



## Annual statement from the Chair of the Remuneration Committee

**Dear shareholder,**  
**I am pleased to present our Directors' remuneration report for the year to 31 December 2022 on behalf of the members of the Remuneration Committee.**

This is the first time that I have presented this report having been appointed as Chair of the Remuneration Committee at the 2022 Annual General Meeting (AGM). I would like to thank Anthony Nightingale for his tremendous support as I took up this role. I also wish to welcome Ming Lu, who joined the Committee in May 2022.

By way of preface, I would like to share the context for the key decisions the Committee took during 2022 and to outline those taken in respect of remuneration arrangements for 2023.

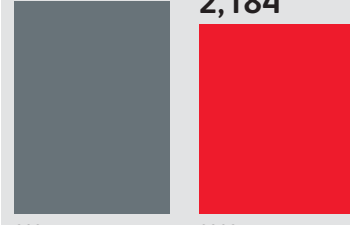
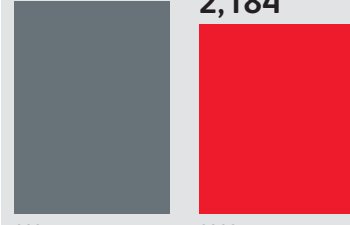
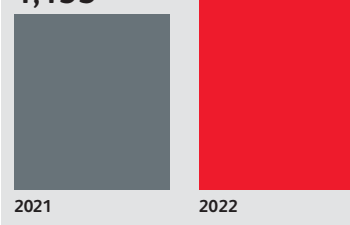
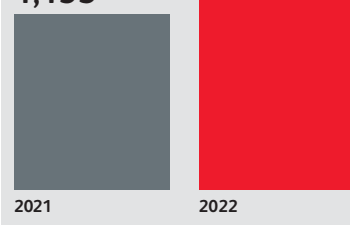
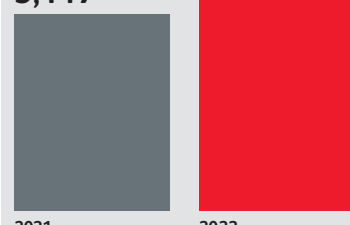
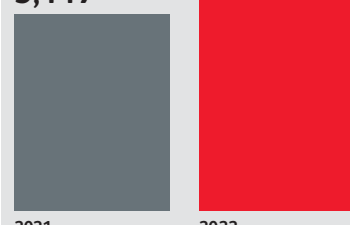
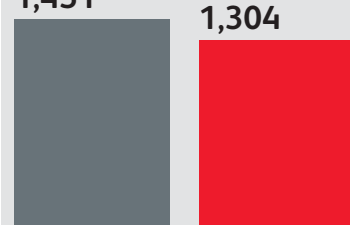
### **Remuneration decisions made in respect of 2022** **Reflecting 2022 financial performance**

Prudential's executive remuneration arrangements reward the achievement of Group, business, functional and personal targets, provided that this performance is delivered within the Company's risk framework and appetites, and that the conduct expectations of Prudential, our regulators and other stakeholders are met.

As described in the Strategic report section earlier in this Annual Report, 2022 was the first full year for the Group as an Asia and Africa orientated business. The Group delivered another resilient performance against a backdrop of continued Covid-19-related disruption and broader macroeconomic volatility. The results reflect the advantage of our diversified business model across the Asia region. The table opposite illustrates achievement of our key financial objectives:

This report has been prepared to comply with Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), as well as the Companies Act 2006, the Listing Rules and other related regulations.

The following sections were subject to audit:  
Table of 2022 and 2021 Executive Director total remuneration (the 'single figure') and related notes (including details of all fixed and variable remuneration elements shown in the single figure table), Pension entitlements, Long-term incentives awarded in 2022, Chair of the Board and Non-executive Director remuneration in 2022 and 2021, Statement of Directors' shareholdings and Payments to past Directors and payments for loss of office.

Performance measures	Group performance (\$m) <sup>1</sup>	
<p><b>Life new business profit from continuing operations</b></p> <p>A measure of the future profitability of the new business sold during the year and an indicator of the profitable growth of the Group.</p> <p>New business profit accounted for 45 per cent of Group financial bonus targets.</p>	<p><b>2,443</b></p>  <p>2021                      2022</p>	<p><b>2,184</b></p>  <p>2021                      2022</p>
<p><b>Operating free surplus generated from continuing operations<sup>2</sup></b></p> <p>A measure of the internal cash generation of our businesses.</p> <p>Operating free surplus generated accounted for 20 per cent of Group financial bonus targets.</p>	<p><b>1,135</b></p>  <p>2021                      2022</p>	<p><b>1,374</b></p>  <p>2021                      2022</p>
<p><b>Adjusted operating profit from continuing operations<sup>3</sup></b></p> <p>Prudential's primary measure of profitability and a key driver of shareholder value.</p> <p>Adjusted operating profit accounted for 25 per cent of Group financial bonus targets.</p>	<p><b>3,117</b></p>  <p>2021                      2022</p>	<p><b>3,375</b></p>  <p>2021                      2022</p>
<p><b>Net cash remitted by the business<sup>4</sup></b></p> <p>Cash flows across the Group<sup>5</sup> reflect our aim of achieving a balance between ensuring sufficient net remittances from business units to cover the dividend and responsibly managing corporate costs to allow for reinvestment in profitable opportunities.</p> <p>A cash flow measure accounted for 10 per cent of the Group financial bonus targets</p>	<p><b>1,451</b></p>  <p>2021                      2022</p>	<p><b>1,304</b></p>  <p>2021                      2022</p>

#### Notes

- Group performance and growth rates shown on a constant exchange rate basis.
- For insurance operations, operating free surplus generated represents amounts maturing from the in-force business during the period less investment in new business and excludes non-operating items. For asset management businesses, it equates to post-tax operating profit for the year.
- In this report 'adjusted operating profit' refers to adjusted IFRS operating profit based on longer-term investment returns from continuing operations.
- 2021 business unit remittances exclude remittances from discontinued remittances.
- Group cash flow includes business unit remittances net of dividends and corporate costs.

Life new business profit was 11 per cent lower than prior year on a constant exchange rate basis driven principally by economic headwinds and Covid-19-related imposed restrictions.

Operating free surplus generation was 21 per cent higher than 2021 on a constant exchange rate basis.

2022 adjusted operating profit was 8 per cent higher than prior year on a constant exchange rate basis reflecting the performance outlined in the Strategic report.

Business unit remittance levels were 10 per cent lower than 2021. Holding company cash was \$3.1bn at the year end, after dividends, corporate costs and strategic investment.

For all metrics, the 2022 performance has exceeded the adjusted stretch target as set out in the 'Annual bonus outcomes for 2022' section of the Annual Report on remuneration.

The Group achieved these results while maintaining appropriate levels of capital and while operating within the Group's risk framework and appetites.

### Reflecting stakeholders' 2022 experiences

In reaching its decisions for 2022, the Committee considered the experience of the Group's stakeholders, as set out below. More details about how we've listened to our stakeholders and what the Group delivered in 2022 can be found in the ESG section of the Strategic report.

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#### Investors

- > Prudential plc was included as a **constituent stock of the Hang Seng Composite Index** with effect from 5 September 2022. This is a milestone for our primary listing in Hong Kong and means that qualified investors in the Chinese Mainland now have direct access to Prudential's shares through the Shenzhen Stock Exchange.
- > **Engagement with investors:** During 2022, 371 meetings were held with 319 individual institutional investors in Asia, the US, UK and Europe. Of these 371 meetings, 141 were attended by either the Group Chief Executive or the Group Chief Financial Officer. These meetings took a variety of forms including one-on-one and group sessions, participation in panels, and walking tours organised in some cases by brokers.
- > **Prudential's TSR performance** remains below the peer group median; performance over the period 1 January 2020 to 31 December 2022 was -22.4 per cent while the median performance of the peer group was 7.4 per cent.

#### Our people

- > As well as holding our second Group Wellness Day in August 2022, we introduced the following wellness initiatives:
  - We now have 350 **Mental Health First Aiders** across the Group. These are certified employees who provide ongoing support to colleagues in need.
  - **This is Me** was launched on World Mental Health Day. Mark FitzPatrick, other leaders, and colleagues shared their personal stories to normalise conversations around mental health by building an environment where people feel safe to talk, share and heal.
- > **The Celebration Award** announced in 2021 of \$1,000 of restricted shares made to our people around the world was released in October 2022. This Award was to recognise the hard work and commitment demonstrated by our people and to give them a stake in the new chapter of the Company's development.
- > Given the **inflationary pressures**, cost of living payments have been made to more lower-paid staff in the UK.
- > During 2022, we continued to engage with our people including:
  - Over 8,000 colleagues participated in the Company's third **Collaboration Jam** in September 2022 which explored themes around building a collective sense of identity and belonging.
  - Our fourth groupwide **employee engagement survey** was conducted in January 2023. The 2023 People Survey has achieved more than 95 per cent participation with a 4-percentage point improvement in overall engagement on our last survey in December 2021. Prudential recorded an overall engagement score of 79 per cent.

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#### Governments and regulators

- > In August 2022, Prudential and AIA submitted a joint response to the **International Association of Insurance Supervisors' (IAIS)** consultation on the draft criteria that will be used to calculate group capital requirements, calling for the IAIS to consider the Group Wide Supervision (GWS) approach, being developed by the Hong Kong Insurance Authority.
- > Throughout 2022, the Board engaged with the UK government's **COP26** chair on key themes including their preparatory work behind the scenes on the Vietnam Just Energy Transition Partnership (JETP) and their work putting finance at the heart of solutions. As we drew closer to COP27, we also engaged with the UN infrastructure, especially the Climate Champions Team, the Glasgow Financial Alliance for Net Zero and non-governmental partners such as FSD Africa, ODI, Business Fights Poverty and CPI as they planned their COP programmes. Prudential was represented in Sharm el Sheik for COP27 by the Chief Operating Officer of Prudential Africa.

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#### Suppliers

- > Prudential is committed to ensuring that slavery, human trafficking, child labour or any other abuse of human rights has no place in our organisation or supply chain. Management continues to carry out a range of activities to enhance the Group's approach to modern slavery, not least through the implementation of the responsible supplier risk assessments and due diligence requirements within the Group Third Party Supplier and Outsourcing Policy (GTPSO).

## Customers

- > In April 2022, the Company was the first global insurer to set up a standalone Syariah life insurance entity in Indonesia. The move underscores our deep commitment to develop products and services that are respectful of cultures and traditions in the markets we serve.
- > In October 2022, **Prudential and Google Cloud** announced a strategic partnership to enhance health and financial inclusion for communities across Asia and Africa. Under this alliance, Prudential will leverage Google Cloud's data analytics capabilities, secure and sustainable infrastructure, and the broader Google ecosystem, to accelerate its digital transformation and to enhance user engagement of **Pulse**, our health and wealth platform.
- > Our **Made for Every Family** initiative ensures that our coverage is fully inclusive of how families live in 2022 in our different markets. To support the needs of more diverse family types, customers can now nominate a wider range of family members who are financially dependent on them as a beneficiary in a life insurance policy. Additionally, customers can buy insurance for family members beyond those who are directly related. There is also more flexibility to choose which family member can pay for the policy.

## Society

- > Diversity and inclusion: During 2022, we signed the UN Women's Empowerment Principles, Neurodiversity in Business membership charter, HK Racial Diversity & Inclusion Charter, and are again listed on the Bloomberg Gender Equality Index.
- > Prudence Foundation continued to invest in our communities during 2022. Highlights included:
  - The Cha-Ching programme, which aims to raise financial literacy in children aged seven to 12 years old in an entertaining and engaging way, won both the 2022 Money Awareness & Inclusion Award for Best Non-Profit in a Developing Economy and 'ESG Initiative of the Year – Hong Kong' at the Insurance Asia Awards.
  - Our global SAFE STEPS programme, which aims to provide education, awareness and life-saving tips on climate and disaster risk preparedness, and road safety reached over 100 million people in Asia and Africa via various media partnerships in 2022.
  - Finally, as the world recovers from the pandemic, further investments were made in Prudential's Covid-19 relief & recovery Fund, bringing the total investment to US\$6.5m since the Fund's launch in 2020.
- > **Climate change initiatives**  
Highlights included:
  - In October 2022, we published our white paper setting out how we support a Just and Inclusive Transition in our markets.
  - The Emerging Markets Transition Investment (EMTI) project was organised to identify solutions and provide recommendations to accelerate investment towards the net-zero transition of emerging and developing economies. We're proud to have contributed to this paper which is supported by the Net Zero Asset Owner Alliance, the Sustainable Development Investment Partnership (SDIP), and the EU-ASEAN Business Council.
  - In September 2022, we announced that we had signed the 2022 Global Investor Statement to Governments on the Climate Crisis. We joined other investors in urging governments to limit global temperature rise to 1.5°C.

## Rewarding 2022 performance

The Committee determined remuneration outcomes having considered the financial performance of the Group, its delivery to stakeholders and the personal contribution of the executives.

As set out above, 2022 saw the Group perform strongly against its key operating profit and operating free surplus generation targets in the face of continued difficult external conditions. The first part of 2022 saw continued Covid-19-related disruption in many of our markets as the Omicron variant increased infection levels and associated social restrictions. Since this date, most markets have returned to more stable operating conditions, albeit the border between the Chinese Mainland and Hong Kong remained closed throughout 2022. Moreover, the Group achieved several significant strategic milestones as it continued to focus exclusively on Asia and Africa. This performance, combined with effective personal leadership, resulted in overall bonus outcomes of between 96 per cent and 98 per cent for the Executive Directors. The Committee believes that the bonuses it awarded for 2022 appropriately reflect underlying Group performance, individual and/or functional performance.

With respect to the 2020 Prudential Long Term Incentive Plan ('PLTIP'), the Group has shown strong performance against the sustainability scorecard targets and against its ROE targets. However, the portion of the awards related to Prudential's total shareholder return (TSR) lapsed as TSR performance was ranked below the median of the peer group. On this basis, the Committee determined that 45.5 per cent of the PLTIP awards made to Executive Directors in 2020 would vest. These awards are subject to a two-year holding period.

The 2020 PLTIP awards were made to Executive Directors in May 2020 as the global consequences of the pandemic were unfolding. At that time, the Company's share price (£10.85) was around 30 per cent lower than the price used to make 2019 PLTIP awards (£15.40) but, given the demerger of the M&G business in October 2019, these grant prices did not provide a like-for-like comparison. The Committee decided not to adjust 2020 award levels at grant but to review whether windfall gains had arisen at the end of the performance period. By the end of the performance period, the Company's share price was £11.28 and it rose during the first weeks of 2023. Having considered the position now, the Committee is content that share price movements during this period are broadly consistent with the underlying financial performance of the Group and the movements in the indices of which it is part and reflect the share price implications of the demerger of the Jackson business in September 2021. On this basis, the Committee concluded that there was no windfall gain and so no adjustment was necessary.

### Remuneration decisions and priorities for 2023

The Committee intends to operate within the new Directors' remuneration policy during 2023 (as set out in the 'New Directors' remuneration Policy' section), pending approval of the Policy at the 2023 AGM.

#### Reflecting senior leadership changes

2022 and the early part of 2023 saw the further development of the Group executive leadership team. Mike Wells retired from the Board on 31 March 2022. Mark FitzPatrick served as interim Group Chief Executive from 1 April 2022 until 24 February 2023 when Anil Wadhvani took up the role as Chief Executive Officer. Given the Company's strategic shift to focus exclusively on Asian and African markets and reflecting practice among Asian-listed organisations not to have Chief Financial Officers as Executive Directors, James Turner, Group Chief Financial Officer, stepped down from the Board with effect from 1 January 2023. He remains Group Chief Financial Officer and a member of the Group Executive Committee, and will be a standing attendee at future Board meetings.

The Committee made remuneration decisions in connection with these changes in line with the Directors' remuneration policy adopted by shareholders in 2020. Information about these decisions has previously been disclosed in our public announcements and further details can be found in the 'Statement of implementation of remuneration policy in 2023', 'Recruitment arrangements' and 'Payments to past Directors' sections of this report.

#### Aligning remuneration arrangements with the Group's strategic focus

I had the opportunity during late 2022 and early 2023 to engage with many of our major shareholders, as well as the organisations that represent and advise them. I was pleased to meet and hear directly from so many of the Group's investors and that the majority of shareholders and advisory bodies who provided input were supportive of the remuneration decisions taken in respect of 2022 and of the arrangements that we proposed for 2023. On behalf of the Committee, I would like to thank the shareholders and advisory bodies for their engagement.

The Group's Directors' remuneration policy is due to expire at the 2023 AGM. Given the Group's exclusive focus on Asia and Africa, it is essential that the new policy continues to equip the Group to recruit and retain critical executive talent in our key markets. The Committee is conscious of the challenges of balancing the strategic shift to Asia and Africa with the expectations which result from a primary UK listing and this has been a key consideration for the review of the Policy which has been undertaken during 2022.

During the consultation with shareholders and advisory bodies, there was positive feedback on the limited salary increases for the Executive Directors effective for 2023. For the eleventh consecutive year, the increase for our Executive Directors will be below or close to the bottom of the range of salary increases budgeted for the wider workforce. There was also a great deal of support for the proposed changes to the Directors' remuneration policy ('the Policy') which will be proposed at the May 2023 AGM, together with valuable discussions on future areas for consideration as part of the wider dialogue with shareholders following the strategic re-positioning of the business to focus on the long-term growth opportunities in Asia and Africa.

Minimal changes are being proposed to the Policy at this time. Shareholders supported the introduction of deferral in cash (rather than shares) for Executive Directors' bonuses for 2023 and subsequent performance years (subject to the achievement of the share ownership guideline) in the context of creating greater alignment with many of our Asian peers and the need to attract talent in our key markets. Several investors said that they recognised this as a modest move towards Asian practice, acknowledging that the broader package remains focused on long-term performance, and is largely delivered in shares.

Most stakeholders were comfortable with the proposed changes to the balance of measures in the PLTIP, with significant support for the increase in the weighting of the Return on Embedded Value ('RoEV') measure. Shareholders were also supportive of the suggested changes to the TSR peer group for 2023, which will focus more tightly on financial services companies operating in Asia. The Policy, which will be presented to shareholders at the 2023 AGM, can be found out in the 'New Directors remuneration Policy' section.

During the consultation, I outlined the Committee's aspiration to take further steps towards Asian remuneration practices, specifically, the potential use of hybrid long-term incentive arrangements, in the future. While a number of shareholders indicated that they would be supportive of this evolution of the remuneration model, others highlighted the potential complexity of hybrid long-term incentive plans, preferring Prudential's remuneration arrangements to remain substantially aligned to typical UK-listed practice, notwithstanding the Group's strategic and operational shift to Asia. The Committee will keep this topic under close review, taking account of changes in Asian market practice and monitoring the organisation's ability to attract and retain talent in its key markets.

#### Share plans renewal

As a result of new requirements under the Hong Kong Listing Rules which came into force on 1 January 2023, four share plans including the PLTIP and some presented at recent AGMs will require shareholder approval at the 2023 AGM as they use newly issued shares to satisfy awards and the new Hong Kong Listing Rules require all plans using newly-issued shares to be presented for shareholder reapproval. The dilution resulting from the share awards we make to our people and agents is a fraction of the level set out in the guidelines issued by the Investment Association. Full details of these plans can be found in the Notice of Meeting for the AGM.

I trust that you will find this report a clear account of the way in which the Committee has implemented the Directors' remuneration policy during 2022 and of the proposed Directors' remuneration policy and arrangements for 2023.



#### Chua Sock Koong

Chair of the Remuneration Committee

15 March 2023