

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the company.

In discharging the Board's section 172 duties, regard has been given to the factors set out above. The Board also recognises the matters it considers can often have unique characteristics. This can require the Board to consider additional factors, which are relevant to the specific matter under consideration.

There is an acknowledgement from the Board that the relative importance of each factor they consider will vary depending on the decision being taken across all the Board's decisions and that they are mindful of the Company's purpose, regulatory obligations, strategic priorities and alignment with the Group's overarching culture, vision and values. As is normal for large companies, authority for day-to-day management is delegated to the Chief Executive who in turn charges management with execution of the business strategy and related policies.

The Directors review at each regular Board meeting: financial and operational performance; risk, compliance and regulatory reporting. The Board also reviews other areas over the course of the financial year including the Company's business strategy; financial reporting; key risks; stakeholder-related matters; and governance, compliance and legal matters. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

The Company's key stakeholders are its ultimate beneficial owner M&G plc, its customers, colleagues, communities and regulators. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions.

While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, for example, interaction with regulators, the size and spread of both the Company's stakeholders and the Group means that other stakeholder engagement takes place at Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company.

Strategic Report (continued)

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During the period the Board received information to help them understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on the Company's financial and operational performance, non-financial key performance indicators, risk and the outcomes of specific pieces of engagement (for example, the results of employee surveys). As a result of this, the Board has had an overview of engagement with stakeholders and other relevant factors which allows it to understand the nature of the stakeholders' concerns and to comply with the section 172 duty to promote success of the Company.

Principal Decisions

The Board sets out below, some examples of how they have had regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duty and the effect of that on decisions taken. The Board defines principal decisions as both those that are material to the Company, but also those that are significant to any of the Company's key stakeholders. In making the following principal decisions the Board considered relevant impact on stakeholders as well as the need to maintain a reputation for high standards of business conduct:

Principal decision 1 - Annual Strategy Review and Business Plan Approval

The Board carries out a review of the Company's strategy on an annual basis. This includes approving the business plan where the summary financials, headlines of the delivery plan, key themes, key dependencies and key risks are considered. The Board also receives updates on progress through regular CEO Reports. Business performance, development and implementation of strategy, objectives and business plans are regular agenda items for discussion and consideration by the Board. In addition, appropriate management actions are taken to ensure that the Company continues to operate within risk appetite.

In 2022, the Board discussed the strategy for the Company, taking into consideration the market dynamics, current plans and strategic and commercial options. The Business Plan also focused on the ongoing transformation in the business, the key deliverables and dependencies to ensure that it was well-positioned for long-term success.

Principal decision 2 - Transformation and Change

The Board held a number of discussions during the year to consider and approve a plan to implement Consumer Duty throughout the business. Consumer Duty is seen as a key area for the business as it continues to focus on the creation of value for the customer.

Principal decision 3 - Engagement with key stakeholder groups

Customers

Working with our partners through supporting their business, investment philosophy and their client relationships is at the heart of what IFDL does. We provide access to a market leading range of assets, tax wrappers and DFM's, and support them to build a client-centric proposition that is based on individual suitability. IFDL works in a way that builds longstanding meaningful relationships, getting to know what activities are vital for each of our partners, and offering a dedicated point of contact to manage a seamless end-to-end service to build that strong relationship. Feedback is constantly gathered to inform and influence our decision making and future developments, an example is through our adviser satisfaction survey, which provides metrics to inform on our performance and also brings together strong feedback across our service and proposition and views on future focus.

Workforce

There is regular formal and informal engagement with the employees through company-wide employee surveys and regular team meetings so they can provide their views on our strategic

direction, and confidence in our leaders. The performance of the business, vision, and strategic direction are communicated to employees alongside regular updates and discussions held within business unit teams.

By understanding the sentiment of its workforce through these means, the Company factors in their needs and concerns in management and Board meetings, and in developing its change initiatives. Each year, employees are invited to participate in the M&G plc Savings Related Share Option Scheme and can also participate in the M&G plc Share Incentive Plan.

Regulators

Maintaining strong regulatory relations, communicating openly, working collaboratively and providing the Financial Conduct Authority with timely notifications of issues are of vital importance to the Company. The Company aims to ensure it approaches its relationships with regulators in an open and constructive manner at all times.

