



Strategic Enabler:

Good governance and responsible business practices



\$1bn+
tax paid in the communities where we operate

10,000+
suppliers supporting our businesses

Coupa Risk Assess

roll-out underway across our businesses

Strong governance processes are the foundation of our business and critical to maintaining trust with stakeholders, particularly in the highly regulated financial markets in which we operate.

Our governance framework is clear about our standards of behaviour, and those standards flow into every part of what we do, including our financial performance and tax practices, as well as operating to mitigate financial crime and informing how we deal with our customers and suppliers. We also recognise the importance of reducing the direct impact of our own operations on the environment and see this as a non-negotiable responsible business practice.

Our Governance Framework

Our Group Code of Business Conduct sits at the heart of the Group Governance Manual, our internal governance framework that sets out the principles by which we conduct our business and ourselves. The Code highlights the ethical standards that the Board expects of itself, our employees, our agents and others working on behalf of the Group, and is supported by a set of Group-wide principles and values that define how the Group expects business to be conducted in order to achieve its strategic objectives. Our Group Governance Manual presents our Group-wide approach to governance, risk management and internal control, and is subject to regular review to ensure that we meet the expectations of our stakeholders. Our Group Governance Manual also contains our full suite of policies, which is designed to ensure that we comply with all applicable laws and regulations. Each business must certify annual compliance with the requirements set out in the Manual, including the Code, Delegated Authorities and Group-wide policies.

The Group's Annual Report and Accounts include a comprehensive Governance section, which provides further information on how the governance framework operates, the Board of Directors, the Reports of the Committees and an overview of the risk management and internal control system.

Employee relations

Prudential's policies protect our employees by formalising its responsibilities and those of everyone in the organisation in a number of areas.

We believe in supporting human rights and acting responsibly and with integrity in everything we do. Our own Group Governance Human Resources Policies set the tone and are guided by the principles of the Universal Declaration of Human Rights and of the International Labour Organization's core labour standards. These are also reflected within our Group Code of Business Conduct, which sets out the Group's values and expected standards of behaviour for all employees, and in our Group Third Party Supply and Outsourcing Policy, which describes how we work with suppliers. Our Discrimination & Harassment Policy prohibits any form of discrimination, harassment, bullying and other types of misconduct where the behaviour is contrary to Prudential's values and standards.

Good governance and responsible business practices / continued

Prudential's Employee Relations Policy recognises that the way we engage our employees across the Group is fundamental to our ability to attract the people we want, retain our current employees, and motivate them to achieve success. As such, each local business is required to have an effective approach in place to promote positive relationships with our employees and their representative organisations. To secure our colleagues' rights to freedom of association and collective bargaining, we encourage a positive and constructive relationship with collective employee representative bodies across Prudential. The trade union representation and collective bargaining practices vary by market. We currently have trade union representation in our business units in Malaysia, Singapore, Vietnam, Zambia, Côte d'Ivoire, Togo, and Cameroon.

We give full and fair consideration to applications for employment made by disabled persons and make appropriate arrangements for continuing the employment of, and arranging training for, employees who have become disabled. We seek to promote the training, career development and progression of disabled persons, making appropriate adaptations where required.

As in any company, from time to time employees may have a grievance relating to their work, working environment or working relationships that they wish to raise. Our grievance policies are owned by the local businesses. We take grievances seriously, taking into account the rights of the person raising the grievance, the rights of any person a grievance is raised against and any other affected individuals. In addition to grievance policies and procedures, our employees are encouraged to raise any concerns through other channels, including their managers, Human Resources or our third-party confidential hotline and platform, Speak Out. Speak Out is designed to receive all manner of concerns, including those relating to any violation of human rights.

We are committed to a fair and transparent system of reward. Our Remuneration Policy ensures that we pay our colleagues a fair and reasonable wage in all markets, and in the UK we pay at least the London Living Wage. Annual benchmarking exercises ensure that wages are competitive for the role performed in each location. To recognise the hard work and commitment shown by our employees in preparation for the demerger and to give our people a stake in the new chapter of the company's development, each permanent Prudential plc employee (other than the Group Executive Committee) received a Celebration Award of US\$1,000 of restricted shares (settled in cash where locally required), which will be released in October 2022.

We continue to develop our wellbeing approach in the context of the rapid transition to more flexible ways of working. In order to fully support employees, we have increased flexibility around schedules and locations, increased remote working support, and reviewed and extended different types of leave support.

Supply chain

Our Group Code of Business Conduct outlines the values and standards that are required by each of our suppliers. Our Group Third Party Supply and Outsourcing Policy is core to our supply chain governance and specifies our position on supply chain management, setting out our approach to due diligence, selection criteria, contractual requirements and ongoing monitoring of relationships.

During 2021 we extensively updated our Group Third Party Supply and Outsourcing policy, with the updated policy coming into effect on 1 January 2022. The updated policy has a specific detailed section on the responsible selection of suppliers, which now includes considerations for environmental and social practices, in addition to existing

requirements on supplier capability, competitiveness and due diligence activities. The policy was reviewed and approved by the Group Risk Committee, before being approved by the Board.

Supply chain due diligence

Our local businesses conduct due diligence before engaging with and ultimately selecting a new supplier. We perform regular due diligence, review meetings and audits where required, and our policies and procedures are supported by regular employee training exercises.

We require our suppliers to pass financial stability tests and demonstrate a track record of high performance. We also review the controls the supplier has in place to prevent data leakage and look for any personal data protection issues. Our Speak Out whistleblowing service enables employees to raise any concerns they may have in relation to our third-party relationships, and our contractors and third-party suppliers are also able to use this service. All third-party agreements across all our markets are required to undergo due diligence activities, which include human trafficking, anti-money laundering and anti-bribery and corruption checks on the third parties that we deal with.

During 2021, we continued to deploy an additional procurement management system module, Coupa Risk Assess, across our local businesses, providing a single system to gather supplier due diligence. The deployment of this system, which will be completed in Q1 2022, is strengthening our visibility of third-party risks across high-risk areas, such as information and technology security concerns, data privacy, anti-bribery and corruption and business continuity and resiliency risks. Through this system, we have also begun to issue due diligence questionnaires focusing on modern slavery risks, targeting high-risk categories. More information on our approach to modern slavery is available below.

Our responsible supplier guidelines

In line with our new Group-wide Third Party Supply and Outsourcing Policy, we have introduced new responsible supplier guidelines, which came into effect on 1 January 2022. These guidelines cover a range of ESG topics as outlined below, and have been incorporated into our new supplier onboarding and ongoing supplier due diligence processes. These activities are applied on a risk-based methodology, targeting our suppliers that are material to the Group or those that provide services that expose the Group to modern slavery-related risks.

Theme	Summary of responsible supplier guidelines
Environmental	<p>Recognising that sustainable businesses should acknowledge the planet's finite resources, Prudential expects its suppliers to support sound environmental management principles and reduce their impact on the environment within which they operate.</p> <p>This includes a review of whether suppliers have written environmental/sustainability policies and governance systems are in place appropriate to the size and nature of their operations and that they abide by relevant laws/legislation.</p>
Social	<p>Prudential expects suppliers to respect the human rights of their employees and to comply with all relevant legislation, regulations and directives in the countries and communities in which they operate.</p> <p>Key aspects include ensuring suppliers prohibit forced and child labour; employees are paid legally mandated minimum wages and/or industry standards and are not discriminated against; suppliers provide safe working environments and abide by local laws/regulations; suppliers support fair trade and ethical sourcing practices and suppliers promote diversity and inclusion within their working environments. In the UK, we require our suppliers to pay their employees the London or UK Living Wage, as set by the Greater London Authority and the Centre for Research in Social Policy respectively.</p>
Governance	<p>Suppliers with which Prudential has regular and recurring dealings should have good management and governance processes in place to ensure compliance with the Responsible Supplier guidelines. Furthermore, suppliers must make reasonable efforts to monitor their supply chain, ensuring that their suppliers are aware of, and compliant with, the aims of the guidelines.</p>

Good governance and responsible business practices / continued

Modern slavery

We are 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, and we continue to progress on carrying out a range of activities to enhance our approach to modern slavery across our global operations:

- > Policy development – Embedding responsible supplier risk assessments and due diligence requirements within the new Group Third Party Supplier and Outsourcing Policy, effective from 1 January 2022.
- > Endorsement and education – Ensuring that executives across our local businesses and our procurement and risk teams are aware of the Group's modern slavery compliance requirements. Ensuring these colleagues have a detailed understanding on how to identify modern slavery risks.
- > Analysis – Continuing to understand our current exposure to modern slavery risks within our supply chain and development of remediation plan to address gaps.
- > Due diligence – Development of modern slavery (and broader ESG) due diligence/risk assessment frameworks, processes and guidelines, and operationalising these via Coupa Risk Assess.
- > Ongoing monitoring and reporting – Defining internal reporting metrics to measure progress and effectiveness of controls.

As part of this activity, we are continuing to review our exposure to modern slavery issues across Asia and Africa. This broad review covers key exposure to industries where low-skilled labour is often employed, including cleaning services, catering, guarding and low-cost manufacturing. Modern slavery risks are further heightened in geographies affected by conflicts, countries with weak rule of law and countries with a high degree of migrant workers. The review covers all the suppliers engaged in these key areas across Asia and Africa. The review is based on live supplier contracts and spend against the categories above, with local procurement teams investigating any issues identified. For high-risk suppliers, we ensure robust contracting and monitoring procedures are in place, with remediation plans in place where necessary.

For more information around how we are identifying and managing our risks in relation to modern slavery, human trafficking, child and forced labour, please read our Modern Slavery Statement on the Prudential plc [website](#).

Commitment to small suppliers

In order to demonstrate our ongoing commitment to supporting our supply chain through the difficult trading circumstances triggered by the Covid-19 pandemic, we have continued to provide payment assistance. Our Small Supplier Accelerated Payment Scheme was launched in the UK in March 2020 to support our suppliers with fewer than 100 employees to assist with their cash flow. This has now benefited over 150 small suppliers, with payments of nearly £9 million in 2021.

Responsible tax practices

Our tax strategy considers a range of different stakeholders, supported by the Group Tax Risk Policy, which sets out the standards for managing and reporting a broad range of tax risks across the Group. In 2021, we made a total tax contribution of \$1,071 million (FY2020: \$1,208 million excluding Jackson), demonstrating our commitment to paying the right amount of tax, and thus helping to contribute to the health and development of the communities in which we operate.

We understand the importance of paying the right amount of tax on time in each of our markets. We manage our tax affairs in a transparent, responsible and sustainable manner and seek to build constructive relationships with tax authorities in all the countries in which we operate. [Our Tax Strategy Report](#) is published annually and provides further support on how we meet this commitment, through disclosures demonstrating the clear link between our business footprint and our tax footprint.

Our Tax Strategy Report also complies with the mandatory requirements of the UK Finance Act 2016 and provides more information on:

- > How we act responsibly and take an objective view in all of our tax matters;
- > How we manage tax in line with our Group governance and risk management procedures;
- > How we ensure transparency and engagement with all our stakeholders by setting out how we contribute to our communities through the taxes we pay and collect in all of our major markets;
- > What drives our tax payments and why there is a difference between the corporate taxes paid and the tax charge in our accounts;
- > Our operations in low tax jurisdictions; and
- > How we monitor domestic and global tax developments.

We actively monitor developments in the tax transparency agenda and look to further develop the disclosure of meaningful tax information to help our various stakeholders' understanding of our tax footprint. We will be publishing our updated tax strategy, which will include more information on the tax we paid in 2021, how we manage our tax affairs and the governance and management of tax risk, by 31 May 2022. Information on our tax charge and effective tax rate can be found on pages 261 to 264 (note B3) of our 2021 Annual Report.

Fighting financial crime

As with all financial services firms, Prudential is exposed to risks relating to money laundering, terrorist financing, sanctions, fraud, bribery and corruption. Preventing, detecting and responding to these risks is embedded within the Prudential Group's global financial crime risk management operations. We conduct risk assessments on all our businesses to identify, understand and assess the risks; and take measures to mitigate these. Financial crime risks are reported to the Group Risk Committee, which oversees the effectiveness of controls. The residual financial crime risk is managed through monitoring, assurance and enhancement of the control environment at a local level.

During 2021 we continued to take action to reduce our residual risk exposure, strengthen our capability and reduce the impact of financial crime. To mitigate financial crime risk and support ongoing compliance with relevant legislation and regulation, core policies dealing with all aspects of financial crime, supported by minimum compliance standards, have been refreshed and cascaded to all businesses.

Our Anti-Bribery and Corruption standards include a commitment to fostering a culture in which bribery is never acceptable. Our Anti-Money Laundering and Sanctions Policy outlines how we prohibit money laundering or terrorist financing in our working practices, setting out how we establish parameters to prevent this taking place across the organisation and the commitment we have to comply with sanctions, laws and regulations by screening, prohibiting or restricting business activity, and following up through investigation. Collectively these policies form part of the Group Governance Framework, with local businesses attesting their compliance to the requirements each year.

This is complemented by the implementation of automated transaction monitoring systems and risk-based assurance activity. We have continued to strengthen and enhance our financial crime risk management capability through investment in automation and advanced analytics.

Our financial crime team remains committed to professional development and regularly participates in industry conferences and seminars across Asia. We delivered a comprehensive financial crime training programme across the Group to ensure the staff are made aware of new developments in financial crime, as well as the latest statutory and regulatory requirements.

We continue to comply with international sanctions requirements by monitoring international sanctions closely. We integrate updated lists into our operational processes to detect exposure, including our regular customer and vendor screening processes. During 2021, we continued to focus in particular on the US-China sanctions developments and regulations that have been issued in order to assess their impact on our business activities.

Good governance and responsible business practices / continued

Whistleblowing

Our Group Speak Out Policy sets out our framework and controls relating to whistleblowing. Our Group-wide whistleblowing programme, Speak Out, is accessible both internally and externally to all our stakeholders in multiple languages. Speak Out provides a range of reporting channels that include web, hotline and mobile app, as well as post, email and in-person. Reporters are able to log concerns – anonymously, if they prefer – on a range of issues such as anti-bribery and corruption, compliance breaches, discrimination, harassment and health and safety. Concerns are received by an independent third party then managed by an internal team, independent of the business. These matters are then investigated by appropriately trained and skilled investigators. On an annual basis, all colleagues are required to complete a computer-based training module on Speak Out. The programme is also supported by regular communications containing useful resources. In addition to the Speak Out programme, colleagues are encouraged to raise concerns through HR channels.

Whistleblowing reporting is overseen by the Group Audit Committee and local business audit committees through quarterly reporting and frequent discussions with the Group Chief Security Officer. These committees have access to analysis of case trends and an annual assessment of the effectiveness of the Speak Out programme, which is benchmarked externally. Any material issues are reported to the Board.

In 2021, the Speak Out programme was widely promoted across the Group and received reports from every market in which Prudential has an active business. During 2021, the total number of cases reported to the Group increased slightly when compared with the previous year, and the total number reported was in line with external benchmarks. The greatest volume of reported issues related to staff or agency conduct and breaches in Group policies. Training, promotional awareness material and internal communications have all contributed to the encouraging growth in the use of Speak Out and the number of concerns raised. The programme was the subject of independent benchmarking, using Protect (UK whistleblowing charity) and on all three aspects (Governance, Operations & Engagement), the Group scored above benchmark.

Responsible working practices and health and safety procedures

We recognise the importance of health, safety and wellbeing to help staff get the most out of life and meet business objectives. The Group Health and Safety Policy and operational standards ensure that local businesses establish, implement and maintain a comprehensive health and safety governance framework. Our policies aim to provide a safe and healthy working environment that prevents injury and ill-health, and reduces risks to the health and safety of employees, contractors, visitors and others who may be affected by our operations, to as low a level as is reasonably practicable.

Our policy and operational standards are aligned with the global ISO 45001:2018 standards and include prescriptive minimum requirements for health and safety governance, legal requirements and programme framework. The Group Chief Security Officer has overall responsibility for the health and safety programme, reporting to the Group Chief Risk & Compliance Officer. Local business performance relating to health and safety is monitored through local health and safety committees and at Group level by the Group Security function, with key operational compliance metrics and updates on specific activities being reported to the Group Risk Committee and cross-functional working groups and committees. The Group continuously reviews and develops the health and safety programme to ensure continual improvement.

We sadly lost 52 staff and agents during the year to Covid. We have taken steps throughout the year to support the emotional, mental and financial wellbeing of our people across the Group through these challenging times. More information on our approach to employee wellbeing is available in the *Building social capital* section on page 39.

Our health and safety programmes have primarily focused on our ongoing response to the Covid-19 pandemic, ensuring that appropriate precautions are implemented in the workplace. We have also focused on providing training and awareness on prevention measures and health and safety best practices for the home. Communications are regularly sent to staff reminding them of the behaviours and key protocols needed to protect themselves and the wider community from Covid-19. Our communications have focused on local regulatory changes, maintaining high standards of hygiene, protocols around health monitoring and attendance at the office, and sensible social distancing. Masks are encouraged to be worn by staff in common areas of the office and, in some jurisdictions, this is mandated due to local regulations. We have provided intranet resource centres where staff can seek information concerning Covid-19 precautions and best practices, travel restrictions and Covid-related news. Staff support has been provided through wellbeing programmes focusing on mental, physical, family and social wellbeing, and we also provide support and advice through a 24-hour Employee Assistance Programme offered by an external provider.