Anthony Nightingale CMG SBS JP
Chair of the Remuneration Committee

This report has been prepared to comply with Schedule 8 of The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, as well as the Companies Act 2006 and other related regulations.

The following sections were subject to audit:
Table of 2021 and 2020 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 2021, Chair of the Board and Non-executive Director remuneration in 2021 and 2020, Statement of Directors' shareholdings and Payments to past Directors and payments for loss of office.

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 2021 on behalf of the members of the Remuneration Committee.

This will be the last report that I present as Chair of the Remuneration Committee before I step down from the Board at the AGM. I am pleased that Chua Sock Koong, who has served on the Remuneration Committee since the 2021 AGM, has been appointed to undertake this role with effect from the 2022 AGM. I also want to thank Kai Nargolwala, Fields Wicker-Miurin and Amy Yip, who stepped down from the Committee in 2021, for their service and valuable contribution.

By way of preface, I would like to share the context for the key decisions the Committee took during 2021 and to outline those taken in respect of remuneration arrangements for 2022.

Remuneration decisions made in respect of 2021

Determining demerger-related decisions

The Jackson business demerged from the Group with effect from 13 September 2021. As I described last year, the Committee established a set of principles to underpin decisions on remuneration relating to the demerger, including:

> Executives should not be advantaged or disadvantaged by the separation;
> The value of outstanding awards and their key terms (vesting dates, holding periods, malus and clawback provisions) should be unaffected;
> If performance conditions are revised, the new conditions should be no more or less stretching than those originally attached to the awards; and
> Where the Committee has applied discretion, this will be clearly disclosed.

These principles are consistent with those adopted in respect of the 2019 demerger of the M&G business.

These principles were the basis for the decisions taken by the Committee, including the treatment of outstanding share awards which were set out in the Shareholder Circular published on 6 August 2021 which can be found at www.prudentialplc.com/~/media/Files/P/Prudential-V3/demerger-transaction-documents/demerger-transaction-circular.pdf and voted upon and approved by shareholders at the 27 August 2021 General Meeting.

This treatment, together with adjustments made to the performance targets of in-flight Prudential Long Term Incentive Plan (PLTIP) awards as a result of the demerger, is detailed in the 'Remuneration decisions taken in relation to the demerger' section of this report.

Reflecting 2021 financial performance

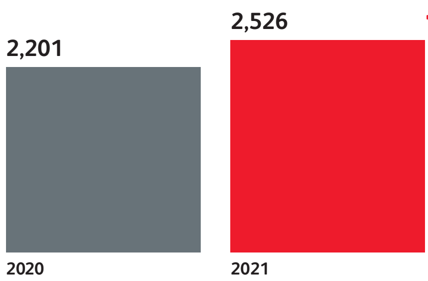
Prudential's executive remuneration arrangements reward the achievement of Group, business, functional and personal targets, provided that this performance is delivered within the Company's risk framework and appetites, and that the conduct expectations of Prudential, our regulators and other stakeholders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

As set out in the Strategic report section earlier in this Annual Report, despite the continuing challenges of the market environment throughout 2021, the Group delivered positive operating results as we continue to develop our capabilities and presence in our chosen Asia and Africa markets. The table below illustrates achievement of our key financial objectives, as set out in the Strategic Report:

Performance measures | **Group performance ($m)[1]** | **2020-2021 growth** | **2021 bonus achievement[2]**

Life new business profit from continuing operations
A measure of the future profitability of the new business sold during the year and an indicator of the profitable growth of the Group.

New business profit accounted for 35 per cent of Group financial bonus targets.

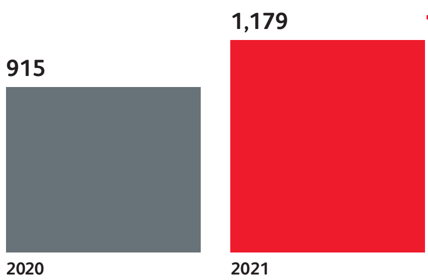


+15%

Above target level, approaching stretch target level

Operating free surplus generated from continuing operations[3]
A measure of the internal cash generation of our businesses.

Operating free surplus generated accounted for 30 per cent of Group financial bonus targets.

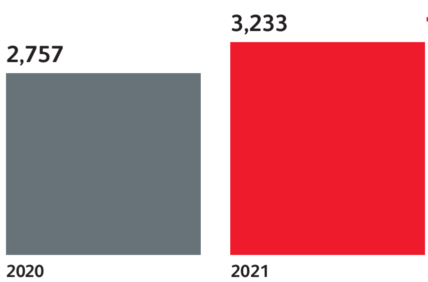


+29%

Above stretch target level

Adjusted operating profit from continuing operations[4]
Prudential's primary measure of profitability and a key driver of shareholder value.

Adjusted operating profit accounted for 25 per cent of Group financial bonus targets.

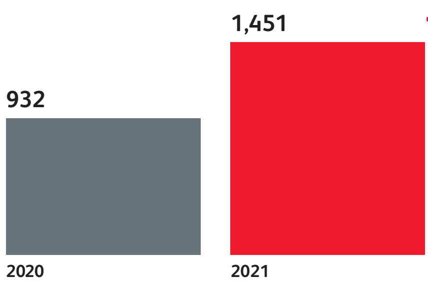


+17%

Above target level, approaching stretch target level

Net cash remitted by businesses[5]
Cash flows across the Group[6] reflect our aim of achieving a balance between ensuring sufficient net remittances from business units to cover the dividend (after corporate costs) and the use of cash for reinvestment in profitable opportunities.

A cash flow measure accounted for 10 per cent of the Group financial bonus targets.



+56%

Above stretch target level

Notes

1 As reported.
2 Targets and the level of achievement are set out in the 'Annual bonus outcomes for 2021' section of the Annual report on remuneration.
3 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.
4 In this report 'adjusted operating profit' refers to adjusted IFRS operating profit based on longer-term investment returns from continuing operations.
5 2020 business unit remittances exclude remittances from discontinued remittances.
6 Group cash flow includes business unit remittances net of dividends and corporate costs.

Life new business profit was 15 per cent higher than prior year on an actual exchange rate basis (13 per cent on a constant exchange rate basis) driven principally by the increase in APE sales and the effect of favourable changes to the mix of products sold. This result was above the approved target.

Operating free surplus generation was 29 per cent higher than 2020 on an actual exchange rate basis (and 26 on a constant exchange rate basis) and this result was above the approved stretch target.

2021 adjusted operating profit was 17 per cent higher than prior year on an actual exchange rate basis (16 per cent on a constant exchange rate basis) reflecting the performance outlined in the Strategic report, and delivered a result that is above the approved target.

Business units remittance levels were 56 per cent higher than 2020 and were above the approved stretch target. Holding company cash was $3.6bn at the year end, after dividends, corporate costs and strategic investment. The Group cash flow measure was above the approved stretch target.

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

Reflecting stakeholders' 2021 experiences

In reaching its decisions for 2021, the Committee considered the experience of the Group's stakeholders, as set out below. More details can be found in the ESG section of the Strategic report.

Investors

- **Jackson demerger:** The separation of Jackson completed Prudential's transformation into a business exclusively targeting the long-term structural opportunities of Asia and Africa, supported by a 99.65 per cent shareholder vote in favour of the separation. Shortly thereafter the Board declared a dividend in specie, distributing the Jackson shares to the Group's shareholders, other than a retained financial investment of 18.4 per cent that will be sold down to less than 10 per cent within 12 months.
- **Equity raise:** Having considered the interests of all stakeholders, particularly those expressed by the Group's existing shareholders, the Board reached the conclusion that a Hong Kong Fully Marketed Offer was in the best interests of the Company as a whole. The share offer was launched in October 2021, raising approximately $2.4 billion in equity, a portion of which was subsequently used to repay debt.
- **Investor survey:** In late 2021, the Group engaged an independent third party to undertake an in-depth investor perception study. This study included both long-standing shareholders and those who participated in the Hong Kong equity raise referred to above. The topics covered included the Group's strategy and the execution of the transformation of the Group.

Our people

- **Celebration Award:** To recognise the hard work and commitment shown by our people in preparation for the demerger and to give them a stake in the new chapter of the Company's development, each Prudential plc employee (other than the Group Executive Committee) received a Celebration Award of US$1,000 of restricted shares which will be released in October 2022.
- **Covid-19 and wellness:** Covid-19 has continued to be the dominant health and safety concern for our people. Prudential continued to support and protect colleagues through regular communication and the extension of health and safety programmes across the Group, ensuring that appropriate precautions are implemented in the workplace. In the 2021 People Survey, 91 per cent of respondents agreed that the Group was supporting employees during the Covid-19 pandemic. In addition, our offices closed for a Wellness Day in July, encouraging our people to rest, recharge and to spend time with family and friends.
- **Gender diversity:** Prudential achieved c35 per cent representation of women in senior leadership at the end of 2021, above the 30 per cent commitment under the HM Treasury 'Women in Finance Charter'. Prudential was also included in the 2021 Bloomberg Gender-Equality Index.
- **Employee engagement:** The 2021 People Survey, in which more than 95 per cent of employees participated, demonstrated that employee engagement continued to increase, up 3 per cent this year and a total of 4 per cent since our first Group-wide survey in May 2020.

Governments and Regulators

- **Finalisation of the revised basis of Group regulatory capital known as 'GWS':** GWS legislation became effective on 29 March 2021, with the formal designation of the Group as a Designated Insurance Holding Company ('DIHC') under the Hong Kong IA's GWS Framework with effect from 14 May 2021.
- **Engagement with the lead regulator:** Management worked closely with HKIA to support finalisation of preparations for compliance with the GWS legislation. The Group also proactively engaged with regulators in advance of the demerger of the US business and worked closely with the HKIA and the HKSE ahead of the Group's 2021 equity raise.
- **Covid-19 support:** The Group has not received any Covid-19 government support in 2021.

Suppliers

- **Partnership:** In 2021, the Group focused on moving away from a culture of regarding external firms as 'vendors' to improved collaboration, with the development of key digital partnerships (eg, Babylon Health). To date, we have entered into 56 key digital partnerships.
- **Rapid payments to small UK suppliers:** Following the introduction in early 2020 of more favourable payment terms for suppliers with less than 100 employees ('Jump Pay'), the Group achieved a payment rate of 86.5 per cent within 30 days in 2021, compared to 76.5 per cent in 2020.

Customers

- **Digital responsibility and Pulse:** Pulse continued to evolve during 2021 with the roll-out of Wealth@Pulse in Singapore, Thailand and the Philippines. This wealth offering gives access to wealth services and high quality advice to a wider market.
- **Product development:** During 2021, the Group created the concept of 'Modern Families' to support the development of more inclusive products that recognise that the concept of families has evolved. Prudential has also worked to simplify product brochures, information on our corporate website and our marketing campaigns to enable customers to understand the risk and benefits of products by looking at a single fact sheet.
- **Claims promise:** During 2021, the Group launched its claims promise for customers in Asia to support its customers during life's difficult moments. The promise includes commitments to timeliness, communication with care, fairness, customer experience and privacy.

Society

- **Working towards a lower carbon economy:** In May 2021, the Group set a target to be net zero by 2050 for our insurance assets, supported by 25 per cent reduction in emissions from the portfolio by 2025, a target which is incorporated in the 2022 PLTIP award. The Group is on track for achievement of this target and achieved the exit of coal equity holdings (above 30 per cent revenue threshold) by the end of 2021.
- **Prudence Foundation's** award-winning programme **Cha-Ching** is building financial literacy for millions of children. It is available in 13 languages, and reaches 35 million households every day on TV. In 2021, the Cha-Ching Curriculum programme expanded in Africa, where the Group worked with Junior Achievement Africa to bring this to 5,000 primary school students in Kenya, Ghana, Zambia, Nigeria, Uganda and Côte d'Ivoire. In March 2021, the Prudence Foundation supported the OECD's Global Money Week which aimed to equip young people to manage their money wisely.
- **Covid-19 Relief Fund:** In 2021, a new US$2 million fund was launched to continue to support communities still struggling with the pandemic. Local businesses' programmes have focused on supporting vulnerable communities on efforts that include Covid-19 messaging, hygiene and sanitation, nutrition and educational programmes.

Rewarding 2021 performance

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

As set out above, 2021 saw the Group perform strongly against its key operating profit and operating free surplus generation targets in the face of difficult external conditions, including ongoing challenges caused by the pandemic and travel restrictions. At the same time, the Group achieved several significant strategic milestones as it became exclusively focused on Asia and Africa. This performance, combined with effective personal leadership, resulted in overall bonus outcomes of 96.7 per cent - 98.7 per cent for the Executive Directors. The Committee believes that the bonuses it awarded for 2021 appropriately reflect underlying Group performance, individual and/or functional performance and wider factors, including the experience of stakeholders during the year.

Over the longer term, the Group has shown strong performance against the sustainability scorecard targets, however the portion (75 per cent) 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 17.75 per cent of the PLTIP awards made to Executive Directors in 2019 would vest. These awards will be released to participants from April 2022 but remain subject to a two-year holding period.

The total 2021 remuneration or 'single figure' for the Group Chief Executive, Mike Wells, is 15 per cent lower than his total 2020 'single figure' which has been restated on the required basis to reflect the actual value of the PLTIP award at vesting, notwithstanding his exceptional leadership and personal performance. This chiefly reflects the level of vesting of his 2019 PLTIP award which was partially offset by a higher 2021 AIP outcome compared to 2020.

Remuneration decisions and priorities for 2022

The Committee intends to continue to operate within the existing Directors' remuneration policy during 2022.

Reflecting senior leadership changes

As announced on 10 February 2022, Mike Wells has informed the Board that having led the Group through its transformation into an Asia and Africa-focused business, he intends to retire, and will step down from his role at the end of March 2022. Remuneration arrangements in respect of his departure have been determined in line with the shareholder-approved Directors' remuneration policy. When Mike steps down, Mark FitzPatrick will become interim Group Chief Executive whilst the Board is conducting a search for a new permanent Group Chief Executive. James Turner will become the Group Chief Financial Officer, succeeding Mark.

Information about the remuneration decisions made in connection with all of these changes was included in the 10 February 2022 announcement and can be found in the 'Statement of implementation of remuneration policy in 2022' section of this report.

Incentivising the achievement of our ESG commitments

During 2021, the Committee discussed how the Group's evolving ESG strategy and external commitments could be reflected in incentive arrangements. Having considered the key dimensions of the ESG strategy and the advice of the Responsibility & Sustainability Working Group, the Committee concluded that a measure aligned with our published commitment to reduce the carbon emissions of all shareholder and policyholder assets by 25 per cent by 2025[1] should be attached to 2022 PLTIP awards. This metric was selected due to its importance and the multi-year timeframe which could be translated into a meaningful three-year target (2022-2024).

The new carbon reduction measure will have a weight of 5 per cent and will replace ECap in the sustainability scorecard. Combined with the existing diversity measure, the total weight of the ESG measures in the 2022 PLTIP will be 10 per cent. Objectives related to other aspects of our ESG commitments will be included in the 2022 bonus arrangements of the responsible executives. Further information about the measures and targets set for the 2022 incentives is provided in the 'Statement of implementation of remuneration policy in 2022' section of this report.

Alignment of Annual Incentive Plan (AIP) with the Group's forward-looking strategy

For 2022, the weightings of the financial AIP measures have been aligned with those adopted for the Asia business to better reflect the Group's focus, following the demerger, on the high-growth Asia and Africa businesses. Further, in 2021, the Group Chief Financial Officer was designated as a Key Person in a Control Function under the Hong Kong Group-wide supervision regime and as such, in line with regulatory requirements, his 2022 AIP will include a functional element.

Engaging shareholders on 2022 remuneration arrangements

I had the opportunity during late 2021 to engage with many of our major shareholders, as well as the organisations that represent and advise them. I am pleased to say that we have had the benefit of substantive feedback from around 50 per cent of our shareholder register and that the majority of shareholders and advisory bodies who provided input were supportive of the remuneration decisions taken in respect of 2021 and of the arrangements that we proposed for 2022. In particular, investors endorsed the implementation of the carbon reduction measure in the PLTIP as many of them saw this as aligned with their own focus on sustainability. On behalf of the Committee, I would like to thank the shareholders and advisory bodies for their engagement. Chua Sock Koong had the opportunity to meet many shareholders during this process and I know that she looks forward to continuing this useful dialogue in the future.

Reviewing the Directors' remuneration policy

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 equips 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 constraints which result from a primary UK listing and this will be a key consideration for the review of the policy which Chua Sock Koong will lead during 2022. Any proposed changes will be discussed with shareholders and their advisory bodies in 2022 before the new policy is presented to shareholders at the 2023 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 2021 and of the proposed Directors' remuneration arrangements for 2022.

Anthony Nightingale, CMG SBS JP
Chair of the Remuneration Committee

8 March 2022

Note

1 The portfolio, with a value of $128 billion as at 31 December 2020, excludes unit-linked funds and assets held by joint venture businesses. In addition, this policy cannot be applied to certain externally managed collective investment scheme balances.