.

Loans that were impaired are not significant to the Group. Further information on the loans portfolio is provided in Note 18.

Debt securities with no external credit rating are classified as 'other'. The following table shows the majority of debt securities shown as 'other' are allocated an internal rating and are considered to be of investment grade quality:

As at 31 December	2025 £m	2024 £m
AAA	**130**	100
AA+ to AA-	**901**	900
A+ to A-	**3,508**	3,626
BBB+ to BBB-	**2,240**	2,391
Below BBB-	**1,704**	1,096
Unrated	**1,678**	1,751
Total	**10,161**	9,864

32 Risk management and sensitivity analysis (continued)

32.3.2 Debt securities

The table below presents the Group's debt securities by asset category and external credit rating issued for each component of business as set out in Note 32.1.

	2025						
As at 31 December	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	Below BBB- £m	Other £m	Total £m
Government Sovereign debt	3,137	14,792	2,128	2,892	1,697	115	24,761
With-profits	2,573	10,243	1,930	2,621	1,660	—	19,027
Unit-linked	59	1,178	175	243	37	114	1,806
Annuity and other long-term business	500	2,799	23	28	—	—	3,350
Other	5	572	—	—	—	1	578
Quasi-sovereign and Public sector debt	171	1,252	234	543	621	220	3,041
With-profits	167	616	168	522	617	134	2,224
Unit-linked	2	29	10	21	4	6	72
Annuity and other long-term business	2	607	56	—	—	80	745
Corporate debt	900	3,346	10,446	11,193	2,167	7,938	35,990
With-profits	548	2,185	8,271	8,506	1,945	4,013	25,468
Unit-linked	25	110	514	629	149	141	1,568
Annuity and other long-term business	203	1,018	1,640	2,039	66	3,772	8,738
Other	124	33	21	19	7	12	216
Asset-backed securities	175	284	267	340	159	1,818	3,043
With-profits	83	172	125	263	159	1,691	2,493
Unit-linked	4	11	2	7	—	1	25
Annuity and other long-term business	76	101	140	70	—	126	513
Other	12	—	—	—	—	—	12
Structured notes	—	—	—	—	3	70	73
With-profits	—	—	—	—	3	39	42
Unit-linked	—	—	—	—	—	2	2
Annuity and other long-term business	—	—	—	—	—	29	29
Total debt securities	4,383	19,674	13,075	14,968	4,647	10,161	66,908
With-profits	3,371	13,216	10,494	11,912	4,384	5,877	49,254
Unit-linked	90	1,328	701	900	190	264	3,473
Annuity and other long-term business	781	4,525	1,859	2,137	66	4,007	13,375
Other	141	605	21	19	7	13	806

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

	2024						
As at 31 December	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	Below BBB- £m	Other £m	Total £m
Government Sovereign debt	3,971	13,747	1,924	2,794	1,727	102	24,265
With-profits	2,729	10,479	1,853	2,680	1,706	3	19,450
Unit-linked	115	1,353	54	88	21	99	1,730
Annuity and other long-term business	604	1,866	17	26	—	—	2,513
Other	523	49	—	—	—	—	572
Quasi-sovereign and Public sector debt	196	1,568	240	381	873	288	3,546
With-profits	152	780	183	373	866	206	2,560
Unit-linked	8	116	12	8	7	2	153
Annuity and other long-term business	36	672	45	—	—	80	833
Corporate debt	1,093	3,277	11,220	12,149	3,541	7,835	39,115
With-profits	631	2,101	8,543	9,278	3,216	4,113	27,882
Unit-linked	80	213	877	1,212	254	38	2,674
Annuity and other long-term business	239	920	1,782	1,635	68	3,673	8,317
Other	143	43	18	24	3	11	242
Asset-backed securities	201	194	386	294	135	1,639	2,849
With-profits	86	122	186	208	135	1,518	2,255
Unit-linked	10	16	9	14	—	3	52
Annuity and other long-term business	79	56	191	72	—	118	516
Other	26	—	—	—	—	—	26
Total Debt Securities	5,461	18,786	13,770	15,618	6,276	9,864	69,775
With-profits	3,598	13,482	10,765	12,539	5,923	5,840	52,147
Unit-linked	213	1,698	952	1,322	282	142	4,609
Annuity and other long-term business	958	3,514	2,035	1,733	68	3,871	12,179
Other	692	92	18	24	3	11	840

As at 31 December 2025 corporate debt exposure to banks amounted to £5,405m (2024: £7,051m).

The Group has holdings in asset-backed securities (ABS) which are presented within debt securities on the consolidated statement of financial position. The Group's holdings in ABS, which comprise residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralised debt obligations (CDO) funds and other asset-backed securities are shown within the table above.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

The Group's exposure to sovereign debt is analysed by issuer as follows:

	2025				
As at 31 December	With-profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
Government Sovereign debt securities by country:					
UK	**5,980**	**989**	**2,802**	**527**	**10,298**
Germany	**632**	**39**	**79**	**—**	**750**
Other European countries	**1,096**	**47**	**420**	**—**	**1,563**
Total Europe	**7,708**	**1,075**	**3,301**	**527**	**12,611**
United States	**3,241**	**197**	**—**	**—**	**3,438**
Latin America countries	**711**	**24**	**29**	**—**	**764**
South Africa	**1,012**	**116**	**—**	**1**	**1,129**
South Korea	**845**	**52**	**—**	**—**	**897**
Indonesia	**752**	**42**	**—**	**—**	**794**
Malaysia	**941**	**53**	**—**	**—**	**994**
Singapore	**273**	**17**	**—**	**—**	**290**
Philippines	**566**	**34**	**—**	**—**	**600**
Thailand	**473**	**29**	**—**	**—**	**502**
India	**868**	**54**	**—**	**—**	**922**
Other	**1,637**	**113**	**20**	**50**	**1,820**
Total	**19,027**	**1,806**	**3,350**	**578**	**24,761**

	2024				
As at 31 December	With-profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
Government Sovereign debt securities by country:					
UK	5,966	1,300	1,834	519	9,619
Germany	556	22	128	—	706
Other European countries	1,146	22	499	—	1,667
Total Europe	7,668	1,344	2,461	519	11,992
United States	3,552	65	—	2	3,619
Latin America countries	673	25	26	—	724
South Africa	961	101	—	—	1,062
South Korea	905	27	—	—	932
Indonesia	840	24	—	—	864
Malaysia	894	25	—	—	919
Singapore	364	10	—	—	374
Philippines	575	17	—	—	592
Thailand	512	15	—	—	527
India	711	22	—	—	733
Other	1,795	55	26	51	1,927
Total	19,450	1,730	2,513	572	24,265

As at 31 December 2025 other European countries included £1,028m (2024: £1,248m) and other included £1,112m (2024: £1,144m) of Supranational Government bonds.

32 Risk management and sensitivity analysis (continued)

32.3.3 Derecognition, collateral and offsetting

Securities lending and repurchase agreements

The Group has entered into securities lending and repurchase agreements whereby blocks of securities are transferred to third parties, primarily major brokerage firms, in exchange for collateral. Typically, the value of collateral assets pledged to the Group in these transactions is in excess of the value of securities transferred, with the excess determined by the quality of the collateral assets granted. Collateral requirements are calculated on a daily basis. The securities lent and securities subject to repurchase agreements are not derecognised from the Group's consolidated statement of financial position. Collateral typically consists of cash, debt securities, equity securities and letters of credit. Cash collateral received is recognised on the consolidated statement of financial position and a financial liability for the obligation for the Group to repay the cash is also recognised. Non-cash collateral received is not recognised on the consolidated statement of financial position. Collateral pledged by the Group under reverse repurchase arrangements, aside from cash, is not derecognised from the consolidated statement of financial position as the risks and rewards are still retained by the Group. Cash collateral pledged is derecognised as it is pledged under right to use by the counterparty and a financial asset is recognised for the obligation for the counterparty to repay the cash to the Group.

As at 31 December 2025, the Group had £8,665m (2024: £8,230m restated) of collateral pledged under securities lending and repurchase agreements, primarily relating to the With-Profits Fund. The cash and securities collateral accepted under securities lending agreements was £8,378m (2024: £7,951m restated). As at 31 December 2025, the Group had entered into reverse repurchase transactions under which it purchased securities and had taken on the obligation to resell the securities. The fair value of the collateral held in respect of these transactions was £12,604m (2024: £11,235m restated). The 2024 amount is restated from that previously reported to include certain amounts previously omitted.

Collateral and pledges under derivative transactions

At 31 December 2025, the Group had pledged £2,074m (2024: £2,712m) for liabilities and held collateral of £218m (2024: £403m) in respect of over-the-counter derivative transactions. These transactions are conducted under terms that are customary to collateralised transactions including, where relevant, standard securities lending and repurchase agreements.

Other collateral

At 31 December 2025, the Group had pledged collateral of £481m (2024: £479m restated) in respect of other transactions. This primarily arises from collateral pledged in relation to deferred purchase consideration on equity release mortgages and reinsurance exposures. The 2024 amount is restated from that previously reported following a review of presentation.

Offsetting assets and liabilities

The Group's derivative instruments, repurchase agreements and securities lending agreements are subject to master netting arrangements and collateral arrangements. A master netting arrangement with a counterparty creates a right of offset for amounts due to and due from that same counterparty that is enforceable in the event of a default or bankruptcy. The Group recognises amounts subject to master netting arrangements on a gross basis on the consolidated statement of financial position.

The following tables present the gross and net information about the Group's financial instruments subject to master netting arrangements:

	2025				
		Related amounts not offset on the consolidated statement of financial position			
As at 31 December	Gross and net amount included on the consolidated statement of financial position £m	Financial instruments £m	Cash collateral £m	Securities collateral £m	Net amount £m
Financial assets:					
Derivative assets	**1,162**	**(858)**	**(212)**	**—**	**92**
Reverse repurchase agreements	**14,523**	**—**	**—**	**(12,581)**	**1,942**
Total financial assets	**15,685**	**(858)**	**(212)**	**(12,581)**	**2,034**
Financial liabilities:					
Derivative liabilities	**2,359**	**(858)**	**(16)**	**(1,454)**	**31**
Securities lending and repurchase agreements	**841**	**—**	**—**	**(841)**	**—**
Total financial liabilities	**3,200**	**(858)**	**(16)**	**(2,295)**	**31**

32 Risk management and sensitivity analysis (continued)

	Restated[i] 2024				
		Related amounts not offset on the consolidated statement of financial position			
As at 31 December	Gross and net amount included on the consolidated statement of financial position £m	Financial instruments £m	Cash collateral £m	Securities collateral £m	Net amount £m
Financial assets:					
Derivative assets	840	(754)	(77)	(4)	5
Reverse repurchase agreements[i]	12,853	—	—	(11,231)	1,622
Total financial assets	13,693	(754)	(77)	(11,235)	1,627
Financial liabilities:					
Derivative liabilities	2,737	(754)	(13)	(1,898)	72
Securities lending and repurchase agreements	617	—	—	(617)	—
Total financial liabilities	3,354	(754)	(13)	(2,515)	72

i Following a review of presentation, the balances for reverse repurchase agreements have been restated from those previously reported.

In the tables above, the amounts of assets or liabilities included on the consolidated statement of financial position would be offset first by financial instruments that have the right of offset under master netting or similar arrangements, with any remaining amount reduced by the amount of cash and securities collateral. The actual amount of collateral may be greater than the amounts presented in the tables. Reverse repurchase agreements shown in the tables above are included within deposits on the consolidated statement of financial position.

32.3.4 Impairment of financial assets

Significant increase in credit risk

When determining whether the credit risk (ie risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Group's experience, expert credit assessment and forward-looking information.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the debtor.

Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to show a period of good payment behaviour.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month Expected Credit Losses (ECL).

Low credit risk debt instruments

The Group has used the low credit risk exemption for financial instruments when they meet the following conditions:

- the financial instrument has a low risk of default;
- the borrower is considered to have a strong capacity to meet its obligations in the near term; and
- the Group expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.

32 Risk management and sensitivity analysis (continued)

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be BBB- or higher based on Moody's (or equivalent) ratings. The Group defines low credit risk financial assets as financial assets that are investment grade at the reporting date, based on the Group's credit grading policies. For such instruments, the significant increase in credit risk is not assessed, and the impairment allowance is calculated and the financial asset is measured using the 12-month ECL, as long as the financial asset meets the criteria above.

Definition of default

The Group considers any exposure to financial assets in default to be credit impaired.

The impact of any collateral received will not be considered for the assessment of whether an asset is credit impaired. The collateral is considered for the estimate of the related ECLs.

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value plus eligible transaction costs. The new asset is allocated to Stage 1 under IFRS 9 (assuming that it is not credit-impaired at the date of modification).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of:

- its remaining lifetime PD as at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

Measurement of ECL

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The Group has used the low credit risk exemption for deposits and accrued investment income and other debtors and calculates the loss allowance based on 12-month ECL. The carrying amounts and ECL allowances are shown in the following table:

	2025		2024	
Balance as at 31 December	Carrying amount £m	Related ECL allowance £m	Carrying amount £m	Related ECL allowance £m
Deposits	**17,648**	**3**	15,794	2
Accrued investment income and other debtors	**3,308**	**29**	2,506	31

There were no financial assets that were still subject to enforcement activity as at 31 December 2025 and 31 December 2024.

The table presenting an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised is included in Note 32.3.1. The carrying amount of financial assets above also represents the Group's maximum exposure to credit risk on these assets.

32 Risk management and sensitivity analysis (continued)

32.4 Demographic and expense risk

The Group is exposed to significant levels of demographic risk. This arises mainly from the annuity business in the form of longevity risk, which is the risk of unexpected changes in the life expectancy (longevity) of policyholders. If mortality improvement rates significantly exceed the level assumed, the Group's results are particularly sensitive to the assumptions made in relation to future longevity experience. For example, a major medical breakthrough impacting the treatment of cancer or other life-threatening diseases would require the Group to strengthen its longevity assumptions, increasing the value of liabilities and requiring additional assets to be set aside to meet these liabilities. The Group's annuity business results are also sensitive to changes in the level of expenses incurred on the business.

Longevity risk for both shareholder-backed business and policyholder-backed business is predominantly managed through:

- annual reviews of best estimate assumptions, supported by detailed assessments of actual mortality experience versus best estimate assumptions;
- regular monitoring of longevity exposure against defined triggers and limits;
- longevity research; and
- longevity risk transfer transactions, assessed against principles and guidance provided in internal standards.

The Group is also exposed to expense risk in relation to maintenance expense levels from the shareholder-backed annuity business.

For with-profits business, mortality and other demographic risks are relatively minor factors in the determination of the policyholder bonus rates. Adverse persistency experience can affect the level of profitability from with-profits contracts, but in any given year the shareholders' share of cost of bonus may only be marginally affected. However, altered persistency trends may affect future expected shareholder transfers.

For unit-linked business, by virtue of the design features of most of the contracts which provide low levels of mortality cover, profit is relatively insensitive to changes in mortality experience. Persistency experience variances can affect the level of profit in the year. The shareholder is also exposed to variances in expenses relative to the charges levied on these products.

The risk arising from the other long-term business is not significant in the context of the Group's overall liabilities.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.4.1 Concentration of insurance risk

The geographical concentration of the insurance contract assets and liabilities (both gross and net of reinsurance) is shown below. The disclosure is based on the carrying amounts of insurance contract assets and liabilities and reinsurance contract assets and liabilities disaggregated to countries where the business is written.

	2025			2024		
As at 31 December	United Kingdom £m	Europe £m	Total £m	United Kingdom £m	Europe £m	Total £m
With-profits:						
Insurance contract assets and liabilities	**(119,926)**	**(8,490)**	**(128,416)**	(115,559)	(7,685)	(123,244)
Reinsurance	**17**	**1**	**18**	14	—	14
Net	**(119,909)**	**(8,489)**	**(128,398)**	(115,545)	(7,685)	(123,230)
Unit-linked:						
Insurance contract assets and liabilities	**(3,780)**	**(477)**	**(4,257)**	(3,664)	(444)	(4,108)
Reinsurance	**3**	**(22)**	**(19)**	4	(22)	(18)
Net	**(3,777)**	**(499)**	**(4,276)**	(3,660)	(466)	(4,126)
Annuity and other long-term business:						
Insurance contract assets and liabilities	**(14,653)**	**(170)**	**(14,823)**	(13,689)	(184)	(13,873)
Reinsurance	**807**	**1**	**808**	766	1	767
Net	**(13,846)**	**(169)**	**(14,015)**	(12,923)	(183)	(13,106)
Total:						
Insurance contract assets and liabilities	**(138,359)**	**(9,137)**	**(147,496)**	(132,912)	(8,313)	(141,225)
Reinsurance	**827**	**(20)**	**807**	784	(21)	763
Net	**(137,532)**	**(9,157)**	**(146,689)**	(132,128)	(8,334)	(140,462)

32.5 Liquidity risk

Liquidity risk is the risk that the Group and/or its business are unable to meet financial obligations (eg claims, creditors, debt interest and collateral calls) as they fall due because they do not have or are unable to generate sufficient liquid assets.

Fund liquidity risk is the risk of being unable to meet financial obligations as they fall due because of a mismatch in liquidity of the underlying assets and the frequency of liability requirements of the fund.

The Group's IFRS results are indirectly exposed to fund liquidity risk, for example, through reputational damage leading to lower funds under management and lower revenue through charges collected. However, as the effect on the Group's IFRS results is indirect, this risk is not discussed further and the remainder of this section refers to liquidity risk.

Liquidity management in the Group seeks to ensure that, even under adverse conditions, the Group has access to the funds necessary to cover surrenders, withdrawals and maturing liabilities.

Liquidity risk is carefully managed, in particular in relation to: bank balances, cash flow forecasting, appropriate fund management (to ensure that assets are not unduly concentrated in less liquid investments) and detailed cash flow matching for the annuity business. Specific arrangements are also in place to manage liquidity in the unit-linked funds, particularly property funds where the underlying assets are relatively illiquid.

32 Risk management and sensitivity analysis (continued)

32.5.1 Contractual maturities of financial liabilities on an undiscounted cash flow basis

The following table sets out the contractual maturities for applicable classes of financial liabilities, excluding derivative liabilities that are separately presented in section 32.5.2. The financial liabilities are included in the column relating to the contractual maturities at the undiscounted cash flows (including contractual interest payments and expected benefit payments) due to be paid, assuming conditions are consistent with those at the year end.

	2025								
As at 31 December	Total carrying value £m	1 year or less £m	1 to 5 years £m	5 to 10 years £m	10 to 15 years £m	15 to 20 years £m	Over 20 years £m	No stated maturity £m	Total undiscounted value £m
Financial liabilities:									
Investment contracts without DPF	**11,507**	**11,507**	**—**	**—**	**—**	**—**	**—**	**—**	**11,507**
Third party interest in consolidated funds	**10,346**	**65**	**68**	**101**	**1,301**	**—**	**116**	**8,695**	**10,346**
Subordinated liabilities and other borrowings	**6,519**	**451**	**3,845**	**852**	**831**	**832**	**4,848**	**2**	**11,661**
Other financial liabilities	**1,101**	**813**	**4**	**—**	**—**	**—**	**—**	**284**	**1,101**
Accruals, deferred income and other liabilities	**4,544**	**4,593**	**117**	**99**	**118**	**100**	**133**	**—**	**5,160**
Total	**34,017**	**17,429**	**4,034**	**1,052**	**2,250**	**932**	**5,097**	**8,981**	**39,775**

	2024								
As at 31 December	Total carrying value £m	1 year or less £m	1 to 5 years £m	5 to 10 years £m	10 to 15 years £m	15 to 20 years £m	Over 20 years £m	No stated maturity £m	Total undiscounted value £m
Financial liabilities:									
Investment contracts without DPF	12,144	12,144	—	—	—	—	—	—	12,144
Third party interest in consolidated funds	9,484	95	368	176	22	—	2	8,821	9,484
Subordinated liabilities and other borrowings	6,486	835	2,240	2,014	841	841	5,049	—	11,820
Other financial liabilities	1,018	870	—	—	—	—	—	148	1,018
Accruals, deferred income and other liabilities	4,223	4,253	61	95	117	104	151	—	4,781
Total	33,355	18,197	2,669	2,285	980	945	5,202	8,969	39,247

Most investment contracts have options to surrender early, often subject to surrender or other penalties. Therefore, most contracts can be said to have a contractual maturity of less than one year, but the additional charges and term of the contracts mean surrenders are unlikely to be exercised in practice.

The vast majority of the Group's financial assets are held to back the Group's policyholder liabilities. Although asset/liability matching is an important component of managing policyholder liabilities (both those classified as insurance and those classified as investments), this profile is mainly relevant for managing market risk rather than liquidity risk. Within each business unit this asset/liability matching is performed on a portfolio-by-portfolio basis.

In terms of liquidity risk, a large proportion of the policyholder liabilities contain discretionary surrender values or surrender charges, meaning that many of the Group's liabilities are expected to be held for the long term. Many of the Group's investment portfolios are in marketable securities, which can therefore be converted quickly to liquid assets. As a result, an analysis of the Group's assets by contractual maturity is not considered appropriate to evaluate the nature and extent of the Group's liquidity risk.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

32.5.2 Maturity analysis of derivatives

The following table shows the gross and net derivative positions together with the maturity profile of the contractual undiscounted cash flows:

	2025								
As at 31 December	Total carrying value £m	1 year or less £m	1 to 5 years £m	5 to 10 years £m	10 to 15 years £m	15 to 20 years £m	Over 20 years £m	No stated maturity £m	Total undiscounted value £m
Derivative assets	**1,258**	**690**	**558**	**126**	**51**	**52**	**389**	**—**	**1,866**
Derivative liabilities	**2,471**	**352**	**2,480**	**309**	**137**	**189**	**1,058**	**—**	**4,525**
Net derivative position	**(1,213)**	**338**	**(1,922)**	**(183)**	**(86)**	**(137)**	**(669)**	**—**	**(2,659)**

	2024								
As at 31 December	Total carrying value £m	1 year or less £m	1 to 5 years £m	5 to 10 years £m	10 to 15 years £m	15 to 20 years £m	Over 20 years £m	No stated maturity £m	Total undiscounted value £m
Derivative assets	1,085	300	485	271	145	169	320	—	1,690
Derivative liabilities	3,202	852	911	1,042	990	709	1,195	—	5,699
Net derivative position	(2,117)	(552)	(426)	(771)	(845)	(540)	(875)	—	(4,009)

32.5.3 Maturity analysis of insurance contracts

The following tables provide a maturity analysis of the Group's insurance and reinsurance contract liabilities, which reflects the dates on which the cash flows are expected to occur. The Group has elected to analyse the estimates of the present value of the future cash flows by estimated timing. It excludes the release of the CSM which is in Note 24.5. For reinsurance contracts held, 96% (2024: 95%) relates to annuity and other long-term business contracts and so analysis by each line of business is not presented.

Insurance contracts[i]	2025			
As at 31 December	With-profits	Unit-linked insurance	Annuity and other long-term business	Total
0 to 1 year	**12%**	**13%**	**10%**	**12%**
1 to 2 years	**9%**	**12%**	**9%**	**9%**
2 to 3 years	**8%**	**10%**	**8%**	**8%**
3 to 4 years	**8%**	**9%**	**8%**	**8%**
4 to 5 years	**7%**	**8%**	**7%**	**7%**
5 to 10 years	**26%**	**28%**	**26%**	**26%**
10 to 15 years	**15%**	**12%**	**16%**	**15%**
15 to 20 years	**8%**	**5%**	**8%**	**8%**
20 to 25 years	**4%**	**2%**	**4%**	**4%**
Over 25 years	**3%**	**1%**	**4%**	**3%**
Total	**100%**	**100%**	**100%**	**100%**

Insurance contracts[i]	2024			
As at 31 December	With-profits	Unit-linked insurance	Annuity and other long-term business	Total
0 to 1 year	11%	14%	10%	11%
1 to 2 years	9%	12%	9%	9%
2 to 3 years	8%	10%	8%	8%
3 to 4 years	8%	9%	8%	8%
4 to 5 years	7%	8%	7%	7%
5 to 10 years	26%	27%	26%	26%
10 to 15 years	15%	12%	16%	15%
15 to 20 years	8%	5%	8%	8%
20 to 25 years	4%	2%	4%	4%
Over 25 years	4%	1%	4%	4%
Total	100%	100%	100%	100%

i There is no current plan for distribution of the policyholders' share of excess assets in the With-Profits Fund and so this is not included in the analysis.

Notes to the consolidated financial statements continued

32 Risk management and sensitivity analysis (continued)

Reinsurance contracts	2025	2024
As at 31 December	Total	Total
0 to 1 year	**10%**	11%
1 to 2 years	**9%**	10%
2 to 3 years	**8%**	9%
3 to 4 years	**8%**	8%
4 to 5 years	**7%**	7%
5 to 10 years	**27%**	28%
10 to 15 years	**15%**	15%
15 to 20 years	**8%**	7%
20 to 25 years	**4%**	3%
Over 25 years	**4%**	2%
Total	**100%**	100%

32.6 Derivatives and hedging

The Group uses derivatives for the purpose of efficient portfolio management or the reduction in investment risk. In doing so, the Group obtains cost-effective and efficient exposure to various markets and manages exposure to equity, interest rate, currency, credit and other business risks. The Group has opted not to apply hedge accounting to derivatives.

The Group uses various interest rate derivative instruments such as interest rate swaps and swap options to reduce exposure to interest rate volatility. The Group also uses various currency derivatives in order to limit volatility due to foreign currency exchange rate fluctuations arising on securities denominated in currencies other than pounds sterling.

All over-the-counter (OTC) derivative transactions are conducted under standardised International Swaps and Derivatives Association Inc (ISDA) master agreements and Credit Support Annexes (CSA). The Group has collateral agreements between the individual entities in the Group, of which the Parent Company is one, and relevant counterparties in place under each of these market master agreements. The Group also has the ability to enter into cleared derivative positions under UK European Market Infrastructure Regulation (UK EMIR).

The total fair value balances of derivative assets and liabilities are shown in Note 18.

There are hedging arrangements in place for the with-profits liabilities, including some product-specific arrangements. The actual and required hedging positions are monitored at least monthly and rebalanced if required.

Under Article 11 of the UK European Market Infrastructure Regulation (EU) no 648/2012, OTC derivatives, central counterparties and trade repositories (UK EMIR and Commission Delegated Regulation (EU) 2016/2251 supplementing UK EMIR), market participants transacting in non-cleared OTC derivatives are required to exchange collateral to cover variation and initial margin. However, trades between counterparties belonging to the same group are exempt from these margin requirements subject to certain criteria.

Prudential Capital Plc (Legal Entity Identifier reference CHW8NHK268SFPTV63Z64) has entered into such derivative agreements with the following group entities. This counterparty pairing meets the criteria to be eligible for intra-group exemptions to the margin requirements:

As at 31 December				2025	2024
Counterparty	Legal Entity Identifier	Relationship between parties	Type of exemption	Aggregate notional of OTC derivatives contract £m	Aggregate notional of OTC derivatives contract £m
M&G FA Limited	213800TFNC2ZYHSGTN11	M&G plc is the ultimate Parent Company for both parties	Full	**220**	315

32 Risk management and sensitivity analysis (continued)

32.6.1 Hedges in respect of shareholder transfers arising from the with-profits business

The shareholders' exposure to market risk from with-profits business arises from the shareholder transfers which depend on investment return of the funds. These shareholder transfers, while smoothed, are particularly exposed to equity risk.

The Group has entered into a partial equity hedge of the shareholder transfers expected to emerge from the WPSF in order to mitigate this risk. The effect for the year ended 31 December 2025 was an unrealised gain of £48m (2024: loss of £27m) and a realised loss of £223m (2024: £82m).

In 2023, PAC's shareholder fund entered into a further arrangement with the WPSF in relation to the shareholder transfers expected to emerge from PruFund business written to 31 December 2022. The shareholder fund accepted a one-off cash payment in lieu of 20% of future shareholder transfers. This arrangement is mutually beneficial since it generates certainty and cash for the shareholder while reducing the WPSF exposure to a potential mismatch between the value of the shareholder transfers and the fixed charges taken to cover those transfers. In addition, under the arrangement the shareholder paid the WPSF for a higher share of future surplus from certain cohorts of business. For the year ended 31 December 2025 this arrangement resulted in a net loss of £53m (2024: loss of £46m).

32.6.2 Other shareholder hedging arrangements

The Group's shareholder fund has purchased interest rate swap instruments to protect the capital position against interest rate movements. For the year ended 31 December 2025, these instruments resulted in an unrealised gain of £70m (2024: unrealised loss of £117m) and no realised gain/loss (2024: no realised gain/loss).

32.7 IFRS profit and liability sensitivity analysis

The Group uses a wide ranging stress and scenario testing approach to, among other things, understand the potential volatility of earnings, and capital requirements and for the purposes of efficient capital management. Results of the IFRS profit and liability sensitivity analysis for the long-term business to reasonable possible movements in key economic and non-economic risk factors are summarised below (sensitivity of the capital position is detailed separately in the supplementary notes). For sensitivities arising from financial assets refer to Note 31.8.

The risks are described in further detail throughout this note. For each sensitivity test the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged. The sensitivities applied are described below. The sensitivities capture the immediate effects of an event occurring, as opposed to the longer-term or second-order effects which may impact future years' profits, and do not reflect management actions which could be taken to mitigate the impacts of these events occurring. The results shown include the impacts on both the with-profits business and the non-profit annuity business.

Sensitivity factor	Sensitivity applied
Economic scenario:	
+/- 50bps interest rates	The impact of a parallel increase/(decrease) in the market interest rates. The scenario allows for the impact on both the changes to future yields and investment returns and the market values of the fixed interest securities.
+/- 10% change in equity & property market values	The impact of an increase/(decrease) in equity and property market values.
+ 5 bps increase in the with-profits illiquidity premium	The impact of an increase in the illiquidity premium on with-profits business of 5 bps.
+ 5 bps increase in annuity credit default/downgrade assumption	The impact on non-profit annuity liabilities from a 5 bps strengthening of the credit default/downgrade assumptions.
Non-economic scenario:	
+/- 5% renewal expenses	The impact of a permanent increase/(decrease) in future maintenance expense assumptions across all lines of business.
+/- 10% persistency assumptions	The impact of a permanent increase/(decrease) in the lapse rates for the business.
+/- 1% base mortality rates	The impact of a permanent increase/(decrease) in the base mortality rates at all ages.
+ 0.25% increase in mortality improvements	The impact of an increase in the annual rate of mortality improvements at all ages.

32 Risk management and sensitivity analysis (continued)

32.7.1 Sensitivity - Profit/loss after tax/equity

The sensitivity of IFRS profit/(loss) after tax to the key economic and non-economic risks is summarised below. The impact on equity is expected to be consistent with the impact on IFRS profit/(loss) after tax and includes the impact of instruments held to manage equity risk and mitigate interest rate risk. The change in net of reinsurance CSM is also shown.

	2025		2024	
	Profit £m	CSM £m	Profit £m	CSM £m
Economic sensitivities				
50bps increase in interest rates	**(139)**	**61**	(154)	83
50bps decrease in interest rates	**148**	**(65)**	164	(89)
10% fall in equity and property markets	**(13)**	**(604)**	(5)	(587)
10% rise in equity and property markets	**27**	**602**	(3)	584
5bps increase in with-profits illiquidity premium	**1**	**14**	1	16
5bps increase in annuity credit default/downgrade assumptions	**(40)**	**—**	(34)	—
Non-economic sensitivities				
5% increase in renewal expense assumptions	**8**	**(41)**	9	(41)
5% decrease in renewal expense assumptions	**(8)**	**41**	(9)	41
10% increase in persistency assumptions	**(5)**	**(76)**	(5)	(76)
10% decrease in persistency assumptions	**6**	**82**	6	83
1% increase in base mortality assumptions	**(35)**	**73**	(39)	73
1% decrease in base mortality assumptions	**36**	**(74)**	39	(74)
0.25% increase in mortality improvements	**90**	**(194)**	102	(197)

The interest rate stresses reflect a parallel shift in the nominal rate of interest at all durations. As described in Note 32.2.1, the impact on IFRS profit/(loss) after tax predominantly arises from assets held in excess of the IFRS liabilities. These assets are held to back the regulatory capital requirements.

The main impact to the Group of changes in equity and property asset values is through the entity's share of the returns in the With-Profits Fund through future shareholder transfers. Under IFRS reporting, the change in expected future profits adjusts the CSM and is released over the remaining lifetime of the business. The key impact to post-tax profit arises from the change in the level of CSM amortised in the current reporting period.

The impact of the non-economic sensitivities to expenses, mortality and mortality improvements are the opposite of the result that may be expected, and which may be seen in other financial metrics (eg in general we would expect an increase in mortality rates would result in an increase in IFRS profits, whereas a reduction is observed in the stress scenario). As detailed in Note 3.2, the application of IFRS 17 results in mismatches due to the use of locked-in rates for the CSM for annuities under GMM and in relation to the measurement of the non-profit business in the With-Profits Fund. This results in the sensitivity analysis reflecting an increase in IFRS profit when there is a strengthening of mortality assumptions, whereas the opposite effect might have been expected. The primary reasons for this are:

- interest rates at the time of recognising most of the in-force annuity business were substantially lower than current rates, resulting in a larger reduction in the CSM (from discounting the change in future cash flows at locked-in rates) than the increase in the fulfilment cash flows (from discounting the change in future cash flows at current rates); and
- the fair value of non-profit business written in the With-Profits Fund is reflected in the liabilities for with-profits policyholders, resulting in a mismatch in the timing of when the change in mortality assumptions impacts the with-profits liabilities and when the IFRS 17 CSM for non-profit business is recognised as insurance revenue.

As described above, the main impacts of the sensitivities on profit arise through either short-term fluctuations in investment returns or through mismatches arising on the application of IFRS 17. As a result there is limited impact on adjusted operating profit (in line with the methodology detailed in Note 3.2).

32 Risk management and sensitivity analysis (continued)

32.7.2 Sensitivity – Insurance and investment contract liabilities

The sensitivity of insurance and investment with DPF contract liabilities (detailed in Note 24) to the same key economic and non-economic sensitivities are summarised below:

	Insurance contracts			Reinsurance contracts		
As at 31 December 2025	Estimates of present value of future cash flows and risk adjustment £m	Contractual Service Margin £m	Total £m	Estimates of present value of future cash flows and risk adjustment £m	Contractual Service Margin £m	Total £m
Economic sensitivities						
50 bps increase in interest rates	**(1,902)**	**61**	**(1,841)**	**(6)**	**—**	**(6)**
50 bps decrease in interest rates	**2,045**	**(65)**	**1,980**	**6**	**—**	**6**
10% fall in equity and property markets	**(6,221)**	**(604)**	**(6,825)**	**—**	**—**	**—**
10% rise in equity and property markets	**6,223**	**602**	**6,825**	**—**	**—**	**—**
5 bps increase in with-profits illiquidity premium	**(16)**	**14**	**(2)**	**—**	**—**	**—**
5 bps increase in annuity credit default/ downgrade assumptions	**53**	**—**	**53**	**1**	**—**	**1**
Non-economic sensitivities						
5% increase in renewal expense assumptions	**31**	**(41)**	**(10)**	**—**	**—**	**—**
5% decrease in renewal expense assumptions	**(31)**	**41**	**10**	**—**	**—**	**—**
10% increase in persistency assumptions	**82**	**(76)**	**6**	**—**	**—**	**—**
10% decrease in persistency assumptions	**(89)**	**82**	**(7)**	**—**	**—**	**—**
1% increase in base mortality assumptions	**(42)**	**94**	**52**	**(14)**	**21**	**7**
1% decrease in base mortality assumptions	**43**	**(96)**	**(53)**	**14**	**(22)**	**(8)**
0.25% increase in mortality improvements	**109**	**(250)**	**(141)**	**28**	**(56)**	**(28)**

	Insurance contracts			Reinsurance contracts		
As at 31 December 2024	Estimates of present value of future cash flows and risk adjustment £m	Contractual Service Margin £m	Total £m	Estimates of present value of future cash flows and risk adjustment £m	Contractual Service Margin £m	Total £m
Economic sensitivities						
50 bps increase in interest rates	(1,627)	83	(1,544)	(10)	—	(10)
50 bps decrease in interest rates	1,751	(89)	1,662	12	—	12
10% fall in equity and property markets	(6,460)	(587)	(7,047)	—	—	—
10% rise in equity and property markets	6,461	584	7,045	—	—	—
5 bps increase in with-profits illiquidity premium	(18)	16	(2)	—	—	—
5 bps increase in annuity credit default/ downgrade assumptions	46	—	46	1	—	1
Non-economic sensitivities						
5% increase in renewal expense assumptions	29	(41)	(12)	—	—	—
5% decrease in renewal expense assumptions	(29)	41	12	—	—	—
10% increase in persistency assumptions	83	(76)	7	—	—	—
10% decrease in persistency assumptions	(90)	83	(7)	—	—	—
1% increase in base mortality assumptions	(39)	96	57	(14)	23	9
1% decrease in base mortality assumptions	39	(97)	(58)	14	(23)	(9)
0.25% increase in mortality improvements	99	(260)	(161)	31	(63)	(32)

32 Risk management and sensitivity analysis (continued)

The presentation above reflects a change in insurance contracts or reinsurance contracts where insurance contracts are expressed as a positive liability amount and reinsurance contracts are a positive asset amount.

Insurance contracts are insurance contract liabilities net of insurance contract assets.

Reinsurance contracts are reinsurance contract assets net of reinsurance contract liabilities.

The vast majority of the Group's financial assets are held to back the Group's policyholder liabilities. Consistent with this, the changes in the insurance and investment contract liabilities in the economic sensitivities are offset by corresponding changes in the value of the assets, with only the changes in the surplus assets contributing to changes in profit/(loss) after tax (as detailed in Note 32.7.1).

32.7.3 Other estimates in measurement of insurance contract liabilities

As a consequence of applying the mutualisation requirements of IFRS 17, a portion of the with-profits surplus assets are allocated to policyholders and a portion to shareholders. The portion of the with-profits surplus assets allocated to policyholders and shareholders under IFRS 17 reflects a judgement on the division of surplus in the With-Profits Fund. The policyholders' share is assessed on a prospective basis and is assumed to be 90%, consistent with the division of profits permitted by the Articles of Association. The portion of the surplus assets allocated to shareholders, £1,022m (after tax) at 31 December 2025 (2024: £944m) is not easily or practicably fungible to shareholders in the short-term.

IFRS 17 liabilities include an explicit risk adjustment, covering the Group's assessment of the margin required to cover non-financial risks. The assessment of the risk adjustment requires assumptions about the compensation that the Group requires for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk, the most significant of which is the assumed rates of policyholder mortality for annuity contracts. The Group has calibrated the risk adjustment at the 75th percentile of its internal calibrations of the risk distributions (which have a time horizon of one year) and amounts to £440m (2024: £479m) net of reinsurance. Increasing the calibration to the 80th percentile (over a one year time horizon) would increase the risk adjustment (net of reinsurance) at 31 December 2025 by around £81m (2024: £96m). The increase would be offset by a corresponding reduction in CSM, but with the CSM impact being assessed at locked-in rates as described above.

As at the balance sheet date, residential ground rents were subject to potential future legislative action which would impact the valuation of the notes backing these assets and the insurance contract liabilities (as disclosed in Note 31.8.1). An increase of 50bps to the illiquidity premium would result in the fair value of the notes backing residential ground rents as at the balance sheet date to decrease by £67m of which £46m would relate to shareholder business (2024: £80m of which £56m relates to the shareholder business). Application of this sensitivity would result in the carrying value of the insurance contract liabilities to decrease by £29m, of which £10m would relate to the annuities which are shareholder-backed (2024: £37m of which £15m relates to the shareholder business). The net asset and liability impact of an increase in illiquidity premium of 50bps would be to reduce the profit/(loss) after tax by £29m (2024: £32m). Subsequently, in January 2026, the UK Government published the draft Commonhold and Leasehold Reform Bill which finalises proposals on the treatment of residential ground rent income and effectively results in materially capping the income that can be generated from the portfolio. Further information is provided in Note 31.8.1.

32.7.4 Limitations

The sensitivity results demonstrate the effect of an instantaneous change in a key assumption while other assumptions remain unchanged. In reality, changes may occur over a period of time and there may be a correlation between the risks. The sensitivity analysis does not take into consideration active management of the Group's assets and liabilities, and that this may change the impact of an emerging risk scenario. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis includes the use of 'hypothetical' market movements to demonstrate potential risk exposures, for example:

- The sensitivity analysis assumes a parallel shift in interest rates at all terms. These results cannot be used to calculate the impact of non-parallel yield movements.
- The sensitivity analysis assumes equivalent assumption changes across all markets, eg all equity and property assets rise/ (fall) by 10%. The actual impact on the Group's assets may not be identical to the observed changes in market indices and so actual impacts on the Group cannot be inferred by applying the sensitivities to observed changes in key indices.

33 Contingencies and related obligations

33.1 Litigation, tax and regulatory matters

In addition to the matters set out in Note 10.3 regarding the portfolio dividend tax litigation, the Group is involved in various litigation and regulatory issues. While the outcome of such litigation and regulatory issues cannot be predicted with certainty, the Directors believe that their ultimate outcome will not have a material adverse effect on the Group's financial condition, results of operations, or cash flows.

33.2 Guarantees

Guarantee funds provide for payments to be made to policyholders on behalf of insolvent life insurance companies and are financed by payments levied on solvent insurance companies based on location, volume and types of business. The estimated reserve for future guarantee fund assessments is not significant, and adequate reserves are available for all anticipated payments for known insolvencies.

M&G plc acts as guarantor for certain property leases where a Group company is a lessee. The most material of these is the guarantee provided in respect of the 10 Fenchurch Avenue lease between Saxon Land B.V. and M&G Corporate Services Limited.

The Group has also received guarantees in respect of subleasing arrangements, entered into in the normal course of business.

On acquisition of a controlling interest in MandG Investments Southern Africa (Pty) Limited (MGSA), M&G Group Limited provided a guarantee in respect of an existing loan facility between Thesele, the seller of MGSA, and Nedbank, a third party bank amounting to ZAR 220m. The guarantee is secured on 7% of the shares that Thesele retains in MGSA.

M&G Group Regulated Entity Holding Company Limited is guarantor for the obligations of M&G Corporate Services Limited to make payments under the Scottish Amicable Staff Pension Scheme.

The Group has also provided other guarantees and commitments to third parties entered into in the normal course of business, but the Group does not consider that these would result in a significant unprovisioned loss.

33.3 Support for the With-Profits Fund by shareholders

PAC is liable to meet its obligations to with-profits policyholders even if the assets of the with-profits sub-funds are insufficient to do so. The assets in excess of amounts expected to be paid for future terminal bonuses and related shareholder transfers ('the excess assets') in the with-profits sub-funds could be materially depleted over time by, for example, a significant or sustained equity market downturn. In the unlikely circumstance that the depletion of the excess assets within the with-profits sub-funds was such that the Group's ability to satisfy policyholders' reasonable expectations was adversely affected, it might become necessary to restrict the annual distribution to shareholders or to contribute shareholders' funds to the with-profits sub-funds to provide financial support.

There are a number of additional arrangements between the shareholder and the With-Profits Fund as follows:

- The With-Profits Fund contributed to the costs of establishing the Polish branch of PAC, and receives repayment through income from charges levied on the business. There is an obligation on the shareholders to ensure that the With-Profits Fund will be repaid in full with interest, and an amount is recognised for the estimated cost to the shareholder of any shortfall at the end of the term of the agreement. The policyholders' share of the impact is included in the insurance contract liabilities for the With-Profits Fund, with changes in value recognised in finance expenses from insurance contracts issued in the consolidated income statement. The amount held within insurance contract liabilities is £51m as at 31 December 2025 (2024: £55m).
- Part of the acquisition costs incurred in the early years of M&G Advice Partners Limited (formerly M&G Wealth Advice Limited) were funded by the With-Profits Fund. In return, M&G Advice Partners Limited is required to deliver cost savings to the With-Profits Fund. In the event of closure of M&G Advice Partners Limited or, the cost savings not being delivered and M&G Advice Partners Limited stops writing new business, the shareholder will reimburse the With-Profits Fund for any remaining shortfall. For 2025 and 2024, the balance of the cost savings were realised in the With-Profits Fund and so the potential shareholder's liability is nil.
- Transformation costs associated with with-profits new business will be recovered in the pricing of future new business (subject to a shareholder underpin whereby the shareholder will compensate the With-Profits Fund if any of these costs are not fully recovered at the end of the term of the agreement). The policyholders' share of the impact is included in the insurance contract liabilities for the With-Profits Fund, with changes in value recognised in finance income or expenses from insurance contracts issued in the consolidated income statement. The amount held within insurance contract liabilities is £nil as at 31 December 2025 (2024: £15m).

33 Contingencies and related obligations (continued)

- PAC undertook a project to rationalise fund structures (The Target Investment Model programme) by combining existing, smaller funds with the main With-Profits Asset Share Fund in a fund umbrella structure. This initiative was expected to yield withholding tax benefits for the business over time. If the expected benefits did not materialise to the With-Profits Fund, the shareholder was committed to compensating the fund for any implementation costs borne that were not fully recouped. The assessment period for the underpin arrangement was five years, running to the end of 2025. As at 31 December 2024, the underpin ceased as the benefits have now materialised, however a review will be required until the end of 2028 to determine if the recognised tax benefits have been reversed, potentially necessitating the reactivation of the underpin.
- PAC has priced new with-profits business on a basis that is expected to be financially self-supporting or, where this has not been the case, the shareholder is required to cover the cost (known as the New Business Supportability Test (NBST)). The policyholders' share of the impact is included in the insurance contract liabilities, with changes in value recognised in finance expenses from insurance contracts issued in the consolidated income statement. The amount held within insurance contract liabilities is £7m as at 31 December 2025 (2024: £13m).

The following matters are of relevance with respect to the With-Profits Fund:

33.3.1 Pension mis-selling review

The Pensions mis-selling review covers customers who were sold personal pensions between 29 April 1988 and 30 June 1994, and who were advised to transfer out, not join, or opt out of their employer's Defined Benefit Pension Scheme. During the initial review some customers were issued with guarantees that redress will be calculated on retirement or transfer of their policies. The provision continues to cover these clients. The expense to cover these customers continues to be recognised within insurance contract liabilities.

While PAC believed it met the requirements of the FSA (the UK insurance regulator at that time) to issue offers of redress to all impacted customers by 30 June 2002, there is a population of customers who, while an attempt was made at the time to invite them to participate in the review, may not have received their invitation. These customers have been re-engaged, to ensure they have the opportunity to take part in the review. The liability also covers this population. Currently, a liability amounting to £96m as at 31 December 2025 (2024: £122m) is being held in relation to this within insurance contract liabilities.

The key assumptions underlying the liability in relation to the soft close cases (where all reasonable steps have been taken to contact the customer but the customer has not engaged with the review) and are:

- average cost of redress per customer; and
- proportion of liability (reserve rate).

Sensitivities of the value of the liability to a change in assumptions are as follows:

Assumption	Change in assumption	2025 £m	2024 £m
Average cost of redress	increase/decrease by 10%	**+/-5**	+/-5
Reserve rate	increase/decrease by 10%	**+/-31**	+/-31

Changes in the value of the pension mis-selling liability would not immediately impact profit or loss as the changes would be offset by changes in the allowance for mutualisation and the CSM.

Costs arising from this review are met by the excess assets of the WPSF and hence have not been charged to the asset shares used in the determination of policyholder bonus rates. An assurance was given that these deductions from excess assets would not impact PAC's bonus or investment policy for policies within the WPSF that were in force at 31 December 2003. This assurance does not apply to new business since 1 January 2004. In the unlikely event that such deductions would affect the bonus or investment policy for the relevant policies, the assurance provides that support would be made available to the sub-fund from PAC's shareholder resources for as long as the situation continued, so as to ensure that PAC's policyholders were not disadvantaged. PAC's comfort in its ability to make such support available was supported by related intra-group arrangements between Prudential plc and PAC, which formalised the circumstances in which capital support would be made available to PAC by Prudential plc. These intra-group arrangements terminated on 21 October 2019, following the demerger of M&G plc from Prudential plc, at which time intra-group arrangements formalising the circumstances in which M&G plc would make capital support available to PAC became effective.

33.3.2 With-profits options and guarantees

Certain policies within the With-Profits Fund give potentially valuable guarantees to policyholders, or options to change policy benefits which can be exercised at the policyholders' discretion. These options and guarantees are valued as part of the policyholder liabilities. Please refer to Note 24 for further details on these options and guarantees.

34 Commitments

The Group leases various offices to conduct its business. In line with the requirements of IFRS 16, the Group has recognised a lease liability in respect of these leases representing the obligation to make future lease payments. For further information on the lease liabilities see Note 27.

In addition, the Group has provided, from time to time, certain guarantees and commitments to third parties including funding the purchase or development of land and buildings and other related matters. The contractual obligations to purchase or develop investment property as at 31 December 2025 were £321m (2024: £451m). Commitments also arise in relation to the refurbishment of investment properties, however these would not be material to the financial statements, either individually or in aggregate.

As at 31 December 2025, the Group had undrawn commitments of £3,540m to third parties (2024: £4,079m) of which £2,763m (2024: £3,268m) was committed by its private equity vehicles. These commitments were entered into in the normal course of business and no material adverse impact on the operations is expected to arise.

35 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.

35.1 Transactions with the Group's joint ventures and associates

The Group received dividends of £51m for the year ended 31 December 2025 (2024: £7m) from joint ventures accounted for using the equity method. In addition, the Group had balances due from joint ventures accounted for using the equity method of £44m as at 31 December 2025 (2024: £46m). There were no balances due to joint ventures accounted for using the equity method at 31 December 2025 or 31 December 2024.

Furthermore, in the normal course of business a number of investments into and divestment 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 individually material.

35.2 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	2025 £m	2024 £m
Salaries and short-term benefits	**12.2**	11.8
Post-employment benefits	**0.6**	0.5
Share-based payments	**5.6**	1.5
Total	**18.4**	13.8

Information concerning individual Directors' emoluments, interests and transactions are provided in the single figure tables in the Remuneration Report on pages 111 to 116.

36 Capital management

36.1 Capital regulations of entities within the Group

The Group is regulated under Solvency II and supervised as an insurance group by the Prudential Regulation Authority (PRA). The Group manages Solvency II own funds as its measure of capital. As at 31 December 2025 estimated and unaudited Group Solvency II own funds are £11.4bn (2024: £11.6bn).

The Solvency II surplus represents the aggregated capital (own funds) held by the Group less the solvency capital requirement (SCR). Own funds is the Solvency II measure of capital available to meet losses, and is based on the assets less liabilities of the Group, subject to certain restrictions and adjustments. The SCR is calculated using the Group's Internal Model, which calculates the SCR as the 99.5th percentile (or 1-in-200) worst outcome over the coming year, out of 100,000 equally likely scenarios, allowing for the dependency between the risks the business is exposed to.

The regulated entities within the Group are also subject to local capital regulations. Capital is actively managed to ensure that local regulatory requirements are met. The main regulated entities in the Group and the regulatory frameworks to which they must adhere are listed below:

Entity	Main activity	Regulatory framework
M&G plc	Insurance	Solvency II
The Prudential Assurance Company Limited	Insurance	Solvency II
Prudential International Assurance plc	Insurance	Solvency II[i]
Prudential Pensions Limited	Insurance	Solvency II
M&G Group Limited (including subsidiaries)	Investment management	IFPR[ii]
Investment Funds Direct Limited	Investment services	IFPR[ii]

i Prudential International Assurance plc is included in the Group's result on the basis of the Group's internal model under Solvency II as modified by the Prudential Regulation Authority reforms, but is subject to local Solvency II in the EU.

ii Investment Firms Prudential Regime under MIFIDPRU – Prudential Sourcebook for MiFID Investment Firms.

All Group entities that were subject to externally imposed regulatory capital requirements complied with them throughout the year.

36.2 Group capital position

In 2020, the Government announced that it would undertake a review of the Solvency II regime. Following a consultation process, His Majesty's Treasury (HMT) published the final proposed Solvency II reform package and plans for implementing the changes to the UK's prudential regime. The final changes were implemented during 2024. The reforms have impacted a number of areas including the calculation of the risk margin and transitional measures; reporting requirements and the matching adjustment.

The impact in the prior and current period from the matching adjustment reforms include changes to the granularity of the credit risk (fundamental spread) allowances and the inclusion of additions to the basic credit risk allowance where the company believes these are appropriate to ensure full coverage of retained risks. Overall the changes had no material impact on the regulatory surplus capital

As a result of these reforms the transitional measures on technical provisions (TMTP) was recalculated as at 31 December 2025 in line with the new TMTP methodology specified by the PRA. The new TMTP calculation methodology is simpler, removing the need to recalculate liabilities under the previous Solvency I regime to calculate the TMTP. Other changes include the removal of recalculation triggers in relation to the TMTP; with permission to recalculate at any date.

The impact of uncertainties associated with the potential future value of notes backed by residential ground rents (further explained in Note 31.8.1) has been reflected in the capital position based on the information that was known at the balance sheet date. The overall impact is a decrease in own funds due to the fall in the valuation of the underlying assets which is offset partly by a fall in the value of the technical provisions. In addition, incremental capital has been held in the SCR which reflects the possible outcomes as at the balance sheet date resulting from future legislative action. Subsequently, in January 2026, the UK Government published the draft Commonhold and Leasehold Reform Bill which finalises proposals on the treatment of residential ground rent income and effectively results in materially capping the income that can be generated from the portfolio. No adjustments have been made to the 31 December 2025 capital position for this announcement. Further information is provided in Note 31.8.1).

36 Capital management (continued)

36.2.1 Regulatory capital position

The regulatory capital position of the Group takes into account all Group exposures, including that of the With-Profits Fund. This view of capital recognises the ring-fenced nature of the With-Profits Fund, and on consolidation, surplus in the fund can only be recognised to the level of associated SCR with any excess surplus being eliminated as a ring-fenced fund restriction, effectively restricting the solvency coverage ratio of the With-Profits Fund to 100%. As such, the combined 'regulatory' solvency coverage ratio is highly resilient to movements in the With-Profits Fund's own funds.

The estimated and unaudited Solvency II capital position for the Group as at 31 December 2025 and 31 December 2024 is shown below:

As at 31 December	2025 £bn	2024 £bn
Solvency II eligible own funds	**11.4**	11.6
Solvency II SCR	**(6.4)**	(6.9)
Solvency II surplus	**5.0**	4.7
Solvency II coverage ratio[i]	**178%**	168%

i Solvency II coverage ratio has been calculated using unrounded figures.

The results include transitional measures, which are recalculated as at the valuation date, using management's estimate of the impact of operating and market conditions.

36.2.2 Shareholder capital position

The Group focuses on a shareholder view of the Solvency II capital position, which is considered to provide a more relevant reflection of the capital strength of the Group. The Group's Shareholder Solvency II capital position excludes the contribution to own funds and SCR from the ring-fenced With-Profits Fund. Further information on the ring-fenced With-Profits Fund's capital position is provided in S.5 of Supplementary Information. Shareholder Solvency II own funds also assume TMTP which have been recalculated using management's estimate of the impact of operating and market conditions at the reporting date.

The estimated and unaudited Shareholder Solvency II capital position for the Group is shown below.

As at 31 December	2025 £bn	2024 £bn
Shareholder Solvency II eligible own funds	**8.5**	8.5
Shareholder Solvency II SCR	**(3.5)**	(3.8)
Solvency II surplus	**5.0**	4.7
Shareholder Solvency II coverage ratio[i]	**242%**	223%

i Shareholder Solvency II coverage ratio has been calculated using unrounded figures.

36.3 Meeting of capital management objectives

The Group manages its capital on a Solvency II basis to ensure that sufficient own funds are available on an ongoing basis to meet regulatory capital requirements. This is achieved by targeting a capital buffer significantly in excess of regulatory capital requirements. This buffer is intended to absorb the impact of stressed market conditions and thus make the Solvency II balance sheet under the regulatory view resilient to stresses that affect the Group's business.

A range of stress and scenario testing is carried out across the business, including certain scenarios mandated by the regulator. The sensitivity of liabilities and other components of total capital vary, depending upon the type of business concerned, and this influences the approach to asset/liability management. In addition, projections are performed to understand how the own funds and capital position is expected to develop and how this might be affected by adverse events taking place. Informed by the results of these projections there are a number of actions available to management to strengthen the own funds position.

As well as holding sufficient capital to meet regulatory requirements, the Group also closely manages the cash it holds so that it can:

- maintain flexibility, fund new opportunities and absorb shock events;
- meet liabilities to policyholders and other obligations;
- fund dividends; and
- cover central costs and debt payments.

37 Share-based payments

The Group operates various share-based payment schemes that award M&G plc shares to participants upon meeting the required vesting conditions. Details of those schemes are stated below:

37.1 Description of the plans

Discretionary schemes:

Scheme	Description
Performance Share Plan (PSP)	The PSP is the Group's long term incentive conditional share plan: the shares awarded will ordinarily be released to participants after a predetermined period, usually three years, to the extent that performance conditions have been met. If performance conditions are not achieved in full, the unvested portion of any award lapses. The performance conditions attached to PSP awards include market performance conditions; Relative Total Shareholder Return (TSR); and other non-market conditions, including measures linked to profit as well as sustainability related measures. The performance conditions attached to each award are dependent on the role of the participants. Threshold and maximum achievement levels will be set at the beginning of the performance periods in line with the Business Plan.
Deferred Incentive Plan (DIP)	The DIP is part of the Group's short-term incentive plan, whereby part of the participant's Annual Bonus is paid in the form of a share award that vests after three or four years. Other than the service condition, there are no other performance conditions associated with this plan.

Approved schemes:

Share scheme	Description
Save As You Earn (SAYE) plans	The Group operates SAYE plans, which allow eligible employees the opportunity to save a monthly amount from their salaries, over either a three or five-year period, which can be used to purchase shares in M&G plc at a predetermined price subject to the employee remaining in employment for three years after the grant date of the options and satisfying the monthly savings requirement.
Share Incentive Plan (SIP)	The Group operates SIPs, which allow eligible employees to invest a monthly or annual amount from their salaries in M&G plc shares; M&G plc will then contribute a share for every two the employee purchases.

All approved and discretionary schemes are accounted for as equity-settled as the awards would be settled in M&G plc shares.

37.2 Outstanding options and awards

Movements in outstanding options and awards under the Group's share-based compensation are as follows:

	2025		
	Outstanding options under SAYE schemes	Awards outstanding under discretionary schemes	Awards outstanding under share incentive plans
Outstanding as at 1 January	**18,686,491**	**77,814,527**	**10,525,208**
Granted	**3,311,181**	**36,332,267**	**2,418,754**
Exercised	**(5,535,932)**	**(28,925,322)**	**(2,098,848)**
Forfeited/Expired	**(1,129,898)**	**(3,426,188)**	**(64,712)**
Outstanding at 31 December	**15,331,842**	**81,795,284**	**10,780,402**
Awards immediately exercisable at 31 December	**1,167,335**	**6,684,298**	**7,087,322**

	2024		
	Outstanding options under SAYE schemes	Awards outstanding under discretionary schemes	Awards outstanding under share incentive plans
Outstanding as at 1 January	19,575,949	72,295,345	9,496,234
Granted	4,498,505	28,881,073	2,819,879
Exercised	(3,926,385)	(19,565,104)	(1,722,460)
Forfeited/Expired	(1,461,578)	(3,796,787)	(68,445)
Outstanding at 31 December	18,686,491	77,814,527	10,525,208
Awards immediately exercisable at 31 December	933,937	335,712	7,051,162

Options are exercised throughout the year; the weighted average share price over 2025 was £2.40 (2024: £2.09).

Notes to the consolidated financial statements continued

37 Share-based payments (continued)

The following tables provide a summary of the range of exercise prices and average remaining contractual life for the SAYE options and discretionary option awards.

	2025[i]				
As at 31 December	Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (£)	Number exercisable
SAYE options	Between £1.29 and £2.04	**15,331,842**	**1.64**	**1.71**	**1,167,335**
Discretionary option awards	**£nil**	**81,795,284**	**1.60**	**£nil**	**6,684,298**

	2024[i]				
As at 31 December	Exercise Price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (£)	Number exercisable
SAYE options	Between £1 and £2	18,686,491	1.86	1.58	933,937
Discretionary option awards	£nil	77,814,527	1.04	£nil	335,712

i SIP awards have been excluded as it is not possible to calculate the contractual life of the SIP awards.

37.3 Fair value of options and awards

The fair value of all discretionary awards is equal to the share price of M&G plc (as the exercise price and dividend yield are nil) except for PSP awards with performance conditions based on the Total Shareholder Returns (PSP TSR awards). The weighted average M&G plc share price at the date of grant was £2.01 for 2025 (2024: £2.21).

The Group uses the Black-Scholes model to value the SAYE options. The implied volatility of the M&G plc share price was used in determining the fair value of options granted, with no reliance on historical volatility.

The determination of the fair value of PSP TSR and SAYE awards requires the use of various assumptions which are disclosed below:

	Awards granted in			
	2025		2024	
As at 31 December	PSP TSR award	SAYE options	PSP TSR award	SAYE options
Dividend yield (%)	**N/A**	**7.92**	N/A	9.67
Expected pay-off (%)	**41.67**	**N/A**	41.67	N/A
Expected volatility (%)	**N/A**	**17.97**	N/A	19.33
Risk-free interest rate (%)	**N/A**	**3.92**	N/A	3.92
Expected option life (years)	**N/A**	**3.67**	N/A	3.53
Weighted average exercise price (£)	**N/A**	**2.04**	N/A	1.67
Weighted average share price at grant date (£)	**2.03**	**2.55**	2.35	2.05
Weighted average fair value at grant date (£)	**1.77**	**0.34**	1.89	0.22

37.4 Share-based payment expense charged to the consolidated income statement

Total expenses recognised in the year in the consolidated financial statements relating to equity-settled share-based compensation as at 31 December 2025 was £47m (2024: £40m). The Group has no outstanding liabilities at the year end relating to awards which are settled in cash.

38 Post-balance sheet events

On 27 January 2026 the UK Government published the draft Commonhold and Leasehold Reform Bill. The draft bill includes proposals to cap existing annual ground rent charges at £250 pa from 2028 reducing it to a peppercorn after 40 years, which materially impacts the cashflows that will be generated from the residential ground rents. The Housing, Communities and Local Government Select Committee launched their pre-legislative scrutiny of the draft bill on 4 February 2026 and it is expected that the bill will be introduced as a full legislative bill later in 2026. The draft bill is clear that many of the proposed measures require detailed secondary legislation and so the implementation will be staged. This has been treated as a non-adjusting post balance sheet event for the purposes of these consolidated financial statements.

Included in the consolidated statement of financial position as at 31 December 2025 are private placement loans backed by residential ground rents with a carrying value of £932m, of which £641m are held by the shareholder business. If the Government proposal had been enacted at the year end, the estimated impact on the carrying value of these assets at 31 December 2025 is a decrease of £255m, of which £180m would be in respect of the shareholder business.

Reflecting the announcement and associated uncertainty over the cashflows from these assets we expect to remove the assets from the portfolios used to derive the discount rate applied in calculating the value of insurance contract liabilities and, as required, replace them with other eligible assets. The impact on the value of insurance contract liabilities will depend on the actions taken to manage the portfolios but may increase by £175m (of which £140m would be in respect of the shareholder business) compared to 31 December 2025. The estimated impact on IFRS profit before tax for the year ended 31 December 2025, allowing for the impact of mutualisation, is a net loss of £325m.

The estimated impact in the Solvency II regulatory capital surplus of the proposals in the announcement is a reduction of £145m (unaudited) compared to 31 December 2025, arising due to a reduction in own funds partly offset by a release of capital held to reflect the possible outcomes that existed at the balance sheet date. This results in an estimated 3 percentage points reduction in shareholder Solvency II coverage ratio and a 1 percentage point reduction in Group regulatory coverage ratio compared to 242% (unaudited) and 178% (unaudited) respectively at 31 December 2025.

The assets backed by residential ground rents are assumed to be removed from the portfolios that back insurance contract liabilities in the amounts presented above. However, the remaining cash flows associated with these assets may be utilised in the future once their receipt is confirmed with certainty. The impacts quoted within this note are presented prior to any such mitigating actions. The removal of these assets and replacement with other existing assets in the portfolios backing the insurance contract liabilities (and matching adjustment portfolio backing the Solvency II technical provisions) is in line with our Life business's standard fund management policy and ensures that compliance with the regulatory requirements for the application of the Solvency II matching adjustment are maintained at all times.

39 Related undertakings

In accordance with Section 409 of the Companies Act 2006, a list of the Group's subsidiaries, joint ventures, associates and significant holdings (being holdings of more than 20%), along with the classes of shares held, the registered office address, the country of incorporation and the effective percentage of equity owned at 31 December 2025 is disclosed below.

The definitions of a subsidiary undertaking, joint venture and associate in accordance with the Companies Act 2006 are different from the definition under IFRS. As a result, the related undertakings included within the list below may not be the same as the undertakings consolidated in the Group IFRS statements. The Group's consolidation policy is described in Note 1.5.

Direct subsidiary undertakings of the Parent Company, M&G plc (shares held directly or via nominees)

Key to classes of shares held: Limited by guarantee (LBG), Limited partnership interest (LPI), Ordinary shares (OS), Preference shares (PS), Units (U).

Name of entity	Share class	% held
10 Fenchurch Avenue, London, EC3M 5AG, UK		
M&G Corporate Holdings Limited	OS	100%
M&G Group Regulated Entity Holding Company Limited	OS	100%
Prudential Capital Public Limited Company	OS	100%
Prudential Financial Services Limited	OS	100%

Other subsidiaries, joint ventures, associates and significant holdings of the Group (no shares held directly by the Parent Company, M&G plc, or its nominees)

Name of entity	Share class	% held
Australia		
Suite 201, Level 2, 5 Blue Street, North Sydney, NSW 2060		
PAP Trust	U	100%
M&G Investments (Australia) Pty Limited	OS	100%
Level 10, 50 Berry Street, North Sydney, NSW 2060		
PAP Trusty Pty Limited	OS	100%
Canada		
22 Adelaide Street West, Suite 2600, Toronto, Ontario, M5H 4E3		
GTA W21 GP Inc.	OS	50%
GTA W21 Inc.	OS	100%
GTA W21 LP	LPI	90%
180 Dundas Street West, Suite 1200, Toronto ON M5G 1 ZB		
Canada Property (Trustee) No 1 Limited	OS	100%
55 University Avenue, Suite 600, Toronto		
CJPT Real Estate Inc.	OS	100%
CJPT Real Estate No. 1 Trust	U	100%
CJPT Real Estate No. 2 Trust	U	100%
Cayman Islands		
190 Elgin Avenue, George Town, Grand Cayman, KY1-9005		
Global Futures and Options Holdings Limited	OS	30%
M&G General Partner Inc.	OS	100%
Ugland House, PO Box 309, Grand Cayman, KY1-1104		
NB Gemini Fund LP	LPI	50%
StepStone Scorpio Infrastructure Opportunities Fund LP	LPI	100%
France		
8 Avenue Hoche, 75008, Paris		
M&G Real Estate France SAS	OS	100%
West Station 1 SCI	OS	100%
West Station 2 SCI	OS	100%
West Station SAS	OS	100%
5, Rue du Helder, 75009 Paris		
responsAbility France SAS	OS	100%
11 Av. Myron Herrick 75008, Paris		
BauMont Real Estate France SAS	OS	100%
Georgia		
4 Tamar Chovelidze Street, Tbilisi, 0108		
responsAbility Georgia LLC	OS	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Name of entity	Share class	% held
Guernsey		
Dorey Court, Admiral Park, St Peter Port, GY1 2HT		
M&G (Guernsey) Limited	OS	100%
The Car Auction Unit Trust	U	50%
PO Box 155, Mill Court, La, Charroterie, St Peter Port, GY1 4ET		
M&G Group PCC Limited	OS	100%
Hong Kong		
Unit 1002, LHT Tower, 31 Queen's Road Central		
M&G Investments (Hong Kong) Limited	OS	100%
Gloucester Tower, 15 Queens Road		
PPM Ventures (Asia) Limited (In liquidation)	OS	100%
India		
First floor Prudential House, Central Avenue, Hiranandani Business Park, Mumbai-400076		
M&G Global Services Private Limited	OS	100%
31 Green Acre, Union Park Road Number 5, Mumbai, Mumbai Suburban, MH, 400052		
responsAbility India Business Advisors Private Limited	OS	100%
Ireland		
Fitzwilliam Court, Leeson Cl, Dublin 2, Dublin, D02 TC95		
Prudential International Assurance Plc	OS	100%
Prudential International Management Services Limited	OS	100%
Fourth floor, 35 Shelbourne Road, Ballsbridge, Dublin D04 A4EO		
Lion Credit Opportunity Fund plc - Credit Opportunity Fund XV	U	100%
Lion Credit Opportunity Fund Public Limited Company - M&G SRT Fund II	U	32%
M&G UK Gilts Active UCITS ETF	U	77%
M&G US Treasury Bond Active UCITS ETF	U	82%
M&G UK Index-Linked Gilts Active UCITS ETF	U	77%
M&G Sustainable Loan Fund	U	65%
Specialist Investment Funds (2) ICAV - M&G Infrastructure & Real Assets Horizons Fund	U	100%
78 Sir John Rogerson's Quay, Dublin 2		
M&G SIF Management Company (Ireland) Limited	OS	100%
Second Floor, Block 5 Irish Life Centre, Abbey Street Lower, Dublin 1, D01 P767		
Folios III Designated Activity Company	U	49%
Folios IV Designated Activity Company	U	65%
Fourth Floor, 76 Baggot Street Lower, Dublin, D02 EK81		
Debt Investments Opportunities IV	U	27%
Italy		
Via Alessandro Manzoni 38, Milan, 20121		
Elle 14 Srl Company	OS	50%
MCF Srl	OS	50%
Japan		
3-1 Toranomon, 4 Chome Minato-ko, Tokyo		
M&G Investments Japan Co Limited	OS	100%
Shiroyama Trust Tower 9F, 4-3-1 Toranomon, Minato-ku, Tokyo 105-6009		
M&G Real Estate Japan Co Limited	OS	100%
Jersey		
28 Esplanade, St Helier, JE2 3QA		
The Strand Property Unit Trust	U	50%
IFC 5, St Helier, JE1 1ST		
Belside Limited	OS	100%
Carraway Guildford (Nominee A) Limited	OS	100%
Carraway Guildford (Nominee B) Limited	OS	100%
Leadenhall Unit Trust	U	100%
Two Rivers One Limited	OS	100%
Two Rivers Trust	U	100%
Two Rivers Two Limited	OS	100%
Vanquish I Unit Trust	U	100%
Vanquish II Unit Trust	U	100%
Vanquish Properties GP Limited	OS	100%
Vanquish Properties GP Nominee 1 Limited	OS	100%
Vanquish Properties GP Nominee 2 Limited	OS	100%
Vanquish Properties GP Nominee 3 Limited	OS	100%
Vanquish Properties GP Nominee 4 Limited	OS	100%
Vanquish Properties GP Nominee A Limited	OS	100%
Vanquish Properties LP Limited	OS	100%
3rd Floor, Gaspe House, 66-72 Esplanade, St Helier, JE1 2LH		
BauMont Co-Invest General Partner Limited	OS	100%
Kenya		
Merchant Square, Block D, 5th Floor, Riverside Drive, Westlands, P.O. 29300623 Nairobi		
responsAbility Africa Limited	OS	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Name of entity	Share class	% held
Luxembourg		
Rue Hildegard von Bingen 1, L-1282		
Prudential Loan Investments GP S.à r.l.	OS	100%
3, Rue Gabriel Lippmann, L-5365 Munsbach		
Infracapital Partners IV SCSp	LPI	51%
M&G Real Estate Debt Fund SCSp, SICAV-RAIF - REDF 7	LPI	20%
M&G Real Estate Debt Fund SCSp, SICAV-RAIF - REDF 8	LPI	71%
M&G Real Estate Debt GP S.à r.l	OS	100%
M&G Private Equity (GP) S.à r.l.	OS	100%
M&G Catalyst Growth Equity Fund I	U	100%
M&G Real Estate Debt Carried Interest GP S.à r.l	OS	100%
M&G Specialty Finance Fund 2 GBP SCSp	LPI	47%
M&G Specialty Finance Fund 3 (GBP)	U	100%
Prudential Loan Investments SCSp	LPI	100%
5, Heienhaff, Nidderaanwen, L-1736		
Infracapital Partners IV G.P S.à r.l.	OS	100%
Two Snowhill Birmingham S.à r.l.	OS	100%
Three Snowhill Birmingham S.à r.l.	OS	100%
5, Rue Jean Monnet, L-2180		
responsAbility Asia Climate Fund, SICAV-RAIF	LPI	25%
responsAbility BOP S.à r.l. (In liquidation)	OS	100%
responsAbility Global Micro and SME Finance Fund	U	31%
6, Rue Eugène Ruppert, L-2453		
Infracapital Greenfield Partners II GP S.à r.l	OS	100%
Infracapital Partners III GP S.à r.l	OS	100%
8, Rue Lou Hemmer, L-1748 Senningerberg Niederanven		
M&G Alternatives CV SCSp	LPI	100%
M&G Alternatives GP S.à r.l.	OS	100%
15, Boulevard F.W. Raiffeisen, L-2411		
responsAbility Agriculture Partners SLP	LPI	61%
responsAbility Ignite GP S.à r.l.	OS	100%
responsAbility Sustainable Food - Asia II (GP), S.à r.l.	OS	100%
responsAbility Sustainable Food - Asia II, SLP	LPI	85%
responsAbility Sustainable Food - Latam I (GP), S.à r.l.	OS	100%
responsAbility Sustainable Food - Latam I, SLP	LPI	71%
responsAbility Sustainable Food Asia - II Partners, SLP	LPI	94%
responsAbility Sustainable Food Latam - I Partners, SLP	LPI	94%
responsAbility Agriculture (GP), S.à r.l.	OS	100%
16, Boulevard Royal, L-2449		
EUREV CI GP S.à r.l.	OS	100%
Luxembourg Specialist Investment Funds (2) FCP - M&G Real Assets Fund	U	100%
M&G European Living Property Fund SCSp, SICAV-RAIF	LPI	34%
Luxembourg Specialist Investment Funds (2) FCP - M&G Private Equity Opportunities Fund	U	99%
Luxembourg Specialist Investment Funds (3) SICAV - M&G Global Private Equity Fund	U	87%
Luxembourg Specialist Investment Funds (3) SICAV - M&G Global Infrastructure & Real Assets Fund	U	86%
M&G (Lux) Asian Bond Allocation EUR Fund	U	100%
M&G (Lux) Asian Bond Allocation GBP Fund	U	100%
M&G (Lux) Asian Bond Allocation USD Fund	U	100%
M&G (Lux) Asian Quality Income Fund	U	99%
M&G (Lux) Blackrock Europe ex UK Equity Fund	U	99%
M&G (Lux) Global Energy Opportunities Fund	U	100%
M&G (Lux) Global Funds - M&G (Lux) China Fund	U	92%
M&G (Lux) Europe ex UK Equity Fund	U	99%
M&G (Lux) Investment Funds 1 - M&G (Lux) Better Health Solutions Fund	U	100%
M&G (Lux) Investment Funds 1 - M&G (Lux) Diversity and Inclusion Fund	U	66%
M&G (Lux) Investment Funds 1 - M&G (Lux) Emerging Markets Hard Currency Bond Fund	U	90%
M&G (Lux) Investment Funds 1 - M&G (Lux) Emerging Markets Local Currency Bond Fund	U	90%
M&G (Lux) Investment Funds 1 - M&G (Lux) Global Artificial Intelligence Fund	U	93%
M&G (Lux) Investment Funds 1 - M&G (Lux) Nature and Biodiversity Solutions Fund	U	96%
M&G (Lux) Investment Funds 1 - M&G (Lux) US Corporate Bond Fund	U	100%
M&G (Lux) Investment Funds 1 - M&G (Lux) US High Yield Bond Fund	U	100%
M&G (Lux) Investment Funds 1 - M&G (Lux) Emerging Markets Bond Fund	U	55%
M&G (Lux) Investment Funds 1 - M&G (Lux) Sustainable Emerging Markets Corporate Bond Fund	U	89%
M&G (Lux) Managed Cautious (Euro) Fund	U	100%
M&G (Lux) Managed Growth (Euro) Fund	U	100%
M&G (Lux) Pan European Smaller Companies Fund	U	100%
M&G (Lux) Reserved Investment Funds (2) GP S.à r.l.	OS	100%
M&G (Lux) Sterling Liquidity Fund	U	85%
M&G Real Estate Funds SCSP, SICAV-RAIF - M&G Asia Living Property Fund	U	100%
M&G Asia Property Fund SICAV-FIS	U	41%
M&G Catalyst Capital Fund	U	100%
M&G Catalyst Credit Fund	U	100%
M&G Corporate Credit Opportunities ELTIF	U	86%
M&G RE GP S.à r.l.	OS	100%
M&G European Property Fund SICAV-FIS	U	29%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Name of entity	Share class	% held
M&G Luxembourg S.A.	OS	100%
M&G Private Credit GP S.à.r.l	OS	100%
M&G Real Estate Funds GP S.à r.l.	OS	100%
M&G Real Estate Funds Management S.à r.l.	OS	100%
M&G Diversified Private Credit Fund	U	98%
M&G UK Mortgage Income Fund	U	64%
M&G UK Property Fund FCP-FIS	U	98%
M&G UK Residential Property Fund FCP FIS	U	31%
M&G Corporate Credit Opportunities S.à r.l.	OS	100%
M&G Senior Direct Lending Fund I	U	100%
20, rue de la Poste L-2346		
EUREV CI SCSp	OS	100%
M&G European Value Add Partnership SCSp	LPI	67%
Prudential Investment (Luxembourg) 2 S.à.r.l.	OS	100%
Schoolhill S.à r.l.	OS	100%
26, Boulevard Royal, L-2449		
Eastspring Investments SICAV-FIS Africa Equity Fund	U	100%
39, Avenue John F. Kennedy, L-1855		
responsAbility Management Company S.A. (In liquidation)	OS	80%
42-44, Avenue de la Gare L-1610		
BauMont General Partner S.à r.l.	OS	100%
BauMont Real Estate SEG SCSp	LPI	100%
BauMont General Partner Two S.à r.l.	OS	100%
BauMont Real Estate Two SCSp (Luxembourg) SICAV-RAIF	U	47%
BauMont SEG GP S.à r.l	OS	100%
49, Avenue J.F. Kennedy, L–1855 Luxembourg		
M&G (Lux) Sustainable Solutions Bond Fund	U	77%
51 Avenue J.F. Kennedy, L-1855		
M&G SFF (CIP GP) S.à r.l.	OS	100%
M&G SFF (GP) S.à r.l.	OS	100%
M&G SFF 2 (CIP GP) S.à r.l.	OS	100%
M&G SFF 2 (GP) S.à r.l.	OS	100%
5, Allée Scheffer 2520		
Amundi MSCI Brazil UCITS ETF Acc	U	35%
Namibia		
Unit 3, 2nd Floor, Ausspann Plaza, Dr Agostinho Neto Road, Private Bag 12012, Ausspannplatz, Windhoek		
MandG Investments (Namibia) (Pty) Limited	OS	75%
MandG Investments Unit Trusts (Namibia) Limited	OS	100%
Peru		
Av. 28 de Julio 753, Miraflores, Provincia de Lima, 15074		
responsAbility America Latina SAC	OS	100%
Poland		
02-670 Warszawa, Pulawska 182		
Prudential Polska sp. z.o.o	OS	100%
Republic of Korea		
Kyobo Building, 1 Jongno, Jongno-gu, Seoul, 110-714		
M&G Real Estate Korea Co Limited	OS	100%
Twentieth floor, 136, Sejong-daero, Jung-gu, Seoul		
LB Professional Investors Private Real Estate Fund No. 10 (Centropolis)	U	25%
17th Floor, Kyobo Building, 1 Jongno, Seoul 110-714, Korea		
M&G Investments (Hong Kong) Limited - Korea branch (PE)	OS	100%
Singapore		
80 Robinson Road 2-00		
responsAbility Singapore Pte Limited	OS	100%
138 Market Street, CapitaGreen #35-01, 048946		
M&G Investments (Singapore) Pte Limited	OS	100%
M&G Real Estate Asia Holding Company Pte Limited	OS	67%
M&G Real Estate Asia Pte Limited	OS	100%
South Africa		
PO Box 44813, Claremont, Western Cape, Cape Town, 7735		
M&G Bond Fund	U	39%
M&G Pan African Bond Fund	U	100%
M&G SA Equity Fund	U	93%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Name of entity	Share class	% held
5th floor, Protea Place, Dreyer Street, Claremont, 7708		
MandG Investment Managers (Pty) Limited	OS	100%
MandG Investments Life South Africa (RF) Limited	OS	100%
MandG Investments Southern Africa (Pty) Limited	OS	50%
MandG Investments Unit Trusts South Africa (RF) Limited	OS	100%
M&G SA Balanced Fund	U	100%
M&G Global Property Feeder Fund	U	51%
M&G UK Gilt Fund	U	100%
M&G 2.5% Target Inc Fund	U	73%
Spain		
Calle Fortuny, 6 - 4 A, 28010, Madrid		
M&G RE Espana, 2016, S.L.	OS	100%
Sweden		
Sturegatan 6, 114 35 Stockholm		
P Capital Partners AB	OS	70%
Switzerland		
Zollstrasse 17, Zürich, ZH, 8005		
responsAbility Investments AG	OS	100%
responsAbility Ventures I Services AG (In liquidation)	OS	100%
Bahnhofstrasse 100, Zurich		
M&G International Investments Switzerland AG	OS	100%
Taiwan		
Floor.33 (Unit B-1), No.7, Sec.5, Road.Xinyi,110, Taipei		
M&G Investments (Taiwan) Limited	OS	100%
Thailand		
62 Thaniya BTS Building, Silom Road, Suriyawongse, Bangrak, Bangkok, 10500		
responsAbility (Thailand) Limited (In liquidation)	OS	100%
United Kingdom		
10 Fenchurch Avenue, London, EC3M 5AG		
Active Growth Logistics Partnership LP	LPI	50%
AGLP GP Limited	OS	50%
AGLP Nominee 1 Limited	OS	50%
AGLP Nominee 2 Limited	OS	50%
BWAT Retail Nominee (1) Limited	OS	50%
BWAT Retail Nominee (2) Limited	OS	50%
BauMont Real Estate Capital Limited	OS	65%
BREO Neptune GP LLP	LPI	100%
Canada Property Holdings Limited	OS	100%
Capacity (Dartford) Management Company Limited	OS	100%
Carraway Guildford General Partner Limited	OS	100%
Carraway Guildford Limited Partnership	LPI	100%
Condor F3 GP LLP	LPI	100%
Cribbs Causeway JV Limited	OS	100%
Cribbs Mall Nominee (1) Limited	OS	100%
Cribbs Mall Nominee (2) Limited	OS	100%
Digital Infrastructure Investment Partners GP LLP	LPI	65%
Digital Infrastructure Investment Partners GP1 Limited	OS	100%
Digital Infrastructure Investment Partners SLP GP1 Limited	OS	100%
Digital Infrastructure Investment Partners SLP GP2 Limited	OS	100%
Edger Investments Limited	OS	100%
EF IV Schoolhill GP Limited	OS	100%
Fundsdirect ISA Nominees Limited	OS	100%
Fundsdirect Nominees Limited	OS	100%
Genny GP 1 LLP	LPI	100%
Haymarket Hotel GP Limited	OS	100%
Haymarket Hotel LP	LPI	100%
ICP (Finch) GP 1 Limited	OS	100%
ICP (Finch) GP 2 Limited	OS	100%
ICP (Finch) GP LLP	LPI	100%
IFDL Personal Pensions Limited	OS	100%
Infracapital (Churchill) GP 1 Limited	OS	100%
Infracapital (Churchill) GP LLP	LPI	100%
Infracapital F1 GP2 Limited	OS	100%
Infracapital F2 GP Limited	OS	100%
Infracapital F2 GP1 Limited	OS	100%
Infracapital GP 1 LLP	LPI	100%
Infracapital GP Limited	OS	100%
Infracapital Greenfield Partners I GP Limited	OS	100%
Infracapital Greenfield Partners II Subholdings (Euro) GP LLP	LPI	100%
Infracapital Greenfield Partners II Subholdings (Sterling) GP LLP	LPI	100%
Infracapital Greenfield Partners II Subholdings GP1 Limited	OS	100%
Infracapital Greenfield Partners II Subholdings GP2 Limited	OS	100%
Infracapital Partners III Subholdings (Euro) GP LLP	LPI	100%
Infracapital Partners III Subholdings (Sterling) GP LLP	LPI	100%
Infracapital Partners III Subholdings GP1 Limited	OS	100%
Infracapital Partners III Subholdings GP2 Limited	OS	100%
Infracapital SLP Limited	OS	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Name of entity	Share class	% held
Investment Funds Direct Group Limited	OS	100%
Investment Funds Direct Holdings Limited	OS	100%
Investment Funds Direct Limited	OS	100%
M&G (ACS) BlackRock Canada Equity Fund	U	99%
M&G (ACS) BlackRock UK 200 Equity Fund	U	99%
M&G (ACS) BlackRock Japan Equity Fund	U	100%
M&G (ACS) BlackRock UK All Share Equity Fund	U	100%
M&G (ACS) Blackrock US Equity (2) Fund	U	100%
M&G (ACS) BlackRock US Equity Fund	U	99%
M&G (ACS) China Fund	U	98%
M&G (ACS) Earnest Partners US Small Cap Value Fund	U	99%
M&G (ACS) Granahan US Small Cap Growth Fund	U	99%
M&G (ACS) Japan Equity Fund	U	99%
M&G (ACS) Japan Smaller Companies Fund	U	100%
M&G (ACS) Manulife US Equity Fund	U	99%
M&G (ACS) Matthews China Equity Fund	U	98%
M&G (ACS) MFS US Large Cap Equity Fund	U	99%
M&G (ACS) UK Listed Equity Fund	U	97%
M&G (ACS) UK Listed Mid Cap Equity Fund	U	99%
M&G (ACS) William Blair US Large Cap Equity Fund	U	99%
M&G Advice Partners Limited	OS	100%
M&G Affordable Living GP Limited	OS	100%
M&G Alternatives GP1 Limited	OS	100%
M&G Alternatives GP2 Limited	OS	100%
M&G Alternatives Investment Management Limited	OS	100%
M&G Corporate Services Limited	OS	100%
M&G FA Limited	OS	100%
M&G Feeder of Property Portfolio	U	80%
M&G Financial Services Limited	OS	100%
M&G Fitzrovia GP Limited	OS	50%
M&G Fitzrovia Limited	OS	100%
M&G Fitzrovia Limited Partnership	LPI	50%
M&G Fitzrovia Nominee 1 Limited	OS	50%
M&G Fitzrovia Nominee 2 Limited	OS	50%
M&G Founders 1 Limited	OS	100%
M&G Funds (1) Artisan Part EMsights Market Debt	U	98%
M&G Funds (1) Asia Pacific (ex Japan) Equity Fund	U	96%
M&G Funds (1) Blackrock Asia Pacific (ex Japan) Equity Fund	U	100%
M&G Funds (1) Blackrock Emerging Markets Equity Fund	U	100%
M&G Funds (1) Franklin Templeton India Equity Fund	U	98%
M&G Funds (1) GSAM Global Emerging Markets Equity Fund	U	99%
M&G Funds (1) India Equity Fund	U	86%
M&G Funds (1) Lazard Emerging Market Debt Fund	U	97%
M&G Funds (1) Lazard Global Emerging Markets Equity Fund	U	99%
M&G Funds (1) Manulife China Bond Fund	U	97%
M&G Funds (1) MFS Global Emerging Markets Equity Fund	U	99%
M&G Funds (1) Sterling Investment Grade Corporate Bond Fund	U	90%
M&G Funds (1) UK Gilt Fund	U	100%
M&G Funds (1) US Corporate Bond Fund	U	99%
M&G Funds (1) US Short Duration Corporate Bond Fund	U	88%
M&G Funds (1) Wellington Impact Bond Fund	U	100%
M&G Group Limited	OS	100%
M&G IMPPP 1 Limited	OS	100%
M&G India Fund	U	96%
M&G International Investments Nominees Limited	OS	100%
M&G Investment Funds (1) - M&G European Sustain Paris Aligned Fund	U	68%
M&G Investment Funds (10) - M&G China Fund	U	74%
M&G Investment Funds (10) - M&G Global AI Themes Fund	U	86%
M&G Investment Funds (10) - M&G ESG Screened Global High Yield Bond Fund	U	53%
M&G Investment Funds (10) - M&G Positive Impact Fund	U	52%
M&G Investment Funds (2) - M&G Gilt & Fixed Interest Income Fund	U	49%
M&G Investment Funds (3) - M&G Dividend Fund	U	46%
M&G Investment Funds (7) - M&G Global Convertibles Fund	U	85%
M&G Investment Management Limited	OS	100%
M&G Investment Funds (4) - M&G Managed Growth Fund	U	20%
M&G Management Services Limited	OS	100%
M&G MFH General Partner Limited	OS	100%
M&G MFH Holding Company Limited	OS	100%
M&G MFH Limited Partnership	LPI	50%
M&G MFH Property Company Limited	OS	100%
M&G MFH RE Limited	OS	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Name of entity	Share class	% held
M&G Nominees Limited	OS	100%
M&G PFI 2018 GP1 Limited	OS	100%
M&G PFI 2018 GP2 Limited	OS	100%
M&G Platform Nominees Limited	OS	100%
M&G Property Portfolio	U	89%
M&G RE UKEV (GP1) LLP	LPI	100%
M&G RE UKEV 1 Limited	OS	100%
M&G Real Estate Limited	OS	100%
M&G RE UKEV 1-A LP	LPI	100%
M&G Real Estate UKEV (GP) LLP	LPI	100%
M&G RPF GP Limited	OS	100%
M&G RPF Nominee 1 Limited	OS	100%
M&G RPF Nominee 2 Limited	OS	100%
M&G Securities Limited	OS	100%
M&G Trustee Company Limited	OS	100%
M&G Affordable Living LP	LPI	52%
M&G UK Property GP Limited	OS	100%
M&G UK Property Nominee 1 Limited	OS	100%
M&G UK Property Nominee 2 Limited	OS	100%
M&G UK Social Investment GP LLP	LPI	100%
M&G UKEV (SLP) General Partner LLP	LPI	100%
M&G UKEV (SLP) LP	LPI	80%
M&G Wealth Advice Limited	OS	100%
M&G Wealth Holding Company Limited	OS	100%
M&G Wealth Investments LLP	OS	100%
M&G Wealth Solutions Limited	OS	100%
M&G Social Investment GP1 Limited	OS	100%
M&G Social Investment GP2 Limited	OS	100%
M&G UK Social Investment Partners LP	LPI	100%
Manchester JV Limited	OS	50%
Manchester Nominee (1) Limited	OS	100%
Minster Court Estate Management Limited	OS	56%
N16 Stratford Student OpCo Limited	OS	100%
Pacus (UK) Limited	OS	100%
PGDS (UK One) Limited	OS	100%
Pilot Peak Capital Limited	OS	100%
PPM Capital (Holdings) Limited	OS	100%
PPMC First Nominees Limited	OS	100%
Prudential Greenfield GP LLP	LPI	100%
Prudential Greenfield LP	LPI	100%
Prudential Greenfield GP1 Limited	OS	100%
Prudential Greenfield GP2 Limited	OS	100%
Property Partners (Two Rivers) Limited	OS	100%
Pru Limited	OS	100%
Prudence Limited	OS	100%
Prudential Corporate Pensions Trustee Limited	OS	100%

Name of entity	Share class	% held
Prudential Equity Release Mortgages Limited	OS	100%
Prudential Pensions Limited	OS	100%
Prudential Portfolio Management Group Limited	OS	100%
Prudential Real Estate Investments 1 Limited	OS	100%
Prudential Real Estate Investments 2 Limited	OS	100%
Prudential Real Estate Investments 3 Limited	OS	100%
Prudential Staff Pensions Limited	OS	100%
Prudential UK Real Estate General Partner Limited	OS	100%
Prudential UK Real Estate Limited Partnership	LPI	100%
Prudential UK Real Estate Nominee 1 Limited	OS	100%
Prudential UK Real Estate Nominee 2 Limited	OS	100%
Prudential Unit Trusts Limited	OS	100%
RD Park (Hoddesdon Phase 1) Management Company Limited	OS	64%
Selly Oak Shopping Park (General Partner) Limited	OS	100%
Selly Oak Shopping Park (Nominee 1) Limited	OS	100%
Selly Oak Shopping Park (Nominee 2) Limited	OS	100%
Selly Oak Shopping Park Limited Partnership	LPI	63%
Smithfield Limited	OS	100%
Stableview Limited	OS	100%
The Project Hoxton LP	LPI	100%
The Prudential Assurance Company Limited	OS	100%
Two Rivers LP	LPI	100%
Vanquish Properties (UK) Limited Partnership	LPI	100%
Wessex Gate Limited	OS	100%
Westwacker Limited	OS	100%
Wrap IFA Services Limited	OS	100%
19 Canning Street, Edinburgh, EH3 8EH		
BauMont Core Plus General Partner One LLP	LPI	100%
5 Central Way, Kildean Business Park, Stirling, FK8 1FT		
Prudential Distribution Limited	OS	100%
Prudential GP Limited	OS	100%
Prudential Lifetime Mortgages Limited	OS	100%
Prudential UK Services Limited	OS	100%
ScotAm Pension Trustees Limited	OS	100%
Scottish Amicable Life Assurance Society	OS	100%
50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ		
Digital Infrastructure Investment Partners SLP GP LLP	LPI	100%
Genny GP 2 Limited	OS	100%
Genny GP Limited	OS	100%
George Digital GP 1 LLP	LPI	100%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Name of entity	Share class	% held
George Digital GP 2 Limited	OS	100%
George Digital GP Limited	OS	100%
GGE GP Limited	OS	100%
Green GP Limited	OS	100%
ICP TRINITY GP1 LLP	LPI	100%
Infracapital (AIRI) GP Limited	OS	100%
Infracapital (Belmond) GP Limited	OS	100%
Infracapital (GC) GP Limited	OS	100%
Infracapital (Gigaclear) GP 1 Limited	OS	100%
Infracapital (Gigaclear) GP 2 Limited	OS	100%
Infracapital (Gigaclear) GP LLP	LPI	100%
Infracapital (IT PPP) GP Limited	OS	100%
Infracapital (Leo) GP Limited	OS	100%
Infracapital (Novos) GP Limited (In liquidation)	OS	100%
Infracapital (Sense) GP Limited	OS	100%
Infracapital (TLSB) GP Limited	OS	100%
Infracapital DF II GP LLP	LPI	100%
Infracapital DF II Limited	OS	100%
Infracapital Employee Feeder GP 1 LLP	LPI	100%
Infracapital Employee Feeder GP Limited	OS	100%
Infracapital Greenfield DF GP LLP	LPI	100%
Infracapital Greenfield Partners 1 SLP GP1 Limited	OS	100%
Infracapital Greenfield Partners 1 SLP GP2 Limited	OS	100%
Infracapital Greenfield Partners I Employee Feeder LP	LPI	100%
Infracapital Greenfield Partners I SLP EF GP LLP	LPI	100%
Infracapital Greenfield Partners I SLP LP	LPI	100%
Infracapital Greenfield Partners I SLP2 LP	LPI	100%
Infracapital Greenfield Partners I Subholdings GP Limited	OS	100%
Infracapital Partners II Subholdings GP Limited	OS	100%
Infracapital Partners IV Subholdings GP LLP	LPI	100%
Infracapital Partners IV Subholdings GP1 Limited	OS	100%
Infracapital Partners IV Subholdings GP2 Limited	OS	100%
Infracapital Partners IV Subholdings Nominee Limited	OS	100%
Infracapital Partners IV Subholdings SLP LP	LPI	100%
Infracapital SLP II LP	LPI	100%
Kestrel F4 GP LLP	LPI	100%
London Fenchurch Employee Feeder F4 SP LP	LPI	100%
London Fenchurch F4 Employee Feeder SP GP LLP	LPI	100%
London Fenchurch GP1 Limited	OS	100%
London Fenchurch GP2 Limited	OS	100%
London Fenchurch SLP LP	LPI	100%
London Green Investments II SLP GP1 Limited	OS	100%
London Green Investments II SLP GP2 Limited	OS	100%
London Green Investments II SLP1 Employee Feeder GP LLP	LPI	100%
London Green Investments II SLP2 GP Limited	OS	100%
London Stone Investments F3 Employee Feeder GP LLP	LPI	100%
London Stone Investments F3 I Limited	OS	100%
London Stone Investments F3 II Limited	OS	100%
London Stone Investments F3 SP GP LLP	LPI	100%
M&G Alternatives GP LLP	LPI	100%
M&G Black Seed GP LLP	LPI	100%
M&G PFI 2018 GP LLP	LPI	100%
M&G PFI Carry Partnership 2016 LP	LPI	100%
M&G Real Estate UK Enhanced Value LP	LPI	50%
M&G Catalyst Sustainable Agriculture GP LLP	LPI	100%
M&G Catalyst Sustainable Agriculture GP Member No.1 Limited	OS	100%
M&G Catalyst Sustainable Agriculture GP Member No.2 Limited	OS	100%
M&G MFH Carry Limited Partnership	LPI	100%
M&G MFH Carry General Partner Limited	OS	100%
M&G MFH Feeder Limited Partnership	LPI	100%
M&G MFH Feeder General Partner Limited	OS	100%
Merlin D5 GP LLP	LPI	100%
Mole GP LLP	LPI	100%
Mole GP1 Limited	OS	100%
Mole GP2 Limited	OS	100%
Ox GP1 Limited	OS	100%
Ox GP LLP	LPI	100%
PPM Managers GP Limited	OS	100%
PPM Managers Partnership CI VII (A) LP	LPI	100%
Rads Omega Limited	OS	100%
Rads Gamma Limited	OS	100%
The First British Fixed Trust Company Limited	OS	100%
Barratt House, Cartwright Way, Bardon Hill, Coalville, LE67 1UF		
Optimus Point Management Company Limited	OS	52%

Notes to the consolidated financial statements continued

39 Related undertakings (continued)

Name of entity	Share class	% held
Berkeley House, 19 Portsmouth Road, Surrey, KT11 1JG		
SEH Manager Limited	OS	100%
SEH Nominee Limited	OS	100%
SEH Partnership Freeholds Limited	OS	100%
SES Partnership Freeholds Limited	OS	50%
SES Manager Limited	OS	50%
SES Nominee Limited	OS	100%
St Edward Homes Limited	OS	50%
St Edward Homes Partnership	LPI	50%
St Edward Strand Partnership	LPI	100%
Clearwater Court, Vastern Road, Reading, RG1 8DB		
Foudry Properties Limited	OS	50%
First Floor, 85 Great Portland Street, London, W1W 7LT		
Aqua GP LLP	LPI	100%
Dudok GP LLP	LPI	100%
Dudok GP1 Limited	OS	100%
Dudok GP2 Limited	OS	100%
Infracapital Greenfield Partners I LP	LPI	22%
Infracapital Partners LP	LPI	34%
Infracapital Partners II LP	LPI	26%
Pesca GP LLP	LPI	100%
Radler GP LLP	LPI	100%
First Floor, Boundary House, 91-93 Charterhouse Street, London, EC1M 6HR		
Innisfree M&G PPP LLP	LPI	35%
Falcon House, Eagle Road, Plymouth, Devon, PL7 5JY		
My Continuum Wealth Limited	OS	100%
Continuum (Financial Services) LLP	LPI	100%
3rd Floor,Central Square,29 Wellington Street, Leeds, LS1 4DL		
WS Prudential Risk Managed Active 2	U	21%
WS Prudential Risk Managed Active 3	U	22%
WS Prudential Risk Managed Active 4	U	31%
WS Prudential Risk Managed Active 5	U	29%
WS Prudential Risk Managed Passive Fund 1	U	39%
Management Offices, The Mall at Cribbs Causeway, Bristol, BS34 5DG		
Cribbs Causeway Merchants Association Limited	OS	20%
Kings Place, 90 York Way, London, N1 9GE		
Highcross Leicester (GP) Limited	OS	50%
Prydis Accounts Ltd, The Parade, Liskeard, Cornwall, England, PL14 6AF		
My Continuum Financial Limited	OS	100%
My Continuum Financial Nominee Limited	OS	100%
The Media Centre, 7 Northumberland Street, Huddersfield, HD1 1RL		
Sandringham Financial Partners Limited	OS	100%
York House, 45 Seymour Street, London, W1H 7LX		
Fort Kinnaird GP Limited	OS	50%
Fort Kinnaird Limited Partnership	LPI	100%
Fort Kinnaird Nominee Limited	OS	100%
100 Victoria Street, London, SW1E 5JL		
Bluewater REIT	U	25%
United States of America		
7 St. Paul Street Suite 820 Baltimore Md 21202		
NAPI REIT TRS, Inc	OS	100%
14006 Riverside Dr Ste 17 Sherman Oaks, CA, 91423-1944		
Sherman Oaks Fashion Associates LP	LPI	50%
559 Pacific Avenue, San Francisco, CA 94133		
Sky Fund V Onshore LP	LPI	26%
Sky Fund VI Onshore LP	LPI	22%
Garden State Plz Mall, Routes 4 & 17, Paramus, NJ 07652		
Westland Garden State Plaza Limited Partnership	LPI	50%
1209 Orange Street, Wilmington, DE 19801		
Aldwych LP	LPI	100%
Fashion Square ECO LP	LPI	50%
GSP Sponsor 1 LP	LPI	50%
SMLLC	LPI	100%
251 Little Falls Drive, Wilmington, DE 19801		
GSP Sponsor 2 LP	LPI	50%
GSP Sponsor 3 LP	LPI	50%
GSP Sponsor 4 LP	LPI	50%
Nuveen Real Estate Medical Office (Sidecar LP)	LPI	100%
2711 Centerville Road, Suite 400, Wilmington, DE 19808		
Old Kingsway LP	LPI	100%
Randolph Street LP	LPI	100%
SOFA Holding LP	LPI	100%
30 South Wacker Drive, Suite 3750, Chicago, IL 60606		
M&G Investments (USA) Inc.	OS	100%
M&G Investments (Americas) Inc.	OS	100%
300 Atlantic Street, Suite 600, Stamford, CT 06901		
HCR Canary Fund LP	LPI	99%
300 East Lombard Street, Baltimore, Maryland		
NAPI REIT, Inc.	OS	99%
874 Walker Road, Suite C, Dover, DE 19904		
PPM America Private Equity Fund III LP	LPI	50%
PPM America Private Equity Fund IV LP	LPI	50%
PPM America Private Equity Fund V LP	LPI	50%
PPM America Private Equity Fund VI LP	LPI	40%
2049 Century Park East, 42nd Floor, Los Angeles, CA 90067		
GSP Mixed Use JV 2	LPI	100%
GSP Mixed Use JV 3	LPI	100%
GSP Mixed Use JV 4	LPI	100%

Company financial statements

Company statement of financial position

As at 31 December	Notes	2025 £m	2024 £m
Assets			
Non-current assets			
Investment in subsidiaries	A	**9,679**	9,678
Deferred tax assets	B	**132**	136
Total non-current assets		**9,811**	9,814
Current assets			
Loans	C	**533**	519
Current tax assets	B	**26**	8
Accrued investment income and other debtors	D	**19**	19
Cash and cash equivalents	E	**34**	12
Total current assets		**612**	558
Total assets		**10,423**	10,372
Equity			
Share capital	F	**121**	120
Share premium	F	**391**	383
Capital redemption reserve		**11**	11
Shares held by employee benefit trust	G	**(41)**	(9)
Treasury shares	G	**(6)**	(6)
Equity-settled share-based payment reserve		**102**	88
Retained earnings			
Brought forward retained earnings		**6,527**	6,285
Profit for the year		**579**	714
Other movements in retained earnings		**(461)**	(472)
Total retained earnings		**6,645**	6,527
Total equity		**7,223**	7,114
Liabilities			
Non-current liabilities			
Subordinated liabilities and other borrowings	H	**3,118**	3,176
Provisions	I	**7**	7
Accruals, deferred income and other liabilities	J	**—**	1
Total non-current liabilities		**3,125**	3,184
Current liabilities			
Accruals, deferred income and other liabilities	J	**75**	74
Total current liabilities		**75**	74
Total liabilities		**3,200**	3,258
Total equity and liabilities		**10,423**	10,372

The Notes on pages 316 to 322 are an integral part of these financial statements.

The financial statements on pages 314 to 322 were approved by the Board and signed on its behalf, by the following Directors on 11 March 2026:

Andrea Rossi
Group Chief Executive Officer

Kathryn McLeland
Chief Financial Officer

Company financial statements continued

Company statement of changes in equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Shares held by employee benefit trust £m	Treasury shares £m	Equity-settled share-based payment reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2025	**120**	**383**	**11**	**(9)**	**(6)**	**88**	**6,527**	**7,114**
Profit for the year	—	—	—	—	—	—	**579**	**579**
Total comprehensive income for the year	—	—	—	—	—	—	**579**	**579**
Dividends paid to equity holders of M&G plc	—	—	—	—	—	—	**(482)**	**(482)**
Proceeds from shares issued to settle employee share option schemes	**1**	**8**	—	—	—	—	—	**9**
Shares distributed by employee trusts or from treasury shares	—	—	—	**16**	—	—	**(16)**	—
Exercised employee share-based payments	—	—	—	—	—	**(34)**	**34**	—
Expense recognised in respect of share-based payments	—	—	—	—	—	**47**	—	**47**
Shares issued to, acquired by or transferred to employee trusts	—	—	—	**(48)**	—	—	—	**(48)**
Tax effect of items recognised directly in equity	—	—	—	—	—	**1**	**3**	**4**
Net increase/(decrease) in equity	**1**	**8**	—	**(32)**	—	**14**	**118**	**109**
As at 31 December 2025	**121**	**391**	**11**	**(41)**	**(6)**	**102**	**6,645**	**7,223**

	Share capital £m	Share premium £m	Capital redemption reserve £m	Shares held by employee benefit trust £m	Treasury shares £m	Equity-settled share-based payment reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2024	119	379	11	(26)	(21)	81	6,285	6,828
Profit for the year	—	—	—	—	—	—	714	714
Total comprehensive income for the year	—	—	—	—	—	—	714	714
Dividends paid to equity holders of M&G plc	—	—	—	—	—	—	(468)	(468)
Proceeds from shares issued to settle employee share option schemes	—	4	—	—	—	—	—	4
Shares distributed by employee trusts or from treasury shares	—	—	—	37	—	—	(37)	—
Exercised employee share-based payments	—	—	—	—	—	(33)	33	—
Expense recognised in respect of share-based payments	—	—	—	—	—	40	—	40
Shares issued to, acquired by or transferred to employee trusts	1	—	—	(20)	15	—	—	(4)
Net increase/(decrease) in equity	1	4	—	17	15	7	242	286
As at 31 December 2024	120	383	11	(9)	(6)	88	6,527	7,114

The Notes on pages 316 to 322 are an integral part of these financial statements.

Notes to the Company financial statements

Basis of preparation and accounting policies

(a) Basis of preparation

These separate financial statements for the year ended 31 December 2025 have been prepared in accordance with UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and Part 15 of the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared on a going concern basis under the historical cost basis and are presented rounded to the nearest million pounds sterling, see Note 1 of the Group financial statements for information of the Directors' assessment of the going concern basis.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- statement of compliance with IFRS
- outstanding shares comparative
- requirement for minimum of two primary statements, including statement of cash flows
- additional comparative information
- capital management disclosures
- statement of cash flows
- financial instruments disclosure
- effect of IFRSs issued but not effective
- related party transactions with wholly-owned subsidiaries
- presentation of a third statement of financial position

The Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its own income statement in these financial statements. The auditors' remuneration for audit and other services is disclosed in Note 9 of the Group financial statements. During the year, the Company had two (2024: two) employees.

(b) Judgements in applying accounting policies and sources of estimation uncertainty

A full list of the Company's material accounting policies is provided in Section (c) of this Note below.

The preparation of these financial statements require management to apply judgement in relation to certain accounting policies. In addition, management have to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses arising during the year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The area which required management to apply critical accounting estimates and assumptions which were material to the financial statements is as follows:

Financial statement area	Key estimate and assumptions	Accounting policy	Note
Impairment of investment in subsidiaries	When assessing impairment of subsidiaries where indicators of impairment exist the carrying value is compared to the recoverable amount, which is the higher of fair value less cost of disposal and value in use. The determination of the recoverable amount, especially in relation to the value in use calculation requires the use of various assumptions that can have a material impact on the calculation.	(c) (ii)	A

(c) Material accounting policies

(i) Dividend income

Dividend income from investments is recognised when the right to receive payments has been established.

Basis of preparation and accounting policies (continued)

(ii) Investment in subsidiaries

Investment in subsidiaries is stated at cost less, where appropriate, allowances for impairment. Investments are reviewed annually to assess whether there are indicators of impairment. Where indicators of impairment exist, the carrying value of the investment in the subsidiary is compared against its recoverable amount, which is the higher of the fair value less cost to sell or the value in use, with any resulting impairment recorded in the income statement.

Investment in subsidiaries under common control transactions which are acquired as part of a group reorganisation are recorded at fair value of the consideration received, which is deemed to be the cost at the point of initial recognition. Any gains and losses arising on disposal of subsidiaries are recorded in profit or loss.

(iii) Financial instruments

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at fair value plus, for financial instruments not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Classification and measurement

Financial instruments are classified and measured at either amortised cost or FVTPL.

Financial instruments measured at amortised cost

Financial instruments are held at amortised cost if both of the following conditions are met:

- the instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and;
- the contractual terms of the instrument give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

Note 1.5.5 of the Group financial statements provides further details on these conditions.

Financial instruments measured at FVTPL

All financial instruments held by the Company that do not meet the criteria for being measured at amortised cost, or are mandatorily required to be measured at fair value under IFRS 9, are measured at FVTPL. This includes instruments that are held for trading or are part of a portfolio that is managed on a fair value basis.

Subsequent measurement

After initial measurement, loans, cash and cash equivalents, accrued investment income and other debtors and subordinated liabilities and other borrowings are all measured at amortised cost, using the Effective Interest Rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial instruments at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the income statement.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial instruments subsequent to their initial recognition, apart from the exceptional circumstances in which there has been a change in business model. The Company's accounting policy for derecognition mirrors the Group's which is outlined in Notes 1.5.5(ix)-(x) of the Group financial statements.

Impairment of financial assets

Impairment losses on financial assets measured at amortised cost are measured using an expected credit loss impairment model. Impairment losses representing the expected credit loss in the next 12 months are recognised unless there has been a significant increase in credit risk from initial recognition, in which case, lifetime expected losses are recognised. Where relevant, the Company makes use of the exemption available for financial instruments with low credit risk, for which, an assessment of a significant increase in credit risk is not required.

Further detail on the Company's accounting policies for cash and cash equivalents and subordinated liabilities and other borrowings are provided in (iv) and (x).

(iv) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand with an original maturity date of 90 days or less. Cash and cash equivalents are initially recognised at fair value and subsequently carried at amortised cost using the Effective Interest Rate (EIR) method and are subject to the impairment requirements of IFRS 9.

Basis of preparation and accounting policies (continued)

(v) Tax

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. Current tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or other comprehensive income.

Deferred tax

Deferred taxes are provided under the liability method for all relevant temporary differences. IAS 12 'Income Taxes' does not require all temporary differences to be provided for, in particular, the Company does not provide for deferred tax on undistributed earnings of subsidiaries where the Company is able to control the timing of the distribution and the temporary difference created is not expected to reverse in the foreseeable future. Deferred tax assets are only recognised when it is more likely than not that future taxable profits will be available against which these losses can be utilised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period.

(vi) Share capital and share premium

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Shares are classified as equity when their terms do not create an obligation to transfer assets. The nominal value of shares issued is recorded in share capital.

Where the consideration received from the issue or sale of existing shares exceeds the nominal value recorded in share capital, the difference is recorded in share premium. Share premium is recorded net of share issue costs.

(vii) Treasury shares

Where the Company purchases its own share capital, the consideration paid, including any attributable transaction costs, is shown as a deduction from total shareholders' equity.

(viii) Capital redemption reserve

The capital redemption reserve arises from the cancellation of shares following the Company' share buy-back programme in 2022.

(ix) Dividends

Dividends are recognised when the obligation becomes certain, ie when the dividend is no longer at the discretion of the Company. In the case of interim dividends, this occurs when the dividends are paid. For final dividends, this occurs when they are recommended by the Board and approved by shareholders.

(x) Subordinated liabilities and other borrowings

Subordinated liabilities include loan notes issued by the Company which are classified as financial liabilities as they have a fixed repayment date and do not represent a residual interest in the net assets of the Company on liquidation. The notes rank junior to all other liabilities of the Company in the event of liquidation, but above share capital.

Subordinated liabilities are initially recognised at fair value, net of transaction costs and are subsequently accounted for on an amortised cost basis using the effective interest method. Under the effective interest method, the difference between the redemption value and the initial value at recognition is amortised through the income statement to the expected date of maturity.

(xi) Share-based payments

All share-based payments made to employees for services rendered are measured based on the fair value of the equity instrument granted. The fair value takes into account the impact of market-based vesting conditions and non-vesting conditions, but excludes any impact of non-market-based vesting conditions. The related share-based payment expense is recognised over the vesting period. The fair value is determined using an option pricing model such as Black-Scholes, where appropriate, taking into account the terms and conditions of the award.

For equity-settled share-based payments, the fair value of service rendered is based on the fair value of the equity instrument at grant date which is not remeasured subsequently. The share-based payment expense is based on the number of equity instruments expected to vest over the vesting period, with the corresponding entry to equity.

For cash-settled share-based payments, the fair value of service rendered is based on the fair value of the related liability to the equity instrument granted. The fair value equity instrument granted is remeasured at each reporting date with any changes recognised in the share-based payment expense for the period.

A cancellation of an award without the grant of a replacement equity instrument is accounted for as an acceleration of vesting. Accordingly, any share-based payment expense that would have been recognised over the remaining vesting period is recognised immediately.

On vesting or exercise, the difference between the expense charged to the income statement and the actual cost to the Company is transferred to retained earnings.

Notes to the Company financial statements continued

Basis of preparation and accounting policies (continued)

(xii) Provisions and contingent assets and liabilities

Provisions are recognised on the statement of financial position when the Company has a present legal or constructive obligation resulting from a past event, it is probable that a loss will be made in settling the obligation and the amounts can be estimated reliably.

Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are discounted and represent the present value of the expected expenditure where the effect of the time value of money is material.

Contingent liabilities are possible obligations of the Company where the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised on the statement of financial position, unless they are assumed by the Company as part of a business combination. Contingent liabilities are however disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and is recognised as a liability.

Contingent assets which are possible benefits to the Company are only disclosed if it is probable that the Company will receive the benefit. If such a benefit becomes virtually certain, it is no longer considered contingent and is recognised on the statement of financial position as an asset.

Notes to the Company financial statements continued

A. Investment in subsidiaries

As at 31 December	2025 £m	Restated[i] 2024 £m
Cost		
At 1 January	**10,865**	10,696
Capital contribution into subsidiaries	**1**	173
Disposal of subsidiaries	**(56)**	(1)
Return of capital	**—**	(3)
At 31 December	**10,810**	10,865
Impairment		
At 1 January	**(1,187)**	(1,073)
Impairment of subsidiaries	**—**	(115)
Disposal of impaired subsidiaries	**56**	1
At 31 December	**(1,131)**	(1,187)
Net book amount	**9,679**	9,678

i The opening cost and impairment values at 1 January 2024, and as a result the closing values at 31 December 2024, have been updated to reflect the transfer of a subsidiary to another group company in a prior year. There is no impact on net book value.

(i) Direct subsidiaries

The direct subsidiaries of the Company as at 31 December 2025 are listed below:

Company name	Country of incorporation or registration	Nature of business	% held
M&G Corporate Holdings Limited	United Kingdom	Holding company	100%
M&G Group Regulated Entity Holding Company Limited	United Kingdom	Holding company	100%
Prudential Capital Public Limited Company	United Kingdom	Service company	100%
Prudential Financial Services Limited	United Kingdom	Holding company	100%

Details of the Company's related undertakings are given in Note 39 of the Group financial statements.

(ii) Capital contributions

The Capital contributions arising from share-based payments to employees of subsidiaries £1m (2024: £1m).

Additionally, on 14 March 2024 the Company increased its investment in Prudential Financial Services Limited through the purchase of 172,000,000 £1 ordinary shares for cash consideration of £172m.

(iii) Disposals and return of capital

On 27 March 2025 the Company derecognised its fully impaired investment in Prudential Capital Holding Company Limited following the liquidation of the company. On 25 May 2024 the Company derecognised its fully impaired investment in Prudential Property Services Limited following the winding up of the company.

On 19 December 2024 the Company received a £3m return of capital from its subsidiary M&G Corporate Holdings Limited.

(iv) Impairment

M&G Group Regulated Entity Holding Company Limited (M&GGREH) is a key subsidiary of the Company and acts as the main holding entity for the Group's regulated businesses. The investment in M&GGREH was assessed for impairment as at 31 December 2025 by comparing its recoverable amount with the carrying value.

The recoverable amount for M&GGREH was based on its fair value less cost of disposal derived from the enterprise value of the Company, adjusted for central costs that a market participant would be able to remove on acquisition and the fair value of other non-operating subsidiaries. The fair value of the Company was based on the aggregate of the market capitalisation at balance sheet date and the nominal value of the subordinated debt in issuance. The key input used in the valuation was the spot price of the Company at 31 December 2025, which is observable. A 10% reduction in the spot share price would result in the recoverable value of M&GGREH reducing by £683m.

In the prior year, the recoverable amount for M&GGREH was based on the value in use of operating subsidiaries.

Based on the results of the assessment, no impairment was recognised during the year ended 31 December 2025 (2024: no impairment recognised).

No impairment was recognised in relation to any other of the Company's subsidiaries (2024: £115m impairment of Prudential Financial Services Limited).

Notes to the Company financial statements continued

B. Tax

(i) Deferred tax assets and liabilities

Under IAS 12, deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period Deferred tax assets are recognised to the extent that they are regarded as recoverable, that is to the extent that, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted or tax losses utilised. Deferred tax assets and liabilities are only offset when there is both a legal right to set off and an intention to settle on a net basis.

Deferred tax in the statement of financial position

The table below shows movements on deferred tax assets during the year:

For the year ended 31 December	2025 £m	2024 £m
As at 1 January	**136**	138
Income statement	**(5)**	(1)
Equity and other comprehensive income	**1**	(1)
As at 31 December	**132**	136

Of the £132m (2024: £136m) deferred tax assets at 31 December 2025, £63m (2024: £69m) relates to short-term timing differences arising on the subordinated notes and £63m (2024: £63m) on tax losses carried forward. The remaining £6m (2024: £4m) relates to the deferred tax asset on share-based compensation.

Unrecognised deferred tax

Retained earnings of overseas subsidiaries are expected to be re-invested indefinitely or remitted to the UK free from further taxation by virtue of Parent Company exemptions on dividends from subsidiaries and on capital gains on disposal. Consequently, the Company does not consider there to be any significant taxable temporary differences associated with investments in subsidiaries, branches, associates and joint arrangements.

(ii) Current tax

For the year ended 31 December	2025 £m	2024 £m
Net corporation tax asset as at 1 January	**8**	2
Income statement	**61**	62
Corporation tax paid	**(43)**	(56)
Net corporation tax asset as at 31 December	**26**	8

Net current tax assets at 31 December 2025 were £26m (2024: £8m) and are expected to be settled within 12 months.

C. Loans

As at 31 December 2025 the Company had provided loans to Prudential Capital plc, a direct subsidiary of the Company, of £533m (2024: £519m) which are repayable on demand. Accrued interest as at 31 December 2025 was £1m (2024: £1m) and is presented within Accrued investment income and other debtors.

D. Accrued investment income and other debtors

As at 31 December	2025 £m	2024 £m
Amounts owed by Group undertakings	**15**	17
Other	**4**	2
Total accrued investment income and other debtors	**19**	19
Analysed as:		
Expected to be settled within one year	**1**	2
No contractual maturity	**18**	17
Total accrued investment income and other debtors	**19**	19

Amounts owed by Group undertakings are unsecured, interest free and are repayable upon demand with no fixed date of repayment, with the exception of accrued interest due on loans provided to Prudential Capital plc totalling £1m (2024: £1m).

Notes to the Company financial statements continued

E. Cash and cash equivalents

As at 31 December	2025 £m	2024 £m
Cash	**34**	12
Total cash and cash equivalents	**34**	12

F. Share capital and share premium

Details of the Company's share capital and share premium are given in Note 21 of the Group financial statements.

Details of the dividends paid on the ordinary shares by the Company are in Note 12 of the Group financial statements with information regarding the second interim dividend declared by the Directors for the year ended 31 December 2025.

G. Shares held by employee benefit trusts and other treasury shares

Details of the Company's shares held by trusts and other treasury shares are given in Note 22 of the Group financial statements.

H. Subordinated liabilities and other borrowings

Details of the Company's subordinated liabilities are given in Note 26.1 of the Group financial statements. The Company has access to revolving credit facilities totalling £1.2bn (2024: £1.5bn) which remained undrawn as at 31 December 2025 and 31 December 2024. Further details are given in Note 26.2 of the Group financial statements.

I. Provisions

As at 31 December	2025 £m	2024 £m
Staff benefits	**7**	7
Total provisions	**7**	7

J. Accruals, deferred income and other liabilities

As at 31 December	2025 £m	2024 £m
Amounts owed to Group undertakings	**36**	32
Accrued interest on subordinated debt	**33**	33
Other	**6**	10
Total accruals, deferred income and other liabilities	**75**	75
Analysed as:		
Expected to be settled within one year	**39**	42
Expected to be settled after one year	**—**	1
No contractual maturity	**36**	32
Total accruals, deferred income and other liabilities	**75**	75

Amounts owed to Group undertakings are unsecured, interest free and are repayable upon demand with no fixed date of repayment.

K. Related party transactions

The Directors and key management personnel of the Company are considered to be the same as for the Group. See Note 35 of the Group financial statements for further information.

There were no other related party transactions in the years ended 31 December 2025 and 31 December 2024 other than those noted in Note A, Note C, Note D and Note J of the Company financial statements.

L. Contingencies and related obligations

Details of the Company's contingencies and related obligations are given in Note 33 of the Group financial statements.

Intra-group capital support arrangements

The Company and PAC have put in place intra-group arrangements to formalise circumstances in which capital support would be made available by the Company. While the Company considers it unlikely that such support will be required, the arrangements are intended to provide additional comfort to PAC and its policyholders.

M. Share-based payments

Details of the Company's share-based payments are given in Note 37 of the Group financial statements.

Supplementary information

S.1 Alternative performance measures

Overview of the Group's key performance measures

The Group measures its financial performance using a number of key performance measures (KPMs). The Group also uses a number of alternative performance measures (APM), which are most commonly derived from the financial statements prepared in accordance with the IFRS financial reporting framework or the Solvency II requirements, but are not defined under IFRS or Solvency II. The APMs are used to complement and not to substitute the disclosures prepared in accordance with IFRS and Solvency II, and provide additional information on the long-term performance of the Group.

A list of the APMs used by the Group along with their definitions and how they can be reconciled to the nearest IFRS or Solvency II measure, where applicable, is provided in the table below.

All information included in this section does not form part of the independent audit performed by the external auditor.

The Group's KPMs are summarised below, along with which of these measures are considered APMs by the Group.

Key performance measure	Type	Definition
Assets under management and administration (AUMA)	APM, KPM	Closing AUMA represents the total market value of all assets managed, administered or advised on behalf of clients at the end of each financial period and is a key indicator of the scale of the business. Assets managed by the Group include those managed on behalf of our institutional and wholesale clients. Assets administered by the Group include assets for which we provide investment management services, in addition to assets we administer where the client has elected to invest in a third party investment manager. Assets under advice are advisory portfolios where clients receive investment recommendations such as strategic asset allocation and model portfolios but retain discretion over executing the advice. AUMA includes assets recognised on the consolidated statement of financial position, together with certain assets managed and/or administered by the Group belonging to external clients not included within the consolidated statement of financial position and, as a result, this measure is not directly reconcilable to the financial statements.
Net flows from open business	APM, KPM	Net flows from open business consists of net client flows from Asset Management, PruFund, Shareholder annuities and the elements of Other Life which are open to new business. It excludes net flows from our Traditional with-profits business, platform and certain elements of Other Life closed to new business.
Adjusted operating profit before tax	APM, KPM	Adjusted operating profit (AOP) before tax is one of the Group's non-GAAP alternative performance measures, which complements the IFRS GAAP measures and is useful as it allows a deeper understanding of the Group's performance over time. It is therefore key to decision-making and the internal performance management of our operating segments. Certain adjustments that are considered to be non-recurring or strategic, or due to short-term movements not reflective of longer-term performance are made to the IFRS result before tax to determine adjusted operating profit before tax. Adjustments are in respect of short-term fluctuations in investment returns, mismatches arising on the application of IFRS 17, costs associated with fundamental Group-wide restructuring and transformation, profits or losses arising on business and corporate transactions, impairment and amortisation in respect of acquired intangible assets, and, where relevant, profit/(loss) from discontinued operations. Included in AOP before tax are the results of the intercompany buy-in transaction executed between the trustees of M&G Group Pension Scheme (M&GGPS) and PAC which are eliminated from the IFRS result before tax on consolidation. AOP before tax for the Life segment does not include the impact of any margins on investment management fee earned by other Group entities and these are recognised in the Asset Management segment as they emerge. The AOP methodology is described in Note 3.2, along with a reconciliation of AOP before tax to IFRS result after tax.

Supplementary information continued

S.1 Alternative performance measures (continued)

Key performance measure	Type	Definition
Operating change in Contractual Service Margin (CSM)	APM, KPM	Operating change in CSM represents changes resulting from new business, interest accretion, experience changes and release of CSM but excludes the impact of short-term market movements, mismatches arising on the application of IFRS 17 and restructuring costs. The impact on these items also includes the intercompany buy-in transaction, consistent with AOP. For the Variable Fee Approach business, operating change in CSM does not include the variance between long-term expected returns and actual returns and the impact of the mismatch arising on the application of the General Measurement Model to the non-profit business written in the With-Profits Fund, similar to the methodology for AOP. The APM is a useful measure of economic value generated as it includes the impact of new business and management actions taken during the year, which are not included in AOP.
IFRS result after tax	KPM	IFRS result after tax demonstrates to our shareholders the financial performance of the Group during the relevant period on an IFRS basis.
Underlying capital generation	APM	For insurance entities and their underlying subsidiaries, underlying capital generation includes the expected Solvency II surplus capital generated from in-force business and the impact of writing new life insurance business. For non-insurance entities, underlying capital generation is based on adjusted operating profit before tax, with certain adjustments made in respect of items that do not reflect the underlying result. It also includes other items such as head office expenses and debt interest costs that contribute to the underlying capital position of the business.
Operating capital generation	APM, KPM	Operating capital generation is the total capital generation before tax, adjusted to exclude market movements relative to those expected under long-term assumptions and to remove other non-operating items, including shareholder restructuring and other costs. Management use this as an indicator on the longer-term components of the movements in the Group's surplus capital as it is less affected by short-term market volatility and non-recurring items as total capital generation.
Total capital generation	APM, KPM	Total capital generation measures the change in surplus capital during the period, before dividends and capital movements, and capital generated from discontinued operations. Management consider it to be integral to the running and monitoring of the business, our decisions on capital allocation and investment, and ultimately our dividend policy. Surplus capital is the amount by which eligible own funds exceed SCR under Solvency II.
Shareholder Solvency II coverage ratio	APM, KPM	Management focuses on a shareholder view of the Solvency II coverage ratio, which is considered to provide a more useful reflection of the capital strength of the Group. The shareholder view includes future with-profits shareholder transfers, but excludes the shareholders' share of the ring-fenced with-profits estate. The regulatory Solvency II capital position considers the Group's overall own funds and solvency capital requirement (SCR). The shareholder Solvency II coverage ratio is the ratio of own funds to SCR, excluding the contribution to own funds and SCR from the Group's ring-fenced With-Profits Fund. Own funds assume transitional measures on technical provisions which have been recalculated using management's estimate of the impact of operating and market conditions at the valuation date. Both the shareholder view and the regulatory view reflect eligible own funds, in line with the thresholds set by the regulator that set out how much capital of each tier can be used to demonstrate solvency.

Supplementary information continued

S.2 Adjusted operating profit before tax

(i) Reconciliation of adjusted operating profit/(loss) before tax by segment to IFRS profit/(loss) before tax

For the year ended 31 December	2025 £m	2024 £m
Asset Management	**280**	289
Life	**764**	746
Corporate Centre	**(206)**	(198)
Total segmented adjusted operating profit before tax	**838**	837
Short-term fluctuations in investment returns	**(164)**	(643)
Mismatches arising on application of IFRS 17	**(106)**	(333)
Amortisation and impairment of intangible assets acquired in business combinations	**(52)**	(115)
(Loss)/profit on disposal of business and corporate transactions	**(5)**	11
Restructuring costs and other	**(90)**	(106)
IFRS profit/(loss) before tax and non-controlling interests attributable to equity holders	**421**	(349)
IFRS profit before tax attributable to non-controlling interests	**18**	17
IFRS profit/(loss) before tax attributable to equity holders	**439**	(332)

(ii) Adjusted operating profit/(loss) before tax by segment and source

For the year ended 31 December	2025 £m	2024 £m
Fee-based revenue	**1,081**	1,043
Asset Management operating expenses	**(805)**	(774)
Investment return	**22**	36
Adjusted operating profit attributable to non-controlling interests	**(18)**	(16)
Total Asset Management	**280**	289
With-profits: PruFund	**265**	226
With-profits: traditional	**258**	222
Shareholder annuities	**283**	308
Other Life	**(42)**	(10)
Total Life	**764**	746
Corporate Centre	**(206)**	(198)
Adjusted operating profit before tax	**838**	837

Adjusted operating profit before tax arising from with-profits business is further analysed below:

	2025		2024	
For the year ended 31 December	PruFund £m	Traditional £m	PruFund £m	Traditional £m
CSM release[i]	**243**	**231**	221	198
Expected return on excess assets	**10**	**31**	18	36
Other	**12**	**(4)**	(13)	(12)
With-profits	**265**	**258**	226	222

i The CSM release for the with-profits business is included on an expected basis, calculated as the CSM at start of the period updated to reflect long-term expected investment returns, including the CSM generated on expected new business over the period, multiplied by the expected amortisation factor for the period.

Supplementary information continued

S.2 Adjusted operating profit before tax (continued)

(ii) Adjusted operating profit/(loss) before tax by segment and source (continued)

Adjusted operating profit before tax arising from shareholder annuities is further analysed in the table below:

For the year ended 31 December	2025 £m	2024 £m
CSM release	**121**	113
Expected return on excess assets	**124**	147
Risk adjustment unwind	**19**	21
Asset trading and portfolio management actions	**35**	—
Experience variances	**(19)**	2
Other provisions and reserves	**3**	25
Shareholder annuities	**283**	308

S.3 Operating change in Contractual Service Margin (CSM)

The CSM balances split by line of business disclosed in Note 24 include the CSM attributable to policyholders arising from non-profit annuities written in the With-Profits Fund and the CSM in respect of M&G Group Limited (MGG) future profits from the management of PAC assets that arises on consolidation of the Group entities. The change during the year in the CSM attributable to policyholders and the CSM from the MGG future profits from the management of PAC assets is not included in operating change in CSM and is included in non-operating and other changes in the CSM.

The CSM arising on the underlying products based on the actual investment management charges applied to the policies and excluding the CSM attributable to policyholders is shown in the tables below.

The amortisation factor for the CSM each year is applied to the CSM in the table. Operating change in CSM and reconciliation to total CSM is further analysed in the tables below:

For the year ended 31 December	With-profits: PruFund 2025 £m	With-profits: traditional 2025 £m	Shareholder annuities 2025 £m	Other Life 2025 £m	Total (before policyholder and group adjustments) 2025 £m	Policyholder and group adjustments 2025 £m	Total 2025 £m
Opening CSM	**1,771**	**1,588**	**1,380**	**175**	**4,914**	**1,119**	**6,033**
Interest accreted on the CSM	**—**	**—**	**38**	**6**	**44**	**—**	**44**
Expected real-world return	**302**	**259**	**—**	**—**	**561**	**—**	**561**
Release of CSM to adjusted operating profit	**(243)**	**(231)**	**(121)**	**(17)**	**(612)**	**—**	**(612)**
New business	**111**	**—**	**23**	**10**	**144**	**—**	**144**
Assumption changes and variances	**15**	**(25)**	**117**	**2**	**109**	**—**	**109**
Operating change in CSM	**185**	**3**	**57**	**1**	**246**	**—**	**246**
Market and other impacts[i]	**156**	**156**	**(33)**	**19**	**298**	**186**	**484**
Release of CSM to non-operating	**(11)**	**(26)**	**—**	**(6)**	**(43)**	**(131)**	**(174)**
Non-operating and other changes in CSM	**145**	**130**	**(33)**	**13**	**255**	**55**	**310**
Closing CSM	**2,101**	**1,721**	**1,404**	**189**	**5,415**	**1,174**	**6,589**

Supplementary information continued

S.3 Operating change in Contractual Service Margin (CSM) (continued)

For the year ended 31 December	With-profits: PruFund 2024 £m	With-profits: traditional 2024 £m	Shareholder annuities 2024 £m	Other Life 2024 £m	Total (before policyholder and group adjustments) 2024 £m	Policyholder and group adjustments 2024 £m	Total 2024 £m
Opening CSM	1,721	1,342	1,221	187	4,471	1,012	5,483
Interest accreted on the CSM	—	—	37	7	44	—	44
Expected real-world return	320	272	—	—	592	—	592
Release of CSM to adjusted operating profit	(221)	(198)	(113)	(17)	(549)	—	(549)
New business	71	—	17	12	100	—	100
Assumption changes and variances	(71)	(51)	231	(2)	107	—	107
Operating change in CSM	99	23	172	—	294	—	294
Market and other impacts[i]	(32)	244	(13)	(6)	193	231	424
Release of CSM to non-operating	(17)	(21)	—	(6)	(44)	(124)	(168)
Non-operating and other changes in CSM	(49)	223	(13)	(12)	149	107	256
Closing CSM	1,771	1,588	1,380	175	4,914	1,119	6,033

i Market and other impacts includes measurement mismatches relating to accounting for reinsurance contracts. Note, 2024 also includes £144m reallocation from With-profits PruFund to Traditional due to a refinement of the CSM across the two sub-segments.

S.4 Assets under management and administration (AUMA) and net client flows

(i) Net client flows

For the year ended 31 December	Net flows from open business 2025 £bn	Net flows from open business 2024 £bn	Net flows other 2025 £bn	Net flows other 2024 £bn	Total net client flows 2025 £bn	Total net client flows 2024 £bn
Institutional Asset Management	**4.0**	(0.9)	**—**	—	**4.0**	(0.9)
Wholesale Asset Management	**3.0**	—	**—**	—	**3.0**	—
Other Asset Management	**—**	—	**—**	—	**—**	—
Asset Management[iii]	**7.0**	(0.9)	**—**	—	**7.0**	(0.9)
With-profits: PruFund	**(0.2)**	(0.9)	**—**	—	**(0.2)**	(0.9)
With-profits: traditional	**–**	–	**(5.4)**	(4.8)	**(5.4)**	(4.8)
Shareholder annuities	**0.4**	(0.2)	**–**	–	**0.4**	(0.2)
Other Life	**0.6**	0.1	**(4.0)**	(2.8)	**(3.4)**	(2.7)
Total Life	**0.8**	(1.0)	**(9.4)**	(7.6)	**(8.6)**	(8.6)
Corporate assets	**—**	—	**—**	—	**—**	—
Total	**7.8**	(1.9)	**(9.4)**	(7.6)	**(1.6)**	(9.5)

Supplementary information continued

S.4 Assets under management and administration (AUMA) and net client flows (continued)

(ii) Detailed AUMA and net client flows

	2025					
For the year ended 31 December	As at 1 January £bn	Gross inflows £bn	Gross outflows £bn	Net client flows £bn	Market / Other movements £bn	As at 31 December £bn
Institutional Asset Management	**96.1**	**18.3**	**(14.3)**	**4.0**	**8.9**	**109.0**
Wholesale Asset Management	**62.8**	**20.3**	**(17.3)**	**3.0**	**7.4**	**73.2**
Other Asset Management	**0.9**	**—**	**—**	**—**	**(0.2)**	**0.7**
Asset Management	**159.8**	**38.6**	**(31.6)**	**7.0**	**16.1**	**182.9**
With-profits: PruFund	**64.0**	**6.4**	**(6.6)**	**(0.2)**	**6.0**	**69.8**
With-profits: traditional[i]	**61.6**	**0.2**	**(5.6)**	**(5.4)**	**8.4**	**64.6**
Shareholder annuities	**15.1**	**1.5**	**(1.1)**	**0.4**	**0.6**	**16.1**
Other Life[i]	**44.4**	**2.9**	**(6.3)**	**(3.4)**	**0.7**	**41.7**
Life[ii]	**185.1**	**11.0**	**(19.6)**	**(8.6)**	**15.7**	**192.2**
Corporate assets	**1.0**	**—**	**—**	**—**	**(0.2)**	**0.8**
Total[iii]	**345.9**	**49.6**	**(51.2)**	**(1.6)**	**31.6**	**375.9**

	2024					
For the year ended 31 December	As at 1 January £bn	Gross inflows £bn	Gross outflows £bn	Net client flows £bn	Market / Other movements £bn	As at 31 December £bn
Institutional Asset Management	98.2	12.7	(13.6)	(0.9)	(1.2)	96.1
Wholesale Asset Management	55.0	17.7	(17.7)	—	7.8	62.8
Other Asset Management	1.0	—	—	—	(0.1)	0.9
Asset Management	154.2	30.4	(31.3)	(0.9)	6.5	159.8
With-profits: PruFund	61.2	5.6	(6.5)	(0.9)	3.7	64.0
With-profits: traditional	65.0	0.2	(5.0)	(4.8)	1.4	61.6
Shareholder annuities	15.8	0.9	(1.1)	(0.2)	(0.5)	15.1
Other Life	46.0	3.6	(6.3)	(2.7)	1.1	44.4
Life[ii]	188.0	10.3	(18.9)	(8.6)	5.7	185.1
Corporate assets	1.3	—	—	—	(0.3)	1.0
Total[iii]	343.5	40.7	(50.2)	(9.5)	11.9	345.9

i £2.8 bn AUMA previously in Other Life is presented in With-profits: traditional from 1 January 2025 better reflecting the nature of the business.

ii £162.3bn of AUMA of Life is managed internally by the Group's Asset Management business (2024: £156.1bn). 2024 includes £3.6bn net transfers to Asset Management.

iii £20.9bn of total AUMA relates to assets under advice (2024: £18.0bn).

Supplementary information continued

S.4 Assets under management and administration (AUMA) and net client flows (continued)

(iii) AUMA by asset class

For the year ended 31 December	2025 On-balance sheet AUMA[i] With-profits £bn	Unit-linked £bn	Shareholder backed annuities & other long-term business £bn	Corporate assets £bn	Total on-balance sheet £bn	2025 External AUMA Wholesale £bn	Institutional £bn	Total external £bn	2025 Total Total AUMA £bn
Investment property	8.7	0.1	0.5	—	9.3	—	15.5	15.5	24.8
Reinsurance contract assets	—	0.1	1.3	—	1.4	—	—	—	1.4
Equity securities and pooled investment funds	83.8	12.4	0.1	0.1	96.4	43.8	17.0	60.8	157.2
Loans	0.4	—	1.2	—	1.6	—	8.9	8.9	10.5
Debt securities	30.2	0.7	13.3	0.8	45.0	28.0	63.2	91.2	136.2
of which Corporate	17.7	0.3	8.8	0.8	27.6	14.5	36.2	50.7	78.3
of which Government	11.7	0.4	4.0	—	16.1	13.4	9.5	22.9	39.0
of which ABS	0.8	—	0.5	—	1.3	0.1	17.5	17.6	18.9
Derivatives[ii]	0.2	—	(1.3)	(0.1)	(1.2)	0.1	(0.5)	(0.4)	(1.6)
Deposits[iii]	9.4	1.2	1.2	—	11.8	—	—	—	11.8
Cash and cash equivalents	0.7	0.2	0.5	0.6	2.0	1.3	4.9	6.2	8.2
Other	1.0	0.1	0.2	0.1	1.4	—	—	—	1.4
Other AUMA									26.0
Total[iv]	134.4	14.8	17.0	1.5	167.7	73.2	109.0	182.2	375.9

For the year ended 31 December	2024 On-balance sheet AUMA[i] With-profits £bn	Unit-linked £bn	Shareholder backed annuities & other long-term business £bn	Corporate assets £bn	Total on-balance sheet £bn	2024 External AUMA Wholesale £bn	Institutional £bn	Total external £bn	2024 Total Total AUMA £bn
Investment property	8.7	—	0.6	—	9.3	0.1	15.0	15.1	24.4
Reinsurance contract assets	—	0.1	1.2	—	1.3	—	—	—	1.3
Equity securities and pooled investment funds	77.8	11.4	0.1	0.1	89.4	34.9	13.2	48.1	137.5
Loans	0.5	—	1.2	—	1.7	—	8.4	8.4	10.1
Debt Securities	31.9	2.5	12.1	0.8	47.3	26.4	55.4	81.8	129.1
of which: Corporate	19.0	1.5	8.4	0.8	29.7	14.2	34.6	48.8	78.5
of which: Government	12.1	1.0	3.2	—	16.3	12.9	9.3	22.2	38.5
of which: ABS	0.8	—	0.5	—	1.3	(0.7)	11.5	10.8	12.1
Derivatives[ii]	(0.7)	—	(1.4)	(0.1)	(2.2)	(0.1)	(0.6)	(0.7)	(2.9)
Deposits[iii]	8.2	1.2	1.5	—	10.9	—	—	—	10.9
Cash and cash equivalents	0.8	0.1	0.5	0.8	2.2	1.5	4.7	6.2	8.4
Other	1.1	0.1	0.2	0.3	1.7	—	—	—	1.7
Other AUMA									25.4
Total[iv]	128.3	15.4	16.0	1.9	161.6	62.8	96.1	158.9	345.9

Supplementary information continued

S.4 Assets under management and administration (AUMA) and net client flows (continued)

i On-balance sheet AUMA does not include the effect of the consolidation of funds which are controlled by the Group and therefore differs from the presentation of the line of business split of the consolidated statement of financial position in Note 32.1.

ii Derivative assets are shown net of derivative liabilities.

iii Deposits are shown net of unsettled reverse repos.

iv Included in total AUMA of £375.9bn (2024: £345.9bn) is £20.9bn (2024: £18.0bn) of assets under advice.

(iv) AUMA by geography

For the year ended 31 December	2025 £bn	2024 £bn
UK	**261.7**	250.2
Rest of Europe	**80.9**	67.9
Asia-Pacific	**15.3**	14.1
Middle East and Africa	**13.8**	11.0
Americas	**4.2**	2.7
Total AUMA[i]	**375.9**	345.9

i £20.9bn of total AUMA relates to assets under advice (2024: £18.0bn).

S.5 Solvency II capital position

Solvency II overview

The Group is supervised as an insurance group by the Prudential Regulation Authority (PRA). Individual insurance undertakings within the Group are also subject to the supervision of the PRA (or other supervisory authorities) on a solo basis under the Solvency II regime.

The Solvency II surplus represents the aggregated capital (own funds) held by the Group less the Solvency Capital Requirement (SCR). Own funds is the Solvency II measure of capital available to meet losses, and is based on the assets less liabilities of the Group, subject to certain restrictions and adjustments. Available own funds reflect all capital available to the Group and eligible own funds are net of restrictions applied in line with the thresholds set by the regulator that limit the amount of each tier of capital that can be used to demonstrate solvency. The SCR is calculated using the Group's Internal Model, which calculates the SCR as the 99.5th percentile (or 1-in-200) worst outcome over the coming year, out of 100,000 equally likely scenarios, allowing for the dependency between the risks the business is exposed to.

Estimated reconciliation of IFRS shareholders' equity to Group Solvency II own funds

As at 31 December	2025 £bn	2024 £bn
IFRS shareholders' equity	**3.2**	3.3
Deduct goodwill and intangible assets	**(1.5)**	(1.4)
Net impact of valuing policyholder liabilities and reinsurance assets on Solvency II basis	**13.7**	12.4
Impact of introducing Solvency II risk margin (net of transitional measures)	**(0.4)**	(0.3)
Impact of measuring assets and liabilities in line with Solvency II principles	**0.9**	1.0
Other	**0.1**	(0.1)
Solvency II excess of assets over liabilities	**16.0**	14.9
Subordinated debt capital	**2.5**	2.5
Ring-fenced fund restrictions	**(7.1)**	(5.8)
Solvency II eligible own funds	**11.4**	11.6

S.5 Solvency II capital position (continued)

The key items in the reconciliation are explained below:

- Goodwill and intangible assets: these assets are not recognised under Solvency II as they are not readily available to meet emerging losses.
- Policyholder liability and reinsurance asset valuation differences: there are significant differences in the valuation of technical provisions between IFRS 17 and Solvency II. One of the key drivers of the difference between IFRS shareholders' equity and Solvency II eligible own funds is the requirement to hold a CSM and risk adjustment under IFRS 17; these are removed under Solvency II. In addition, IFRS 17 captures the shareholder share of surplus assets on the With-Profits Fund in shareholder equity whereas 100% of with-profits surplus assets are captured in Solvency II excess of assets over liabilities, however this is subsequently restricted by the ring-fenced fund restrictions. These are partially offset by differences in the liability discount rate; the IFRS 17 discount rate includes an illiquidity premium whereas Solvency II uses a risk-free rate for with-profits business and applies a matching adjustment for annuity business.
- Solvency II risk margin (net of transitional measures): the risk margin is a significant component of technical provisions required to be held under Solvency II. These additional requirements are partially mitigated by transitional measures which allow the impact to be gradually introduced over a period of 16 years from the introduction of Solvency II on 1 January 2016.

Estimated reconciliation of IFRS shareholders' equity to Group Solvency II own funds (continued)

- Subordinated debt capital: subordinated debt is treated as a liability in the IFRS financial statements and in determining the excess of assets over liabilities in the Solvency II balance sheet. However, for Solvency II own funds, the debt can be treated as capital.
- Ring-fenced fund restrictions: any excess of the own funds over the solvency capital requirement from the With-Profits Fund is restricted as these amounts are not available to meet losses elsewhere in the Group.

Composition of own funds

The Group's total estimated own funds are analysed by Tier as follows:

As at 31 December	2025 £bn	2024 £bn
Tier 1 (unrestricted)	**8.4**	8.6
Tier 2	**2.5**	2.5
Tier 3	**0.5**	0.5
Total eligible own funds	**11.4**	11.6

The Group's Tier 2 capital consists of subordinated debt instruments. The terms of these instruments allow them to be treated as capital for the purposes of Solvency II. The instruments were originally issued by Prudential plc, and subsequently substituted to the Parent Company, as permitted under the terms and conditions of each applicable instrument, prior to demerger. The details of the Group's subordinated liabilities are shown in Note 26. The Solvency II value of the debt differs to the IFRS carrying value due to a different basis of measurement on the respective balance sheets.

The Group's Tier 3 capital of £0.5bn (2024: £0.5bn) relates to deferred tax asset balances.

There are limits, prescribed by the regulator, on the amount of different types of own funds that can be used to demonstrate solvency. While the capital remains available to the Group, where the sum of capital classed as Tier 2 and Tier 3 exceeds 50% of the regulatory Group Solvency Capital Requirement, own funds must be restricted by this amount to determine eligible own funds. At 31 December 2025 and 31 December 2024 the sum of capital classed as Tier 2 and Tier 3 has not breached the limit and there is no eligible own funds restriction.

Estimated shareholder view of the Solvency II capital position

The Group focuses on a shareholder view of the Solvency II capital position, which is considered to provide a more relevant reflection of the capital strength of the Group.

The estimated Shareholder Solvency II capital position for the Group is shown below:

As at 31 December	2025 £bn	2024 £bn
Shareholder Solvency II eligible own funds	**8.5**	8.5
Shareholder Solvency II SCR[i]	**(3.5)**	(3.8)
Solvency II surplus	**5.0**	4.7
Shareholder Solvency II coverage ratio[ii]	**242%**	223%

i Included in the SCR at 31 December 2025 is an amount of £175m (2024: £175m) held in respect of any potential future legislative change which would impact our residential ground rent portfolio.

ii Shareholder Solvency II coverage ratio has been calculated using unrounded figures.

Supplementary information continued

S.5 Solvency II capital position (continued)

The Group's Shareholder Solvency II capital position excludes the contribution to own funds and SCR from the ring-fenced With-Profits Fund. Further information on the ring-fenced With-Profits Fund's capital position is provided in the 'Estimated With-Profits Fund view of the Solvency II capital position' section below. In accordance with the Solvency II requirements, these results include:

- A Solvency Capital Requirement which has been calculated using the Group's Internal Model.
- Transitional measures, which are recalculated as at the valuation date, using management's estimate of the impact of operating and market conditions.
- A matching adjustment for non-profit annuities, based on approval from the PRA.
- M&G Group Limited and other undertakings carrying out financial activities consolidated under local sectoral or notional sectoral capital requirements.

Breakdown of the Shareholder Solvency II SCR by risk type

The shareholder undiversified capital requirement is presented by risk type below.

As at December	2025 £bn	2024 £bn
Equity	**1.5**	1.6
Property	**0.6**	0.7
Interest rate	**0.3**	0.3
Credit	**1.2**	1.3
Currency	**1.1**	1.0
Longevity	**1.0**	1.0
Lapse	**0.5**	0.5
Operational and expense	**2.1**	2.1
Sectoral[i]	**0.5**	0.5
Total undiversified	**8.8**	9.0
Diversification, deferred tax and other	**(5.3)**	(5.2)
Shareholder SCR	**3.5**	3.8

i Includes entities included within the Group's Solvency II capital position on a sectoral or notional sectoral basis, the most material of which is M&G Group Limited.

Sensitivity analysis of the Group's Solvency II surplus and Shareholder Solvency II coverage ratio

The estimated sensitivity of the Group's Shareholder Solvency II coverage ratio to significant changes in market conditions are shown below. All sensitivities are presented after an assumed recalculation of transitional measures on technical provisions and recalculation of the eligible own funds restriction. The sensitivity results demonstrate the effect of an instantaneous change in a key assumption while other assumptions remain unchanged. In reality, changes may occur over a period of time and there may be a correlation between the risks.

	2025		2024	
For the year ended 31 December	Surplus £bn	Shareholder coverage ratio %	Surplus £bn	Shareholder coverage ratio %
Base (as reported)	**5.0**	**242%**	4.7	223%
20% instantaneous fall in equity markets	**4.5**	**238%**	4.1	212%
20% instantaneous fall in property markets	**4.7**	**232%**	4.3	214%
50bp reduction in interest rates	**5.0**	**238%**	4.7	219%
100bp widening in credit spreads	**4.8**	**239%**	4.6	220%
20% credit asset downgrade[i]	**4.8**	**237%**	4.6	219%

i Average impact of one full letter downgrade across 20% of assets exposed to credit risk.

Estimated With-Profits Fund view of the Solvency II capital position

The With-Profits Fund view of the Solvency II capital position represents the standalone capital strength of the Group's ring-fenced With-Profits Fund. This view of Solvency II capital takes into account the assets, liabilities, and risk exposures within the ring-fenced With-Profits Fund, which includes the With-Profits Sub-Fund (WPSF) and Defined Charge Participating Sub-Fund (DCPSF).

Supplementary information continued

S.5 Solvency II capital position (continued)

The estimated Solvency II capital position for the Group under the With-Profits Fund view is shown below:

As at 31 December	2025 £bn	2024 £bn
With-Profits Fund Solvency II own funds	**10.0**	8.9
With-Profits Fund Solvency II SCR	**(2.9)**	(3.1)
With-Profits Fund Solvency II surplus	**7.1**	5.8
With-Profits Fund Solvency II coverage ratio[i]	**342%**	284%

i With-Profits Fund Solvency II coverage ratio has been calculated using unrounded figures.

Estimated regulatory view of the Solvency II capital position

The estimated Solvency II capital position for the Group under the regulatory view is shown below:

As at 31 December	2025 £bn	2024 £bn
Solvency II eligible own funds	**11.4**	11.6
Solvency II SCR	**(6.4)**	(6.9)
Solvency II surplus	**5.0**	4.7
Solvency II coverage ratio[i]	**178%**	168%

i Solvency II coverage ratio has been calculated using unrounded figures.

The results include transitional measures, which are recalculated as at the valuation date, using management's estimate of the impact of operating and market conditions.

S.6 Capital generation

The level of surplus capital is an important financial consideration for the Group. Capital generation measures the change in surplus capital during the reporting period, and is therefore considered a key measure for the Group. It is integral to the running and monitoring of the business, capital allocation and investment decisions, and ultimately the Group's dividend policy.

The overall change in Solvency II surplus capital over the period is analysed as follows:

Total capital generation is the total change in Solvency II surplus capital before dividends and capital movements, and capital generated from discontinued operations. As set out in the overview of the Solvency II capital position, as at 31 December 2025 and 31 December 2024 there is no restriction to eligible own funds as the sum of Tier 2 and Tier 3 capital does not exceed the threshold set by the regulator.

Operating capital generation is total capital generation before tax, adjusted to exclude market movements relative to those expected under long-term assumptions and to remove other non-operating items, including shareholder restructuring and other costs as defined under adjusted operating profit before tax. It has two components:

- Underlying capital generation, which includes: the underlying expected surplus capital from the in-force life insurance business; the change in surplus capital as a result of writing new life insurance business; the adjusted operating profit before tax and associated regulatory capital movements from Asset Management; and other items, including head office expenses and debt interest costs.
- Other operating capital generation, which includes non-market related experience variances, assumption changes, modelling changes and other movements.

Dividends and capital movements primarily represent external dividends paid to shareholders, the impact of any share buy-back programme and changes to the capital structure of the Group, such as issuing or repaying debt instruments. Also included within capital movements are the Solvency II impact of the Group's share-based payment awards over and above the amount expensed in respect of those awards, and the surplus utilised or generated from transactions relating to the acquisition of business as defined by IFRS.

Supplementary information continued

S.6 Capital generation (continued)

The expected surplus capital from the in-force life insurance business is calculated on the assumption of real-world investment returns, which are determined by reference to the risk-free rate plus a risk premium based on the mix of assets held for the relevant business. For with-profits business, the assumed average return was 6.2% for the year ended 31 December 2025 (2024: 6.8%). For annuity business, the assumed average return on assets backing capital was 5.2% for the year ended 31 December 2025 (2024: 5.6%).

The Group's capital generation results in respect of the years ended 31 December 2025 and 31 December 2024 are shown below alongside a reconciliation of the total movement in the Group's Solvency II surplus. The reconciliation is presented showing the impact on the Shareholder Solvency II own funds and SCR, which excludes the contribution to own funds and SCR from the Group's ring-fenced With-Profits Fund. The Shareholder Solvency II capital position, and how this reconciles to the regulatory capital position, is described in detail in the previous section of this supplementary information.

	Asset Management		Life		Corporate Centre		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
For the year ended 31 December	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Underlying capital generation	**275**	261	**478**	616	**(224)**	(233)	**529**	644
Other operating capital generation	**29**	51	**200**	233	**7**	5	**236**	289
Operating capital generation	**304**	312	**678**	849	**(217)**	(228)	**765**	933
Market movements							**49**	(59)
Restructuring and other							**(127)**	(135)
Tax							**146**	153
Eligible own funds restriction reversal							**—**	216
Total capital generation							**833**	1,108

Supplementary information continued

S.6 Capital generation (continued)

For the year ended 31 December		2025 Own funds[i] £m	2025 SCR[i] £m	2025 Surplus £m	2024 Own funds[i] £m	2024 SCR[i] £m	2024 Surplus £m
Asset Management	Asset Management	**258**	**17**	**275**	254	7	261
	Asset Management underlying capital generation	**258**	**17**	**275**	254	7	261
Life	With-profits: PruFund	**311**	**(77)**	**234**	292	(53)	239
	In-force	**210**	**41**	**251**	217	47	264
	New business	**101**	**(118)**	**(17)**	75	(100)	(25)
	With-profits: traditional	**153**	**21**	**174**	158	32	190
	Shareholder annuities	**193**	**(101)**	**92**	215	(18)	197
	Other	**(26)**	**4**	**(22)**	(8)	(2)	(10)
	Life underlying capital generation	**631**	**(153)**	**478**	657	(41)	616
Corporate Centre	Interest & head office cost	**(236)**	**12**	**(224)**	(235)	2	(233)
Underlying capital generation		**653**	**(124)**	**529**	676	(32)	644
	Asset Management	**16**	**13**	**29**	21	30	51
	Life	**(64)**	**264**	**200**	12	221	233
	Corporate Centre	**3**	**4**	**7**	(7)	12	5
Other operating capital generation		**(45)**	**281**	**236**	26	263	289
Operating capital generation		**608**	**157**	**765**	702	231	933
	Market movements	**(32)**	**81**	**49**	(281)	222	(59)
	Restructuring and other	**(111)**	**(16)**	**(127)**	(160)	25	(135)
	Tax	**67**	**79**	**146**	44	109	153
	Eligible own funds restriction	**—**	**—**	**—**	216	—	216
Total capital generation		**532**	**301**	**833**	521	587	1,108
Dividends and capital movements		**(557)**	**—**	**(557)**	(924)	—	(924)
Total (decrease)/increase in Solvency II surplus		**(25)**	**301**	**276**	(403)	587	184

i Own funds and SCR movements shown as per the Shareholder Solvency II capital position, and do not include the own funds and SCR in respect of the ring-fenced With-Profits Fund.

Supplementary information continued

S.7 Financial ratios

Included in this section are details of how some of the financial ratios used to help analyse the performance of the Asset Management business are calculated.

(i) Cost-to-income ratio

Cost-to-income ratio is a measure of cost efficiency which analyses costs as a percentage of revenue.

For the year ended 31 December	2025 £m	2024 £m
Total Asset Management operating expenses	**805**	774
Adjustment for revaluations[i]	**(5)**	(4)
Total Asset Management adjusted costs	**800**	770
Total Asset Management fee-based revenue	**1,081**	1,043
Less: Performance fees and carried interest[ii]	**(15)**	(35)
Total Asset Management underlying fee-based revenues	**1,066**	1,008
Cost-to-income ratio	**75%**	76%

i Reflects the revaluation of provisions relating to performance based awards that are linked to underlying fund performance. M&G Group hold units in the underlying funds to hedge the exposure on these awards.

ii Performance fees are net of the corresponding performance-related remuneration payable under Asset Management employee incentive schemes.

(ii) Average revenue margin

This represents the average fee revenue yield on fee business and demonstrates the margin being earned on the assets we manage or administer.

	2025			2024		
For the year ended 31 December	Average AUMA[i] £bn	Revenue £m	Revenue margin[ii] bps	Average AUMA[i] £bn	Revenue £m	Revenue margin[ii] bps
Institutional Asset Management	**101**	**383**	**38**	97	368	38
Wholesale Asset Management	**67**	**370**	**55**	57	316	56
Internal	**157**	**313**	**20**	160	324	20
Total Asset Management	**325**	**1,066**	**33**	314	1,008	32

i Average AUMA represents the average total market value of all financial assets managed and administered on behalf of clients during the financial period. Average AUMA is calculated using a 13-point average of monthly closing AUMA for full-year periods.

ii Revenue margin is calculated by annualising underlying fee-based revenues earned, which excludes performance fees, in the period divided by average AUMA for the period. Fee margin relates to the total margin for internal and external revenue.

Supplementary information continued

S.8 Credit risk

The Group's exposure to credit risk primarily arises from the annuity portfolio, which hold substantial volumes of public and private fixed income investments on which a certain level of defaults and downgrades are expected.

Exposure to credit risk also arises on the shareholders' share of the excess assets in the With-Profits Fund.

While the with-profits and unit-linked funds have large holdings of assets subject to credit risk, the shareholder results of the Group are not directly exposed to credit defaults on assets held in these components of business. However, the shareholder is indirectly exposed to credit risk from these components of business in relation to the future value of shareholder transfers from with-profits business and charges levied on unit-linked and asset management business. The direct exposure of the Group's shareholders' equity to credit default risk in the Other component is small in the context of the Group.

Credit risk is managed through a robust credit and counterparty framework which includes: policies, standards, appetite statements, limits and triggers (including relevant governance and controls); investment constraints and limits on the asset portfolios, in relation to credit rating, seniority, sector and issuer, and counterparties in particular for derivatives, reinsurance and cash; and a robust credit rating process.

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Exposure of debt securities by sector

The exposure of annuities and other long-term business to debt securities is analysed below by sector:

As at 31 December	2025 £m	2024 £m
Government	**4,109**	3,311
Real Estate	**2,915**	2,805
of which residential	**1,707**	1,634
of which commercial	**1,208**	1,171
Financial	**2,491**	2,627
Utilities	**1,738**	1,551
Industrial	**420**	424
Consumer	**490**	414
Communications	**365**	312
Other	**847**	735
Total	**13,375**	12,179

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Shareholder information

M&G plc maintains a corporate website containing a wide range of information relevant for private and institutional investors, including the Company's financial calendar: group.mandg.com

Annual General Meeting

M&G plc's Annual General Meeting (AGM) is expected to be held at our offices at 10 Fenchurch Avenue, London, EC3M 5AG on 30 April 2026 at 10:30am. A poll will be called on all resolutions and the voting results, including all proxies lodged prior to the meeting, will be subsequently published on the Company's website. Full details will be included in the AGM Notice.

In accordance with relevant legislation, shareholders holding 5% or more of the fully paid up issued share capital are able to require the Directors to hold a general meeting. Written shareholder requests should be addressed to the General Counsel and Company Secretary at the registered office.

Documents on display

The terms and conditions of all Directors' appointments are available for inspection at the Company's registered office during normal business hours and at the AGM. Inspection of these documents may also be undertaken virtually. Please email Group Secretariat at GroupSecretariat@mandg.com if you wish to view any of these documents and arrangements will be made with you.

Company constitution

M&G plc is governed by the Companies Act 2006, other applicable legislation and regulations, and provisions in its Articles of Association (Articles) which are available on the Company's website. The Company's Articles state that the Board may appoint Directors but that those Directors are required to offer themselves up for re-election annually at the AGM. The Articles can only be amended with shareholder approval.

Electronic communications

Shareholders are encouraged to elect to receive shareholder documents electronically by registering with Shareview at www.shareview.co.uk. Shareholders who have registered will be sent an email notification whenever shareholder documents are available on the Company's website and a link will be provided to that information. When registering, shareholders will need their shareholder reference number which can be found on their share certificate or other correspondence from the Company.

Please contact Equiniti if you require any assistance or further information.

Share dealing services

The Company's registrar, Equiniti, offer a postal dealing facility for buying and selling M&G plc ordinary shares; please see the Equiniti address below. They also offer a telephone and internet dealing service, Shareview, which provides a simple and convenient way of selling M&G plc shares. For telephone sales, call +44 (0)345 603 7037 between 08:00 and 16:30, Monday to Friday, and for internet sales log on to: www.shareview.co.uk/dealing.

ShareGift

Shareholders who have only a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating them to ShareGift (Registered Charity 1052686).

The relevant share transfer form may be obtained from Equiniti.

Further information about ShareGift may be obtained on +44 (0)20 7930 3737 or from www.ShareGift.org.

Shareholder enquiries

For enquiries about shareholdings, including dividends and lost share certificates, please contact the Company's registrar:

Registrar

M&G plc's share register is managed and administered by Equiniti.

Online

www.shareview.co.uk

By post

Equiniti Limited, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH UK

By telephone

Tel +44 (0)371 384 2543

Lines are open from 08:30 to 17:30 (UK), Monday to Friday.

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Disclaimer on forward-looking statements

This document may contain certain 'forward-looking statements' with respect to M&G plc (M&G) and its affiliates (the Group), its plans, its current goals and expectations relating to future financial condition, performance, results, operating environment, strategy and objectives. Statements that are not historical facts, including statements about M&G's beliefs and expectations and including, without limitation, statements containing the words 'may', 'will', 'could', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks', 'outlook' and 'anticipates', and words of similar meaning, are forward-looking statements. These statements are based on plans, estimates and projections which are current as at the time they are made, and therefore persons reading this announcement are cautioned against placing undue reliance on forward-looking statements. By their nature, forward-looking statements involve inherent assumptions, risk and uncertainty, as they generally relate to future events and circumstances that may not be entirely within M&G's control. A number of factors could cause M&G's actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. Such factors include, but are not limited to: changes in domestic and global political, economic and business conditions; market-related conditions and risk, including fluctuations in interest rates and exchange rates, the potential for a sustained low-interest rate environment, corporate liquidity risk and the future trading value of the shares of M&G; investment portfolio-related risks, such as the performance of financial markets generally; legal, regulatory and policy developments, such as, for example, new government initiatives and regulatory measures, including those addressing climate change and broader sustainability-related issues, and broader development of reporting standards; the impact of competition, economic uncertainty, inflation and deflation; the effect on M&G's business and results from, in particular, mortality and morbidity trends, longevity assumptions, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; the impact of internal projects and other strategic actions, such as transformation programmes, failing to meet their objectives; changes in environmental, social and geopolitical risks and incidents, pandemics and similar events beyond the Group's control; the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change and broader sustainability-related issues effectively; the impact of operational risks, including risk associated with third-party arrangements, reliance on third-party distribution channels and disruption to the availability, confidentiality or integrity of M&G's IT systems (or those of its suppliers); the impact of changes in capital, solvency standards, accounting standards or relevant regulatory frameworks, and tax and other legislation and regulations in the jurisdictions in which the Group operates; and the impact of legal and regulatory actions, investigations and disputes. These and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. Any forward-looking statements contained in this document speak only as of the date on which they are made. M&G expressly disclaims any obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to the UK Prospectus Rules, the UK Listing Rules, the UK Disclosure and Transparency Rules, or other applicable laws and regulations. This report has been prepared for, and only for, the members of M&G, as a body, and no other persons. M&G, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed. Nothing in this report should be construed as a profit forecast. The information contained in this document does not constitute an offer to sell or otherwise dispose of or an invitation or solicitation of any offer to purchase or subscribe for any securities in the Group.

Information provided in climate and sustainability disclosures

Climate and sustainability-related disclosures are subject to greater uncertainty than other disclosures, given challenges with current data availability and reliability, the nascent and evolving nature of relevant models and methodologies and other factors, such as the developing regulatory landscape and market practice. As such, the disclosures included in this Annual Report and Accounts may be amended and updated, as market practice and data quality and availability develop, and underlying judgements, assumptions and estimates change. These factors could also lead to actual achievements, results, performance or other future events or conditions differing from those stated, implied and/or reflected in any forward-looking statements or metrics included in our climate and sustainability disclosures.

Disclaimer

In preparing the climate and sustainability content included within the Group's Annual Report and Accounts, we have:

- made key judgements, estimations and assumptions, for example in relation to financed emissions, measurement of climate risk and scenario analysis.
- used climate and sustainability models, methodologies and data most appropriate and suitable as at the date on which they were used, but which are subject to certain limitations. These limitations relate to (but are not limited to): the nascent and evolving nature of methodologies in this area which results in limited availability of reliable climate and sustainability-related data; data gaps; limited ability to rely on historical data; the limited standardisation of climate and sustainability-related data; and future uncertainty (due to, amongst other factors, changing projections arising from technological development and legal, regulatory and policy change).
- used climate and sustainability models, methodologies and data in this Annual Report and Accounts that may have been made available by third parties or other public sources – The methodologies, interpretations or assumptions underpinning that information may not be capable of being independently verified and may therefore be inaccurate. While the Group bears primary responsibility for the information included in this annual report, it does not accept responsibility for the external input provided by any third parties for the purposes of developing the information included in this Annual Report and Accounts;
- noted that there are external factors which are outside of our control, such as changes in accounting and/or reporting standards, improvements in data quality and data availability, or updates to methodologies and models and/ or updates or restatements of data by third parties, which could affect the climate and sustainability content within the Annual Report and Accounts. In particular, we note that, as climate and sustainability-related models, methodologies and data, market principles and reporting standards evolve and mature, and data quality and availability in this area improves, this may impact the metrics, data, and targets included in the climate and sustainability content within this Annual Report and Accounts. As such, we may look to review and further develop our approach accordingly to reflect such developments. In future reports, we may present some or all of the information for this reporting period, using updated or more granular data or improved models or methodologies. We may also need to re-baseline, restate, revise, or recalculate information included in our climate and sustainability-related data on the basis of such updated information.

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