We do life

Prudential plc Annual Report 2021

HK STOCK CODE: 2378

Our purpose

We help people get the most out of life

Why we exist

Our markets in Asia and Africa typically have substantial savings and protection gaps, fuelling demand for life and savings products.

The difference we make

We help people get the most out of life, by making healthcare affordable and accessible and by promoting financial inclusion.

We protect people's wealth, help them grow their assets, and empower them to save for their goals.

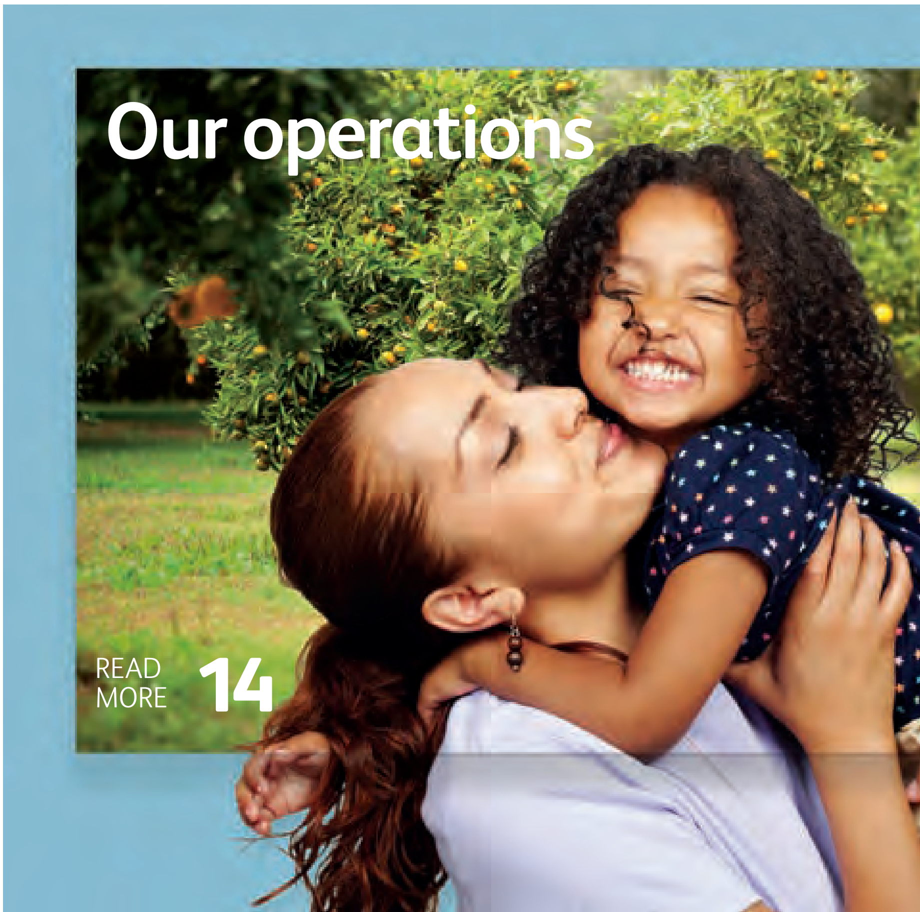
Where we're headed

We are confident that our clear and focused strategy, coupled with our proven execution ability, leaves us well placed to continue to deliver value for our shareholders and all our stakeholders over the long term.

READ MORE 6-145

We help people get the most out of life

Find out more
Visit www.prudentialplc.com to find out more about Prudential plc.



Our operations

READ MORE 14

The Directors' Report of Prudential plc for the year ended 31 December 2021 is set out on pages 2 to 3, 148 to 193 and 362 to 403, and includes the sections of the Annual Report referred to in these pages.

Contents

Group overview
Strategic report
Governance
Directors' remuneration report
Financial statements
European Embedded Value (EEV) basis results
Additional information

It has been a historic year for Prudential. During 2021, we completed the strategic re-positioning of our business to focus solely on the growth opportunities in Asia and Africa.

Despite the difficult conditions created by the Covid-19 pandemic, we have continued to deliver for our customers and all our stakeholders, producing a resilient financial performance. Closed borders and lockdowns through the year have presented significant challenges to our management and employees, which makes the quality of their delivery over the year all the more extraordinary.

In February 2022 we announced that our Group Chief Executive, Mike Wells, would be retiring from his role at the end of March. I would like to thank Mike for his outstanding contribution to Prudential over the last 26 years, and particularly as CEO for the last seven years. He has led the Group through one of the most significant periods of change in its 174-year history, while steering it through the unprecedented events of the pandemic. The Board and I wish him every success in the future.

Given Prudential's now-exclusive focus on Asia and Africa, the Board has decided that the roles of the Group CEO and the Group CFO will be based in Asia, where Prudential's largest businesses, the Group regulator and the rest of the senior management team are located. With the strategic re-positioning of the Group complete, we can now take the next steps in the simplification of our management and operational model. We have a depth of talent and experience in the executive team under whose leadership the Group will continue to deliver on its strategy. I am delighted that Mark FitzPatrick is taking on the role of interim Group CEO and continuing as COO when Mike steps down, as we conduct a search for a Group CEO. And I am delighted that James Turner, currently our Group Chief Risk and Compliance Officer, will become Group Chief Financial Officer. For further details, please see the announcement made on 10 February 2022.

Prudential's milestones in 2021 have been achieved due to the remarkable efforts of our people, who have maintained their dedication to serving our customers in the face of the many difficulties created by Covid-19. We sadly lost 52 staff and agents during the year to Covid-19 and our thoughts are with their families, friends and colleagues. 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.

Over the long term, we see that our markets have the capacity for superior growth and favourable dynamics, and that our strategy is aligned with public policy objectives. By applying our strengths and deploying them in our high-growth businesses, we believe we can deliver a distinctive shareholder proposition. In the immediate term, shareholders also benefited from the dividend payable in cash in respect of 2021 of 17.23 cents per share (2020: 16.10 cents per share), in line with our stated dividend policy.

We strive to support our customers by making healthcare affordable and accessible and by promoting financial inclusion. We work to protect our customers' wealth, help them grow their assets, and empower them to save for their goals. We also seek to assist in the process of a just and inclusive carbon transition that understands and meets the needs of emerging and developing economies. As a significant asset manager and asset owner in regions forecast to be severely impacted by climate change, Prudential has a distinctive role to play in the inclusive transition to a low-carbon economy. During 2021 we announced plans to decarbonise our portfolio of assets[1] held on behalf of our insurance companies, with a goal of becoming net zero by 2050.

Strategic re-positioning

During 2021 we completed the demerger of our US business, Jackson. The markets for the industry in the US have been extremely difficult in the recent period. We appreciate that the short-term valuation outcomes of this important step may have been disappointing for some longstanding shareholders, but we believe that the demerger was the right decision for Prudential in the long term, enabling the business to focus exclusively on and generate value from the opportunities in Asia and Africa.

The long history of this company has been one of change, and the Jackson demerger has shown that we remain prepared to make difficult decisions in the long-term interest of the business, including reducing our footprint and becoming more focused to create value for shareholders. I wish our former colleagues in the US well.

Following the demerger of Jackson, in 2021 we took further structural steps in our strategic transformation, conducting a successful equity raise in Hong Kong and a debt redemption. These have been executed during a period of extraordinary market volatility and, given these conditions, we expect it will take time for full value to be generated from what we have achieved.

The war in Ukraine and associated acute geopolitical tensions, together with the ongoing challenge from Covid-19 and its effects, mean that the environment remains highly uncertain. However, the underlying structural driver of our business – the need for health and protection provision in Asia and Africa – remains strong, and has in fact been reinforced by the pandemic. We are well positioned in markets where the need for our products is clear, we are continually innovating with our products and we have a multi-channel distribution network that ensures that we can deliver for our customers across our markets.

The skill sets of our operational leadership at a market and segment level have been complemented in 2021 by the addition of specialist experience in Sharia and technology, as well as distribution. Our structural transformation, our digital development and the quality of our people enable us to continue to meet our customers' needs and provide value for our shareholders.

Purpose and ESG

The success of our business is inextricably linked to our purpose. As well as informing the products we deliver, how we deliver them and how we support our customers, this purpose can be seen through our progress in embedded Environmental, Social and Governance (ESG) matters in our strategy. During 2021, we increased our focus on ESG and made significant progress in delivering across all aspects of our ESG framework. The Board has devoted more time to this topic and to other people matters, including by establishing a Board Responsibility and Sustainability Working Group (RSWG) chaired by Alice Schroeder, which has overseen our work on the environment, communities, diversity, inclusion, people and culture, the embedding of our ESG framework and the enhancement of disclosures for 2021. You can read about the activities of the Working Group on page 69 and some highlights are provided below. You can find our full ESG Report on page 66.

Our people

Our successful transformation and our performance have been made possible by the remarkable work of our people, and I would like to thank them for their dedication. During 2021 we continued to take steps to ensure the wellbeing of our people in the face of the disruption caused by Covid-19. We created a framework with all our local businesses to define how we ensure we look after our employees, physically, financially, socially and mentally, developing Group-wide programmes supplemented by local initiatives. We increased our focus on mental health, raising awareness, providing preventive care, offering protection and building sustainability through support and connection in the workplace. We continue to develop our wellbeing approach in the context of the rapid transition to hybrid ways of working.

We also took steps during the year to continue to improve diversity and inclusion (D&I) among our colleagues. Our diversity figures improved in 2021, but we recognise that we have more to do and have established a number of new initiatives in this area. Our Global D&I Council is responsible for defining our global D&I strategy, supporting programmes and promoting D&I initiatives across our markets, as well as challenging the organisation when progress is limited.

We extended our staff engagement across the business through global engagement surveys, global town hall meetings and our second Group-wide Collaboration Jam, a three-day inclusive online conversation where colleagues could connect and co-create solutions for the issues that matter most to them. We acted on feedback from colleagues in a number of areas, improving our performance on open and honest two-way communication, enabling employees to report concerns without fear, taking steps to prevent our people feeling overstressed by work, and taking action when individuals are not performing in their roles. Our overall level of colleague engagement continues to improve, with our engagement score being ahead of the median score for all industries globally.

Our first Collaboration Jam in 2020 helped us to define our new values of being ambitious, curious, empathetic, courageous and nimble, and these values are now embedded in our approach to feedback and reward, and the ways in which we work across the Group.

Along with my fellow Non-executive Directors, I have had the opportunity through joining town halls and small-group sessions with future leaders within the Group to see first-hand how these values are being embedded in our business. It has been frustrating during 2021 not to be able to visit as many of our locations and meet as many of our people as we would have liked, and hopefully travel restrictions will be eased during 2022 to allow us to do so much more frequently.

Our communities

We have continued to serve the communities in which we work, to try and make a difference where it is most needed, particularly in the face of the challenges created by Covid-19. We have innovated in our products to meet the changing needs of customers, developed our distribution platform to make our products more easily available to the customers who need them, including through digital access, and provided direct contributions to those communities to help deal with the impact of the pandemic.

Following on from the success of our Covid-19 Relief Fund in 2020, last year we launched a new dedicated fund to continue to support communities struggling with the pandemic. Administered by the Prudence Foundation, our community investment arm, the fund was used by local businesses to focus on supporting vulnerable communities with efforts that include Covid-19 messaging, hygiene and sanitation, nutrition and educational programmes. Alongside this support, the Prudence Foundation continued its important work focusing on promoting financial literacy, supporting early childhood care and development, and delivering education and awareness on climate and disaster risk preparedness, road safety and first aid.

The Board

We have made a number of changes to the Board to align with and support the shape and direction of the Group. In January 2022, George Sartorel joined us, and this appointment, together with our appointments in 2021 of Chua Sock Koong, Ming Lu and Jeanette Wong, represents the addition of deep operational experience in Asia and digital knowledge. As part of that evolution, Anthony Nightingale, who has been Chair of the Remuneration Committee since 2015, and Alice Schroeder, Chair of the RSWG, will be leaving the Board at our 2022 Annual General Meeting, while Fields Wicker-Miurin left the Board at the end of 2021. I would like to thank Anthony, Alice and Fields for their invaluable contributions to the business. The composition of the Board will continue to change, and we continue to seek suitable candidates with skills and depth of experience in our markets and with an increased focus on digital capabilities.

I look forward to working with my fellow Board members and our colleagues across the Group as the re-shaped and re-focused Prudential continues to develop, grow and deliver.

Shriti Vadera

Shriti Vadera
Chair of the Board

Note

1 Our investment portfolio includes both listed equities and corporate bonds, while excluding assets held by joint venture businesses and assets in unit-linked funds as we do not have full authority to change the investment strategies of these.

What we offer investors

Prudential has a high quality, diversified portfolio in Asia and Africa, supported by a leading multi-channel distribution platform which leads us to be well placed to continue to deliver value for our shareholders and all our stakeholders.

Our long-term opportunities

- > Our markets have favourable demographics
- > Our markets have superior economic growth
- > Our strategy is aligned with public policy objectives

There are substantial and unmet consumer needs in our markets that are set to continue in the long term, and provide significant opportunity for growth and value creation.

Asia's health and protection gap is estimated at

$1.8 trillion[1]

80%

of the Asian population has no insurance cover[2], and

39%

of health and protection spend is paid out-of-pocket[4]

Less than

50%

of people in Africa have access to modern health facilities[3]

Notes

1 Source: Swiss Re Institute: The health protection gap in Asia, October 2018.

2 Prudential estimate based on number of in-force policies over total population.

3 Source: Health and Diseases in Africa, October 2017 (nih.gov).

4 Source: World Health Organisation: Global Health Observatory data (2019). South-East Asia, Out-of-pocket expenditure as percentage of current health expenditure (CHE).

Applying our strengths

Our businesses are diversified across Asia and Africa, with a health and protection focus

READ MORE PAGES 14 TO 27

Our modern multi-channel distribution platform includes agents, banks and digital

READ MORE PAGES 14 TO 27

We offer adaptable, consumer-centric products including on the Pulse digital platform

READ MORE PAGE 17

Our leading Asia-based asset manager, Eastspring, has $258.5bn assets under management

READ MORE PAGE 26

We have disciplined capital allocation

READ MORE PAGE 18

Delivering a distinctive shareholder proposition

We believe that our strategy and execution ability will help support our ambition to achieve the following:

Ambition for growth rates of new business profit to substantially exceed GDP growth in the markets in which Prudential operates

Ambition to fund further profitable compounding growth and high risk-adjusted returns for shareholders

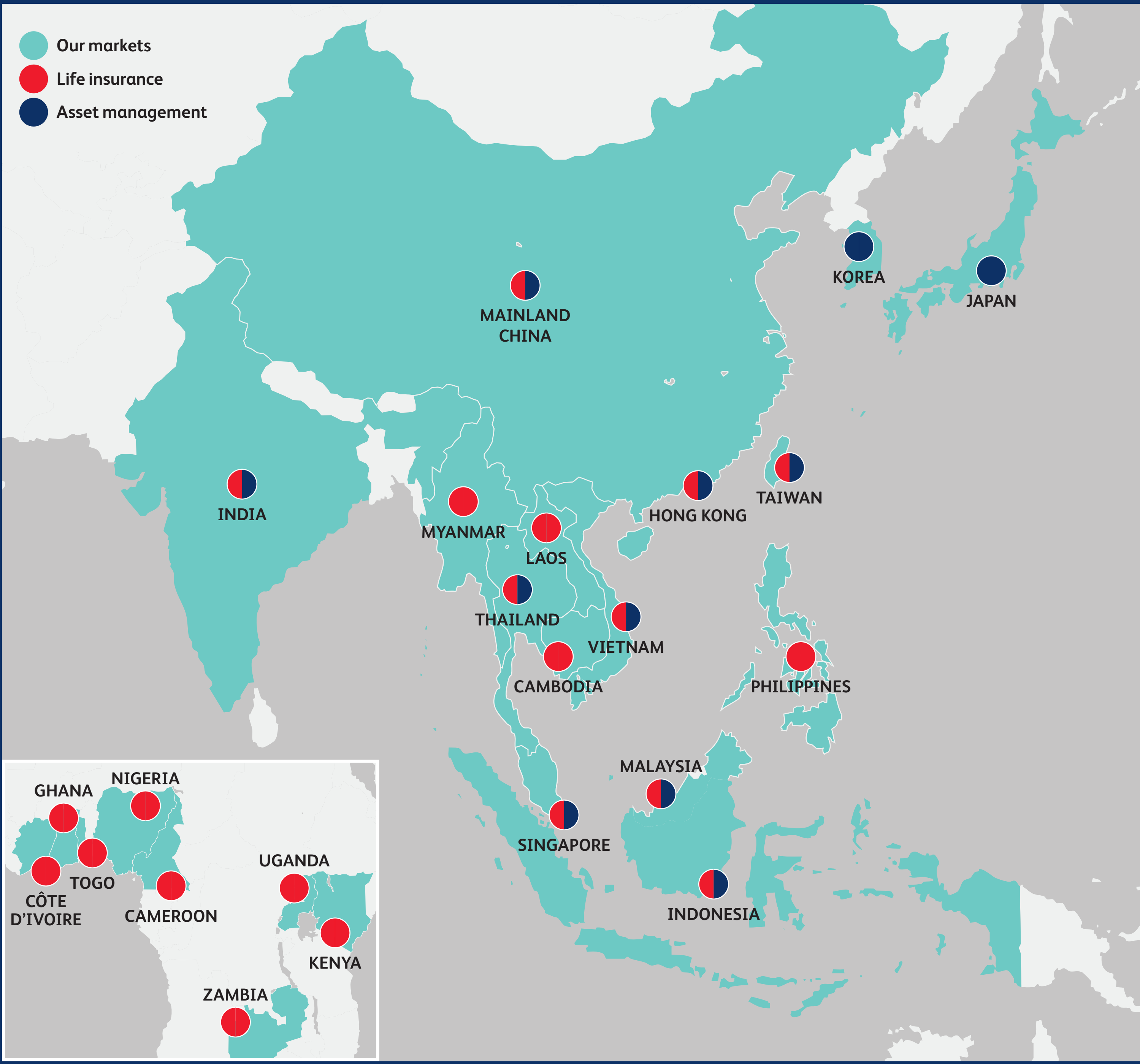
Ambition for long-term double-digit growth in embedded value per share

Strategic report

Contents

Our markets

In Asia, we provide savings and protection in markets challenged by low insurance penetration and a pension funding gap[1]. In Africa, we are building businesses in some of the world's most under-penetrated markets.



Our largest life insurance businesses are based in Mainland China, Hong Kong, Indonesia, Malaysia and Singapore and we have life businesses in a number of other growing economies in South-east Asia and Africa. We see our greatest opportunities in Mainland China, India, Indonesia and Thailand. Eastspring, our asset management business, is based in 11 locations throughout Asia.

Our markets	**Population[2]**	**Life insurance penetration[3]**	**Prudential market ranking[4]**	**Eastspring funds under management[5]**
Mainland China	1.4bn	2.4%	3rd	$12.4bn
Hong Kong	7m	19.2%	2nd	$5.5bn
Indonesia	274m	1.4%	2nd	$4.9bn
Malaysia	32m	4.0%	1st	$13.8bn
Singapore	6m	7.6%	3rd	$150.3bn
India	1.4bn	3.2%	3rd	$30.9bn
Taiwan	24m	14.0%	9th	$5.3bn
Vietnam	97m	1.6%	2nd	$6.6bn
Laos	7m	0.0%	3rd	n/a
Philippines	110m	1.2%	1st	n/a
Cambodia	17m	0.6%	2nd	n/a
Thailand	70m	3.4%	6th	$12.7bn
Myanmar	54m	0.0%	2nd	n/a
Japan				$3.3bn
Korea				$12.0bn

	Population of Prudential markets[6]		**Number of Prudential markets**	
Africa	**416m**		**8**	

FIND OUT MORE IN THE STRATEGIC AND OPERATING REVIEW ON PAGE 14

Notes

1 Bridging Asia's pension gap Eastspring Investments July 2019.

2 United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects 2019 Revision (2020 estimates).

3 Source: Swiss Re Institute; Sigma No 3/2021: World insurance – life insurance penetration (premiums as a percentage of GDP in 2020).

4 Sources: Mainland China (Based on new business standard premiums for 2021 of the foreign joint ventures only, data from industry sharing of information), Hong Kong (Based on weighted total premiums for the first nine months in 2021 – provisional statistics, from Hong Kong Insurance Authority), Indonesia (Based on weighted new premiums for 2021, data from Indonesian Life Insurance Association), Malaysia (Based on new business APE, data from Life Insurance Association of Malaysia and Insurance Service Malaysia Berhad), Singapore (Based on weighted new business premiums reported within Singapore Life Insurance Association returns for 2021), India (Based on retail weighted premium for the calendar year 2021 of private insurers operating in India), Taiwan (Based on full year 2021 APE data from Taiwan Insurance Institute), Vietnam (Based on full year 2021 APE data collected from data sharing by Vietnam Actuarial Network), Laos (Axco industry report, Oct 2021, based on 2019 premiums data), the Philippines (Based on weighted first year premiums for the first nine months in 2021, data from Insurance Commission), Cambodia (Based on full year 2021 adjusted APE, from Insurance Association of Cambodia), Thailand (Based on weighted new business premium for 2021, from The Thai Life Assurance Association), Myanmar (Based on new business premium for the year October 2020 to September 2021 for the foreign insurers operating in Myanmar, from Myanmar Insurance Association).

5 Full year 2021 total funds under management, including external funds under management, money market funds, funds managed on behalf of M&G plc and internal funds under management, reported based on the country where the funds are managed. Eastspring has additional FUM outside these markets.

6 Population as at 2020 source: IMF WEO.

How we drive value for all stakeholders

Q What's driving our business today?

A Our **Purpose** is to help people get the most out of life:

We want to make healthcare affordable and accessible, and promote financial inclusion.

We seek to protect people's wealth, and help them to grow their assets and save for their goals.

Our **Principles** underpin our business approach

- **We put customers first**
- **We act with integrity**
- **We embrace a growth mindset**
- **We invest in all our communities**
- **We take the long view**

Q What is our strategy?

A Our **strategy consists of** three key themes:

SEE OUR STRATEGIC AND OPERATING REVIEW PAGE 14

SEE OUR ESG STRATEGY PAGE 71

Delivering

Growing health and protection business by providing access to affordable health

—

Focusing on the growth opportunities in China, India, Indonesia and Thailand

—

Positioning Eastspring to lead in Asia and drive the ESG agenda

Digitalising

Making it easy for customers to buy – repeatedly

—

Expanding data-driven knowledge of our customers

—

Improving health and wealth outcomes for our customers

Humanising

Upskilling our people, agents and partner advisors

—

Providing inclusive offerings for all segments

—

Lowering the threshold for wealth services

Digitalising products, services and experiences

Humanising our company and advice channels

Q What outcomes do we want to see as a result?

A Our **long-term performance** aspirations are:

Grow the value of our business for shareholders

Develop capacity to serve
50m
customers by 2025

Assets we hold on behalf of our insurance companies will become
‘net zero’
by 2050

SEE OUR KEY PERFORMANCE INDICATORS PAGE 28

Q How do we approach Executive reward?

A We explicitly link Executive Directors’ **Remuneration** to strategic delivery:

Performance conditions of the Executive Directors’ Prudential Long Term Incentive Plan (PLTIP) for 2022 include:

New business profit
45%
of the financial performance conditions

Return on embedded value
30%
of total award

ESG metrics constitute
10%
of total 2022 Executive Director’s Prudential Long Term Incentive Plan (PLTIP) award, including 5 per cent linked to the carbon reduction target announced in May 2021. ESG priorities and commitments are also reflected in the personal and strategic component of Executive Directors Annual Incentive Plan (AIP).

SEE OUR REMUNERATION REPORT PAGE 194

How we create value

We offer insurance and asset management products, focusing on the markets where we believe there is rising demand for savings and protection offerings. By tailoring our products to the needs of customers in these markets we believe we have a significant opportunity for growth and value creation.

Our purpose and function

We help people get the most out of life…

The stages in our Business model

Meet customer needs in our selected markets

Engage with customers and potential customers

Key resources and relationships we employ…

Markets

We operate in markets with low insurance penetration with a growing need for health, protection and savings products.

In these markets we seek, through discussions with governments, regulators, partners and customers, to address the social requirements for insurance and asset management solutions.

Products

We focus on providing regular premium health and protection business alongside fee earning asset management services.

We develop our products to reach new customers and to make our products more inclusive.

Distribution and digitalisation

Our health, savings and protection products are distributed through our extensive agent network, banks and digital partnerships.

Our asset management products are distributed to third-party institutions and retail clients.

We are working to digitalise our products, services and experiences to increase customer engagement.

… and what differentiates us

We have top three positions in 11 out of 13 life markets in **Asia**, and Eastspring is a **top-10 asset manager** in six of 11 markets. We operate in **eight countries in Africa**, where we have built a rapidly-growing multi-product business since our entry in 2014.

We are the market leaders of Sharia business **in Indonesia and Malaysia**.

READ MORE 14 TO 27

Our focus on **regular premium health and protection and asset management services** helps us grow our revenues over time as we add new customers and increase the savings of our existing ones.

READ MORE 14 TO 27

Our extensive multi-channel distribution enables us to better understand and service customers' financial needs.

Pulse by Prudential is a free digital mobile application which is improving our customer engagement and reach.

READ MORE 14 TO 27

Underpinned by our core behaviours

Operating with discipline
Risk management and disciplined allocation of capital underpin our activities, while our governance, processes and controls enable us to deal effectively with uncertainty.

READ MORE 44 TO 63

Building sustainable business
We build sustainable businesses and invest responsibly, seeking to integrate environmental, social and governance considerations into our investment processes and stewardship activities.

READ MORE 66 TO 136

by helping our customers protect their wealth and save for their goals.

Meet customer expectations

Generate benefits for our stakeholders

Customer service and loyalty

We have high customer loyalty, with a retention ratio consistently in excess of 89 per cent[2].

The satisfaction and trust our customers have in our business translates into a high proportion of repeat sales.

We seek to **protect the value of our business** over the longer term through meeting customer expectations and disciplined risk management and **increase value** by adding new customers.

READ MORE 14 TO 27 AND 30 TO 43

Integrated asset management

We leverage Eastspring's expertise in equity, bonds and multi-asset management to underpin our insurance products, as well as offering products direct to third-party institutions and retail clients.

Eastspring is one of the **largest pan-Asian asset managers** and benefits from the structural advantages of **predictable inflows from the Group's life business**.

READ MORE 26

Engaging our stakeholders

We engage with our stakeholder groups closely and take account of their concerns in our decision-making.

READ MORE 138 TO 145

The value we create for our stakeholders

Customers

We aim to provide accessible healthcare solutions as well as empowering our customers to save for their goals.

During the year we paid out[3] over

$8.8bn

to our customers in respect of the long-term insurance products they hold with us

Our people

We provide an inclusive working environment where we develop talent, reward performance, protect our people and value our differences.

14,486

employees[1]

Regulators

We work with regulators to understand their objectives, priorities and concerns, and how they affect the shape of our business.

$13.2bn

GWS shareholder surplus

Investors

Our Asia and Africa-focused strategy will support long-term delivery of future shareholder returns through value appreciation and dividends.

EEV

$47.4bn

Government and wider society

We regard governments and legislatures in the markets in which we operate as important stakeholders. We support our wider communities through investment in business and infrastructure, paying tax and community support activity.

$5.9m

direct cash donations to charitable organisations

Suppliers

We treat our suppliers fairly so we both mutually benefit from our relationship.

Notes

[1] Whole Group Full Time Equivalent Including Chair, all Directors, GEC members, Senior Managers, excluding joint ventures.

[2] Excluding India, Laos, Myanmar and Africa.

[3] Claims paid gross of reinsurance, see note C3.2(i) to the IFRS financial statements for more details.

Re-positioned the Group into an Asia and Africa-focused business

During 2021 we completed the planned strategic re-positioning of our business, while at the same time delivering a resilient financial performance, despite the challenges posed by the continuing Covid-19 pandemic.

Over the course of the year, we completed the reshaping of our business into one focused entirely on the long-term opportunities we have identified in Asia and Africa. In the fourth quarter, we carried out a successful $2.4 billion[1] equity raise in Hong Kong. In December 2021 and January 2022 cash from this issuance was deployed in deleveraging our balance sheet in a $2.25 billion debt redemption programme. These actions, together with the associated reduction in interest costs, have enhanced our financial flexibility in light of the breadth of opportunities to invest for growth in Asia and Africa.

In 2021, despite ongoing disruption, our digitally-enabled, multi-channel and geographically diversified platform delivered 8 per cent growth[2] in APE sales[3] (10 per cent on an actual exchange rate basis). Sales in Hong Kong continued to be constrained by the ongoing closure of the border with Mainland China. However, excluding Hong Kong, APE sales were 16 per cent[2] higher (19 per cent on an actual exchange rate basis). Eight markets in Asia and our Africa business saw double-digit growth including Mainland China, India, Malaysia, the Philippines, Singapore and Thailand. The increase in APE sales, combined with an improvement in new business margins given a favourable shift in business mix, resulted in a 13 per cent[2] increase in Group new business profit[4]. Business mix saw a shift into more profitable shareholder-backed business, particularly in Hong Kong. Our adjusted IFRS operating profit based on longer-term investment returns (adjusted operating profit[5]) for 2021 from our continuing operations increased by 16 per cent on a constant exchange rate basis (17 per cent on an actual exchange rate basis), reflecting the geographic, product and distribution channel diversification of our Asia and Africa-focused business model. The total IFRS loss after tax for 2021 was $(2,813) million (2020: $2,231 million profit after tax on a constant exchange rate basis, $2,185 million profit after tax on an actual exchange rate basis), which comprised a $2,214 million profit after tax from continuing operations (2020: $2,514 million profit after tax on a constant exchange rate basis, $2,468 million profit after tax on an actual exchange rate basis) and a $(5,027) million loss after tax from discontinued operations (2020: $(283) million loss after tax on a constant and actual exchange rate basis). This loss from discontinued operations is due to the write-down of Jackson to its fair value upon demerger, as required by accounting standards. The Group's financial performance for the year is further discussed in the Financial Review later in this strategic report.

The Covid-19 pandemic has had an ongoing impact on the markets in which we operate and the lives of our customers, and has caused continuing personal and working challenges for all our colleagues. Our people have not only risen to the challenges posed by Covid-19, but have also continued to deliver to the highest standards for our customers and our business.

Our purpose is to help people get the most out of life, and both our strategic steps and our service to our customers are enabling us to fulfil that purpose. Our strategy of focusing on our markets in Asia and Africa enables us to devote our resources to serving customers in markets where there are substantial growth opportunities and to be aligned with broader public policy and societal needs. Our range of products, our digitally-enabled multi-channel distribution and the dynamic capabilities of our operations mean that not only can we seek to meet those needs but also to help prevent, postpone and protect customers from threats to their health and wellbeing, as well as support them to achieve their savings goals.

Alongside our key strategic steps, during 2021 we supported our key stakeholders in many different ways, particularly in the face of the challenges created by Covid-19. For our customers, we have developed and tailored our range of products, in particular in health and protection, to allow these products to be suitable for a wider range of income groups such as through our 'bite-sized' insurance products. These are already offered in a number of markets including Malaysia, the Philippines, Cambodia and Vietnam, and are designed to cater for the specific needs of under-insured consumers and first-time buyers. For our agents, we have delivered significant training and productivity tools, enabling them to continue to retain client contact and accelerate the lead referral process. For our employees, we have paid salaries and wages of $1.0 billion in the year[6], as well as providing significant support in terms of wellness, flexible working and helping them to manage their mental health. We have recognised the efforts that our staff have made during the year and have granted $1,000 of Prudential shares to each full-time employee. For our regulators, we have participated in multiple engagements on industry developments including enhanced risk management, monitoring customer outcomes and risk-based capital. The Group continues to make significant tax contributions in the jurisdictions in which it operates, with more than $1 billion remitted to tax authorities in 2021. We have funds under management of $258.5 billion[7] and are significant investors in Asia and Africa economies.

In the near term, our corporate activity is expected to include the reduction of our stake in Jackson to less than 10 per cent and the securing of additional central cost savings of $70 million[8] from the start of 2023. We will continue to ensure our central functions remain resilient and compliant.

We are ending this historic year of change and development ideally positioned to take advantage of the opportunities in our chosen markets. Through our continually improving range of products, our wide-ranging, digitally-enabled multi-channel distribution and our execution capabilities, we are well placed to continue to build for our customers across our markets well into the future.

Group strategy

Our strategy is aligned with the supportive structural trends in Asia and Africa. Despite the rapid rise in prosperity in Asia, people still have low levels of insurance cover, with 39 per cent of health and protection spend still paid out-of-pocket[9], and an estimated 80 per cent of the population of Asia still without insurance cover[10]. Combined with rising prosperity and ageing populations, this creates a large and growing health and protection gap that has been estimated at $1.8 trillion[11].

These long-term trends underpin rising demand for savings and protection across both Asia and Africa, and create significant opportunity for growth and value creation. By delivering products and services that are specific to consumer segments and markets, we are well positioned to meet the growing health, protection and long-term savings needs of customers in these geographies.

We are developing the capacity to serve up to 50 million customers by 2025 through investing in our multi-channel distribution capabilities, applying digital capabilities to increase the efficiency of our operations and introducing products and services that allow us to develop more diverse customer bases in our markets. We continue to invest in our people and systems to ensure we have the resources to deliver on our long-term growth strategy and to evolve our operating model to keep pace with our opportunities as an exclusively Asian and African business. We seek to achieve this by:

- Delivering profitable growth in a socially responsible way;
- Digitalising our products, services and experiences; and
- Humanising our company and advice channels.

We have significant investment appetite that is based on the absolute size and demographic characteristics of each economy and our ability to build competitive advantage, leveraging our scale and expertise. We will continue to build on our leading positions in Hong Kong and South-east Asia, and we see the greatest growth opportunities in the largest economies of China, India, Indonesia and Thailand. At the same time, we are continuing to develop our businesses in Africa, where our investment gives us exposure to a growing, under-served continent whose population is expected to double to more than two billion people by 2050[12].

Delivering the strategy

Our strategy is pursued through providing a wide range of products which are then refined through continued innovation and iterative enhancements driven by customer needs. These products and services are then offered to those customers through our multi-channel distribution suite of channels – agents, bancassurance, digital and other. Increasingly customers are seeking to interact with us through a combination of digital channels and in-person agents. We are adapting our capabilities to match customers' preferences for engagement during both purchase and servicing of our policies. Our product mix and multi-channel distribution capability have been the key drivers of new business profitability and growth in embedded value.

Our products are tailored to the developing requirements of local markets and the fast-changing needs of individual customers. Our focus is on health and protection and savings products, and in 2021 54 per cent of our new business profit was contributed by health and protection solutions, with the rest provided by savings products including participating, linked and other traditional products.

We have responded to the changing needs of our customers by broadening coverage for new risks and adding innovative features to existing products. For example, during 2021, we introduced or enhanced more than 200 new products, including more than 90 digital and protection products. Further details are given below in the operational performance by market section.

Our product and other initiatives helped attract over 2.5 million customers in 2021 who were not existing policyholders of Prudential. This contributed to an increase in our total life customer base to 18.6 million (2020: 17.4 million excluding Jackson). New business policies sold to both new and existing customers rose to 3.9 million, an increase of 16 per cent over the prior year and included 109,000 polices which were sold direct to the consumer through digital systems, including Pulse. These new policies included 2.2 million health and protection cases, an increase of 41 per cent when compared with the prior year, reflecting our customers' increased focus on this area in light of the pandemic.

To ensure that customers have the best access to our products, we have a multi-channel and integrated distribution strategy that is able to adapt flexibly to changing local market conditions. We have an extensive distribution network encompassing agency, bancassurance and non-traditional partnerships, including digital.

Our agency channel is a key component of our success, providing 65 per cent of our new business profit, given the high proportion of high-margin protection products sold through this channel. We have over 540,000 licenced tied agents[13] across our life insurance markets. The productivity of our active agents increased by 3 per cent during 2021[13], based on APE sales per active agent as we, and our customers, focus increasingly on standalone protection products. New business profit from the agency channel fell by (1) per cent[2] to $1,646 million in 2021. Excluding Hong Kong the increase was 9 per cent[2].

Our continued support for our agency channel positions us well for sustainable growth. We have recruited circa 123,000 agents during the year[13] and continue to move our recruitment, training and management of agents on-line. The use of virtual sales tools has enabled us to deliver 45 per cent of agency new cases in 2021 virtually, compared with 28 per cent from April to December in 2020, demonstrating our embedding of these processes and building resilience for the future.

Agent professionalism and career progression are extremely important to us, and we provide tailored training programmes that share our agents' experience and best practice across different markets. At the same time, we continually upgrade the tools available to our agents to assist them during the sales process and enhance productivity. Agents that qualified for the Million Dollar Round Table (MDRT) award during 2021 contributed 40 per cent of APE sales in the relevant markets[14] in 2021 (2020: 34 per cent[14]).

We have a leading bancassurance franchise, providing access to over 26,000 bank branches through our strategic partnerships with over 160 multinational banks and prominent domestic banks. 2021 saw new business profit through the bancassurance channel increase by 56 per cent to $795 million. Sales made virtually accounted for around 30 per cent of new business cases made through the bancassurance channel in 2021 (2020: 27 per cent from July 2020).

Alongside our agency and bancassurance channels, we also have Pulse by Prudential, our digital platform and ecosystem. Our aspiration is that Pulse facilitates customer acquisition at scale, provides an enhanced customer experience and acts as a platform for the business, with scope for delivering future operational efficiency.

Our pan-Asia asset manager, Eastspring, is one of the largest pan-Asia asset managers, managing $258.5 billion in assets across 11 markets in Asia[15], and is a top-10 asset manager in six of those markets. We continue to diversify Eastspring's product set and intend to accelerate its development as a leader in Asia by broadening its investment strategies and making wealth services more accessible at lower levels of individual contributions. Eastspring is playing an important role in supporting our commitment to carbon reduction in our insurance company asset portfolio, allowing us to deliver profitable growth alongside a positive social impact. Further details are set out in the operational performance by market section.

Pulse and our digital offerings

Prudential's Pulse digital platform is designed to connect with customers and potential customers on key elements in their lives, namely their health and wealth. As well as offering our own products it provides a number of other features to engage and support customers in this area. We work with partners to deliver these additional services and features and to date we have entered into 56 key digital partnerships. We continue to expand our collaboration with new partners helping us widen access to new customer segments and deepen our engagement with our users. Prudential's widely recognised brand and Pulse's geographically diverse platform means that we can attract and work with multiple 'best-in-class' partners across numerous fields of expertise and sectors.

Pulse is active in 17 markets in Asia and Africa and we utilise AI technology to offer users a selection of services, ranging from health assessments, risk factor identification, telemedicine and wellness to digital payment capabilities. Health features such as AI Symptom checker and Digital Twin have been launched in Pulse to most markets in which Pulse is available. These features are paired with health experts online (where available) and fitness communities to help Pulse users stay healthier.

Pulse has now been downloaded more than 32 million[16] times. Download growth has moderated more recently given that Pulse has now been rolled out to most of the markets we operate in. The focus now is on customer segmentation and engagement campaigns on the installed base so that Pulse now supports all of our distribution channels. APE sales associated with Pulse increased by 73 per cent[2] to $364 million in 2021[17]. These sales represented circa 11 per cent of our total APE sales in markets where Pulse is available. This percentage contribution has increased steadily over the second half of the year, ending the last quarter of 2021 at 13 per cent.

We believe Pulse provides a wide range of benefits to Prudential, including:

> Efficient model to acquire, engage and serve users at scale, widening access to new customer segments for Prudential. This includes attracting a new, younger generation of customers.
> Reduces marginal customer acquisition costs through targeted marketing campaigns.
> Aggregated data on Pulse helps deliver greater customer insights and supports improved productivity for Prudential's distribution channels by serving those customers that require a more personal/advice led approach which are often higher margin more complex products.
> Promotes better customer retention characteristics via stronger engagement and frequent contact, particularly for digital-savvy customers or customers who prefer virtual interactions.

Pulse is intended to become in due course a common platform across our markets to provide end-to-end processing, with all policy sales and servicing conducted within the platform for digital products. In addition, it is intended to provide an integrated business solution for our agency sales force, which should assist in creating a future-ready sales force capable of serving technology-savvy customers, as well as customers who prefer to meet virtually or a combination of both. Over the longer term this also has the potential to enhance our current operating model by removing some of the diverse technology systems and manual processes across our markets.

Pulse supports the agency channel and its use is demonstrated by the number of leads recorded on Pulse, which totalled 4.3 million in 2021[18].

As an example, our Philippines business saw over 1.9 million leads distributed to agents in 2021. These leads were provided to agents via PRULeads (within Pulse), where agents are provided with lead and campaign details derived from data generated from Pulse. The agents are also provided with suggested introductory discussion points to engage and develop dialogue with customers. Lastly, product information materials specific to the campaign are tagged in PRULeads, allowing agents access to those materials should that be necessary.

Pulse also supports our bank partners in bringing digital solutions to customers. In the Philippines for example, Prudential has teamed up with CIMB Bank Philippines (CIMB PH) to make digital financial products and service more accessible. CIMB PH is one of the fastest growing banks in the Philippines, adopting and offering digital banking products to its more than five million customers. We are the first bancassurance partner for CIMB. Pulse products will be made available on CIMB's platform and vice-versa.

It is intended that Pulse will broaden Prudential's customer reach, improve our channel productivity and generate efficiencies as we scale. Prudential continues to evaluate options for the development of Pulse in India and Mainland China. Our operations there already have sophisticated digital offerings provided by our respective joint venture partners in these technologically advanced multi-channel businesses.

Capital allocation

We apply a disciplined approach to capital allocation by applying the framework discussed in the Financial Review both to organic investment in new business and to considering inorganic growth options.

We aim to deliver ongoing capital generation by investing capital to write products with high rates of return and short payback periods. We expect to generate attractive returns on our new business driven particularly by the focus on health and protection and regular premium products. This creates new capital, which can be reinvested into writing more profitable new business. In 2021, we generated almost five times the new business profit for each $1 invested organically.

The operation of our approach to capital management is demonstrated by our delivery of return on shareholders' equity as set out below:

Operating return[19] on shareholders' equity (%)

	2021	2020
Operating return[19] on IFRS shareholders' equity[20]	**18**	20
Operating return[19] on EEV shareholders' equity[20]	**8**	8

Leadership developments

During 2021, a number of leadership changes took place. Our Group Chief Digital Officer retired and was succeeded by his deputy. In Indonesia, Malaysia and the Philippines, new CEOs were appointed following retirements and in all three cases the new appointees brought in additional skill sets including Sharia finance and technology. The CEOs in all our major segments have many years of experience of working in the markets they oversee and are all local to their markets.

Environmental, Social and Governance

During 2021, we have strengthened our focus on Environmental, Social and Governance (ESG) matters, building on the new ESG strategic framework which we developed in 2020.

Across Prudential, inclusivity runs as a common theme in all of our ESG activity. Within our core business activity of making health accessible, we seek to make our products as inclusive as possible and during 2021, we developed a campaign, We DO Family, to support the development of more inclusive products that recognise the evolution of nuclear families; our approach to climate change is underscored by our commitment to an inclusive transition in our markets; and, we further progressed our diversity and inclusion activity including the launch of PRUCommunities, a safe place for our people to share identities, interests, goals, and the changes they would like to see at Prudential. We consider this focus on inclusivity, both internally and externally, to be pivotal to meeting our purpose.

We recognise the importance of targets in evidencing our commitment to progress on ESG topics. As a significant asset manager and asset owner in regions forecast to be impacted severely by climate change, we have a distinctive role to play in the inclusive transition to a low-carbon economy. Recognising this, in May 2021, we set a target to be net zero by 2050 for our insurance assets supported by a 25 per cent reduction in emissions from the portfolio by 2025. In addition, we have established targets for a 25 per cent reduction in Scope 1 and 2 carbon emissions per employee by 2030.

Our ESG report on pages 66 to 136 sets out in more detail our ESG activities during the year, including our progress towards these targets on page 83.

Outlook

We enter 2022 with a strong balance sheet and capital position. The timing of the opening of the Hong Kong border remains uncertain and Covid-19 will continue to have an impact. The current conflict in Ukraine could have wider implications for global economic and market conditions as well as geopolitical relations. However, we believe our multi-channel approach and focus on quality business and operating efficiency is the right strategy for dealing with volatile operating conditions. We are confident that our investment in new business, distribution and product enhancements will continue to meet the needs of our customers and build value for our shareholders over the long term.

Operational performance by market

The following commentary provides an update on the operational capabilities and performance for each of the Group's segments. Discussion of the financial performance of the Group and its segments is contained separately in the Financial Review section of this Strategic Report.

Mainland China – CITIC Prudential Life (CPL)

	Actual exchange rate			Constant exchange rate	
	2021	2020	Change	2020	Change
APE sales ($m)	**776**	582	33%	623	25%
New business profit ($m)	**352**	269	31%	288	22%
New business margin (%)	**45**	46	(1)ppts	46	(1)ppts
Adjusted operating profit ($m)	**343**	251	37%	269	28%
IFRS profit after tax ($m)	**278**	394	(29)%	423	(34)%

Amounts included in the table above represent the Group's 50 per cent share.

Mainland China continues to present significant opportunities for Prudential, driven by the low levels of insurance penetration, conducive regulatory proposals for the long-term development of insurance markets as well as favourable demographics such as an ageing population, emerging middle class and rapid urbanisation. These factors support further growth both in health and protection as well as pension products and services.

Prudential's life business in Mainland China, CPL, is a 50/50 joint venture with CITIC, a leading Chinese state-owned conglomerate. CPL benefits from a balanced distribution network with strength in agency and bancassurance and a well-diversified product range. CPL has a substantial opportunity to expand and deepen its presence across its nationwide footprint of 20 branches covering 99 cities. Our Mainland China business has a particular focus on areas with the greatest economic growth potential, a strategy aligned with the Chinese government's 'City Cluster Model', centred on Beijing, Shanghai and the Greater Bay Area, a region which, if it was a separate economy, would be one of the 10 largest economies in the world[46]. We customise our solutions for various customer segments. We target the high net worth individuals and families with inter-generational insurance and wealth solutions incorporating legacy planning. We also tailor our protection and education solutions to the needs of the younger generation, which we combine with healthcare and childcare services. Our group life and health solutions are popular with business owners and their employees.

New business performance during 2021

CPL became the largest contributor to the Group's total APE sales in 2021, supported by APE sales growth of 25 per cent[2] to $776 million. Our solid and resilient growth has been underpinned by our diversified distribution strategy, with both agency and bancassurance channels delivering double-digit APE sales growth at 25 per cent[2] and 28 per cent[2] respectively in 2021.

Sales volume growth led to a 22 per cent[2] increase in overall new business profit compared with the same period in 2020 and significantly exceeded the pre-pandemic level of 2019 by 25 per cent[2]. In a challenging environment, our agency continued to deliver growth in new business profit at an attractive margin above 70 per cent, driven by strong growth in non-participating products. The bancassurance new business profit margin was stable at 39 per cent with new business profit growth driven by higher sales, notably in the linked segment.

CPL continues to outgrow the overall sector. In 2021, CPL increased its overall market share to 0.86 per cent[21], from 0.74 per cent[21] in 2020.

Delivering customer-led solutions

Our Mainland China business presents solutions that address the financial security and wellbeing of our customers at different life stages, with built-in related services enriching the overall customer propositions. Our solutions and services are combined in an ecosystem that provides an integrated experience, meets the full demands of customers and strengthens our relationships with them.

During 2021, we upgraded our award-winning critical illness solution ('Hui Kang Zhi Cheng') by enhancing benefit coverage conditions and reducing waiting periods for certain recurrent claims such as cancer. Beyond protection, we offer a health concierge service that provides preventive healthcare, a panel of specialists for consultation on treatment options, priority hospital access and mental health rehabilitation services.

To meet our customers' desire for a more digital experience, engagement, fulfilment and servicing with customers and distributors, are carried out through our mobile first Xin Yi Tong app. Our 'Virtual Lounge' leverages technology to humanise connection between the agent and the customer. Digital media recognised the technology's customer useability. In fact, our CPL business continues to report one of the highest virtual sales rates amongst our business units of over 80 per cent despite the near-normalisation of the Covid-19 situation.

Multi-channel distribution

We continue to focus on building a professional, high-quality agency force, with suitable knowledge of health and protection products. Our 17,800 agents serve customers across the country. Our agency productivity has improved markedly, with APE sales per active agent rising 61 per cent and over 1,100 agents qualifying for the MDRT award in 2021. Our total agency force reduced during the year in the context of the industry going through a period of rationalisation and our own focus on quality. We are empowering agents with tools and techniques that help engage customers in order to provide customer-centric solutions. Over time, as our agency force continues to mature and build experience, we expect this to result in further enhancement in productivity, providing additional support to our growth trajectory in CPL.

Meanwhile, we also continue to build out our bancassurance distribution. We have a network of 48 bancassurance partners with access to over 6,000 branches across Mainland China, supported by over 3,000 insurance specialists catering to the customers of the banks. This has resulted in higher levels of new business from the bank channel and, coupled with further improvement in product mix, new business profit expanded by 31 per cent[2] in the bancassurance channel.

Hong Kong

	Actual exchange rate			Constant exchange rate	
	2021	2020	Change	2020	Change
APE sales ($m)	**550**	758	(27)%	757	(27)%
New business profit ($m)	**736**	787	(6)%	786	(6)%
New business margin (%)	**134**	104	30ppts	104	30ppts
Adjusted operating profit ($m)	**975**	891	9%	889	10%
IFRS profit after tax ($m)	**1,068**	994	7%	991	8%

Our Hong Kong business, established over 57 years ago, offers domestic Hong Kong residents and mainland visitors sophisticated critical illness, medical benefits and life insurance protection business, as well as investment products in a UK-style with-profits structure.

Our continued pivot to domestic customers, diversification of distribution channels and focus on value creation has resulted in 9 per cent[2] growth in new business profit for the domestic segment despite the disruption of Covid-19. We continue to refresh and upgrade our offerings with comprehensive protection and wealth accumulation propositions for the affluent customers, while leveraging our strengths in affordable healthcare products such as VHIS and wellness services via Pulse which appeal to the mass market. For small and medium enterprises (SMEs), we are leveraging our digital Business@Pulse platform to provide group solutions as well as wellness programs aimed at improving employees' well-being beyond work. Meanwhile, Mainland China customers remain an important customer segment for the Group's Hong Kong business, although APE sales have been severely curtailed following the closure of the border between Mainland China and Hong Kong implemented in late January 2020. Based on its own and third-party surveys, the Group believes there is latent demand from Mainland China customers for its Hong Kong product suite, driven by the sophistication of the products offered and the high level of medical care available in Hong Kong. As a result, the Group expects to see the return of this important source of new business when the border between Mainland China and Hong Kong reopens and visitor arrivals normalise.

Additionally, supportive regulatory developments such as Wealth and Insurance Connect between the Greater Bay Area and Hong Kong will further enhance the Hong Kong business's ability to serve Mainland China customers. We are well placed to capture the longer-term opportunities in the Greater Bay Area given our solid foothold in Hong Kong and presence in all domestic cities in the Greater Bay Area and our pending application for a licence to operate in Macau.

New business performance during 2021

Overall APE sales declined by (27) per cent[2] in the year as border closure continued to prevent Mainland China visitors from buying insurance products in Hong Kong. In the domestic segment, we further strengthened our focus on regular-premium health and protection products and also shifted towards higher margin savings solutions. This strategy helped improve the protection mix by 7 percentage points[2] and grow protection APE sales by 12 per cent[2], although the resultant lower case size led to a 15 per cent[2] fall in overall APE sales for the domestic segment. Benefiting from margin improvement, new business profit grew 9 per cent[2] for the domestic segment and with significant Mainland China sales in the first quarter of 2020 only and sales being insignificant for the whole of 2021, the overall Hong Kong new business profit dropped by a modest (6) per cent[2]. Despite the decline in the year, overall new business profit saw strong sequential momentum throughout the year, with quarter on quarter expansion in each quarter since the second quarter of 2021, thanks to our focus on health and protection and higher-margin savings products.

Delivering customer-led solutions

The business fulfils customer needs via its wide range of protection, savings and investment product offerings. In addition to comprehensive critical illness solutions catering to affluent and high net worth customers, we also extend access to affordable healthcare by offering a full range of Voluntary Health Insurance Scheme (VHIS) products. The APE sales of VHIS almost tripled in 2021 following the launch of our mid-tier VHIS product. Meanwhile, we have fully embraced the government's 'Qualified Deferred Annuity Plan' (QDAP) for retirement, making us one of the leading players[22] in the market.

Our investment proposition provides access to international equities and bonds. Our with-profits product offering pools the investments of policyholders and allocates returns based on long-term investment performance (similar to that used historically in the UK). This is a distinct, capital-efficient structure benefiting from significant scale, enabling Prudential to provide differentiated products while generating attractive margins.

Multi-channel distribution

We operate a digitally enabled multi-distribution platform and provide customers choice on how they prefer to be served. We have the largest agency force of 21,579 agents in the Hong Kong market, and this channel accounted for more than 60 per cent of our APE sales in the year. Despite a challenging operating backdrop, overall agent activity has been broadly stable thanks to intensified agent training and development, enhanced customer engagement tools such as Pulse and PRULeads, as well as broadened product offerings.

On the bancassurance side, we have a long-standing strategic alliance with Standard Chartered Bank which has grown from strength to strength for more than 20 years. This channel achieved new business profit growth of 140 per cent[2] for the domestic segment driven by product enhancements and higher health and protection sales.

Indonesia

	Actual exchange rate			Constant exchange rate	
	2021	2020	Change	2020	Change
APE sales ($m)	**252**	267	(6)%	271	(7)%
New business profit ($m)	**125**	155	(19)%	158	(21)%
New business margin (%)	**50**	58	(8)ppts	58	(8)ppts
Adjusted operating profit ($m)	**446**	519	(14)%	529	(16)%
IFRS profit after tax ($m)	**362**	409	(11)%	417	(13)%

In Indonesia, we are one of the market leaders in the overall life insurance market with 10 per cent market share by weighted new premium in 2021[23]. We are also the market leader with a 29 per cent market share in the fast-growing Sharia segment in Indonesia[23], which has the largest Muslim population in the world. Our main strategic objectives are to secure new bancassurance partners for the mass market, improving capabilities to serve our customers better through digitalisation and operational advancements, as well as preparing new propositions to cater to our target segments in anticipation of the post-Covid-19 economic rebound and upcoming new regulation on investment-linked products.

We have upgraded our offerings for the affluent segment where customers seek broad insurance and savings products supported by value-added services. We have also launched simpler, lower-ticket-size standalone protection solutions serving the insurance needs of mass segments. Our Pulse digital platform appeals to digitally-savvy younger customers. For SMEs, we have created a comprehensive suite of group health and life solutions which are provided alongside related services through our digital Business@Pulse platform. We also strengthened our market leadership in the fast-growing Sharia segment through our inclusive Sharia offerings.

New business performance during 2021

Overall APE sales fell by (7) per cent[2] with Covid-19-related social movement restrictions disrupting sales activity throughout much of the year. The pandemic, which caused over four million[24] infections nationally by the end of 2021 in a population of circa 270 million[25] has resulted in higher than expected claims. It is estimated that Indonesia accounted for over 60 per cent of total Covid-19-related claims across Asia of our policyholders. Movement restrictions were particularly severe in the third quarter of 2021, before easing towards the end of the year as Indonesia emerged from its latest Covid-19 wave. During the year, there was an increasingly effective rollout of the vaccination programme with the percentage of population vaccinated increasing from circa 11 per cent at the end of June to about 60 per cent at the end of December. APE sales in the fourth quarter were 29 per cent[26] higher than those in the third quarter, with sales in the second half of the year 15 per cent[26] higher than the first half of 2021.

Despite the fall in absolute APE sales amounts year-on-year, we have seen a growth of over 37 per cent in the number of standalone protection policies sold over the period, which contributed to over 70 per cent of total policies sold and 43 per cent of total APE sales (2020: 29 per cent of APE sales). Our strength in the Sharia segment also added resilience to the business with a 19 per cent increase in new Sharia policies. We did however experience a worsening of persistency exacerbated by the financial hardships of our policyholders.

Overall new business profit was (21) per cent[2] lower, reflecting lower APE sales volumes as a result of lower average case sizes as we continue to diversify our product suite and move further into the Shariah mass market. Changes in economic conditions also led to a drag on new business profit over the period. Despite the fall in the year, new business profit improved as the year progressed, with a quarter on quarter increase in each quarter since the second quarter of the year.

Delivering customer-led solutions

We have executed well in difficult market conditions through innovating our product offerings, as well as increasing digital capability to mitigate the restrictions of Covid-19 on face-to-face agency sales. Total new policies grew 7 per cent driven by our strategy of expanding low ticket-size standalone protection policies to low and mid-income customers.

We continue to lead in the Sharia segment, with a commitment to expand inclusive product offerings to the mass market segment. For example, we have launched PRUCerah, the first Sharia-compliant education participating product in the market, and continue our PRUCinta (traditional Sharia product) offering. Together PRUCerah and PRUCinta contributed 13 per cent of total APE sales. To realise the potential of the Indonesian Sharia life market, we are setting up a dedicated Sharia business with the establishment of Prudential Sharia Life Assurance. This will enable full product vetting by the Sharia religious authorities and the use of specialist distribution techniques. In the Enterprise Business space, we achieved APE sales growth of 33 per cent[2] in 2021, and, supported by our digital capabilities, positioned ourselves as the choice for start-up, fintech and financial institutions as their Employee Benefit provider.

Multi-channel distribution

The quality and productivity of our agency channel continued to improve. Thanks to ongoing agency reform initiatives and the broadening of our product offerings, the number of active agents increased by 4 per cent. We remain as one of the market leaders in the agency segment with 25 per cent[27] of total market share. In the Sharia segment, we maintain one of the largest agency forces with almost 143,000 agents, which was 11 per cent higher than the prior year.

Development of our bancassurance channel also gathered pace. New business profit increased 25 per cent[2] despite flat APE sales as a result of higher-margin new products in the traditional, funds and retirement space. We have also started to offer Sharia products through our bank partners, which contributed 4 per cent of total bancassurance APE sales in 2021.

Malaysia

	Actual exchange rate			Constant exchange rate	
	2021	2020	Change	2020	Change
APE sales ($m)	**461**	346	33%	351	31%
New business profit ($m)	**232**	209	11%	212	9%
New business margin (%)	**50**	60	(10)ppts	60	(10)ppts
Adjusted operating profit ($m)	**350**	309	13%	313	12%
IFRS profit after tax ($m)	**265**	256	4%	259	2%

In Malaysia, the Group has leading market positions in both the conventional and Takaful markets[28] and has been serving customers for more than 97 years. The Takaful segment has substantial opportunities for growth, and we are the largest player with a 30 per cent market share[29]. We continuously upgrade our saving and protection solutions to serve the affluent segment, and have supplemented these recently by launching more simple, flexible solutions to serve the mass market. We also continue to broaden our Islamic wealth and protection solutions to strengthen our leadership in the fast-growing mass affluent Takaful segment.

New business performance during 2021

APE sales increased by 31 per cent[2], driven by growth of 45 per cent in agency production despite the tightening of Covid-19-related movement restrictions at several points throughout the year. The Takaful business achieved APE sales growth of 61 per cent[2] fuelled by an increase in active agents. New business profit was 9 per cent[2] higher, driven by higher volumes but given the relative weight of health and protection products, this was partly offset by the effect of higher interest rates in the period, tax changes and shift in product mix towards shorter-pay products, which also restricted new business profit and margin. Overall new business profit from health and protection business increased by 28 per cent[2], including the benefit from repricing actions during the year.

Delivering customer-led solutions

With a total of 2.7 million customers, our Malaysia business is focused on providing holistic health and wealth solutions. Customer retention is high in both conventional and Takaful segments with 95 per cent and 87 per cent of customers respectively staying with the business. Most products are regular premium, which accounted for 98 per cent of APE sales in 2021. PruAllCare was launched in the last quarter of 2021 that provides comprehensive critical illness coverage and covers up to 190 conditions. Leveraging our Pulse platform, the business is also reaching out to the underserved communities and providing affordable and accessible healthcare services and wellness awareness to all Malaysians including the Muslim Community. More information is set out in our ESG section later in this Annual Report.

Multi-channel distribution

Our Malaysian business benefits from a growing agency force, with over 1,200 MDRT qualifiers, contributing to 36 per cent of total Agency APE sales[30]. The number of total active agents is up 20 per cent on the prior year. In the Takaful segment, we have one of the largest agency forces with over 18,000 agents, which was 18 per cent higher than the prior year.

We also continue to benefit from our established bancassurance partnerships with Standard Charted Bank and UOB. Following the pivot to higher protection and savings sales through our bank partners, new business profit through this channel saw 33 per cent growth.

Singapore

	Actual exchange rate			Constant exchange rate	
	2021	2020	Change	2020	Change
APE sales ($m)	**743**	610	22%	626	19%
New business profit ($m)	**523**	341	53%	350	49%
New business margin (%)	**70**	56	14ppts	56	14ppts
Adjusted operating profit ($m)	**663**	574	16%	589	13%
IFRS profit after tax ($m)	**394**	521	(24)%	535	(26)%

In Singapore, we are one of the market leaders in protection, savings and investment-linked plans[31]. We have been serving the financial needs of Singapore for more than 90 years, delivering a suite of product offerings and professional advisory through our network of more than 5,000 financial consultants and our bank partners. We see significant prospects to increase our presence in the high net-worth segment by further upgrading our suite of health and legacy planning products, as well as strengthening our position in the affluent segment with flexible health and retirement solutions. We are building capabilities on Pulse to offer simpler insurance products, including our Shield offerings. We also grew our presence in the SME space by leveraging our Business@Pulse platform.

New business performance during 2021

Our new business momentum in Singapore continued despite the tightening of Covid-19-related movement restrictions at several points throughout the year. APE sales were 19 per cent[2] higher, supported by 10 per cent[2] growth across our agency channel and 30 per cent[2] growth across our bancassurance channel. New business profit increased by 49 per cent[2], reflecting higher sales volumes and a favourable shift in product mix towards newly launched, higher margin investment-linked products, re-pricing of with-profits products, and an increase of high margin protection business (such as PruShield) within the health and protection product group. Overall new business margin, given the weight to savings products in new sales in 2021, was also lifted by improved economics as interest rates increased over the period.

Delivering customer-led solutions

We saw diversified growth across our wide product offerings in 2021. On the protection side, PRUShield, our MediSave-approved integrated Shield plan, saw APE sales growth of 50 per cent[2]. On the savings side, investment-linked APE sales increased by 100 per cent[2] while participating products achieved 16 per cent[2] growth in APE sales. We continued to penetrate the high net-worth segment, which saw 109 per cent growth in APE sales, via our comprehensive product offerings. Our Enterprise Business also delivered good growth with APE sales increasing by 16 per cent[2].

Multi-channel distribution

The diversity of our distribution has been instrumental to new business growth in the year. In particular, bancassurance achieved new business profit growth of 159 per cent[2], which was supported by our deeper penetration of the high net-worth segment, successful focus on retirement solutions and a shift towards higher-margin products with an expected longer policy term.

In the agency channel, the quality of productivity of our agency force continues to improve significantly. Top-tier agents grew at pace as demonstrated by the more than 9 per cent increase in the number of MDRT qualifiers to over 1,000 in 2021. We continue to rank first[32] by regular premium APE sales in our agency channel, with overall active agents increasing by 4 per cent. Productivity as measured by APE sales per active agent rose 6 per cent, supported by higher case counts and also larger case size.

Growth Markets and Other

	Actual exchange rate			Constant exchange rate	
	2021	2020	Change	2020	Change
APE sales ($m)	**1,412**	1,245	13%	1,262	12%
New business profit ($m)	**558**	440	27%	446	25%
New business margin (%)	**40**	35	5ppts	35	5ppts
Adjusted operating profit ($m)	**932**	835	12%	841	11%
IFRS profit after tax ($m)	**434**	548	(21)%	562	(23)%

The Group's growth markets and other segment incorporates its businesses in India and Thailand, as well as Vietnam, the Philippines, Cambodia, Laos, Taiwan and Myanmar, and its businesses in Africa. The Group sees the opportunity for rapid growth through the roll-out of its efficient and scalable business model, multi-channel distribution networks and the provision of digital products and services through Pulse.

In India, our business primarily consists of a 22.1 per cent holding in the Indian Stock Exchange listed life insurance business, ICICI Prudential Life, and 49 per cent of the asset manager, ICICI Prudential Asset Management (included as part of our Eastspring segment). Both businesses boast a top-three position in their respective market[33]. ICICI Prudential Life intends to grow the business by deepening penetration of under-served customer segments, enhancing distribution footprint and tailoring solutions to the different customer needs across saving, protection and retirement, including developing new propositions for the mass market in the Tier 2 cities. ICICI Prudential Life has also announced its aspiration to double its 2019 new business profit by 2023 through its '4P' framework of Premium growth, Protection focus, Persistency improvement and Productivity enhancement.

In Thailand, we are focused on delivering the strategic benefits of recent investments and upscaling the business significantly through our bank partnership with TTB and UOB. This has resulted in our higher-than-industry average APE sales growth[34] in the bancassurance channel as well as for the overall business in 2021. As a result, our market share in the bancassurance channel increased from 10.1 per cent to 14.1 per cent[35]. We offer a diversified portfolio of segment-led solutions, including integrated wealth and retirement solutions for the affluent segment, alongside simpler digital propositions via the apps of our bank partners. We also work with our bank partners to unlock SME opportunities through our Business@Pulse platform.

In Vietnam, we will continue to strengthen our presence in the rural areas while we expand our geographical coverage in the urban cities via our agency, bancassurance and new digital channels. We serve the affluent segment with flexible health, investment and education-orientated savings solutions. We also cater to the needs of mass market with simple and affordable health and savings solutions.

The Philippines currently has very low levels of life insurance penetration. However, with rising GDP per capita, and supported by Prudential's proven expertise and market-leading positions[36], Prudential is confident of delivering significant new life insurance APE sales growth in this market. We continue to build on our core strengths in the affluent and mass-market segments, alongside leveraging our digital assets to cover more Millennials and Gen Z's. For Cambodia and Laos, our intention is to build multi-channel capabilities with highly digital infrastructure for these high potential markets.

In Africa, we have built a rapidly growing multi-product business since 2014, with operations in eight countries across the continent. Our business is well-positioned to accelerate its growth as we seek to meet the growing health and savings needs of a rapidly growing working-age population and growing number of middle-class consumers. We are introducing comprehensive health and wellness propositions to serve the growing affluent segment. Regional leadership including senior members of Asian businesses has relocated from London to Nairobi to accelerate knowledge transfer, innovations and best practice sharing with the Group's other operations.

New business performance during 2021

The businesses comprising our Growth markets and other segment saw APE sales up 12 per cent[2] compared with 2020. Cambodia, India, Myanmar, the Philippines, Thailand and Africa all had double-digit growth despite the difficulties associated with Covid-19. New business profit was up 25 per cent[2] exceeding the growth in sales, with Cambodia, India, the Philippines, Myanmar and Thailand all having double-digit growth in new business profit and also reflecting the inclusion of our Africa businesses for the first time in 2021.

In India, APE sales grew 29 per cent[2] supported by diverse growth across all distribution channels, with both agency and bancassurance channels achieving APE sales growth in 2021, as well as an increased focus on annuity products. Despite the challenges arising from Covid-19 restrictions, new business profit grew by 41 per cent[2] in 2021 as a result of favourable product mix.

In Thailand, APE sales rose 22 per cent[2] helped by the expansion of bancassurance sales in 2021. New business profit margins improved compared with the prior year following favourable product mix and improving interest rates over the period, resulting in a 129 per cent[2] increase in new business profit.

In Vietnam, sales volume slightly increased despite nationwide Covid-19 lockdowns impacting the agency market. The bancassurance channel performed well despite Covid-19, with APE sales up 17 per cent[2], as banks were allowed to remain open as essential services during the lockdown. Prudential also benefited from the expansion of bancassurance agreements, and remained the leader in the bancassurance channel with 19.4 per cent market share[37].

In the Philippines, 2021 APE sales were up 26 per cent[2], primarily from the agency channel, and Prudential remains the largest player in the market[36]. New business profit growth was broadly in line with the increase in APE sales.

In Africa, APE sales have grown by 24 per cent[2] year-on-year, with growth in all eight countries. The East and Central Africa business (comprising Kenya, Uganda and Zambia) performed particularly well with an APE sales growth of 43 per cent[2].

Delivering customer-led solutions

In Thailand, we have developed a portfolio of segment-led insurance solutions that emulate the needs of our bank partners' customers. For example, we provided affordable credit life solutions to the banks' mortgage and personal loan customers; we delivered packaged solutions that combine bank products with insurance offerings including savings and protection products; and we expanded our investment-linked offerings the sales of which, through the bancassurance channel, increased by 88 per cent[2] in 2021 as compared with the previous year. Leveraging our Business@Pulse ecosystem, our Employee Benefit business has also gained traction achieving 76 per cent[2] growth in APE sales and covering more than 140,000 members.

In Vietnam, we launched an innovative digital Personal Accident product ('PRUGuard 24/7') as well as a low-cost digital Critical Illness solution ('PRUCare') via various digital platforms thereby increasing our penetration into the younger segment of the Vietnamese population. Since launch in late December 2020 and April 2021, we have sold over 42,000[38] PRUGuard policies and 3,000[38] PRUCare policies respectively.

In Cambodia, we introduced our first-in-the-market digital solutions in Dengue and Malaria protection as well as Road Safety protection.

In Africa, we continue to pursue customer-led insurance initiatives, particularly with our partners where we have launched a digital 'Diaspora Funeral Cover' product with Centenary Bank in Uganda and a degree insurance digital product with MTN in Cameroon.

Multi-channel distribution

In India, ICICI Prudential Life's growth ambitions will be driven by enhancing its multi-channel distribution capability. In the agency channel, we have recruited over 27,000 new agents during the year. Outside agency, we have added about 100 new partnerships bringing total partnerships to around 700 including 23 banks.

In Thailand, the strategic partnership with TTB, which commenced on 1 January 2021, significantly strengthens our distribution capability in Thailand's fast-growing life insurance sector, giving us access to an expanded network of 636 branches. We have launched a refreshed set of propositions encompassing the high net-worth, retail, commercial and SME segments and rolled out a new e-POS system. These developments have enabled us to advance our overall market share to 6.5 per cent from 5.1 per cent[35] in 2020) and become the third largest player[35] in the bancassurance channel in 2021.

In the Philippines, we are partnering with CIMB Bank Philippines to help bring more financial products and services to the country's consumers. Under this partnership, we will provide CIMB's customers with easy access to our life insurance products through CIMB's app, and CIMB's deposit savings and credit products will be made available on our Pulse app.

In Africa, we have sought to deepen our health and protection offering, complementing an increasing portfolio of corporate protection across many of our countries. In our agency and bancassurance business we have increasingly equipped our agents and sales people with the skills required to advise their customers on their protection requirements. Compared with the first quarter of 2021, agency protection productivity had increased by 40 per cent by the fourth quarter with an over 20 per cent increase in the number of agents who sold a protection case in the same period. Sales people have been supported in their careers as in many markets through earlier training on protection products, creating opportunities to help them serve this significant gap in the market.

In other high-potential markets, agent quality and productivity continued to improve. In Vietnam the contribution to APE sales by our MDRT qualifiers increased by 7 percentage points to 45 per cent. Cambodia agency development was encouraging with both number of active agents and APE sales per active agent rising significantly in 2021.

Eastspring, leading asset manager in Asia

	Actual exchange rate			Constant exchange rate	
	2021	2020	Change	2020	Change
Total funds under management ($bn)	**258.5**	247.8	4%	241.4	7%
Adjusted operating profit ($m)	**314**	283	11%	286	10%
Fee margin based on operating income (bps)	**30**	28	2ppts	n/a	n/a
Cost/income ratio (%)	**54**	52	2ppts	n/a	n/a
IFRS profit after tax ($m)	**284**	253	12%	255	11%

Eastspring Investments ('Eastspring'), the asset management arm of the Group, is a global asset manager with Asia at its core, offering innovative investment solutions to meet the financial needs of clients. Operating in Asia since 1994, Eastspring has built an unparalleled on-the-ground presence in 11 Asian markets[15] as well as distribution offices in North America and Europe. Eastspring's shared purpose – *Experts in Asia. Invested in your future* – clearly guides the business. Beyond investing, Eastspring aims to help its stakeholders secure a better and more sustainable future.

As of 31 December 2021, Eastspring managed a total of $258.5 billion of assets across equity, fixed income, multi asset, quantitative and alternative strategies on behalf of institutional and retail investors globally. It is one of the largest pan-Asian asset managers and is a top-10 asset manager in six of the markets where the firm operates[39].

As the main investment partner to Prudential's insurance business, Eastspring focuses on enhancing its investment solutions for Prudential. At the same time, it continues to grow its third-party business globally. This is underpinned by Eastspring's four-pillar strategy: first, to strengthen its existing business; second, to diversify its investment capabilities and range of products; third, to accelerate its ESG agenda; and fourth, to broaden its distribution channels. Through the year, Eastspring has achieved progress in each of these areas.

Increasing funds under management and enhancing returns

In what was largely a volatile market, existing and new clients turned to Eastspring for advice. Eastspring grew its assets under management by 4 per cent[26] in 2021, reflecting favourable investment returns and net inflows from the Group's insurance businesses and from third-party clients. Third-party business[40] saw net in-flows from retail clients, driven by a strong demand for equity products, partially offset by institutional net outflows. The outflows across the businesses were predominantly due to profit taking and asset rebalancing amid generally strong equity market conditions. The redemptions of funds managed on behalf of M&G plc in 2021, net of inflows, totalled $(4.0) billion, with a further $(0.9) billion of outflows anticipated in 2022. The overall asset mix has remained stable and is well diversified across both clients and asset classes.

Eastspring continued to perform well for clients, with 61 per cent of assets under management outperforming benchmarks over the past year[41]. Significant 'alphas' have been generated by the value-style equity teams, in addition to positive relative and absolute performance by teams focusing on quantitative strategies and multi-asset solutions.

Eastspring is proud to be named the 'Asset Management Company of the Year, ASEAN' in The Asset Triple A Sustainable Investing Awards. Across 2021, Eastspring won twenty-six industry awards across a wide range of investment categories, a testament to the firm's success and investment excellence.

Diversifying capabilities, driving future growth

Eastspring saw significant progress in seeking to diversify its investment capabilities, increase the number of products marketed to clients, and develop new and innovative solutions. Over the year it attracted $5.3 billion of assets through the launch of 75 new products[42].

Notably, in the consumer and private wealth segment, the firm worked with its intermediary clients to achieve several successful fund IPO launches in Thailand and Taiwan and similarly in other markets across the region. Other recently launched strategies including the Asia Multi Factor and Global Emerging Markets excluding China Equity attracted new customers.

Leveraging on third-party partnerships, Eastspring enhanced its mix of products and solutions across partners' platforms, an example being the launch of several foreign investment funds (FIF) in Thailand. Eastspring also offered new solutions for both the Group's insurance businesses and external partners to meet the demand for regular saving and retirement solutions such as RiCh in Malaysia, TTB Smart Port in Thailand and discretionary investment advisory mandates in Taiwan.

Meanwhile, Eastspring continued to expand its footprint in India and Mainland China.

In India, ICICI Prudential Asset Management Company broadened its product suite across active and passive strategies for retail and high net-worth clients, introducing new strategies such as the ICICI Prudential NASDAQ 100 Index Fund and ICICI Prudential Strategic Metal and Energy Equity Fund of Fund. These in turn drove a 15 per cent increase in the Group's share of funds under management to $30.9 billion[43].

In Mainland China, we operate through CITIC-Prudential Fund Management Company Limited, a 49 per cent-owned joint venture with CITIC with the Group's share of assets under management of $12.4 billion, as well as through our wholly-owned private fund manager operationalised in 2019 within Eastspring, which now has sourced and sub-advised assets under management of $931 million. 2021 saw it build a portfolio of credible China A Equity growth style funds and China bond funds, which attracted demand from international clients, validating their confidence in the firm's products. Our Chinese life insurance joint venture has established its own asset management company in 2020, Prudential-CITIC Asset Management Co, which further strengthens our capabilities in savings and retirement products. During the year CITIC Prudential Fund Management Company achieved a successful IPO with the launch of the Fengyu Hybrid fund, achieving assets under management of over RMB 10 billion (approximately $2 billion) through a partnership with CITIC Bank. It achieved strong fund performance with 7 of its 15 equity funds achieving top-decile fund performance, leading to a 27 per cent[44] growth in their total assets.

Across the Asia region and beyond, Eastspring's commitment to delivering superior investment outcomes for our investors and clients over the long term has made us a trusted partner, as evidenced in 2021, and the firm will continue to focus on investment excellence going into 2022.

Accelerating responsible investing, invested in your future
In line with its purpose, Invested in Your Future, Eastspring continued to reinforce its ambition as a leading Asia-based asset manager rooted in ESG and sustainability. To meet client demand for responsible investment portfolios, Eastspring launched its second ESG-focused product, the US ESG Beta Fund in October 2021, followed by the Eastspring IDX ESG Leaders Plus Fund in January 2022. It is in the process of developing several other ESG-focused funds for both Prudential and third-party clients. These include China All Shares Sustainable Fund, China Offshore Sustainable Bond Fund and Japan Sustainable Value Fund. For more details on our achievements, please refer to the ESG section of the report.

Broadening distribution, increasing digitalisation
Eastspring has strengthened its institutional business, winning new mandates with top asset owners, alongside expanded recommendation ratings from investment consultants, both in local markets and globally. Apart from reinforcing its position as Experts in Asia, Eastspring also gained traction outside of Asia, as it continued to build its footprint and relationships in North America and Europe, leveraging on partnerships with third-party distributors.

In the retail segment, Eastspring expanded its digitalised distribution capabilities through partnerships with multiple new age digital wealth managers, such as Stashaway, Endowus and Moduit. Promising progress has also been made in its own digitalisation capabilities; as an example, the upgrade of Eastspring Malaysia's own digital platform with a new 'Do-It-Yourself' feature, enabling new and existing retail investors to Buy, Regularly Invest, Sell and Switch transactions directly on the platform.

As part of Eastspring's commitment in advancing financial knowledge for its stakeholders, it produced over 50 thought leadership and insight articles over the year enabling clients to stay on top of financial trends, outlook and knowledge. It also adopted new channels of communication – social media channels (Instagram, Whatsapp and TikTok) and a new podcast, on top of its regular expert webinar series. Eastspring's brand presence is also amplified through Prudential's Pulse app via thought leadership content and knowledge sharing.

The focus on financial literacy starts from the grassroots level. To this end, Eastspring launched the #MoneyParenting campaign across Asia to empower parents to coach their children towards a financially successful future. This initiative was recognised by the Malaysia Financial Education Network[45].

Notes

1 After deduction of underwriting fees and other estimated expenses connected with the equity raise.

2 On a constant exchange rate basis.

3 APE sales is a measure of new business activity that comprises the aggregate of annualised regular premiums and one-tenth of single premiums on new business written during the year for all insurance products, including premiums for contracts designated as investment contracts under IFRS 4. It is not representative of premium income recorded in the IFRS financial statements. See note II of the Additional unaudited financial information for further explanation.

4 New business profit, on a post-tax basis, on business sold in the period, calculated in accordance with EEV Principles.

5 'Adjusted operating profit' refers to adjusted IFRS operating profit based on longer-term investment returns from continuing operations. This alternative performance measure is reconciled to IFRS profit for the period in note B1.1 of the IFRS financial statements.

6 To employees of the continuing business.

7 Full year 2021 total funds under management, including external funds under management, money market funds, funds managed on behalf of M&G plc and internal funds under management, reported based on the country where the funds are managed.

8 Based on full year 2021 exchange rates.

9 Source: World Health Organisation: Global Health Observatory data repository (2019). South-East Asia, out of pocket expenditure as percentage of current health expenditure.

10 Prudential estimate based on number of in-force policies over total population.

11 Source: Swiss Re Institute: The health protection gap in Asia, October 2018.

12 Source: The Economist, Special report, 28 March 2020 edition.

13 Including India and CPL.

14 Percentage of APE sales in Asia markets, excluding India and including CPL and Malaysia Takaful on a 100 per cent basis.

15 Mainland China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand, Vietnam.

16 As at 31 December 2021, in the markets where Pulse is offered.

17 APE sales involving Pulse are sales completed by agents on leads from digital campaigns captured within the Pulse customer management system or on leads from Pulse registrations, together with a small number of policies purchased via Pulse online.

18 Leads that originate from a digital platform, digital campaign or partner; and other leads, including leads from agents, recorded on PRUleads, part of the Pulse platform.

19 Operating return on average shareholders' equity from continuing operations.

20 See note II of the Additional unaudited financial information for definition and reconciliation.

21 Source: based on life insurance sector gross written premiums data from the China Banking and Insurance Regulatory Commission.

22 Source: based on analysis of newsclips and information collected from the informal market network group.

23 Source: based on weighted new premiums for 2021 from Indonesian Life Insurance Association.

24 Source: Our World in Data: Cumulative confirmed Covid-19 cases.

25 United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects 2019 Revision (2020 estimates).

26 On an actual exchange rate basis.

27 Source: based on weighted new premiums from Indonesian Life Insurance Association.

28 Source: based on new business APE from the Life insurance association of Malaysia.

29 Source: based on new business APE from the Insurance Service Malaysia Berhad.

30 Including Malaysia Takaful on a 100 per cent basis.

31 Source: based on weighted new business premiums reported within the Singapore Life Insurance Association for full year 2021.

32 Source: based on regular premium APE data from the Singapore Life Insurance Association.

33 Source: India Life insurance business: based on calendar year 2021 retail weighted premium of private insurers operating in India; India asset manager: based on Association of mutual funds in India.

34 Source: based on APE sales in the first 11 months of 2021.

35 Source: based on weighted new business premiums from the Thai Life Assurance Association.

36 Source: based on weighted first year premiums from the Insurance Commission.

37 Source: based on full year 2021 APE from the Actuarial Network Data Sharing.

38 As at October 2021.

39 Sources: Singapore and Hong Kong (Morningstar), Malaysia (Lipper), Thailand (Association of Investment Management Companies), Korea (Korea Financial Investment Association), India (Association of Mutual Funds in India), Japan (Investment Trusts Association, Japan), Taiwan (securities Investment Trust & Consulting Association of R.O.C), China (Wind), Indonesia (Otoritas Jasa Keuangan), Vietnam (State Securities Commission of Vietnam). All markets as of June 2021. Eastspring joint ventures include Hong Kong, India, China. Japan reflects Publicly Offered Investment Trusts market presence. China reflects public mutual funds presence. Vietnam reflects open-ended mutual funds market presence only. Market presence based on whether the AMCs offer onshore domiciled mutual funds. Market ranking based on 100 per cent shareholdings.

40 Excluding money market funds and funds managed on behalf of M&G plc.

41 The value of assets under management at 31 December 2021 in funds which outperform their performance benchmark as a percentage of total assets under management at 31 December 2021, excluding assets in funds with no performance benchmark.

42 As of December 2021, excluding joint ventures.

43 Group's share of total assets under management.

44 Growth from end of 2020 to end of Q3 2021.

45 The Financial Education Network (FEN), an initiative by the Malaysian government, is an inter-agency platform comprising of institutions and agencies committed to improving the financial literacy of Malaysians.

46 Source: based on GDP data sourced from the World Bank and www.bayarea.gov.hk websites.

Measuring our performance

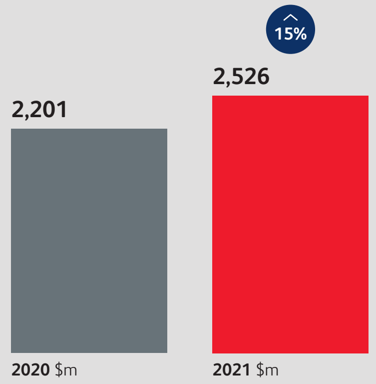
To create sustainable economic value for our shareholders we focus on delivering sustainable compounding growth while generating capital to reinvest in our businesses and meet our financing needs. We focus on the following metrics when looking at our performance[1].

All amounts are from continuing operations only

EEV new business profit[2] $m

Life insurance products are, by their nature, long term and generate profit over a number of years. Embedded value reporting provides investors with a measure of the future profit streams of the Group. EEV new business profit reflects the value of future profit streams which are not fully captured in the year of sale under IFRS reporting.

EEV new business profit increased by 13 per cent on a constant exchange rate basis to $2,526 million (15 per cent on an actual exchange rate basis) driven principally by the increase in APE sales and the effect of favourable changes to the mix of products sold. Growth was led by Singapore and CPL, moderated by declines in Hong Kong (from cross border business) and in Indonesia.

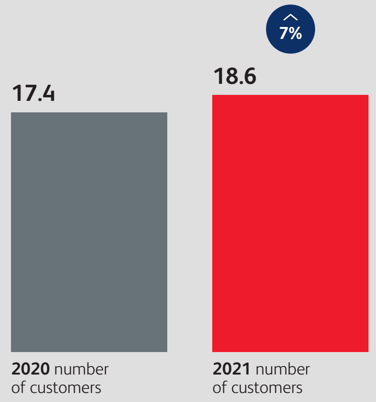


Customers served

The Group's purpose includes addressing the significant and growing protection and savings gaps in our markets. To support this purpose the Group continues to invest in its people and systems to ensure it has the resources to deliver on its long-term growth strategy.

Our ambition is to develop the capacity to serve 50 million customers by 2025.

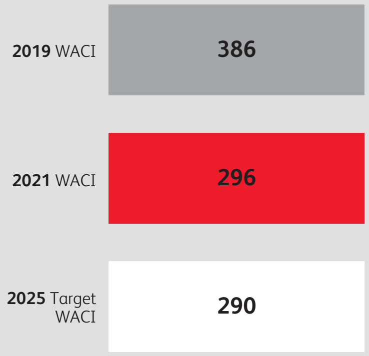
As at 31 December 2021 the Group had over 18.6 million customers across Asia and Africa. We are developing the capacity to serve up to 50 million customers through investing in our multi-channel distribution capabilities, applying digital capabilities to increase the efficiency of our operations and developing products and services that allow us to develop more diverse customer bases in our markets.



Carbon emissions

As a significant asset manager and asset owner, Prudential has a distinctive role to play in the transition to a low-carbon economy. Reflecting the stage of their development, the economies in which we operate tend to start their transition from a higher carbon intensity level. Prudential therefore seeks a transition to a lower carbon economy that is inclusive for all of society and one that supports sustainable growth within our markets. Our immediate actions to help deliver on this objective include a target to reduce the carbon emissions of our portfolio[3] of shareholder and policyholder assets by 25 per cent by 2025.

By the end of 2021, we had reduced the weighted average carbon intensity (WACI) of our investment portfolio by 23[4] per cent against our 2019 baseline, placing us on track to achieve the 25 per cent target by 2025. We operate in both developed and emerging markets in Asia and Africa and the carbon footprint of investments in these markets, which underlies our WACI, are higher than in areas such as Europe. Investment decisions such as strategic asset allocation, portfolio construction and investment selection can influence the direction of the WACI, as can changes in the carbon intensity of the underlying businesses in which we invest. Implementing our coal policy was a key driver of the reduction in WACI. Please see our ESG report for details of our carbon reduction target, our progress to date and the future actions that we plan in order to achieve our ambitions in this area.

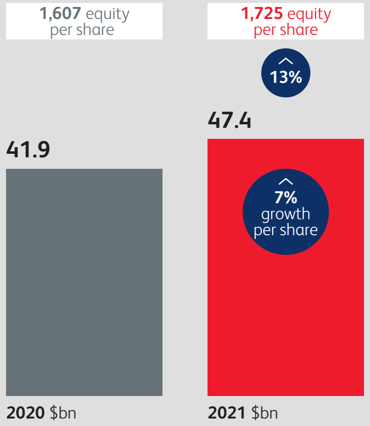


All amounts are from continuing operations only

EEV basis shareholders' equity[5] $bn

EEV represents the present value of the shareholders' interest in the post-tax future profits (on a local statutory basis) expected to arise from the current book of long-term business, after sufficient allowance has been made for the aggregate risks in the business. Asset management and other non-insurance subsidiaries, joint ventures and associates are included in EEV at the Group's proportionate share of IFRS basis shareholders' equity, with central Group debt shown on a market value basis.

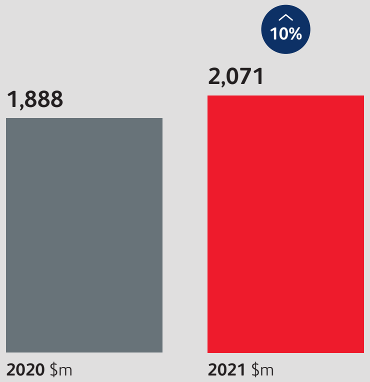
EEV shareholders' equity for continuing operations increased 13 per cent to $47.4 billion, largely reflecting new business sales as well as the proceeds of our equity issue in Hong Kong. EEV shareholders equity at 31 December 2021 also includes our 18.4 per cent economic interest in Jackson, which is valued at $683 million. The prior year comparative excludes all Jackson balances.



Free surplus generation from insurance and asset management businesses[6] $m

Free surplus generation from insurance and asset management businesses is used to measure the internal cash generation of our businesses. For insurance operations, it represents amounts emerging from the in-force business during the year, net of amounts reinvested in writing new business and excludes other non-operating items. For asset management, it equates to post-tax adjusted operating profit for the year.

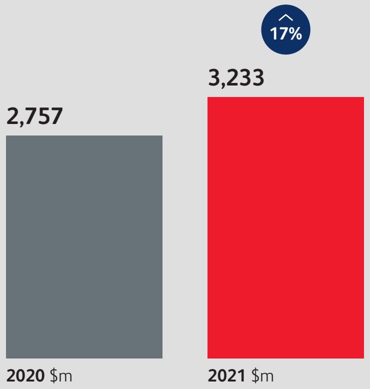
Group operating free surplus generation from continuing insurance and asset management operations before restructuring costs was up 7 per cent (10 per cent on an actual exchange rate basis) to $2,071 million in the year. Net Group operating free surplus generation for continuing operations, after restructuring and central costs was $1,179 million (2020: $935 million on a constant exchange rate basis).



Adjusted IFRS operating profit based on longer-term investment returns (adjusted operating profit[7]) $m

The Group's business involves entering into long-term contracts with customers, and hence the Group manages its associated assets and liabilities over a longer-term time horizon. This enables the Group to manage a degree of short-term market volatility. Therefore, adjusted operating profit based on longer-term investment returns is management's preferred measure when evaluating the performance of the business. Other distorting items are excluded from adjusted operating profit to allow more relevant period-on-period comparisons of the trading operations of the Group, eg the effects of corporate transactions are excluded.

Total adjusted operating profit before tax for 2021 increased 16 per cent on a constant exchange rate basis (17 per cent on an actual exchange rate basis) to $3,233 million, reflecting an 8 per cent increase in adjusted operating profit on a constant exchange rate basis (10 per cent on an actual exchange rate basis) from life and asset management, led by CPL, Hong Kong and Singapore, and a 19 per cent improvement in central other income and expenditure, driven by the delivery of head office cost reductions.



Notes

1 The comparative results shown above have been prepared using an actual exchange rate (AER) basis except where otherwise stated. Comparative results on a constant exchange rate (CER) basis are also shown in financial tables in the Financial Review report on our 2021 financial performance. Growth rates for 2020 to 2021 are on an AER basis.

2 New business profit, on a post-tax basis, on business sold in the year, calculated in accordance with EEV principles.

3 Our investment portfolio includes both listed equities and corporate bonds, while excluding assets held by joint venture businesses and assets in unit-linked funds as we do not have full authority to change the investment strategies of these.

4 Within the scope of EY assurance, see page 89.

5 The EEV basis results have been prepared in accordance with EEV principles discussed in 'basis of preparation' of the EEV basis results. See note II of Additional unaudited financial information for definition and reconciliation to IFRS balances.

6 Operating free surplus generated from insurance and asset management operations before restructuring costs. For insurance operations, operating free surplus generated represents amounts emerging from the in-force business during the year net of amounts reinvested in writing new business and excludes non-operating items. For asset management businesses, it equates to post-tax operating profit for the year. Restructuring costs are presented separately from the business unit amount. Further information is set out in 'movement in Group free surplus' of the EEV basis results.

7 Adjusted operating profit is management's primary measure of profitability and provides an underlying operating result based on longer-term investment returns and excludes non-operating items. This alternative performance measure is reconciled to IFRS profit for the year in note B1.1 of the IFRS financial statements.

Delivered a resilient financial performance

2021 saw Prudential grow its continuing business organically across the Group's key measures of financial performance. This performance, as in prior years, reflects the benefit of our digitally-enabled, multi-channel and geographically diverse platform as well as our focus on writing quality business at attractive margins.

Despite the ongoing Covid-19-related disruption, the Group has delivered a robust financial performance as management and staff continued to focus on delivering for our customers.

We successfully completed the demerger of Jackson and restructured the Group's financing, through an equity raise and debt redemption programme. As a result, we start 2022 with materially enhanced financial flexibility, with our leverage ratio at the lower end of our medium-term target range and strong levels of regulatory capital. Going forward, we will benefit from lower interest costs following the redemption and refinancing of debt to date, and by the start of 2023, from a further $70 million[1] reduction in annual central expenses. We continue to seek increases in the efficiency of our central operations by delayering, de-duplicating and speeding up processes through automation and consolidation of suppliers, while redirecting discretionary spend on IT to support high growth initiatives. Prudential is well placed to profit from the growth opportunities in its Asia and Africa markets on it which it is now entirely focused.

2021 saw continued and varying Covid-19-related disruption in many of our markets. This, and the related continued closure of the Hong Kong-Mainland China border, impacted our overall APE sales performance. The growth of our other markets has, however, mitigated the impact on APE sales and our continued focus on high customer retention and health and protection products has allowed us to continue to grow adjusted IFRS operating profit based on longer term investment returns (adjusted operating profit[2]). Over the course of 2021, global equity market performance varied; the MSCI Asia excluding Japan equity index fell (4) per cent, the HKSI fell (14) per cent while the S&P 500 index increased by 27 per cent. Government yields in many of our markets ended the year higher with the US 10-year yield increasing by 59 basis points to 1.53 per cent. During the year, interest rates were volatile as various geopolitical and Covid-19-related economic impacts developed, most importantly the emergence of material inflationary trends.

The 2021 IFRS results include Jackson up to the date of demerger (13 September 2021) and for financial reporting purposes Jackson is classified as a discontinued operation, with its results excluded from all of our Group KPIs that are focused entirely on the continuing part of our business. At 31 December 2021 our residual 18.4 per cent interest in Jackson is carried at fair value and was valued at $683 million at this date.

The total IFRS loss after tax for 2021 was $(2,813) million (2020: $2,231 million[3] profit after tax), which comprised a $2,214 million profit after tax from continuing operations and a $(5,027) million loss after tax from discontinued operations. This loss from discontinued operations is due to the write-down of Jackson to its fair value upon demerger, as required by accounting standards. Further discussion on the loss from discontinued operations is included in the section headed 'Loss from discontinued operations – Jackson' which appears later in this report. As a consequence of the demerger of Jackson, IFRS shareholders' equity fell from $20.9 billion[4] at the end of 2020 to $17.1 billion at 31 December 2021. The remainder of this summary will focus on the Group's continuing operations.

As in previous years, we comment on our performance in local currency terms (expressed on a constant exchange rate basis) to show the underlying business trends in periods of currency movement, unless otherwise noted.

In 2021, despite on-going disruption, our digitally-enabled, multi-channel and geographically diversified platform delivered 8 per cent growth[3] in APE sales[5]. Excluding Hong Kong, where border restrictions with Mainland China remained in place, APE sales were 16 per cent higher[3], with particularly encouraging growth in key markets such as Mainland China, India, Malaysia, the Philippines, Singapore and Thailand. This increase in APE sales was combined with an improvement in new business margins driven by a favourable shift in business mix, which resulted in a 13 per cent increase[3] in Group new business profit[6]. The adjusted operating profit of our life insurance businesses increased by 8 per cent[3] despite higher Covid-19-related claims, and reflects the high quality of our in-force portfolio. Asset management adjusted operating profit increased 10 per cent[3] driven by higher average funds under management following sustained net inflows from our life businesses and improved asset mix. Eastspring's overall funds under management reached $258.5 billion[7] at 31 December 2021. The Group's overall adjusted operating profit increased 16 per cent[3] reflecting higher life and asset management results and reduced central expenses. Our life and asset management business generated operating free surplus[8] of $2,071 million up 7 per cent[3] on the prior year. The Group's embedded value was $47.4 billion at 31 December 2021, with an operating return on embedded value of 8 per cent[9]. The increase from the prior year end was driven mainly by the addition of $2.5 billion of new business profit and the $2.4 billion net proceeds[10] of our equity raise.

Our regulatory capital position and central liquidity positions remain robust. After allowing for the effect of planned high-coupon debt redemption in January 2022, the Group's GWS shareholder surplus[11] was $11.5 billion and cover ratio was 408 per cent. The increase in surplus and cover ratio over 2021 largely reflects the impact of organic capital generation, the proceeds from our equity raise and other positive non-operating movements. The Group's liquidity position remains very sound with $3.6 billion of holding company cash at the end of the year, of which $1,725 million was utilised in January 2022 to redeem debt, and $2.6 billion of undrawn committed facilities.

IFRS profit

	Actual exchange rate			Constant exchange rate	
	2021 $m	**2020** $m	**Change** %	**2020** $m	**Change** %
Adjusted operating profit based on longer-term investment returns before tax from continuing operations					
CPL	**343**	251	37	269	28
Hong Kong	**975**	891	9	889	10
Indonesia	**446**	519	(14)	529	(16)
Malaysia	**350**	309	13	313	12
Singapore	**663**	574	16	589	13
Growth markets and other[12]	**932**	835	12	841	11
Long-term business adjusted operating profit	**3,709**	3,379	10	3,430	8
Asset management	**314**	283	11	286	10
Total segment profit from continuing operations	**4,023**	3,662	10	3,716	8
Investment return and other income	**21**	(15)	n/a	(15)	n/a
Interest payable on core structural borrowings	**(328)**	(316)	(4)	(316)	(4)
Corporate expenditure	**(298)**	(412)	28	(428)	30
Other income and expenditure	**(605)**	(743)	19	(759)	20
Total adjusted operating profit before tax and restructuring and IFRS 17 implementation costs	**3,418**	2,919	17	2,957	16
Restructuring and IFRS 17 implementation costs	**(185)**	(162)	(14)	(167)	(11)
Total adjusted operating profit before tax	**3,233**	2,757	17	2,790	16
Non-operating items:					
Short-term fluctuations in investment returns on shareholder-backed business	**(458)**	(579)	21	(554)	17
Amortisation of acquisition accounting adjustments	**(5)**	(5)	–	(5)	–
(Loss) Profit attaching to corporate transactions	**(94)**	735	n/a	733	n/a
Profit from continuing operations before tax attributable to shareholders	**2,676**	2,908	(8)	2,964	(10)
Tax charge attributable to shareholders' returns	**(462)**	(440)	(5)	(450)	(3)
Profit from continuing operations for the period	**2,214**	2,468	(10)	2,514	(12)
Loss from discontinued operations for the period, net of related tax	**(5,027)**	(283)	n/a	(283)	n/a
(Loss) profit for the period	**(2,813)**	2,185	n/a	2,231	n/a

IFRS earnings per share

	Actual exchange rate			Constant exchange rate	
	2021 cents	**2020** cents	**Change** %	**2020** cents	**Change** %
Basic earnings per share based on adjusted operating profit after tax from continuing operations	**101.5**	86.6	17	87.6	16
Basic earnings per share based on:					
Total profit after tax from continuing operations	**83.4**	94.6	(12)	96.4	(13)
Total profit after tax from discontinued operations	**(161.1)**	(13.0)	n/a	(13.1)	n/a

Segment profit from continuing long-term and asset management business increased by 8 per cent[3] to $4,023 million. All our major segments, other than Indonesia, delivered growth, with the biggest percentage increase seen in CITIC Prudential Life (CPL). Earnings in the second half of the year were dampened by higher claims costs in Indonesia following a surge of Covid-19 cases in the third quarter, and as medical reimbursement costs continued to trend back to pre-pandemic levels. After allowing for a 20 per cent[3] reduction in central expenditure (before restructuring and IFRS 17 implementation costs), total adjusted operating profit before tax increased to $3,233 million, a 16 per cent[3] increase compared with the prior period.

CPL, our joint venture business in Mainland China, delivered a 28 per cent increase[3] in adjusted operating profit to $343 million, primarily driven by growth in our in-force portfolio, evident by a 19 per cent growth in recurring premiums in 2021.

In Hong Kong, our adjusted operating profit was up 10 per cent[3] to $975 million and is driven by our long-term focus on regular premium business and strong retention of both our domestic and Mainland China customers. It also reflects the on-going growth of our health and protection business and, for our flagship critical illness products, the compounding benefit to adjusted operating profit given the accumulating nature of asset shares. Earnings outperformed growth in renewal premiums, as some policies within the with-profits funds reached the end of their premium paying term, albeit they continue to contribute to annual adjusted operating profit through the with-profits bonus mechanism.

In Indonesia, adjusted operating profit reduced by (16) per cent[3] reflecting lower APE sales over recent years and adverse Covid-19-related claims experience.

In Malaysia adjusted operating profit growth of 12 per cent[3] was supported by the growth of our in-force health and protection business, with shareholder-backed renewal premiums increasing by 8 per cent[3], and higher fee income as a result of increased funds held within unit-linked funds.

In Singapore, adjusted operating profit increased 13 per cent[3] reflecting the continued growth of our in-force business, including in protection and savings products where we believe demand will continue as the population ages and seeks to meet its health and retirement needs.

The businesses comprising our Growth markets and other segment generated adjusted operating profit growth of 11 per cent[3], reflective of in-force growth which is supported by APE sales in recent years. Vietnam, the Philippines and Thailand all reported double-digit growth. In Thailand double-digit growth in adjusted operating profit was achieved through APE sales growth from the expansion of the strategic partnerships and resilient in-force growth. In India, the result for the period reflected higher Covid-19-related claims following the large spike in cases seen in the first half of the year.

Long-term insurance business adjusted operating profit drivers

Profit margin analysis of long-term insurance continuing operations[13]

	Actual exchange rate				Constant exchange rate	
	2021		2020		2020	
	$m	Margin bps	$m	Margin bps	$m	Margin bps
Spread income	**312**	**66**	296	74	304	76
Fee income	**345**	**103**	282	101	287	101
With-profits	**135**	**16**	117	16	118	16
Insurance margin	**2,897**		2,648		2,689	
Other income	**3,239**		3,219		3,262	
Total life insurance income	**6,928**		6,562		6,660	
Expenses:						
Acquisition costs	**(2,085)**	**(50)%**	(1,928)	(51)%	(1,964)	(50)%
Administration expenses	**(1,656)**	**(205)**	(1,591)	(234)	(1,609)	(234)
DAC adjustments	**566**		382		392	
Share of related tax charges from joint ventures and associates	**(44)**		(46)		(49)	
Long-term insurance business pre-tax adjusted operating profit	**3,709**		3,379		3,430	

Our adjusted operating profit continues to be based on high-quality drivers. The overall 8 per cent[3] growth in life insurance adjusted operating profit to $3,709 million (2020: $3,430 million[3]) was driven principally by 8 per cent[3] growth in insurance margin-related revenues reflecting our ongoing focus on recurring premium health and protection products and the associated continued growth of our in-force business, partially offset by a more normalised claims experience following the lower level of claims seen in 2020 and higher Covid-19 claims in Indonesia and India in 2021.

Fee income increased by 20 per cent[3], reflecting the beneficial impact of stronger equity markets and premium contributions while spread income increased by 3 per cent[3], with a fall in margin due to country mix.

With-profits earnings relate principally to the shareholders' share in bonuses declared to policyholders. As these bonuses are typically weighted to the end of a contract, under IFRS, with-profit earnings consequently emerge only gradually over time. The 14 per cent[3] growth in with-profits earnings reflects the ongoing growth in these portfolios.

Other income primarily represents amounts deducted from premiums to cover acquisition costs and administration expenses. As such, the 1 per cent[3] decline (1 per cent increase on an actual exchange rate basis) from 2020 reflects changes in product mix partially offset by higher premiums on shareholder-backed business. Acquisition costs increased in the year, largely due to higher APE sales as compared with the prior year. This increase in acquisition costs has led to an increase in the costs deferred and therefore higher DAC adjustments in the year. Administration expenses, including renewal commissions, increased by 3 per cent[3] (4 per cent increase on an actual exchange rate basis) reflecting in-force business growth.

Asset management

	2021 $m	**2020** $m	**Change** %
Total external net flows[*,14]	**613**	(9,972)	n/a
External funds under management[*] ($bn)	**94.0**	93.9	–
Funds managed on behalf of M&G plc ($bn)	**11.5**	15.7	(27)
Internal funds under management ($bn)	**153.0**	138.2	11
Total funds under management ($bn)	**258.5**	247.8	4
Analysis of adjusted operating profit			
Retail operating income	**449**	390	15
Institutional operating income	**298**	256	16
Operating income before performance-related fees	**747**	646	16
Performance-related fees	**15**	7	114
Operating income (net of commission)	**762**	653	17
Operating expense	**(403)**	(336)	(20)
Group's share of tax on joint ventures' adjusted operating profit	**(45)**	(34)	(32)
Adjusted operating profit	**314**	283	11
Adjusted operating profit after tax	**284**	253	12
Average funds managed by Eastspring	**251.7bn**	227.1bn	11%
Fee margin based on operating income	**30bps**	28bps	+2bps
Cost/income ratio[15]	**54%**	52%	+2ppts

[*] Excluding funds managed on behalf of M&G plc.

Eastspring's total funds under management were $258.5 billion at 31 December 2021 (31 December 2020: $247.8 billion[4]), reflecting favourable internal net flows and higher equity markets. Compared with 2020, Eastspring's average funds under management increased by 11 per cent[4] (9 per cent on a constant exchange rate basis).

Eastspring saw total net inflows of $5.8 billion over 2021 (2020: $(11.5) billion[4]) which included internal net inflows from our life businesses of $10.7 billion (2020: $8.5 billion[4]) and from third-parties (excluding money market funds) of $0.6 billion (2020: $(10.0) billion[4] of outflows). Offsetting these amounts were $(4.0) billion of net outflows for funds managed on behalf of M&G plc, with further net outflows of about $(0.9) billion expected in 2022. Third-party net flows were driven by $1.1 billion of retail net inflows, partly offset by net institutional outflows. Overall there were external net inflows into equity funds and external net outflows from fixed income funds, which contributed to an increase in the retail fee margin.

Eastspring's adjusted operating profit of $314 million was up 10 per cent compared with the prior period on a constant exchange rate basis (up 11 per cent on an actual exchange rate basis). Operating income before performance related fees was 16 per cent higher[4], driven by higher average funds under management and a 2 basis points increase in fee margin reflecting an improved asset mix. The cost/income ratio increased to 54 per cent (2020: 52 per cent) reflecting both higher staff costs and investments made in strengthening the capabilities of the business across dimensions including footprint, distribution, investment strategies and customer experience.

Other income and expenditure

Central corporate expenditure was 30 per cent[3] lower than the prior period reflecting the delivery of the $180 million of right-sizing of our head office costs alongside the evolving footprint of the business. Annual head office costs are targeted to reduce further by around $70 million[1] from the start of 2023.

Interest costs on core structural borrowings of $(328) million (2020: $(316) million[3]) include interest costs of $(126) million related to the four tranches of debt that were redeemed in December 2021 and January 2022 using the proceeds from the share offer during the year, which are not expected to recur going forward.

Restructuring costs of $(185) million (2020: $(162) million[4]) reflect the Group's substantial and ongoing IFRS 17 project, and one-off costs associated with cost saving, regulatory and other initiatives in our business. IFRS 17 costs are expected to remain elevated until the standard is fully implemented.

IFRS basis non-operating items from continuing operations

Non-operating items from continuing operations in the year consist mainly of short-term fluctuations in investment returns on shareholder-backed business of negative $(458) million, (2020: negative $(554) million[3]), and $(94) million of costs associated with corporate transactions (2020: gain of $733 million[3]).

Short-term fluctuations reflect the net impact from an increase in interest rates in most Asia markets on bond asset values and on the valuation interest rates (VIRs) used to determine policyholder liabilities.

Costs associated with corporate transactions of $(94) million (2020: gain of $733 million[3]) include the cost incurred by Prudential plc in connection with the separation of Jackson including key management changes. See note D1.1 in the IFRS financial statements for further information.

IFRS effective tax rates for continuing operations

In 2021, the effective tax rate on adjusted operating profit was 17 per cent (2020: 18 per cent). The decrease in the 2021 effective tax rate reflects the resolution of some historic issues at lower amounts than had been provided for.

The effective tax rate on total IFRS profit in 2021 was 17 per cent (2020: 15 per cent). The increase in the 2021 effective tax rate reflects the adverse impact of investment losses on which no tax credit is recognised.

The effective tax rate on adjusted operating profit in 2022 is expected to be similar to 2021. From 2023 onwards, the effective tax rate on adjusted operating profit is likely to be impacted by a combination of the OECD proposals to implement a global minimum tax rate of 15 per cent and some jurisdictions where Prudential operates implementing a domestic minimum tax based on the OECD proposals. The OECD rules are complex and require detailed analysis and consideration which is ongoing. A further update will be provided in the half-year 2022 results.

Total tax contributions from continuing operations

The Group continues to make significant tax contributions in the jurisdictions in which it operates, with $1,071 million remitted to tax authorities in 2021. This was lower than the equivalent amount of $1,208 million[4] remitted in 2020 principally due to the timing of when various tax payments became due.

Tax strategy

The Group publishes its tax strategy annually which, in addition to complying with the mandatory UK (Finance Act 2016) requirements, also includes a number of additional disclosures, including a country-by-country disclosure of revenues, profits, average employee numbers and taxes for all jurisdictions where more than $5 million tax was paid. This disclosure is included as a way of demonstrating that our tax footprint (ie where we pay taxes) is consistent with our business footprint. An updated version of the tax strategy, including 2021 data, will be available on the Group's website before 31 May 2022.

Loss from discontinued operations – Jackson

On 13 September 2021 Prudential completed the demerger of its US operations (Jackson) from the Group. Accordingly Jackson has been presented as discontinued within these financial statements.

The total loss from discontinued operations after tax was $(5,027) million (2020: $(283) million), as included in the IFRS profit table above. This comprises the following amounts:

	2021 $m	**2020** $m
Profit (loss) before tax	**2,317**	(760)
Tax (charge) credit	**(363)**	477
Profit (loss) after tax	**1,954**	(283)
Re-measurement to fair value on demerger	**(8,259)**	–
Cumulative valuation movements on available-for-sale debt securities, net of related tax and change in DAC, and net investment hedges recycled from other comprehensive income	**1,278**	–
Loss for the period	**(5,027)**	(283)
Loss for the period attributable to shareholders	**(4,234)**	(340)

Jackson's profit before tax included in the Group's full-year 2021 results of $2,317 million reflects the eight and a half month period to 13 September 2021, at which point it was demerged and ceased to be part of the Prudential Group. Jackson's loss before tax for the prior year of $(760) million reflects the 12 months to 31 December 2020 and was calculated after including a $804 million one-off pre-tax gain that arose as a result of reinsuring substantially all of Jackson's in-force portfolio of US fixed and fixed index annuities to Athene Life Re Ltd. The key driver of the increase in IFRS profit in the current period was the impact of market interest rates on the value of Jackson's product guarantees. In 2020, falling interest rates, with yields on US treasuries falling by almost one percentage point over the year, and steeply rising equity markets, led to $(4,262) million of losses which were classified as short-term investment fluctuations. Short-term investment fluctuations in the current year up to the demerger reflect gains from the impact of increases in interest rates on the value of Jackson's product guarantees, offset by derivative losses from higher equity volatility and rising equity markets, resulting in a more muted overall short-term investment fluctuation gain of $15 million for 2021. Excluding the impact of these market movements, Jackson's underlying performance in the period benefited from higher fee income from variable annuity products, reflecting increases in separate account balances.

The effective tax rate on Jackson's profit before tax was 16 per cent (2020: 63 per cent). The 2021 effective tax rate is a more typical rate in contrast to 2020 where the rate reflected the mathematical combination of a tax charge on adjusted operating profit and a much higher tax credit on non-operating losses.

In accordance with IFRS requirements, immediately prior to demerger, Jackson was written down to its fair value as at the demerger date of $2,506 million. Applying this fair value has resulted in a loss on re-measurement after tax of $(8,259) million.

As a result of the demerger of Jackson, accumulated balances of $1,278 million previously recognised through other comprehensive income, largely relating to financial instruments held by Jackson classified as available for sale, have been recycled from other comprehensive income to the income statement. This gain is matched by an equal and opposite recycling movement in other comprehensive income, with no net impact on shareholders' equity.

On 13 September 2021, the Group distributed shares in Jackson Financial Inc. representing a 69.2 per cent economic interest, to the Group's shareholders as a dividend in-specie with a value of $(1,735) million. Immediately following the demerger, the Group retained a 19.7 per cent economic interest in Jackson Financial Inc. which was recognised as a financial investment, measured at fair value. On 13 December 2021, Jackson announced, as part of its previously disclosed $300 million share repurchase programme, the repurchase of 2,242,516 shares of its Class A common stock from Prudential. With this repurchase activity, Prudential's remaining economic interest in Jackson was 18.4 per cent as of 31 December 2021 (18.5 per cent voting interest).

Shareholders' equity

Group IFRS shareholders' equity

	2021 $m	**2020** $m
Adjusted operating profit after tax attributable to shareholders from continuing operations	**2,668**	2,250
Profit from continuing operations for the period	**2,214**	2,468
Less non-controlling interest from continuing operations	**(22)**	(10)
Profit after tax for the period attributable to shareholders from continuing operations	**2,192**	2,458
Net decrease in shareholders' equity from discontinued operations (see note D1.2 in the IFRS financial statements)	**(6,283)**	(418)
Demerger dividend in-specie of Jackson	**(1,735)**	–
Exchange movements, net of related tax	**(165)**	239
Other external dividends	**(421)**	(814)
Issue of equity shares	**2,382**	13
Other (including revaluation of Jackson residual interest since demerger)	**240**	(77)
Net (decrease) increase in shareholders' equity	**(3,790)**	1,401
Shareholders' equity at beginning of the period	**20,878**	19,477
Shareholders' equity at end of the period	**17,088**	20,878
Shareholders' value per share[15]	**622¢**	800¢

Group IFRS shareholders' equity decreased from $20.9 billion at the start of 2021 to $17.1 billion[4] at 31 December 2021. This fall was driven by an $(8.0) billion decrease in equity as a result of the demerger of Jackson. Excluding this amount, shareholders' equity increased by $4.2 billion reflecting a successful issuance of new share capital on the Hong Kong stock exchange in October 2021 and profits generated in 2021 by the continuing business, offset by dividend payments of $(0.4) billion and adverse exchange movements of $(0.2) billion.

New business performance

EEV new business profit and APE new business sales (APE sales)

	Actual exchange rate						**Constant exchange rate**			
	2021 $m		**2020** $m		**Change** %		**2020** $m		**Change** %	
	APE sales	**New business profit**	**APE sales**	**New business profit**	**APE sales**	**New business profit**	**APE sales**	**New business profit**	**APE sales**	**New business profit**
CPL	**776**	**352**	582	269	33	31	623	288	25	22
Hong Kong	**550**	**736**	758	787	(27)	(6)	757	786	(27)	(6)
Indonesia	**252**	**125**	267	155	(6)	(19)	271	158	(7)	(21)
Malaysia	**461**	**232**	346	209	33	11	351	212	31	9
Singapore	**743**	**523**	610	341	22	53	626	350	19	49
Growth markets and other*	**1,412**	**558**	1,245	440	13	27	1,262	446	12	25
Total*	**4,194**	**2,526**	3,808	2,201	10	15	3,890	2,240	8	13
Total new business margin		**60%**		58%				58%		

* The 2020 new business profit results exclude contributions from Africa.

APE sales increased by 8 per cent[3] to $4,194 million and related new business profit increased by 13 per cent[3]. Outside Hong Kong, overall APE sales were 16 per cent[3] higher and new business profit increased by 23 per cent[3]. The increase in new business profit was driven principally by the increase in APE sales and the effect of favourable product mix changes. Detailed discussion of new business performance by segment is presented in the Strategic and operating review.

Greater China presence

Prudential has a significant footprint in the Greater China region, with businesses in Mainland China (through its holding CPL), Hong Kong and Taiwan. The Group is joint-headquartered in London and Hong Kong and its regulator is the Hong Kong Insurance Authority. The Group, and the location of its employees, including key executives, has shifted further towards Hong Kong over the years, with 65 per cent of head office staff now located in Hong Kong.

The table below demonstrates the significant proportion of the Group's financial measures that were contributed by our Hong Kong, CPL and Taiwan businesses.

	Gross premiums earned[†]		New business profit[‡]	
	2021 $m	**2020** $m	**2021** $m	**2020** $m
Total Greater China[*]	**14,335**	14,179	**1,181**	1,144
Total Group[*] (continuing operations)	**28,796**	26,728	**2,526**	2,201
Percentage of total	**50%**	53%	**47%**	52%

[*] Total Greater China represents the amount contributed by the life business in Hong Kong, Taiwan and the Group's share of the amounts earned by CPL. The Group total includes the Group's share of the amounts earned by all life associates and JVs.

[†] The gross earned premium amount shown above differs from that shown in the income statement as it includes the Group's share of amounts earned by associates and JVs. A reconciliation to the amount included in the income statements is included in note II of the Additional unaudited financial information.

[‡] New business profit results for full year 2020 exclude contributions from Africa.

EEV basis results

EEV basis results from continuing operations

	Actual exchange rate			Constant exchange rate	
	2021 $m	**2020** $m	**Change** %	**2020** $m	**Change** %
New business profit	**2,526**	2,201	15	2,240	13
Profit from in-force business	**1,630**	1,926	(15)	1,948	(16)
Operating profit from long-term business	**4,156**	4,127	1	4,188	(1)
Asset management	**284**	253	12	255	11
Other income and expenditure[16]	**(897)**	(979)	8	(999)	10
Operating profit for the period from continuing operations	**3,543**	3,401	4	3,444	3
Non-operating profit	**(306)**	573	(153)	585	(152)
Profit for the period from continuing operations	**3,237**	3,974	(19)	4,029	(20)
Dividends paid	**(421)**	(814)			
Share capital issued	**2,382**	13			
Other movements	**231**	384			
Net increase in EEV shareholders' equity from continuing operations	**5,429**	3,557			
EEV shareholders' equity from continuing operations at 1 Jan	**41,926**	38,369			
EEV shareholders' equity from continuing operations at 31 Dec	**47,355**	41,926			
% New business profit/average EEV shareholders' equity for continuing long-term business operations[*]	**6%**	5%			
% Operating profit/average EEV shareholders' equity for continuing operations	**8%**	8%			

EEV shareholders' equity	**31 Dec 2021** $m	**31 Dec 2020** $m
Represented by:		
CPL	**3,114**	2,798
Hong Kong	**21,460**	20,156
Indonesia	**2,237**	2,630
Malaysia	**3,841**	4,142
Singapore	**7,732**	8,160
Growth markets and other	**6,262**	4,975
Embedded value from long-term business excluding goodwill	**44,646**	42,861
Asset management and other excluding goodwill	**1,931**	(1,756)
Goodwill attributable to equity holders	**778**	821
EEV shareholders' equity from continuing operations	**47,355**	41,926
EEV shareholders' equity from discontinued operations	**–**	12,081
Group EEV shareholders' equity	**47,355**	54,007
EEV shareholders' equity per share from continuing operations	**1,725¢**	1,607¢
Group EEV shareholders' equity per share	**1,725¢**	2,070¢

[*] Excluding goodwill attributable to equity holders.

The results of the continuing operations of the Group on an EEV basis consist of the results of profits on an EEV basis from long-term and asset management business together with corporate costs and dividends paid.

EEV operating profit from continuing operations increased by 3 per cent[3] to $3,543 million (2020: $3,444 million). This was driven by increased new business and asset management profit (as previously discussed) and reduced central expenses, offset by lower profit from in-force long-term business.

The profit from in-force long-term business is driven by the expected return and effects of operating assumption changes, if any, and operating experience variances. The expected return increased by 24 per cent[3] above the prior year reflecting the combined effects of underlying business growth and the impact of higher interest rates increasing the risk discount rate under our active basis EEV methodology. Operating assumption and experience variances were negative $(131) million on a net basis reflecting a number of factors including short-term persistency impacts and higher claims linked to Covid-19. Indonesia and India claims costs were elevated given the significant level of Covid-19 cases seen in the mid-to-late part of 2021. While we have continued to see better than expected claims experience on our medical reimbursement business, this is lower than in prior periods and so operating variances have fallen when compared with the prior year.

The non-operating loss of $(306) million (2020: $585 million[3] profit) is largely driven by rising interest rates over the year leading to reduced bond valuations, which more than offset the beneficial impact of these changes on future profits.

Overall, EEV shareholders' equity from continuing operations increased at 31 December 2021 to $47.4 billion (31 December 2020: $41.9 billion[4]). Of this, $44.6 billion (31 December 2020: $42.9 billion[4]) relates to the value of the long-term business. This amount includes our share of our India associate valued using embedded value principles. The market capitalisation of this associate at 31 December 2021 was circa $10.8 billion, which compares with a publicly reported embedded value of circa $4.1 billion at 30 September 2021, Prudential's share of which is the basis of the Group's EEV reporting.

As well as the long-term business amounts, EEV includes the value of the asset management businesses on an IFRS basis, the net assets of the central holding companies and the goodwill attributable to shareholders, all valued on an IFRS basis. Included within these amounts at 31 December 2021 is the benefit of our $2.4 billion equity raise and $683 million for our 18.4 per cent economic interest in Jackson, which is measured at fair value. EEV shareholders' equity on a per share basis at 31 December 2021 was 1,725 cents (31 December 2020: 1,607 cents based on continuing operations and excluding Jackson residual interest).

Group free surplus generation from continuing operations

Operating free surplus generation is the financial metric we use to measure the internal cash generation of our business operations and for our life operations is generally based on (with adjustments) the capital regimes that apply locally in the various jurisdictions in which the Group operates. It represents amounts emerging from the in-force business during the year, net of amounts reinvested in writing new business. For asset management businesses, it equates to post-tax adjusted operating profit for the year.

For long-term business, free surplus is generally based on (with adjustments) the excess of the regulatory basis net assets for EEV reporting purposes (total net worth) over the capital required to support the covered business. In general, assets deemed to be inadmissible on a local regulatory basis are included in total net worth where considered recognisable on an EEV basis. For asset management and other non-insurance operations (including the Group's central operations), free surplus is taken to be IFRS basis shareholders' equity, net of goodwill attributable to shareholders, with central Group debt recorded as free surplus to the extent that it is classified as capital resources under the Group's capital regime. Following the application of the GWS Framework, both subordinated and senior debt are treated as capital for the purposes of free surplus at 31 December 2021.

Analysis of movement in Group free surplus[8]

	Actual exchange rate			Constant exchange rate	
	2021 $m	**2020** $m	**Change** %	**2020** $m	**Change** %
Expected transfer from in-force business and return on existing free surplus	**2,497**	1,979	26	2,016	24
Changes in operating assumptions and experience variances	**(173)**	215	(180)	220	(179)
Operating free surplus generated from in-force life business before restructuring costs	**2,324**	2,194	6	2,236	4
Investment in new business	**(537)**	(559)	4	(563)	5
Asset management	**284**	253	12	255	11
Operating free surplus generated from life business and asset management before restructuring costs	**2,071**	1,888	10	1,928	7
Central costs and eliminations (net of tax):					
Net interest paid on core structural borrowings	**(328)**	(307)	(7)	(307)	(7)
Corporate expenditure	**(292)**	(412)	29	(428)	32
Other items and eliminations	**(103)**	(107)	4	(107)	4
Restructuring and IFRS 17 implementation costs (net of tax)	**(169)**	(147)	(15)	(151)	(12)
Net Group operating free surplus generated for continuing operations	**1,179**	915	29	935	26
Non-operating and other movements, including foreign exchange	**330**	281			
Recognition of residual interest in Jackson at demerger	**493**	–			
External cash dividends	**(421)**	(814)			
Share capital issued	**2,382**	13			
Treatment of grandfathered debt instruments under the GWS Framework	**1,995**	–			
Net subordinated debt issuance/redemption	**(232)**	–			
Increase (decrease) in Group free surplus from continuing operations before amounts attributable to non-controlling interests	**5,726**	395			
Change in amounts attributable to non-controlling interests	**(21)**	(10)			
Free surplus at 1 Jan from continuing operations	**8,344**	7,959			
Free surplus at 31 Dec from continuing operations	**14,049**	8,344			
Comprising:					
Free surplus of life insurance and asset management operations	**6,650**	5,983			
Central operations	**7,399**	2,361			

The in-force business generated $2,324 million of free surplus in 2021, an increase of 4 per cent[3] from 2020 with growth curtailed by higher Covid claims costs in Indonesia and India. Despite the overall increase in APE sales, up 8 per cent as discussed above, the cost of investment in this new business improved by 5 per cent[3] reflecting favourable business mix and economics, supporting the 13 per cent[3] increase in new business profit discussed above. In 2021 the value created from writing new business, as measured by new business profit, was nearly five times the capital invested. After allowing for an 11 per cent[3] increase in asset management earnings on an after tax basis (discussed in the commentary on IFRS above), operating free surplus generation by our life and asset management business increased by 7 per cent[3] to $2,071 million.

Combining free surplus generated by the life and asset management business with a reduction in central costs of 14 per cent[3] offset by (12) per cent[3] increase in restructuring and IFRS 17 implementation costs, total Group operating free surplus generation from continuing operations was 26 per cent[3] higher at $1,179 million.

Free surplus at 31 December 2021 was $14.0 billion, after allowing for free surplus generation in the period and a $2.4 billion uplift from the equity raise, $0.5 billion from the recognition of the Group's residual interest in Jackson, $(0.2) billion from net redemption of debt and $2.0 billion from the recognition of senior debt under the GWS Framework[17]. This uplift for the debt differs from the $1.6 billion recognised in the Group's capital resources as, prior to the adoption of GWS, senior debt was deducted from free surplus at market value rather than at cost. $1,725 million of the free surplus held at the year end was used in January 2022 to complete the planned debt redemption.

Dividend

Reflecting the Group's capital allocation priorities, a portion of capital generation will be retained for reinvestment in the business, and dividends will be determined primarily based on the Group's operating capital generation after allowing for the capital strain of writing new business and recurring central costs. Dividends are expected to grow broadly in line with the growth in the Group's operating free surplus generation net of right-sized central costs, and will be set taking into account financial prospects, investment opportunities and market conditions. Accordingly, the Board has approved a 2021 second interim ordinary cash dividend of 11.86 cents per share (2020: 10.73 cents per share). Combined with the first interim ordinary cash dividend of 5.37 cents per share (2020: 5.37 cents per share), the Group's total 2021 cash dividend is 17.23 cents per share (2020: 16.10 cents per share), an increase of 7 per cent.

Group capital position

Prudential applies the Insurance (Group Capital) Rules set out in the GWS Framework issued by the Hong Kong IA to determine group regulatory capital requirements (both minimum and prescribed levels). The GWS Framework became effective for Prudential upon designation by the Hong Kong IA on 14 May 2021 and replaced the local capital summation method (LCSM) which was used for determination of the 31 December 2020 Group capital position as agreed with the Hong Kong IA. Under the GWS Framework, all debt instruments (senior and subordinated) issued by Prudential plc at 31 December 2021 are included as GWS eligible group capital resources. This includes debt issued at the date of designation which met the transitional conditions set by the Hong Kong IA and have not since been redeemed and debt issued since the date of designation which met the qualifying conditions as set out in the Insurance (Group Capital) Rules. More information is set out in note I(i) of the Additional unaudited financial information.

In the analysis below we have restated the 31 December 2020 LCSM position to reflect the treatment of debt instruments under the GWS Framework. This has increased eligible capital resources by $1.6 billion compared with the LCSM basis. The 31 December 2020 Group GWS capital results are presented on a Group excluding Jackson basis and are before including the value of the Group's retained interest in Jackson Financial Inc.

At 31 December 2021 the Prudential Group total company GWS capital surplus of eligible group capital resources over the Group Minimum Capital Requirement (GMCR) was $33.7 billion[18], equating to a coverage ratio of 414 per cent (31 December 2020: $24.8 billion[4]/ 344 per cent). The position at 31 December 2021 includes $0.4 billion in respect of the 18.4 per cent economic interest in Jackson, being 60 per cent of its fair value at that date, as agreed with the HKIA.

The Group holds material participating business in Hong Kong, Singapore and Malaysia. Alongside the total company GWS capital basis, a shareholder GWS capital basis is also presented, being eligible group capital resources over the GMCR excluding the capital resources and minimum capital requirements of these participating funds. At 31 December 2021 the shareholder GWS capital surplus of total eligible group capital resources over the GMCR was $13.2 billion[18], equating to a coverage ratio of 454 per cent (31 December 2020: $9.4 billion[4] / 370 per cent).

The 31 December 2021 Group GWS capital results do not reflect the redemption of $1,725 million of sub-ordinated debt in January 2022. If this redemption had been completed as at 31 December 2021 the Group shareholder GWS capital surplus over the GMCR would be $11.5 billion, equating to a coverage ratio of 408 per cent.

The Group shareholder GWS capital surplus over the GMCR[11] increased by $3.8 billion since 31 December 2020 to $13.2 billion at 31 December 2021 (before allowing for the January 2022 debt redemptions). GWS shareholder in-force operating capital generation in the period was $1.0 billion after allowing for central costs and investment in new business. The impact of non-operating experiences, including market movements, were positive overall and contributed $0.3 billion to surplus. Corporate transactions, including the equity raise and net debt redemptions and recognition of the Jackson residual interest amongst other items, increased shareholder GWS capital surplus over the GMCR by $2.9 billion overall and were offset by payment of $(0.4) billion external dividends in the year. No allowance is made at 31 December 2021 for the 2021 second interim dividend due for payment in May 2022.

The Group's GWS position is resilient to external macro movements as demonstrated by the sensitivity disclosure contained in note I(i) of the Additional unaudited financial information, alongside further information on the basis of calculation of the GWS measure.

Estimated Group GWS capital position based on Group Minimum Capital Requirement (GMCR)[11]

	31 Dec 2021			31 Dec 2020		
Amounts attributable to Prudential plc	**Total**	**Less policyholder**	**Shareholder**	**Total**	**Less policyholder**	**Shareholder**
Eligible group capital resources ($bn)	**44.4**	**(27.5)**	**16.9**	34.9	(22.1)	12.8
Group Minimum Capital Requirement ($bn)	**10.7**	**(7.0)**	**3.7**	10.1	(6.7)	3.4
GWS capital surplus (over GMCR) ($bn)	**33.7**	**(20.5)**	**13.2**	24.8	(15.4)	9.4
GWS coverage ratio (over GMCR) (%)	**414%**		**454%**	344%		370%

The recent trend to more risk-based capital regimes being adopted in many of the Group's markets is continuing and this impacts on the Group's GWS capital measure, which is underpinned by the local regulatory regimes of the Group's subsidiaries, joint ventures and associates. In Mainland China C-ROSS II has become effective in the first quarter of 2022, the impact of which is not included in the GWS results above.

Further, in February 2022 Prudential Hong Kong Limited, the Group's insurance business in Hong Kong, made an application to the HKIA to early-adopt the new risk-based capital regime. The impact is not reflected in the 31 December 2021 GWS capital position shown above and the Group currently expects to include this change in the GWS capital position as at 30 June 2022, which remains subject to HKIA approval. We intend to disclose the impacts of both these regulatory changes within our 2022 half year financial report as they become effective.

Capital Management

The Group monitors regulatory capital, economic capital and rating agency capital metrics and manages the business within its risk appetite by remaining within its economic and regulatory capital limits.

The Group's capital management framework focuses on achieving sustainable, profitable growth and retaining a resilient balance sheet, with a disciplined approach to active capital allocation. The framework comprises the following key elements:

- Sufficient capital is held in each business to meet local regulatory capital requirements, the applicable capital requirements under the GWS Framework and the Group's risk appetite to ensure that commitments made to customers can be fulfilled in stress scenarios;
- Sufficient resources are held centrally to provide a capital buffer to support businesses in stress scenarios and to provide liquidity to service debt and other central expenses (including central payments for bancassurance distribution agreements and restructuring costs);
- Both organic and inorganic opportunities are assessed by reference to expected shareholder returns and payback periods, relative to risk-adjusted hurdle rates which are set centrally. The assessment for inorganic investments also considers a range of other factors including the strategic rationale for the investment, the extent of diversification with existing risks in the Group, experience in managing similar businesses in the Group, the level of control or reliance on third parties (eg via joint ventures and co-investments) to achieve the intended shareholder returns, and the level of uncertainty in financial projections. Assessment of these opportunities is also reviewed and approved centrally within the Group's governance framework in order to maintain a rigorous approach to capital allocation;
- Reflecting the Group's capital allocation priorities, a portion of capital generation will be retained for reinvestment in the business, and dividends will be determined primarily based on the Group's operating capital generation after allowing for the capital strain of writing new business and recurring central costs; and
- To the extent that surplus capital arises which is not required to support organic and inorganic growth opportunities, consideration will be given to returning capital to shareholders.

Financing and liquidity

On 4 October 2021, Prudential plc completed the issuance of new share capital on the Hong Kong Stock Exchange, resulting in net proceeds and an increase in shareholders' equity of $2,374 million. The proceeds of this equity issue have been used to enhance Prudential's financial flexibility in light of the breadth of opportunities to invest for growth. Specifically, the proceeds have been utilised to redeem high coupon debt instruments of $1,250 million in December 2021 and $1,000 million in January 2022, with the remaining proceeds contributing to Prudential's central stock of capital and liquidity. This use of proceeds is consistent with the intended use of proceeds previously disclosed in Prudential's prospectus for this equity raise.

In November, 2021 the Group issued a $1,000 million 2.95 per cent debt instrument, the proceeds of which have been utilised in part to redeem a $725 million 4.375 per cent debt instrument in January 2022.

At 31 December 2021, the Group's net gearing ratio as defined in the table below was 13 per cent, reflecting the issue of share capital in October 2021, the issue of debt in November 2021 and redemption of debt in December 2021 but excluding the redemptions completed in January 2022. The Group manages its leverage on a Moody's total leverage basis, which differs from the above by taking into account gross debt, including commercial paper, and also allows for a proportion of the surplus within the Group's with-profits funds. We estimate the Moody's total leverage at 31 December to be 26 per cent and if the further debt redemptions of $1,725 million in January 2022 had been completed as at 31 December 2021, we estimate that this figure would have been 21 per cent.

Prudential is targeting a Moody's total leverage ratio of around 20 to 25 per cent over the medium term. Prudential may operate outside this range temporarily to take advantage of growth opportunities with attractive risk-adjusted returns as they arise, while still preserving its strong credit ratings.

Prudential seeks to maintain its financial strength rating with applicable credit rating agencies which derives, in part, from its high level of financial flexibility to issue debt and equity instruments, which is intended to be maintained and enhanced in the future.

Net core structural borrowings of shareholder-financed businesses

	31 Dec 2021 $m			**31 Dec 2020** $m		
	IFRS basis	**Mark-to-market value**	**EEV basis**	**IFRS basis**	**Mark-to-market value**	**EEV basis**
Borrowings of shareholder-financed businesses from continuing operations	**6,127**	**438**	**6,565**	6,383	795	7,178
Discontinued operations – Jackson Surplus Notes	**–**	**–**	**–**	250	90	340
Total borrowings of shareholder-financed businesses	**6,127**	**438**	**6,565**	6,633	885	7,518
Less: holding company cash and short-term investments	**(3,572)**	**–**	**(3,572)**	(1,463)	–	(1,463)
Net core structural borrowings of shareholder-financed businesses	**2,555**	**438**	**2,993**	5,170	885	6,055
Net gearing ratio*	**13%**			28%		

* Net core structural borrowings from continuing operations as proportion of IFRS shareholders' equity from continuing operations plus net core structural borrowings from continuing operations, as set out in note II of the Additional unaudited financial information.

The total borrowings of the shareholder-financed businesses from continuing operations were $6.1 billion at 31 December 2021 (31 December 2020: $6.4 billion[4]). The Group had central cash resources of $3.6 billion at 31 December 2021 (31 December 2020: $1.5 billion[4]), resulting in net core structural borrowings of the shareholder-financed businesses of $2.6 billion at end of December 2021 (31 December 2020: $4.9 billion for continuing operations[4]). We have not breached any of the requirements of our core structural borrowings nor modified any of their terms during 2021. Net core structural borrowings include a $350 million bank loan which the Group is currently considering refinancing.

In addition to its net core structural borrowings of shareholder-financed businesses set out above, the Group is able to access funding via the medium-term note programme, the US shelf programme (the platform for issuance of SEC registered bonds in the US market), a commercial paper programme and committed revolving credit facilities. All of these are available for general corporate purposes. Proceeds from the Group's commercial paper programme are not included in the holding company cash and short-term investment balance.

Prudential plc has maintained a consistent presence as an issuer in the commercial paper market for the past decade and had $500 million in issue at 31 December 2021 (31 December 2020: $501 million[4]).

As at 31 December 2021, the Group had a total of $2.6 billion of undrawn committed facilities, expiring in 2026. Apart from small drawdowns to test the process, these facilities have never been drawn, and there were no amounts outstanding at 31 December 2021.

Cash remittances

Holding company cash flow[19]

	Actual exchange rate		
	2021 $m	**2020** $m	**Change** %
From continuing operations			
Insurance and asset management business	**1,451**	877	65
Other operations	**–**	55	(100)
Net cash remitted by businesses	**1,451**	932	56
Net interest paid	**(314)**	(294)	(7)
Tax received	**–**	94	(100)
Corporate activities[20]	**(322)**	(432)	25
Centrally funded recurring bancassurance fees[21]	**(176)**	(220)	20
Total central outflows	**(812)**	(852)	5
Holding company cash flow before dividends and other movements	**639**	80	
Dividends paid	**(421)**	(814)	
Operating holding company cash flow after dividends but before other movements	**218**	(734)	
Issuance and redemption of debt for continuing operations	**(255)**	983	
Hong Kong public offer and international placing	**2,374**	–	
Other corporate activities relating to continuing operations[21]	**(199)**	(954)	
UK and Europe demerger costs	**–**	(17)	
US demerger costs	**(30)**	(20)	
Total other movements	**1,890**	(8)	
Total holding company cash flow	**2,108**	(742)	
Cash and short-term investments at the beginning of the year	**1,463**	2,207	
Foreign exchange and other movements	**1**	(2)	
Cash and short-term investments at the end of the year	**3,572**	1,463	

Remittances from our continuing Asia and Africa businesses were $1,451 million (2020: $877 million).

From 2021, to align more closely to our 'one head office, two locations' operating model, the Group has revised its presentation of business unit remittances so that the costs of the head office functions in Hong Kong are no longer deducted from the 'net cash remitted by business units'. All head office costs are now presented together within the central outflows section of the holding company cash flow. Accordingly, the 2020 comparatives have been re-presented from those previously published to reflect the change.

Cash remittances for 2021 were used to meet central outflows of $(812) million (2020: $(852) million[4]) and to pay dividends of $(421) million. Central outflows include corporate activities of $(322) million (2020: $(432) million[4]), centrally funded recurring bancassurance fees of $(176) million (2020: $(220) million[4]), and net interest paid of $(314) million (2020: $(294) million[4]).

On 4 October 2021, Prudential plc completed the issuance of new share capital with proceeds of $2,374 million, as described in the financing and liquidity section above.

Other corporate activities relating to continuing operations of $(199) million (2020: $(954) million[4]) include central contributions to the funding of Asia and Africa strategic growth initiatives, principally non-recurring payments for bancassurance distribution agreements including UOB and MSB banks. In 2020, this also included one-off payments relating to the establishment of our strategic bancassurance partnership with TMBThanachart Bank in Thailand. Other corporate activities also include sale proceeds of $83 million received in December 2021, following Jackson's announcement, as part of its previously disclosed $300 million share repurchase programme, of the repurchase of 2,242,516 shares of its Class A common stock from Prudential as discussed in the Jackson section above. Further information is contained in note I(vi) of the Additional unaudited financial information.

Cash and short-term investments totalled $3.6 billion at 31 December 2021 (31 December 2020: $1.5 billion[4]). The debt and refinancing redemption programme, that completed on 20 January 2022, utilised cash of $1,725 million.

The Group will continue to seek to manage its financial condition such that it has sufficient resources available to provide a buffer to support the retained businesses in stress scenarios and to provide liquidity to service central outflows.

Notes

1 Based on full-year 2021 exchange rates.

2 'Adjusted operating profit' refers to adjusted IFRS operating profit based on longer-term investment returns from continuing operations. This alternative performance measure is reconciled to IFRS profit for the period in note B1.1 of the IFRS financial statements.

3 On a constant exchange rate basis.

4 On an actual exchange rate basis.

5 APE sales is a measure of new business activity that comprises the aggregate of annualised regular premiums and one-tenth of single premiums on new business written during the year for all insurance products, including premiums for contracts designated as investment contracts under IFRS 4. It is not representative of premium income recorded in the IFRS financial statements. See note II of the Additional unaudited financial information for further explanation.

6 New business profit, on a post-tax basis, on business sold in the period, calculated in accordance with EEV Principles.

7 Full year 2021 total funds under management, including external funds under management, money market funds, funds managed on behalf of M&G plc and internal funds under management, reported based on the country where the funds are managed.

8 For insurance operations, operating free surplus generated represents amounts emerging from the in-force business during the year net of amounts reinvested in writing new business and excludes non-operating items. For asset management businesses, it equates to post-tax operating profit for the year. Restructuring costs are presented separately from the business unit amount. Further information is set out in 'movement in Group free surplus' of the EEV basis results.

9 Operating return calculated as operating profit divided by the average EEV shareholders' equity for continuing operations. See note II(x) of the Additional unaudited financial information for definition and calculation.

10 After deduction of the underwriting fees and other estimated expenses payable in connection with the Share Offer.

11 GWS coverage ratio of capital resources over Group minimum capital requirement attributable to shareholder business. Shareholder business excludes the capital resources and minimum capital requirement of participating business in Hong Kong, Singapore and Malaysia. Under the GWS Framework, all debt instruments (senior and subordinated) issued by Prudential plc at 31 December 2021 are included as GWS eligible group capital resources.

12 For Growth markets and other, adjusted operating profit includes other items of $217 million (2020: $119 million) which primarily comprises of taxes for life joint ventures and associates and other non-recurring items.

13 For discussion on the basis of preparation of the sources of earnings in the table see note I(ii) of the Additional unaudited financial information.

14 Excludes Money Market Funds.

15 See note II of the Additional unaudited financial information for definition and reconciliation to IFRS balances.

16 Other income and expenditure includes restructuring and IFRS 17 implementation costs.

17 Debt not denominated in USD is translated using exchange rates as at 31 December 2020 for the purposes of grandfathering.

18 Before allowing for the 2021 second cash interim ordinary dividend.

19 Net cash amounts remitted by businesses are included in the holding company cash flow, which is disclosed in detail in note I(v) of the Additional unaudited financial information. This comprises dividends and other transfers from businesses that are reflective of earnings and capital generation.

20 Including IFRS 17 implementation and restructuring costs paid in the period.

21 Other movements include non-recurring payments for bancassurance arrangements including those with UOB, TMB and MSB banks. Central payments for existing bancassurance distribution agreements are within the central outflows section of the holding company cash flow, reflecting the recurring nature of these amounts.

Enabling decisions to be taken with confidence

Prudential's Group Risk Framework and risk appetite have allowed the business to control its risk exposure throughout 2021. Its governance, processes and controls enable the Group to deal with uncertainty effectively, which is critical to the achievement of its strategy of capturing long-term structural opportunities and helping customers achieve their long-term financial goals.

This section explains the main risks inherent in the business and how Prudential manages those risks, with the aim of ensuring an appropriate risk profile is maintained.

1. Introduction

The Group

2021 was a year in which the pace of transformative change continued, both for the Prudential Group and the operating environments in which it operates. In May, the Group-wide Supervision (GWS) Framework became effective for the Group following designation by the Hong Kong Insurance Authority (IA), subject to agreed transitional arrangements. The demerger of the Jackson business completed in September, reshaping the Group into an Asia and Africa-focused business. The subsequent equity raise in October enhanced Prudential's financial flexibility in light of the breadth of opportunities to invest for growth. The Group Risk, Compliance and Security (RCS) function provided risk opinions, guidance and assurance on these critical activities to enable strategic decisions to be taken with confidence, while retaining its focus on overseeing the risks of ongoing business, providing risk management and compliance advice, together with objective challenge on the execution of the strategic objectives. The core objective of the RCS function continued to be that the Group remained within its risk appetite. During the year, the RCS function continued to take steps to consolidate its position as a group-wide function, effectively leveraging the Group's risk management and compliance experience in more mature markets and applying it in a nimble way to its emerging markets, appropriate to their unique risks, opportunities, customer needs and customs.

With supply chain issues likely to continue to impact the world economy, the risks of persistent higher inflation remain firmly on the agenda. Strategic competition between the US and China is driving further decoupling of areas of their economies as both look to protect national interests. These objectives are increasingly being implemented through new laws and regulations protecting domestic data, technology and financial services. This dynamic increases the strategic, operational, regulatory and reputational risks for businesses operating within and across their spheres of influence. In China, the government's application of its domestic policy aims has continued against the backdrop of a weakening real estate sector. The cycle of peaks and troughs of Covid-19 infection levels and associated restrictions experienced by the Group's markets will undoubtedly take a toll on its customers and its people. Prudential continues to focus on delivering accessible and socially inclusive propositions, the fair treatment of its policyholders and all its customers, and the wellbeing of its employees in a sustainable way. The RCS function will continue to apply the holistic and coordinated approach to support the Group in managing these increasingly dynamic, multi-faceted and often inter-connected risks facing its business.

The world economy

The world economy remains in recovery following the significant loss of output in 2020. Global growth in 2022 is anticipated to remain above average historical trends although this is expected to slow and remains subject to developments in the pandemic. The pattern of recovery has not been the same across economies. Developed economies have received significant support from unprecedented fiscal stimulus and accommodative monetary policy aimed at maintaining consumption levels, while in emerging economies this support has been more muted and the focus has been on maintaining production levels. As fiscal stimulus is withdrawn and many economies transition to a strategy of treating Covid-19 as endemic, domestic demand is expected to shift from goods towards services in developed economies, reducing pressure on supply chains and inflation on imports. Monetary policy is also expected to become less accommodative, in particular in the US where the Federal Reserve has started to reduce asset purchases and is expected to raise its federal funds rate to address inflation concerns, which are no longer considered transitory. Developments in the labour market are expected to influence the pace and magnitude of monetary policy tightening.

In Asia, economic reopening has lagged the West, with prolonged restrictions on movement and relatively slow vaccine rollouts, although growth has also rebounded as a consequence of steady manufacturing activity in the region. A resumption of tourism activities and the consumption of other services would support growth, but the emergence of new Covid-19 variants are a continuing challenge. Another key risk for the region is a property-led slowdown in China, which has the potential to be a drag on economic activity more broadly in the country and the region. The outlook remains highly dependent on the nature of the government response to stabilise demand in the sector. Inflationary pressures in most Asian economies have largely been contained and an abrupt tightening in monetary policy is considered unlikely. However, tightening US monetary policy, combined with any resulting further strengthening of the US dollar, may lead to adverse external financing conditions for emerging economies within the region. In Africa, while countries with more diversified economies and stronger pre-pandemic fundamentals such as Kenya, Ghana and Côte d'Ivoire are expected to perform better, the region as a whole faces significant headwinds. With low vaccination rates, Africa remains highly vulnerable to the health and economic impacts of new Covid-19 infection waves and emerging and new variants. Inflation levels in the region are expected to ease slightly in 2022 but are likely to remain elevated, leaving central banks facing difficult monetary policy choices and governments with limited fiscal space in which to manoeuvre.

Financial markets

Against a backdrop of the current, emerging and future Covid-19 variants, financial markets in 2021 reflected economic trends. Equity assets continued their rally although with short episodes of volatility, and developed markets closed the year at near all-time highs. Market movements were influenced by a number of factors during the course of the year, including the broad reflation following vaccine rollouts, fiscal stimulus, supply chain issues, increases in global inflation rates, fears of stagflation and the US Federal Reserve's tapering timeline. Comparatively, emerging markets underperformed, particularly in Q3 due to growth and regulatory concerns in China, which significantly impacted the property sector and resulted in tightened credit conditions. Interest rates were dominated by market expectations for central bank policy responses, while credit spreads in investment grade markets remained relatively muted and continued to tighten, supported by the reopening of economies over the course of the year. The Russia-Ukraine conflict, which was preceded by a period of rising tensions over Q4 2021, has contributed to large market movements and increases in energy prices in Q1 2022, the full extent of which remains uncertain.

Increasing inflationary pressure in the US, the expected tightening in financial conditions driven by reduced asset purchases and the anticipated increase in federal fund rates may drive funding costs higher, with implications for global markets. This will increase risks for highly leveraged companies and countries, including those in Asia. Interest rate hikes are expected to support the US dollar while introducing currency depreciation risk for emerging markets. Emerging markets also remain susceptible to a reversal in capital flows, although they may be more resilient to this than in the past, given healthy current account balances, the fact that currencies remain relatively cheap by historical standards and that central banks in the region have pursued relatively conservative monetary policy compared to developed markets in 2021.

Geopolitical landscape

Governmental strategies in managing Covid-19 have reflected how they have balanced the impacts to people's health and lives with their individual rights and liberties and the need for economic growth. The way this balance tilts remains a potential source of division both within and between nations, with governments mindful of the risk of falling behind global levels of economic recovery. The experience of the pandemic and the civil unrest seen in recent times has shown that the stability of governments and the resilience of businesses will continue to be tested. The Group has well-established local and global plans to mitigate the business risks from disruption. These have operated well during the pandemic and local outbreaks of unrest in certain markets, and the Group's operational resilience will continue to be critically evaluated and enhanced.

The relationship between the US and China continues to be a key driver of the level of global geopolitical tension, exerting pressure on national policymakers in other countries, including the South-east Asia markets in which the Group operates. As 2021 progressed, with the US and China turning their attention to more domestic matters, diplomatic escalations between the two countries eased albeit against a backdrop of increasing strategic competition. Over Q4 2021 and into 2022, tensions between western powers and Russia have escalated into conflict in Ukraine, following years of hostilities along the Ukraine-Russia border. The conflict is likely to have broad implications for geopolitical relations which remain to be seen, and may drive the bifurcation of global trade, financial systems and standards.

Domestically, the China government has continued to pursue its policy aims with regulatory tightening and actions that have been multi-faceted and ranging across industries including technology, real estate, education and entertainment, and have extended to data usage and the provision of online medical and insurance services and products. Where these actions have implications for interactions with the global environment there may be geopolitical effects which require assessment. The broader long-term impact on business sentiment, and linked economies such as Hong Kong, remains to be seen. Legislative or regulatory changes that adversely impact Hong Kong's economy or its international trading and economic relationships, as a key market which also hosts Group head office functions, could have an adverse impact on sales and distribution and the operations of the Prudential Group. Meanwhile, the emergence of the Omicron coronavirus variant and the China and Hong Kong governments' continued application of a 'zero-Covid-19' policy has increased uncertainty on the timing of border relaxation between the two territories.

Regulations

Prudential operates in highly regulated markets, and as the nature and focus of regulation and laws evolve, the complexity of regulatory (including sanctions) compliance continues to increase and represents a challenge for international businesses. Key regulatory compliance risks for the financial services industry include those related to customer-facing conduct, financial crime and sanctions compliance, information security and data privacy and residency, and those associated with third-party management. Prudential's portfolio of transformation programmes, which include the expansion of the Group's digital capabilities and improvement of business efficiencies through operating model changes, have the potential to introduce new, or increase existing, regulatory risks and supervisory interest, while increasing the complexity of ensuring concurrent regulatory compliance across markets driven by increasing intra-Group connectivity and dependencies. National and international regulatory developments continue to progress, with a continuing focus on solvency and capital standards, sustainability, technology and data, conduct of business, systemic risk regulation, corporate governance and senior management accountability, and macro prudential policy. Some of these changes will have a significant impact on the way that the Group operates, conducts business and manages its risks. Regulatory developments are monitored at a national and global level and form part of Prudential's engagement with government policy teams and regulators.

The increase in global strategic competition may provide an impetus to the fragmentation or increased regionalisation of trade, investment and standards, increasing the strategic and regulatory risks for businesses, in particular with laws and regulations with extra-territorial application. For internationally active groups such as Prudential, operating across multiple jurisdictions increases the complexity of legal and regulatory compliance. Compliance with the Group's legal or regulatory obligations (including in respect of international sanctions), in one jurisdiction may conflict with the law or policy objectives of another jurisdiction, or may be seen as supporting the law or policy objectives of that jurisdiction over another, creating additional legal, regulatory compliance and reputational risks. These risks may be increased where the scope of regulatory requirements and obligations are uncertain, and where specific cases applicable to the Prudential Group are complex. The Group has in place risk tolerance frameworks to deal with complex and conflicting risk trade-offs to guide executive decisions. In China, the swiftness with which some of the recent regulatory changes and interventions have been applied has the potential to increase uncertainty and the strategic and regulatory risks for businesses operating in China or those which deal with Chinese companies.

The Hong Kong IA's GWS Framework became effective for Prudential following designation by the Hong Kong IA on 14 May 2021. The Group remains compliant with the Framework, subject to agreed transitional arrangements, and will continue to engage constructively with the Hong Kong IA as its Group-wide supervisor as it ensures ongoing sustainable compliance.

Societal developments

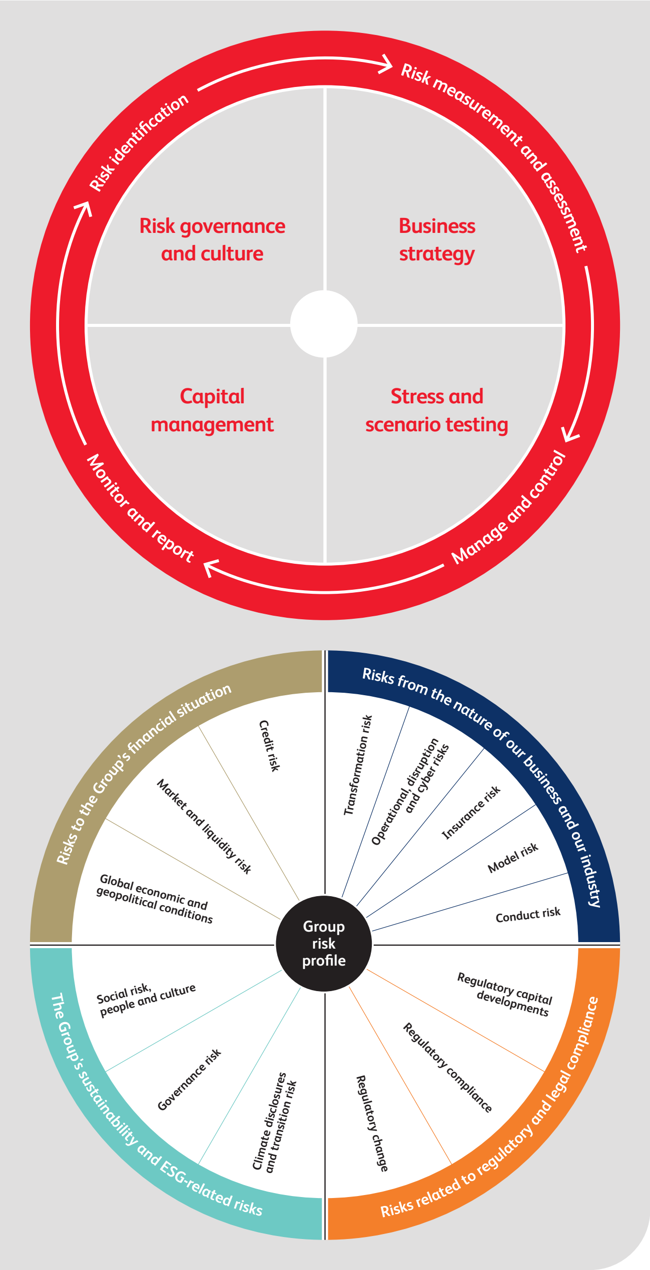
Societal changes, including those driven by the Covid-19 pandemic and anticipated as part of the transition to a lower carbon economy, can have broad, complex and long-term effects, with the potential to exacerbate structural inequalities within and across countries. Such transitions can compel organisations to re-evaluate how best to serve their customers and the societies in which they operate. A key development of the pandemic has been the acceleration of digitalisation across businesses and their supply chains, with an accompanying increase in the importance of maintaining resilience against cyber incidents and security threats, such as ransomware attacks. The Covid-19 pandemic also provided a prompt for businesses and employees to re-evaluate traditional working practices and has accelerated certain thematic trends around increased flexibility, inclusivity and psychological safety in the workplace to enable employees to openly contribute and challenge. Prudential's increasing use of digital services, technologies and distribution methods, increased adoption of its Pulse platform and the implementation of virtual face-to-face sales of select ranges of products in many of its markets during the pandemic have broad implications for Prudential and its conduct of business. These developments support the delivery of the Group's aim to increase the accessibility and inclusiveness of its products and services, but also increase technology, data security or misuse and regulatory risks. Prudential, as a responsible employer, is increasing opportunities for employees to voice their views and responding to feedback with initiatives centred on flexible and new ways of working and on how it incentivises and upskills its workforce. The Group continues to monitor emerging social trends, including those linked to environmental change, and their potential impact on its wide range of stakeholders and how its products and services meet the needs of affected societies. Its risk management framework continues to evolve in order to manage the changing nature of these wide-ranging risks including activities to promote a transparent culture, actively encouraging open discussion and learning from mistakes.

2. Risk governance

a System of governance

Prudential has in place a system of governance that embeds a clear ownership of risk, together with risk policies and standards to enable risks to be identified, measured and assessed, managed and controlled, monitored and reported. The Group Risk Framework, owned by the Board, details Prudential's risk governance, risk management processes and risk appetite. The Group's risk governance arrangements are based on the 'three lines' model. The 'first line' is responsible for taking and managing risk, while the 'second line' provides additional challenge, expertise, oversight, and scrutiny. The role of the 'third line', assumed by the independent Group-wide Internal Audit function, is to provide objective assurance on the design, effectiveness and implementation of the overall system of internal control. The Group-wide Risk, Compliance and Security (RCS) function reviews, assesses, oversees and reports on the Group's aggregate risk exposure and solvency position from an economic, regulatory and ratings perspectives.

During 2021, the Group continued to review and update its policies and processes for alignment with the requirements of the Hong Kong IA's GWS Framework, which became effective for the Group on 14 May 2021. The Group has also focused on embedding climate-change as a cross-cutting risk within the Group Risk Framework and development and embedding of its Group-wide customer conduct risk framework and policy; its third-party and outsourcing policy; its data policy and enhancements to its operational resilience.



b Group Risk Framework

i. Risk governance and culture

Prudential's risk governance comprises the Board organisational structures, reporting relationships, delegation of authority, roles and responsibilities, and risk policies that have been established to make decisions and control activities on risk-related matters. The risk governance structure is led by the Group Risk Committee, supported by independent Non-executive Directors on risk committees of the Group's main subsidiaries. The Group Risk Committee approves changes to the Group Risk Framework and the core risk policies that support it. The Group Risk Committee has direct lines of communication, reporting and oversight of the risk committees of the Group's major businesses. As its adoption across Asia and Africa increases, the application of the Group's governance framework and policies to the Pulse business has been increased. The Pulse Audit & Risk Committee for Pulse Ecosystems Limited, the holding company for Pulse, was formed and met for the first time in H1 2021.

Risk culture is a strategic priority of the Board, which recognises its importance in the way that the Group does business. A Group-wide culture framework is currently being implemented to unify the Group towards its shared purpose of helping people get the most out of life. At the start of the year, the Board established the Responsibility & Sustainability Working Group to support its responsibilities in relation to implementation of the culture framework, as well as embedding the Group's ESG strategic framework, and progress on diversity and inclusion initiatives. The culture framework includes principles and values that define how the Group expects business to be conducted in order to achieve its strategic objectives, inform expectations of leadership and support the resilience and sustainability of the Group. The components of the culture framework support sound risk management practices by requiring a focus on longer-term goals and sustainability, the avoidance of excessive risk taking and highlighting acceptable and unacceptable behaviours. This is supported through inclusion of risk and sustainability considerations in performance management for key individuals; the building of appropriate skills and capabilities in risk management; and by ensuring that employees understand and care about their role in managing risk through open discussions. The Group Risk Committee has a key role in providing advice to the Remuneration Committee on risk management considerations to be applied in respect of executive remuneration.

Prudential's Group Code of Business Conduct and Group Governance Manual, supported by risk-related policies, include guiding principles on the day-to-day conduct of all its people and any organisations acting on its behalf. Supporting policies include those related to financial crime, covering anti-money laundering, sanctions, anti-bribery and corruption and conduct. The Group's third-party and outsourcing policy requires that human rights and modern slavery considerations are embedded across all of its supplier and supply chain arrangements. Procedures to allow individuals to speak out safely and anonymously against unethical behaviour and conduct are also in place.

Further details on the Group's ESG governance arrangements and strategic framework are included in the Group's ESG Report, see pages 66 to 136.

ii. The risk management cycle

Risk identification

In accordance with provision 28 of the UK Corporate Governance Code and the GWS guidelines issued by the Hong Kong IA, a top-down and bottom-up process is in place to support Group-wide identification of principal risks. An emerging risk identification framework exists to support the Group's preparations in managing financial and non-financial risks expected to crystallise beyond the short-term horizon. The Board performs a robust assessment and analysis of these principal and emerging risk themes through the risk identification process, the Group Own Risk and Solvency Assessment (ORSA) report and the risk assessments undertaken as part of the business planning review, including how they are managed and mitigated, which supports decision-making.

The ORSA is the ongoing process of identifying, measuring and assessing, managing and controlling, monitoring and reporting the risks to which the business is exposed. It includes an assessment of capital adequacy to ensure that the Group's solvency needs are met at all times. Stress and scenario testing, which includes reverse stress testing requiring the Group to ascertain the point of business model failure, is another tool that helps to identify the key risks and scenarios that may have a material impact on the Group. The risk profile assessment is a key output from the risk identification and risk measurement processes and is used as a basis for setting Group-wide limits, management information, assessment of solvency needs, and determining appropriate stress and scenario testing. The Group's annual set of principal risks are given enhanced management and reporting focus.

Risk measurement and assessment

All identified risks are assessed based on an appropriate methodology for that risk. Quantifiable risks, which are material and mitigated by holding capital, are modelled in the Group's internal model, which is used to determine the Group Internal Economic Capital Assessment (GIECA) and is subject to independent validation and processes and controls around model changes and limitations.

Risk management and control

The Group's control procedures and systems focus on aligning the levels of risk-taking with the Group's strategy and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Group's risk policies define the Group's appetite to material risks and set out the risk management and control requirements to limit exposure to these risks, see below. These policies also set out the processes to enable the measurement and management of these risks in a consistent and coherent way, including the flows of management information required. The methods and risk management tools employed to mitigate each of its major categories of risks are detailed in section 4 below.

Risk monitoring and reporting

The Group's principal risks inform the management information received by the Group Risk Committee and the Board, which also includes key exposures against appetite and developments in the Group's principal and emerging risks.

iii. Risk appetite, limits and triggers

The Group recognises the interests of its broad spectrum of stakeholders (including customers, investors, employees, communities and key business partners) and that a managed acceptance of risk lies at the heart of the business. The Group seeks to generate stakeholder value by selectively taking exposure to risks, reduced to the extent it is cost-effective to do so, where these are an outcome of its chosen business activities and strategy. Those risks for which the Group has no tolerance are actively avoided. The Group's systems, procedures and controls are designed to manage risk appropriately, and its approach to resilience and recovery aims to maintain the Group's ability and flexibility to respond in times of stress.

Qualitative and quantitative expressions of risk appetite are defined and operationalised through risk limits, triggers and indicators. The RCS function reviews these measures at least annually. The Board approves changes to the Group's aggregate risk appetite and the Group Risk Committee has delegated authority to approve changes to the system of limits, triggers and indicators.

Group risk appetite is defined and monitored in aggregate by the setting of objectives for its liquidity, capital requirements and non-financial risk exposure, covering risks to stakeholders, including those from participating and third-party business. Group limits operate within these expressions of risk appetite to constrain material risks, while triggers and indicators provide additional defined points for escalation. The Group Risk Committee, supported by the RCS function, is responsible for reviewing the risks inherent in the Group's business plan and for providing the Board with a view on the risk/reward trade-offs and the resulting impact to the Group's aggregated position relative to Group risk appetite and limits, including non-financial risk considerations.

a. **Capital requirements.** Limits on capital requirements aim to ensure that in business-as-usual and stressed conditions the Group maintains sufficient capital in excess of internal economic capital requirements, achieves its desired target rating to meet its business objectives, and supervisory intervention is avoided. The two measures in use at the Group level are the GWS group capital requirements and internal economic capital requirements, determined by the Group Internal Economic Capital Assessment (GIECA).

b. **Liquidity.** The objective of the Group's liquidity risk appetite is to ensure that sufficient cash resources are available to meet financial obligations as they fall due in business-as-usual and stressed scenarios. This is measured using a liquidity coverage ratio which considers the sources of liquidity against liquidity requirements under stress scenarios.

Non-financial risks. At the end of 2021 the Group approved a more streamlined and simplified Non-Financial Risk Appetite approach, framed around the perspectives of its varied stakeholders, to be embedded in 2022. The Group accepts a degree of non-financial risk exposure as an outcome of its chosen business activities and strategy. It aims to manage these risks effectively to maintain its operational resilience and its commitments to customers and all stakeholders and avoid material adverse financial loss or impact to its reputation.

Risk management

Risk identification
Risk identification covers Group-wide:

1 Top-down risk identification.

2 Bottom-up risk identification.

3 Emerging risk identification.

Risk measurement and assessment
Risks are assessed in terms of materiality. Material risks which are modelled are included in appropriately validated capital models.

Manage and control
Risk appetite and limits allow for the controlled growth of the Group's business, in line with business strategy and plan. Processes that support the oversight and control of risks include:

1 The Risk and Control Assessment process.

2 The Own Risk and Solvency Assessment (ORSA).

3 Group-approved limits and early warning triggers.

4 Large risk approval process.

5 Global counterparty limit framework.

6 Financial and critical incidents procedures.

7 Stress and scenario testing, including reverse stress testing.

Monitor and report
Escalation requirements in the event of a breach are clearly defined. Risk reporting provides regular updates to the Group's Board and risk committees on exposures against Board-approved appetite statements and limits. Reporting also covers the Group's key risks.

Risk governance and culture
Risk governance comprises the Board, organisational structures, reporting relationships, delegation of authority, roles and responsibilities, and risk policies. The Group-wide culture framework includes principles and values that define how business is conducted in order to achieve its strategic objectives, inform expectations of leadership and guide ESG activities.

Capital management
Capital adequacy is monitored to ensure that internal and regulatory capital requirements are met, and that solvency buffers are appropriate, over the business planning horizon and under stress.

Business strategy
Business strategy and the business plan provide direction on future growth and inform the level of limits on solvency, liquidity and earnings and for our key risks. The Risk, Compliance and Security function provides input and opinion on key aspects of business strategy.

Stress and scenario testing
Stress and scenario testing is performed to assess the robustness of capital adequacy and liquidity, and the appropriateness of risk limits. Recovery planning assesses the effectiveness of the Group's recovery measures and the appropriateness of activation points.

3. The Group's principal risks

The delivery of the Group's strategy in building long-term value for its shareholders and other stakeholders, focusing on high-growth business in Asia and Africa, exposes Prudential to risks. The materialisation of these risks within the Group or at its joint ventures or key third party partners may have a financial impact and may affect the performance of products or services or the fulfilment of commitments to customers and other stakeholders with an adverse impact on Prudential's brand and reputation. This report is focused mainly on risks to the shareholder but includes those which arise indirectly through policyholder exposures and third-party business. The Group's principal risks, which are not exhaustive, are detailed below. The Group's Risk Factor disclosures can be found at the end of this document.

Covid-19 – longer-term risks and forward-looking areas of focus

As the pandemic and the associated global response have evolved, it has become clear that Covid-19 and its impacts will persist far longer than many would have predicted at the onset of the global outbreak in 2020. The pandemic continues to present risks for the Group, particularly given the on-going uncertainty arising from current, emerging and future variants of the virus, and has also resulted in transformative changes to the business environment and Prudential's business model, which are likely to persist even after Covid-19 is considered endemic. These longer-term risks and forward-looking areas for the Group are summarised below and, where relevant, further information is provided within the descriptions of the Group's principal risks.

- **People risks:** Prudential continues to actively support and enable its employees to work remotely and flexibly and in line with government policy and guidance in the markets in which it operates. It has provided its fullest support to those directly impacted by the coronavirus and their families. The Group is exploring new ways of working, acknowledging that the pandemic may accelerate demand for a permanent shift in the pre-pandemic norms in working arrangements. The duration of the pandemic and related restrictions in some of the Group's markets has heightened the risks to the physical and mental health of its employees. This is a key area of focus across Prudential, with a coordinated suite of initiatives being progressed designed to measure and support the wellbeing and potential uncertainty of employees due to the Covid-19 pandemic or changes in the Group as it reshapes into an Asia and Africa focussed business.
- **Customer conduct, product and distribution risks:** As the initial pandemic-related initiatives and campaigns rolled out across markets to support customers expire (including customer cash benefits, goodwill payments, and extended grace periods for premium payments), the Group is monitoring the impact to customers to ensure they are treated fairly and with due care. The Group's customer conduct risk framework enshrines its focus on customer outcomes, under which risk monitoring is performed, irrespective of the pandemic. Prudential rolled out, with appropriate regulatory engagement, virtual face-to-face sales processes and digital product offerings in most its markets during the pandemic. Where these are expected to remain, the Group will ensure these processes are in line with evolving regulations and regulatory expectations, and monitor such developing processes for customer conduct, operational and commercial risks. Regardless of the pandemic, Prudential regularly assesses the suitability and affordability of its products, aiming to reduce their perceived complexity and increase the transparency of their costs and benefits. These aims, as well as the Group's increasing focus on the sustainable digital distribution of its health and wealth products via its Pulse platform, help to expand the financial inclusion of Prudential's products in its markets.
- **Financial market and economic risks:** Throughout 2021, pandemic developments, both positive and negative (such as the emergence of new Covid-19 variants), have contributed to financial market volatility. The Group continues close monitoring of equity, interest rate and credit risks and inflation expectations, as well as the broader macroeconomic impacts of the pandemic, including the effects of an uneven recovery across markets. Risk limits and the appropriateness of the Group's counter-cyclical capital buffer are regularly reviewed and adjusted where required.
- **Information security risks:** Office-based working may not return to pre-pandemic levels which, along with the pandemic-accelerated growth in digital operations, products and services, increases organisational exposure to long-term heightened information security risks, increasing the opportunities for cyber-crime and ransomware attacks. The Group continues to strengthen its robust information security management framework and progress its programme to enhance and maintain levels of cyber hygiene, combined with ongoing training and phishing campaigns, aligned with threat intelligence feeds, and simulation exercises to support data privacy and operational resilience.
- **Insurance risks:** In the short term, the Group has seen an increase in Covid-19-related mortality claims in select markets. A combination of the economic impact of the pandemic and extended restrictions on movement has also increased persistency risk at some of the Group's businesses. The potential longer-term impacts of the pandemic include lapses, surrenders and premium affordability from the broader economic effects; increased and/or delayed morbidity claims resulting from the deferral of medical treatment by policyholders during the pandemic; latent morbidity impacts from the deferral of medical treatment by policyholders; and the implications from other factors such as long-term post-Covid-19 symptoms (although there is currently no consensus on the longer-term impact on morbidity).

Risks to the Group’s financial situation

(including those from the external macroeconomic and geopolitical environment)

The global economic and geopolitical environment may impact on the Group directly by affecting trends in financial markets and asset values, as well as driving short-term volatility.

Risks in this category include the market risks to our investments and the credit quality of our investment portfolio as well as liquidity risk.

Global economic and geopolitical conditions

Macroeconomic and geopolitical developments are considered material to the Group and can increase the operational, business disruption, regulatory and financial market risks to the Group and can directly impact its sales and distribution networks. Changes in global economic conditions can impact Prudential directly; for example, by reducing investment returns and fund performance and liquidity, and increasing the cost of product guarantees. Indirect impacts include higher inflation, which can reduce disposable income and decrease propensity for people to save and buy Prudential’s products, as well as changes in political attitudes towards regulation. As some countries begin to adopt strategies to manage Covid-19 as an endemic disease, variations in the speed of economic recovery from the pandemic between markets, and the subsequent impact on their respective interest rates, inflation expectations and the relative strength of their currencies (and the associated impact on their foreign currency debt obligations), may drive broader long-term economic and financial uncertainty which may disproportionately impact emerging economies. Financial markets, economic sentiment and regulatory compliance risks can be highly susceptible to geopolitical developments. These have been outlined in Section 1.

Market risks to our investments

(Audited)

This is the potential for reductions in the value of Prudential’s investments driven by fluctuations in equity prices, interest rates, foreign exchange rates and property prices. While interest rates have been rising steadily and may rise further in response to increasing inflationary pressures, a return to a low interest rate environment poses challenges to the capital position of life insurers and new business profitability. The Group has appetite for market risk where it arises from profit-generating insurance activities to the extent that it remains part of a balanced portfolio of sources of income for shareholders and is compatible with a robust solvency position.

The Group’s market risks are managed and mitigated by the following:

- The Group market risk policy;
- Risk appetite statements, limits and triggers;
- The Group’s asset liability committees (ALCOs);
- Asset and liability management activities, which include management actions such as changes in asset allocation, bonus revisions, repricing and the use of reinsurance where appropriate;
- Hedging using derivatives, including currency forwards, interest rate futures and swaps, and equity futures;
- The monitoring and oversight of market risks through the regular reporting of management information; and
- Regular deep dive assessments.

The Group Critical Incident Procedure (GCIP) defines specific governance to be invoked in the event of a critical incident, such as significant market, liquidity or credit-related event. This includes, where necessary, the convening of a Critical Incident Group (CIG) to oversee, coordinate, and where appropriate, direct activities during a critical incident.

Interest rate risk, including asset liability management (ALM). Interest rate risk is driven by the valuation of Prudential’s assets (particularly government and corporate bonds) and liabilities, which are dependent on market interest rates. Sustained inflationary pressures which may drive higher interest rates may impact the valuation of fixed income investments and reduce fee income. Some of the Group’s products are sensitive to movements in interest rates. Prudential’s appetite for interest rate risk requires that assets and liabilities should be tightly matched for exposures where assets or derivatives exist that can cover these exposures. Interest rate risk is accepted where this cannot be hedged, provided that this arises from profitable products and to the extent that interest rate risk exposure remains part of a balanced exposure to risks and is compatible with a robust solvency position.

The Group’s exposure to interest rate risk arises from the guarantees of some non-unit-linked products with a savings component, including the Hong Kong and Singapore with-profits and non-profit businesses. This exposure arises from the potential for an asset and liability mismatch, where long-dated liabilities and guarantees are backed by short-dated assets. When this mismatch is not eliminated, it is monitored and managed through local risk and asset liability management committees and Group risk limits consistent with the Group’s appetite for interest rate risk. Unit-linked based businesses, such as Indonesia and Malaysia, are also exposed to interest rate risk resulting from the impact to the present value of future fees from such products.

The Group-level ALCOs are risk management advisory committees supporting the identification, assessment and management of key financial risks to the achievement of the Group’s business objectives. They also oversee ALM and solvency risks of the local businesses as well as the declaration and management of non-guaranteed benefits for participating and universal life lines of business. Local business units are responsible for the management of their own asset and liability positions.

Market risks to our investments

continued

The objective of the local business unit ALM process is to meet policyholder liabilities with the returns generated from the investment assets held, while maintaining the financial strength of capital and solvency positions. The ALM strategy adopted by the local business units considers the liability profile and related assumptions of in-force business and new products to appropriately manage investment risk within ALM risk appetite, under different scenarios in accordance with policyholders' reasonable expectations, and economic and local regulatory requirements. Factors such as the availability of matching assets, diversification, currency and duration are considered as appropriate. The assumptions and methodology used in the measurement of assets and liabilities for ALM purposes conform with local solvency regulations. Assessments are carried out on an economic basis which conforms to the Group's internal economic capital methodology.

Equity and property investment risk. The shareholder exposure to equity price movements arises from various sources, including from unit-linked products where fee income is linked to the market value of the funds under management. Exposure also arises from with-profits businesses through potential fluctuations in the value of future shareholders' profits and where bonuses declared are based broadly on historical and current rates of return from the Asia business's investment portfolios, which include equities. The Group has limited acceptance for exposures to equity risk but accepts the equity exposure that arises on future fees (including shareholder transfers from the with-profits business).

The material exposures to equity risk in the Group's businesses include the following: The China joint venture business is exposed to equity risk through its investments in equity assets for most of its products, including participating and non-participating savings products and protection and investment-linked products. The Hong Kong business and, to a lesser extent, the Singapore business contribute to the Group's equity risk exposure due to the equity assets backing participating products. The Indonesia and Malaysia businesses are exposed to equity risk through their unit-linked products.

Foreign exchange risk. The geographical diversity of Prudential's businesses means that it has some exposure to the risk of foreign exchange rate fluctuations. Some entities within the Group write policies, invest in assets or enter into other transactions in local currencies or currencies not linked to the US dollar. Although this limits the effect of exchange rate movements on local operating results, it can lead to fluctuations in the Group's US dollar-reported financial statements. This risk is accepted within the Group's appetite for foreign exchange risk. In cases where a non-US dollar denominated surplus arises in an operation which is to be used to support Group capital, or where a significant cash payment is due from a subsidiary to the Group, this currency exposure may be hedged where considered economically favourable. Further, the Group generally does not have appetite for significant direct shareholder exposure to foreign exchange risks in currencies outside the countries in which it operates, but it does have some appetite for this on fee income and on equity investments within the with-profits fund. Where foreign exchange risk arises outside appetite, currency swaps and other derivatives are used to manage the exposure.

Liquidity risk

(Audited)

Prudential's liquidity risk arises from the need to have sufficient liquid assets to meet policyholder and third-party payments as they fall due, considered under both business-as-usual and stressed conditions. It includes the risk arising from funds composed of illiquid assets and results from a mismatch between the liquidity profile of assets and liabilities. Liquidity risk may impact on market conditions and valuation of assets in a more uncertain way than for other risks like interest rate or credit risk. It may arise, for example, where external capital is unavailable at sustainable cost, increased liquid assets are required to be held as collateral under derivative transactions or where redemption requests are made against Prudential's external funds. Liquidity risk is considered material at the level of the Group. Prudential has no appetite for any business to have insufficient resources to cover its outgoing cash flows, or for the Group as a whole to not meet cash flow requirements from its debt obligations under any plausible scenario.

The Group has significant internal sources of liquidity sufficient to meet its expected cash requirements for at least 12 months from the date the financial statements are approved, without having to resort to external sources of funding. The Group has a total of $2.6 billion of undrawn committed facilities that can be made use of, expiring in 2026. Access to further liquidity is available through the debt capital markets and the Group's extensive commercial paper programme. Prudential has maintained a consistent presence as an issuer in the market for the past decade.

A number of risk management tools are used to manage and mitigate liquidity risk, including the following:

- The Group's liquidity risk policy;
- Risk appetite statements, limits and triggers;
- Regular assessment by the Group and business units of Liquidity Coverage Ratios which are calculated under both base case and stressed scenarios and are reported to committees and the Board;
- The Group's Liquidity Risk Management Plan, which includes details of the Group Liquidity Risk Framework as well as analysis of Group and business units liquidity risks and the adequacy of available liquidity resources under business-as-usual and stressed conditions;
- Its contingency plans and identified sources of liquidity;
- The Group's ability to access the money and debt capital markets; and
- The Group's access to external committed credit facilities.

Risks to the Group's financial situation (including those from the external macroeconomic and geopolitical environment) continued

Credit risk

(Audited)

Credit risk is the potential for loss resulting from a borrower's failure to meet its contractual debt obligation(s). Counterparty risk, a type of credit risk, is the probability that a counterparty to a transaction defaults on its contractual obligation(s) causing the other counterparty to suffer a loss. These risks arise from the Group's investments in bonds, reinsurance arrangements, derivative contracts with third parties, as well as its cash deposits with banks. Credit risk is considered a material risk for the Group's business units.

The Group's holdings across its life portfolios are mostly in local currency and with a largely domestic investor base, which provides support to these positions. The Group's portfolios are generally positioned towards high quality names, including those with either government or considerable parent company balance sheet support. Areas which the Group are actively monitoring include the developments in the China property sector and the degree of government support for state-owned entities in Asia, given recent defaults observed in the market by such entities in China and Thailand. The Group's portfolio is generally well diversified in relation to individual counterparties, although counterparty concentration is monitored, in particular in local markets where depth (and therefore the liquidity of such investments) may be low. Prudential actively reviews its investment portfolio to improve the robustness and resilience of the solvency position. The Group has some appetite to take credit risk to the extent that it remains part of a balanced portfolio of sources of income for shareholders and is compatible with a robust solvency position. Further detail on the Group's debt portfolio is provided below.

A number of risk management tools are used to manage and mitigate credit risk, including the following:

- A credit risk policy and dealing and controls policy;
- Risk appetite statements and portfolio-level limits that have been defined on issuers, and counterparties;
- Collateral arrangements for derivative, secured lending reverse repurchase and reinsurance transactions which aim to provide a high level of credit protection;
- The Group Credit Risk Committee's oversight of credit and counterparty credit risk and sector and/or name-specific reviews;
- Regular assessments of individual and sector exposures subject to elevated credit risks; and
- Close monitoring or restrictions on investments that may be of concern.

The total debt securities at 31 December 2021 for the Group's continuing operations were $99.1 billion (31 December 2020: $89.8 billion). The majority (70 per cent) of the portfolio is in unit-linked and with-profits funds. The remaining 30 per cent of the debt portfolio is held to back the shareholder business.

Group sovereign debt. Prudential invests in bonds issued by national governments. This sovereign debt holding of the Group's operations represented 47 per cent or $14.2 billion[1] of the shareholder debt portfolio of the Group's operations as at 31 December 2021 (31 December 2020: 45 per cent or $12.8 billion of the shareholder debt portfolio for the Group's continuing operations). The particular risks associated with holding sovereign debt are detailed further in the disclosures on Risk Factors.

The exposures held by the shareholder-backed business and with-profits funds in sovereign debt securities at 31 December 2021 are given in note C1 of the Group's IFRS financial statements.

Corporate debt portfolio. In the shareholder-backed business, corporate debt exposures totalled $14.5 billion of which $12.7 billion or 87 per cent were investment grade rated.

Bank debt exposure and counterparty credit risk. The banking sector represents a material concentration in the Group's corporate debt portfolio which largely reflects the composition of the fixed income markets across the regions in which Prudential is invested. As such, exposure to banks is a key part of its core investments, as well as being important for the hedging and other activities undertaken to manage its various financial risks. Exposure to the sector is considered a material risk for the Group. Derivative and reinsurance counterparty credit risk exposure is managed using an array of risk management tools, including a comprehensive system of limits. Prudential manages the level of its counterparty credit risk by reducing its exposure, buying credit protection or using additional collateral arrangements where appropriate.

At 31 December 2021:

- 87 per cent of the Group's shareholder portfolio (excluding all government and government-related debt) is investment grade rated[2]. In particular, 52 per cent of the portfolio is rated[2] A- and above (or equivalent); and
- The Group's shareholder portfolio is well diversified: no individual sector[3] makes up more than 15 per cent of the total portfolio (excluding the financial and sovereign sectors).

The Group's Sustainability and ESG-related risks

These include sustainability risks associated with environmental considerations such as climate change (including physical and transition risks), social risks arising from diverse stakeholder commitments and expectations and governance-related risks.

Material risks associated with key ESG themes may undermine the sustainability of a business by adversely impacting its reputation and brand, ability to attract and retain customers and employees, and therefore the results of its operations and delivery of its strategy and long-term financial success. Prudential seeks to manage sustainability risks and their potential negative impact on its business and stakeholders through a focus on the Group's purpose to 'help people get the most out of life', and transparent and consistent implementation of its strategy in its key markets and across operational, underwriting and investment activities. The Group's strategy includes providing greater and more inclusive access to good health and financial security, responsible stewardship in managing the human impact of climate change and building human and social capital with its broad range of stakeholders. It is enabled by strong internal governance, sound business practices and a responsible investment approach, with ESG considerations integrated into investment decisions and the performance of fiduciary and stewardship duties, including voting and active engagement decisions with respect to investee companies, as both an asset owner and an asset manager.

i. Environmental issues

Prudential's strategic focus on stewarding the human impacts of climate change and decarbonising its operations and investment activities recognises that environmental concerns, such as water pollution, biodiversity degradation and notably those associated with climate change, and their social and economic impacts present long-term risks to the sustainability of Prudential, and may impact its customers and other stakeholders.

Prudential's investment horizons are long term and it is therefore exposed to the potential long-term impact of climate change risks, which include the financial and non-financial impact of transition to a lower carbon economy and physical and litigation risks. The global transition to a lower carbon economy may have an adverse impact on investment valuations as the financial assets of carbon-intensive companies re-price, and this could result in some asset sectors facing significantly higher costs and a reduction in demand for their products and services. The speed of this transition, and the extent to which it is orderly and managed, will be influenced by factors such as public policy, technology and changes in market or investor sentiment. The potential impact of these factors on the valuation of investments may also have a broader economic and social impact that may affect customers and their demand for the Group's products and services.

The transition to a lower carbon economy has the potential to disproportionately impact the Asia and Africa markets in which Prudential operates and invests, and the Group's stakeholders increasingly expect and/or rely on the Group to support an orderly, inclusive and sustainable transition based on an understanding of relevant country and company-level plans, taking into consideration the impact on the economies, businesses, communities and customers in these markets.

The pace and volume of new climate-related regulation and reporting standards emerging across the markets in which the Group operates, the need to deliver on existing and new voluntary exclusions on investments in certain sectors, engagement and reporting commitments and externally assured reporting may give rise to compliance, operational and disclosure risks which may be increased by the multi-jurisdictional coordination required in adopting a consistent risk management approach. Understanding and appropriately reacting to transition risk and implementing carbon reduction commitments requires sufficient and reliable data on carbon exposure and transition plans for the assets in which the Group invests.

The direct physical impacts of climate change, driven by both specific short-term climate-related events such as natural disasters and longer-term changes to climate and the natural environment, are likely to become increasingly significant factors in the mortality and morbidity risk assessments for the Group's insurance product underwriting and offerings and their associated claims profiles. Climate-driven events in countries in which Prudential or its key third parties operate could adversely impact the Group's operational resilience and its customers, which may potentially occur through migration or displacement both within and across borders.

A failure to understand, manage and provide greater transparency of its exposure to these climate-related risks may have increasing adverse implications for Prudential and its stakeholders.

ii. Social issues

Social risks that could impact Prudential may arise from a failure to consider the rights, diversity, wellbeing, needs and interests of its customers and employees and the communities in which the Group or its third parties operate. These risks are increased as Prudential operates in multiple jurisdictions with distinct local cultures and considerations. Perceived inequalities and income disparities, intensified by the pandemic, have the potential to further erode social cohesion across the Group's markets, emphasising the importance of an inclusive and sustainable global economic recovery.

The Group's Sustainability and ESG-related risks
continued

Evolving social norms and emerging population risks associated with public health trends (such as an increase in obesity and mental health deterioration) and demographic changes (such as population urbanisation and ageing) may affect customer lifestyles and therefore may impact the level of claims against the Group's insurance product offerings. As a provider of insurance and investment services the Group is committed to playing a role in preventing and postponing illness in order to protect its customers, as well as making health and financial security more inclusive and accessible through enhancements to its products and services and an increased focus on digital innovation, technologies and distribution methods. As a result, Prudential has access to sensitive customer personal data, including data related to personal health, and an increasing ability to analyse and interpret this data through the use of complex tools, machine learning and artificial intelligence technologies. The Group therefore actively manages the regulatory, ethical and reputational risks associated with actual or perceived customer data misuse or security breaches and its operational resilience to support its customers. These risks are outlined below. The increasing digitalisation of products, services and processes may also result in new and unforeseen regulatory requirements and stakeholder expectations for which Prudential monitors, as well as ensuring support for its customers through this transformation.

As an employer, the Group aims to attract, retain and develop a diverse group of highly-skilled employees to meet the changing needs of a transformative organisation. This requires the implementation of responsible working practices and recognising the benefits of diversity, ensure psychological safety for employees to contribute and challenge, and promoting a culture of inclusion and sense of belonging.

The Group's reputation extends to its supply chains and its investee companies, which may be exposed to factors such as poor labour standards and abuses of human rights by third parties.

iii. Governance

Maintaining high standards of corporate governance is crucial for the Group and its customers and employees, reducing the risk of poor decision-making and a lack of oversight of its key risks. Poor governance may arise where key governance committees have insufficient independence, a lack of diversity, skills or experience in their members, or unclear (or insufficient) oversight responsibilities and mandates. Inadequate oversight over remuneration also increases the risk of poor senior management behaviours. Prudential operates across multiple jurisdictions and has a Group and subsidiary governance structure which may add further complexity to these considerations. Participation in joint ventures or partnerships where Prudential does not have direct overall control and the use of third-party suppliers increases the potential for reputational risks arising from poor governance.

Prudential is an active contributor to industry fora on sustainability and the Group was a key contributor to the CRO Forum's November 2021 guidance paper ('Mind the Sustainability Gap – Integrating sustainability into insurance risk management'), that seeks to define a set of industry best practice guidelines to manage the integration of sustainability into insurers' risk management frameworks. Risk management and mitigation of ESG sustainability risks at Prudential include the following:

- The Group's strategic focus on providing greater and more inclusive access to good health and financial security, responsible stewardship in managing the human impact of climate change and building human and social capital with its broad range of stakeholders;
- The Group Code of Business Conduct and Group Governance Manual including ESG-linked policies;
- Activities to embed ESG and sustainability and risk within the Group Risk Framework including:
  - Environmental and social risk identification including through emerging risk processes; and
  - Deep dives into ESG themes, including climate-related risks;
- Integrating ESG considerations into investment processes and responsible supply chain management; and
- Participation in networks to further develop understanding and support collaborative action in relation to ESG sustainability risks such as climate change.

Further information on the Group's ESG governance is included in section 3 above, and further detail on the Group's ESG strategic framework and the management of material ESG themes are included in the Group's ESG Report 2021 on pages 66 to 137.

Risks from the nature of our business and our industry

These include the Group's non-financial risks (including operational and financial crime risk), transformation risks from significant change activity and the insurance risks assumed by the Group in providing its products.

Transformation risk

Transformation risk remains a material risk for Prudential, with a number of significant change programmes under way, which if not delivered to defined timelines, scope and cost may negatively impact its operational capability; control environment; reputation; and ability to deliver its strategy and maintain market competitiveness.

The Group's transformation and change programmes inherently give rise to design and execution risks, and may introduce new, or increase existing, business risks (including increasing uncertainty for the Group's employees) and increase intra-Group connectivity and dependencies. While the adoption of technologies related to digital distribution and artificial intelligence has opened up new product distribution and value-added service opportunities, it also exposes Prudential to additional regulatory, information security, data privacy, operational, ethical and conduct risks which, if not managed effectively, could result in customer detriment and reputational damage. The speed of technological change and adoption in the business also increase the risk that all unintended consequences are not anticipated. The Group therefore aims to ensure that, for both transformation and strategic initiatives, strong programme governance is in place with embedded risk expertise to achieve ongoing and nimble risk oversight, with regular risk monitoring and reporting to risk committees. Transformation risk oversight operates alongside the Group's existing risk policies and frameworks to ensure appropriate governance and controls are in place to mitigate these risks.

Prudential's current portfolio of transformation and significant change programmes include the expansion of the Group's digital capabilities and use of technology, platforms and analytics, and improvement of business efficiencies through operating model changes. Programmes related to regulatory/industry change such as the development and embedding of the Group Internal Economic Capital Assessment (GIECA) model under the GWS Framework, changes required to effect the discontinuation of inter-bank offered rates (IBORs) in their current form and the implementation of IFRS 17 are also ongoing.

Risks associated with the Group's joint venture and jointly owned businesses

Prudential operates, and in certain markets is required by local regulation to operate, through joint ventures and other joint ownership or third-party arrangements. A material proportion of the Group's business comes from its joint ventures in China and India. For such operations the level of control exercisable by the Group depends on the terms of the contractual agreements between participants. As such the level of oversight, control and access to management information the Group is able to exercise over the extent of the exposure to material risks at these operations may be lower compared to the Group's wholly owned businesses. Further information on the risks to the Group associated with joint ventures and jointly owned businesses are included in the disclosures on Risk Factors.

Risks from the nature of our business and our industry
continued

Non-financial risks

The complexity of Prudential, its activities and the extent of transformation in progress creates a challenging operating environment and exposure to non-financial risks. The Group's appetite framework for non-financial risks considers risks across a broad range of categories which are outlined below. These risks are considered to be material at the level of the Group.

Operational risk. This is the risk of loss (or unintended gain or profit) arising from inadequate or failed internal processes, personnel or systems and external events, and may arise from employee error, model error, system failures, fraud or other events which disrupt business processes or which have a detrimental impact to customers. Prudential accepts a degree of non-financial risk exposure as an outcome of its chosen business activities and strategy. It aims to manage these risks effectively to maintain its operational resilience and its commitments to customers and all stakeholders and avoid material adverse financial loss or impact on its reputation.

Outsourcing and third-party risks. The Group's outsourcing and third-party relationships require distinct oversight and risk management processes. The Group has a number of important third-party relationships, both with market counterparties and outsourcing partners, including distribution, technology and ecosystem providers. In Asia, the Group continues to expand its strategic partnerships and renew bancassurance arrangements. These arrangements support the delivery of high level and cost-effective services to customers, but also create a reliance on the operational resilience and performance of outsourcing and business partners. The Group's requirements for the management of material outsourcing arrangements have been aligned to the requirements of the Hong Kong IA's GWS Framework and are included in its Group third party supply and outsourcing policy. Third-party management is also included and embedded in the Group-wide operational risk framework (see below).

Information security and data privacy risk. This includes risks related to malicious attack on systems, network disruption and the infringement of data security, integrity or privacy. The frequency and sophistication of intrusion activities and criminal capability in this area, including in ransomware (malicious software designed to block access to a computer system until a sum of money is paid), continues to increase globally. The technology landscape of Prudential is transforming at a rapid pace and the underlying technology infrastructure (and support services) has grown in scope and complexity in recent years. This, combined with stakeholder expectations and the potential for reputational and conduct risk from cyber security breaches and data misuse, which can be highly-publicised, mean that these risks are considered material at the level of the Group. As well as having preventative risk management processes in place, it is fundamental that the Group has robust critical recovery systems in place in the event of a successful attack on its infrastructure, a breach of its information security or a failure of its systems in order to retain its customer relationships and trusted reputation.

Prudential and the insurance industry are making increasing use of emerging technological tools and digital services, or partnering with third parties that provide these capabilities. While these provide new opportunities, opening up markets, improving insights and increasing scalability, it also comes with additional risks, including operational and data misuse risks, which are managed within the Group's existing governance and risk management processes. Automated digital distribution channels increase the criticality of system and process resilience in order to deliver uninterrupted service to customers.

Globally, ransomware attacks have increased markedly with the shift to remote working practices driven by the Covid-19 pandemic. Prudential has a number of defences in place to protect its systems from this type of attack, including but not limited to: AI-based endpoint security software, continuous security monitoring, network-based intrusion detection, and employee training and awareness campaigns to raise understanding of attacks utilising email phishing techniques. Cyber insurance coverage is in place to provide some protection against potential financial losses and the Group conducts simulation exercises for ransomware attacks to assess and develop the effectiveness of incident responses across its businesses.

Data protection requirements continue to evolve, and include developments in China outlined in the overview of the Group's regulatory risks below. As well as protecting data, stakeholders expect companies and organisations to use personal information transparently and appropriately. Control of data through national data security regimes has become an increasing priority for governments amid the increase in global strategic competition. This adds further complexity to regulatory compliance in this area, in particular in the cross-border transfer or use of data, for global organisations in addition to the existing regulatory, financial and reputational risks of a breach of Prudential's (or third-party suppliers') IT systems or loss or misuse of data. In 2021 a new Group Data Policy was approved, establishing the principles and requirements for effective and scalable data management in light of the increase in volume and variety of data expected to be held, as well as the speed at which it is collected, as part of the Group's digital aspirations.

Non-financial risks
continued

The Group's Information Security and Data Privacy strategy has four key objectives: business enablement; continuous improvement of cyber defences; automation and optimisation; and governance and assurance to ascertain ongoing robustness of cyber security and privacy measures. In 2021 a focus of Prudential has been ensuring consistent global coverage of security controls, following the operationalisation of a revised organisational structure and governance model for cyber security management. This included the establishment of a centralised Technology Risk Management team, leveraging skills, tools and resources across different technology domains to provide advisory, assurance and operations support for holistic technology risk management including information security and privacy. A Group Technology Risk Committee has been established, providing group-wide oversight of technology risks, including information security and privacy. Risk management is also performed locally within business units, with input from business information security officers and with oversight from local risk committees. The Prudential plc Board is briefed at least twice annually on cyber security by the Group CISO and executive training is provided to ensure that members have the means to enable appropriate oversight and understand the latest threats and regulatory expectations. The Group-wide information security policy was developed in collaboration with industry experts to support a pragmatic approach to the evolving regulatory environment globally and ensure compliance with all applicable privacy laws and regulations and the appropriate and ethical use of customer data. The policy was also developed with reference to international standards, including ISO 27001/2, the NIST Cyber Security Framework and supervisory guidelines. Local standards are aligned to local regulations and laws.

Model and user developed application (UDA) risk. Erroneous or misinterpreted tools used in core business activities, decision-making and reporting may have adverse consequences for Prudential. The Group utilises various tools to perform a range of operational functions including the calculation of regulatory or internal capital requirements, the valuation of assets and liabilities, determining hedging requirements, and in acquiring new business using artificial intelligence and digital platforms. Many of these tools are an integral part of the information and decision-making frameworks used at Prudential and errors or limitations in these tools, or inappropriate usage, may lead to regulatory breaches, inappropriate decision-making, financial loss, customer detriment, inaccurate external reporting or reputational damage.

The Group has no appetite for model and UDA risk arising as a result of failing to develop, implement and monitor appropriate risk mitigation measures. Prudential's model and UDA risk framework and policy applies a risk-based approach in order to ensure appropriate and proportionate risk management is applied to all models and UDAs used across the business, depending on the materiality and nature of the data used in these tools, as well as their complexity.

Prudential's model and UDA risk is managed and mitigated using the following:

- The Group's Model and UDA Risk Policy and relevant Guidelines;
- Annual risk assessment of all tools used for core business activities, decision-making and reporting;
- Maintenance of appropriate documentation for tools used;
- Implementation of controls to ensure tools are accurate and appropriately used;
- Tools are subject to rigorous and independent model validation; and
- Regular reporting to the RCS function and risk committees to support the measurement and management of the risk.

In 2021 the Group updated its Group's Model and User Developed Applications Policy which included a broadening of the considerations when assessing model criticality to include a wider group of stakeholders including policyholders (in addition to shareholders) and associated reputational risk impacts and increased oversight of models in development, including the model being developed for RBC at the Hong Kong business.

Technological developments, in particular in the field of AI, pose new questions on risk oversight provided under the Group Risk Framework. An oversight forum for the use of AI was established during 2021 and key ethical principles, which were approved by the Group Risk Committee in 2020, have been adopted to apply to the use of AI by the Group.

Business disruption risk. The Group continually seeks to increase business resilience through adaptation, planning, preparation and testing of contingency plans and its ability to respond effectively to disruptive incidents. Business resilience is at the core of the Group's embedded Business continuity management (BCM) programme and framework that help to protect the Group's systems and its key stakeholders. The BCM programme and framework covers business impact analyses, risk assessments, and the maintenance and exercising of business continuity, incident management and disaster recovery plans. The programme is designed to provide business continuity aligned to the Group's evolving business needs and the size, complexity and nature of its operations. Business disruption risks are monitored by the Group Security function, with key operational effectiveness metrics and updates on specific activities being reported to the Group Risk Committee.

Risks from the nature of our business and our industry
continued

Non-financial risks
continued

Financial crime risk. As with all financial services firms, Prudential is exposed to risks relating to money laundering (the risk that the products or services of the Group are used by customers or other third parties to transfer or conceal the proceeds of crime); fraud (the risk that fraudulent insurance claims, transactions, or procurement of services, are made against or through the business); sanctions compliance breaches (the risk that the Group undertakes business with individuals and entities on the lists of the main sanctions regimes); and bribery and corruption (the risk that employees or associated persons seek to influence the behaviour of others to obtain an unfair advantage or receive benefits from others for the same purpose).

Prudential operates in some high-risk countries where, for example, the acceptance of cash premiums from customers may be common practice, large-scale agency networks may be in operation where sales are incentivised by commission and fees, where is a higher concentration of exposure to politically-exposed persons, or which otherwise have higher geopolitical risk exposure.

The Group-wide policies in place on anti-money laundering, fraud, sanctions and anti-bribery and corruption reflect the values, behaviours and standards that are expected across the business. Screening and transaction monitoring systems are in place and a series of improvements and upgrades are being implemented, and a programme of compliance control monitoring reviews is in place across the Group. Proactive fraud capabilities are in development and being rolled across local businesses. Work is also underway to enhance detective fraud, conflicts and anti-bribery and corruption controls relating to third-party risk management in procurement. Risk assessments are performed annually at higher risk locations. Due diligence reviews and assessments against Prudential's financial crime policies are performed as part of the Group's business acquisition process. The Group continues to undertake strategic activity to monitor and evaluate the evolving fraud risk landscape, mitigate the likelihood of fraud occurring and increase the rate of detection.

The Group has in place a mature confidential reporting system through which employees and other stakeholders can report concerns relating to potential misconduct. The process and results of this are overseen by the Group Audit Committee.

Group-wide framework and risk management for operational and other non-financial risks

The risks detailed above form key elements of the Group's non-financial risk profile. A Group-wide operational risk framework is in place to identify, measure and assess, manage and control, monitor and report effectively on all material operational risks across the business. The key components of the framework are listed below. Outputs from these processes and activities performed by individual business units are monitored by the RCS function, which provides an aggregated view of the risk profile across the business to the Group Risk Committee and Board.

- Application of a risk and control self-assessment (RCSA) process, where risk exposures are identified and assessed as part of a periodical cycle;
- An internal incident management process, which identifies, quantifies and monitors remediation conducted through root cause analysis and application of action plans for risk events;
- An annual scenario analysis process for the quantification of extreme, yet plausible manifestations of key operational risks across the business on a forward-looking basis; and
- A risk appetite framework for non-financial risks that articulates the level of risk exposure the business is willing to tolerate and defines escalation processes for breaches of appetite.

These core framework components are embedded across the Group via the Group Operational Risk Policy and accompanying standards, which set out the key principles and minimum standards for the management of operational risk within risk appetite. These sit alongside other risk policies and standards that individually engage with specific operational risks, including outsourcing and third-party supply, business continuity, financial crime, technology and data, operations processes and extent of transformation. These policies and standards include subject matter expert-led processes that are designed to identify, assess, manage and control operational risks, detailed below. These activities are fundamental in maintaining an effective system of internal control, and ensure that operational risk considerations are embedded in key business decision-making, including material business approvals and in setting and challenging the Group's strategy.

- Reviews of key operational risks and challenges within Group and business unit business plans during the annual planning cycle, to support business decisions;
- Corporate insurance programmes to limit the financial impact of operational risks;
- Oversight of risk management during the transformation life cycle, project prioritisation and the risks, interdependencies and possible conflicts arising from a large portfolio of transformation activities;
- Regulatory change teams to assist in proactively adapting and complying with regulatory developments;
- Group and business unit-level compliance oversight and risk-based testing in respect of adherence with regulations;
- Screening and transaction monitoring systems for financial crime and a programme of compliance control monitoring reviews and regular risk assessments;
- Internal and external review of cyber security capability and defences; and
- Regular updating and risk-based testing of disaster-recovery plans and the Critical Incident Procedure process.

Insurance risks

(Audited)

Insurance risk makes up a significant proportion of Prudential's overall risk exposure. The profitability of its businesses depends on a mix of factors, including levels of, and trends in, mortality (policyholders dying), morbidity (policyholders becoming ill or suffering an accident) and policyholder behaviour (variability in how customers interact with their policies, including utilisation of withdrawals, take-up of options and guarantees and persistency, ie lapsing/surrendering of policies), and increases in the costs of claims over time (claim inflation). The Group has appetite for retaining insurance risks in the areas where it believes it has expertise and operational controls to manage the risk and where it judges it to be more value-creating to do so rather than transferring the risk, and only to the extent that these risks remain part of a balanced portfolio of sources of income for shareholders and is compatible with a robust solvency position.

The impact of the Covid-19 pandemic to economic activity and employment levels across the Group's markets has the potential to elevate the incidence of claims, lapses, or surrenders of policies, and some policyholders may defer or stop paying insurance premiums or reduce deposits into retirement plans. In particular extended restrictions on movement could affect product persistency. The pandemic may also result in elevated claims and policy lapses or surrenders in a less direct way, and with some delay in time before being felt by the Group, due to factors such as policyholders deferring medical treatment during the pandemic, or policyholders lapsing or surrendering their policies on the expiry of grace periods for premium payments provided by the Group's businesses. Inflationary pressures driving higher interest rates may lead to increased lapses for some guaranteed savings products where higher levels of guarantees are offered by products of the Group's competitors, reflecting consumer demand for returns at the level of, or exceeding, inflation. The Group's assessment to date is that elevated mortality claims in some markets can be attributed to Covid-19. These impacts to the business are being closely monitored with targeted management actions being implemented where necessary, which includes additional Incurred But Not Reported (IBNR) claims reserves in some markets, including where deferrals in non-acute medical treatments due to movement restrictions have been observed.

The principal drivers of the Group's insurance risk vary across its business units. In Hong Kong, Singapore, Indonesia and Malaysia a significant volume of health and protection business is written and the most significant insurance risks are persistency risk, morbidity risk and medical claims inflation risk.

Medical claims inflation risk: A key assumption in these markets is the rate of medical claims inflation, which is often in excess of general price inflation, while the cost of medical treatment increasing more than expected, resulting in higher than anticipated medical claims cost passed on to Prudential, is a key risk. This risk is best mitigated by retaining the right to reprice products and appropriate overall claims limits within policies, either per type of medical treatment or in total across a policy, annually and/or over the policy lifetime.

Morbidity risk: Prudential's morbidity risk is managed through prudent product design, underwriting and claims management, and for certain products, the right to reprice where appropriate. Prudential's morbidity assumptions reflect its recent experience and expectation of future trends for each relevant line of business.

Persistency risk: The Group's persistency assumptions reflect recent experience and expert judgement, especially where a lack of experience data exists, as well as any expected change in future persistency. Persistency risk is managed by appropriate controls across the product life cycle. This includes review and revisions to product design and incentive structures where required, ensuring appropriate training and sales processes, including those ensuring active customer engagement and high service quality, appropriate customer disclosures and product collaterals, use of customer retention initiatives as well as post-sale management through regular experience monitoring. Strong risk management and mitigation of conduct risk and the identification of common characteristics of business with high lapse rates is also crucial. Where appropriate, allowance is made for the relationship (either assumed or observed historically) between persistency and investment returns. Modelling this dynamic policyholder behaviour is particularly important when assessing the likely take-up rate of options embedded within certain products.

Prudential's insurance risks are managed and mitigated using the following:

- The Group's insurance policy, which sets out the Group's insurance risk appetite; required standards for effective insurance risk management by head office and local businesses, including processes to enable the measurement of the Group's insurance risk profile; management information flows; and escalation mechanisms;
- The Group's product and underwriting risk policy, which sets out the required standards for effective product and underwriting risk management and approvals for new, or changes to existing, products (including the role of Group); and the processes to enable the measurement of underwriting risk. The policy also describes how the Group's Customer Conduct Risk Policy is met in relation to new product approvals and current and legacy products;
- In product design and appropriate processes related to the management of policyholder reasonable expectations;
- The risk appetite statements, limits and triggers;
- Using persistency, morbidity and longevity assumptions that reflect recent experience and expectation of future trends, and industry data and expert judgement where appropriate;
- Using reinsurance to mitigate mortality and morbidity risks;
- Ensuring appropriate medical underwriting when policies are issued and appropriate claims management practices when claims are received in order to mitigate morbidity risk;
- Maintaining the quality of sales processes, training and using initiatives to increase customer retention in order to mitigate persistency risk;
- The use of mystery shopping to identify opportunities for improvement in sales processes and training;
- Using product repricing and other claims management initiatives in order to mitigate morbidity and medical expense inflation risk; and
- Regular deep dive assessments.

Risks from the nature of our business and our industry
continued

Customer conduct risk

Prudential's conduct of business, especially in the design and distribution of its products and the servicing of customers, is crucial in ensuring that the Group's commitment to meeting its customers' needs and expectations is met. The Group's customer conduct risk framework, owned by the Group Chief Executive, reflects management's focus on customer outcomes.

Factors that may increase conduct risks can be found throughout the product life cycle, from the complexity of the Group's products and services to its diverse distribution channels, which include its agency workforce, virtual face-to-face sales and sales via online digital platforms. In alignment with the Group's purpose of helping people get the most out of life, Prudential strives towards making health and protection coverage affordable and accessible to all. Through Prudential's Pulse platform, there is increased focus on making insurance more inclusive to underserved segments of society through bite-size low-cost digital products and services. Prudential has developed a Group Customer Conduct Risk Policy which sets out five customer conduct standards that the business is expected to meet, being:

1. Treat customers fairly, honestly and with integrity;
2. Provide and promote products and services that meet customer needs, are clearly explained and that deliver real value;
3. Manage customer information appropriately, and maintain the confidentiality of customer information;
4. Provide and promote high standards of customer service; and
5. Act fairly and timely to address customer complaints and any errors found.

Prudential manages conduct risk via a range of controls that are assessed through the Group's conduct risk assessment framework, reviewed within its monitoring programmes, and overseen within reporting to its Boards and Committees.

Management of Prudential's conduct risk is key to the Group's strategy. Prudential's conduct risks are managed and mitigated using the following:

- The Group's code of business conduct and conduct standards, product underwriting and other related risk policies, and supporting controls including the Group's fraud risk control programme;
- A culture that supports the fair treatment of the customer, incentivises the right behaviour through proper remuneration structures, and provides a safe environment to report conduct risk related issues via the Group's internal processes and Speak Out;
- Distribution controls, including monitoring programmes relevant to the type of business (insurance or asset management), distribution channel (agency, bancassurance, or digital) and ecosystem, to ensure sales are conducted in a manner that considers the fair treatment of customers within digital environments;
- Quality of sales processes and training, and using other initiatives such as special requirements for vulnerable customers, to improve customer outcomes;
- Appropriate claims management and complaint handling practices; and
- Regular deep dive assessments on, and monitoring of, conduct risks and periodic conduct risk assessments.

Risks related to regulatory and legal compliance

These include risks associated with prospective regulatory and legal changes and compliance with existing regulations and laws – including their retrospective application – with which the Group must comply in the conduct of its business.

Prudential operates under the ever-evolving requirements and expectations of diverse regulatory, legal and tax regimes which may impact its business or the way it is conducted. This covers a broad range of risks including changes in government policy and legislation, capital control measures, and new regulations at either national or international level. The breadth of local and Group-wide regulatory arrangements presents the risk that requirements are not fully met, resulting in specific regulator interventions or actions including retrospective interpretation of standards by regulators. As the industry's use of emerging technological tools and digital services increases, this is likely to lead to new and unforeseen regulatory issues and the Group is monitoring emerging regulatory developments and standards on the governance and ethical use of technology and data.

In certain jurisdictions in which Prudential operates there are also a number of ongoing policy initiatives and regulatory developments which will impact the way Prudential is supervised. These developments continue to be monitored by the Group at a national and global level and these considerations form part of the Group's ongoing engagement with government policy teams, industry groups and regulators. Further information on specific areas of regulatory and supervisory requirements and changes are included below and in the disclosures on Risk Factors.

Risks related to regulatory and legal compliance
continued

Risk management and mitigation of regulatory risk at Prudential includes:

- Risk assessment of the Business Plan which includes consideration of the Group's current strategies;
- Close monitoring and assessment of our business environment and strategic risks;
- The explicit consideration of risk themes in strategic decisions;
- Ongoing engagement with national regulators, government policy teams and international standard setters; and
- Compliance oversight to ensure adherence with in-force regulations and management of new regulatory developments.

Group-wide supervision. The GWS Framework became effective for the Group on 14 May 2021 following designation by the Hong Kong IA, subject to transitional arrangements allowed in legislation which have been agreed with the Hong Kong IA. Under the GWS Framework, all debt instruments, both senior and subordinated, issued by Prudential at the date of designation meet the transitional conditions set by the Hong Kong IA and are included as eligible Group capital resources.

Global regulatory developments: In the Group's key markets, regulatory changes and reforms are in progress, with some uncertainty on the full impact to Prudential.

- In China, regulatory tightening across a number of industries in 2021 will likely continue across other industries. Regulatory developments in China which may have more direct implications to the Group include the following:
  - Development of a holistic data governance regime in China, which have recently included the Data Security Law, the Personal Information Protection Law, and the revised Measures for Cybersecurity Review.
  - The CBIRC recently released new regulations on internet life insurance sales in China which include restrictions on the selling of certain long-term products online, effective 31 December 2021.
  - On 26 October 2021, the National Health Commission released for public comment draft rules on the internet healthcare services, usage of which has increased rapidly in China which include restrictions on online AI-driven diagnosis and treatments and requirements on meeting financial and operational criteria.
- Regulators in Hong Kong and Malaysia are progressing with plans for their respective risk-based capital (RBC) regimes. The Hong Kong IA is permitting applications for early adoption of its framework. Meanwhile in China, on 30 December 2021, the CBIRC released the official regulation for its China Risk Oriented Solvency System (C-ROSS) II, to be effective for Q1 2022 solvency reporting.
- In Indonesia, regulatory and supervisory focus on the insurance industry remains high, with a recent focus being on insurers' governance and IT risk management and the requirements of 2014 Insurance Law relating to the separation of conventional and Sharia business.
- The protection of customers is an increasing regulatory theme, with changes to the regulation of investment-linked products (ILP) progressing in Indonesia as well as Malaysia.
- The pace and volume of climate-related regulatory changes both internationally and locally across Asia markets is also increasing. The IAIS published an application paper on the supervision of climate-related risks in the insurance sector in May 2021, while regulators, including the Hong Kong Monetary Authority, the Monetary Authority of Singapore, BNM in Malaysia and the Financial Supervisory Commission in Taiwan, are in the process of developing supervisory and disclosure requirements.

The Group is actively monitoring and engaging with supervisory authorities on these changes, among others. These changes may give rise to compliance, operational and disclosure risks requiring Prudential to coordinate across multiple jurisdictions in order to apply a consistent risk management approach.

Systemic risk regulation. Efforts to curb systemic risk and promote financial stability are also under way. These include developments by the Financial Stability Board (FSB) and International Association of Insurance Supervisors (IAIS) in the areas of the Common Framework (ComFrame), which establishes supervisory standards and guidance focusing on the effective group-wide supervision of Internationally Active Insurance Groups (IAIGs) such as Prudential, and the Insurance Capital Standard (ICS). Further detail on these developments are included in the disclosures on Risk Factors.

Inter-bank offered rate reforms. In July 2014, the FSB announced widespread reforms to address the integrity and reliability of IBORs. The discontinuation of IBORs in their current form and their replacement with alternative risk-free reference rates such as the Secured Overnight Financing Rate (SOFR) in the US and the Singapore Swap Offer Rate (SOR) could, among other things, impact the Group through an adverse effect on the value of Prudential's assets and liabilities which are linked to, or which reference IBORs, a reduction in market liquidity during any period of transition and increased legal and conduct risks to the Group arising from changes required to documentation and its related obligations to its stakeholders.

Viability statement prepared in accordance with Provision 31 of the UK Corporate Governance Code

The Group's longer-term prospects

Prudential aims to make healthcare affordable and accessible, protect people's wealth and empower customers to save for their goals, which can often be over a time frame of many years. As such, Prudential considers that its purpose aligns closely with important societal needs, including making health and financial security more accessible, improving financial inclusion and education and transitioning to a low-carbon economy. Prudential is focused on addressing these increasing needs, reflecting population demographics in our chosen markets.

The drivers for this structural growth, such as the low penetration rates across the Asian region, are discussed on pages 8 to 27 alongside the activities we have taken to deliver our objectives and enhance our capabilities. In undertaking these activities, we aim both to meet the evolving needs of our customers and provide sustainable growth for our shareholders, which will support the viability of our business over the longer term.

In 2021 the effects of the Covid-19 pandemic have continued to disrupt the Group's individual markets to varying degrees and at different periods. Our focus during this time has been on supporting our communities, customers and staff through the challenges created. 2021 saw improvement in new business levels over the low levels seen in 2020 and economic growth has improved in most of the markets in which the Group operates. We expect the vaccination programmes, that continue to be rolled out, to facilitate a gradual return to more normal economic patterns, albeit with some uncertainty over the short term. Over the longer term we believe that the demand for our products will continue to grow in line with the structural growth in our chosen markets.

All of the Group's activities are underpinned by ongoing risk management, implemented via the Group Risk Framework and risk appetite limits described in the Group risk report on pages 48 to 50. The Group as a whole and each of its life assurance operations are subject to extensive regulation and supervision, which are designed primarily to reinforce the Group's management of its long-term solvency, liquidity and viability to ensure that it can continue to meet obligations to policyholders. Further details on the current capital strength of the Group are provided on pages 40 to 43.

The Group's management of wider environmental, social and governance issues that could pose a risk in the future to the Group, including the impact of climate change, is set out in the Environmental, Social and Governance report on pages 66 to 136.

This risk and regulatory focus supports the sustainability of our business over the longer term.

Period of viability assessment

The Directors have assessed the viability of the Group for a period longer than the 12 months required by the going concern statement.

The Directors performed the assessment by reference to the three-year plan period to 31 December 2024. Three years is considered an appropriate period as this is the period over which the Group undertakes stress-testing for the key economic and insurance risk factors which most directly affect the viability of the Group. A period of three years is selected as these forecasts are inherently volatile over a longer estimation period. This period also represents the period covered by the detailed business plan that is prepared annually on a rolling three-year basis. In approving the business plan, the Directors reviewed the Group's projected performance with regards to profitability, cash generation and capital position, together with the parent company's liquidity over this three-year period. Assumptions applied in the plan include foreign exchange rates, interest rates, economic growth rates, the impact on the business environment arising from the impact of Covid-19 and includes anticipated regulatory changes. The Directors are satisfied that this period is sufficient to enable a reasonable assessment of viability to be made.

Assessment of principal risks over the period

The Group's business plan implements the Group's strategic objectives through the business model and activities discussed on pages 12 to 13. Assessment of the risks to achieving the projected performance remains an integral part of the planning process. The Group's approach to risk management and a summary of the key risks facing the Group are set out on pages 44 to 63.

For the purposes of assessing the Group's viability, the Directors considered those risks where the impact of possible adverse external developments could be of such speed and severity to present a shock to the Group's financial position. While all the risks set out in the risk report have the potential to impact the Group's performance, the key risks impacting the Group's viability are: market risk, credit risk, liquidity risk and regulatory risk. The Directors also considered the macroeconomic environment and geopolitical risks in the markets which the Group operates. Mitigation in place for these key risks to viability are set out on pages 44 to 63.

Stress and scenario testing

As noted above, underpinning the projections in the business plan are a number of economic and other assumptions. To evaluate the Group's resilience to significant deteriorations in market and credit conditions and other shock events, these risks are grouped together into scenarios which are then applied to the assumptions underlying the business plans. Sales and other scenarios considered include those reflecting the possible impacts of Covid-19 restrictions on new business, including the uncertainty as to the duration of restrictions in individual markets and the length of time for sales to recover to previous levels and different timings of expected regulatory changes. Stresses have been applied to the economic and non-economic assumptions underlying the base case business plan, reflecting the Group's management of its position within its risk appetite. The stresses applied to our plan economic and other assumptions in two adverse economic scenarios were as below:

	Interest rate stress	Asia developed market equity stress	Asia emerging markets equity stress	Equity volatility	Credit spread increase	Credit default/ downgrade	Adverse currency movement	Other stress
Recession Scenario	(50)bps	(15)% to (20)%	(25)%	5%	50bps	3 times base assumption	n/a	Adverse policyholder behaviour
'Stagflation' Scenario	+30bps to +120bps[4]	(15)% to (20)%[4]	(25)% to (45)%[4]	5%	50bps to 90bps[4]	3 to 5 times base assumption[4]	5% to 20%	Adverse policyholder behaviour

The sensitivity of the Group's regulatory solvency at 31 December 2021 to changes in key assumptions is set out on page 364 of this annual report. In addition, the adequacy of liquid resources of the Group's parent company across the plan period has been assessed by considering a stress scenario assuming the closure of short-term debt markets, as well as additional calls on central liquidity by the business units. In this liquidity stress scenario, the Group would have access to sufficient resources to meet the funding requirements of the business, after taking into account the Group's undrawn committed liquidity facilities of $2.6 billion, on top of central cash and short-term investment balances, which as at 31 December 2021 were $1.8 billion (after allowing for $1.7 billion of debt redeemed in January 2022).

The scenarios tested showed that the Group would be able to maintain viability over the three-year period under assessment, after taking account of the actions available to management to mitigate the impacts on capital and liquidity in such scenarios. These actions include, but are not limited to, rebalancing investment portfolios, further market risk hedging, increased use of reinsurance, repricing of in-force benefits, changes to new business pricing and the mix of new business being sold. In addition, the Group conducts an annual reverse stress test which gives the Directors an understanding of the maximum resilience of the Group to extremely severe adverse scenarios. The analysis assists in identifying management actions that could be implemented to restore the Group's capital and liquidity resources from extreme positions. This analysis also informs the Group's recovery plan and liquidity risk management plan.

The impact on the business of known areas of regulatory change whose financial implications can be reasonably quantified is also considered as part of the plan, for example the implementation of more risk-based regimes in Hong Kong and other markets. As well as known areas of regulatory change, the Group is exposed to the risk of sudden and unexpected changes in regulatory requirements at the Group and local levels. While unexpected changes cannot be fully anticipated and hence modelled, the risk of regulatory change is mitigated by capital held by the Group and its subsidiaries in excess of Group and local regulatory requirements, the Group and its subsidiaries' ability to generate significant capital annually through operational delivery and the availability of compensating actions designed to restore key capital metrics.

Conclusion on viability

Based on this assessment, the Directors have 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 plan period to December 2024.

Notes

1 Excluding assets held to cover linked liabilities and those of the consolidated investment funds.

2 Based on middle rating from Standard & Poor's, Moody's and Fitch. If unavailable, NAIC and other external ratings and then internal ratings have been used.

3 Source of segmentation: Bloomberg Sector, Bloomberg Group and Merrill Lynch. Anything that cannot be identified from the three sources noted is classified as other.

4 Position in range depends on local market.

Prudential's approach to ESG

During 2021, Prudential strengthened its focus on ESG, building on the new ESG strategic framework that we developed in 2020. This framework is aligned to our business strategy and our purpose of helping people to get the most out of their lives by making healthcare affordable and accessible and by promoting financial inclusion.

Overview

When we set out to create our ESG framework, we were largely informed by the trends of a pre-pandemic world, including the rise in conditions such as heart disease and diabetes, and changing demographics expanding health, protection and savings gaps. We know now, two years into the Covid-19 pandemic, that many of these trends have been exacerbated and, in many ways, reinforced. This analysis underlines the importance of placing our ESG strategy at the core of our business strategy.

We have made significant progress in 2021, which we are proud to present in this report. We established our Board Responsibility and Sustainability Working Group (RSWG) to oversee our work in this area. As a significant asset manager and asset owner in regions forecast to be severely impacted by climate change, Prudential has a distinctive role to play in the transition to a low-carbon economy. Recognising this, in May 2021 we set a target to be net zero by 2050 for our insurance assets, supported by a 25 per cent reduction in emissions from our investment portfolio[1] by 2025. We are reporting the weighted average carbon intensity (WACI) of our investment portfolio for the first time in 2021.

The breadth of stakeholders with whom we engage on ESG topics continues to expand and we have been pleased to engage with investors, rating agencies, NGOs, governments, regulators and our colleagues on our framework and to bring their feedback into our ongoing thinking. A number of our ESG ratings have improved in 2021, notably Sustainalytics, CSA and ISS, though we recognise that expectations rightly continue to increase and therefore we will keep our focus on maintaining and improving our ratings as an indicator of the outcomes we aim to contribute to and achieve.

Across Prudential, inclusivity runs as a common theme in all of our ESG activity. Within our core business activity of making health accessible, we seek to make our products as inclusive as possible, and during 2021, we developed a campaign, We DO Family, to support the development of more inclusive products that recognise the evolution of nuclear families; our approach to climate change is underscored by our commitment to an inclusive transition in our markets; and, as we build social capital through trusted relationships with our employees, on whom our success depends, we demonstrated our commitment to diversity and inclusion through the launch of PRUCommunities, our inclusion on the Bloomberg GEI for the first time in 2021, and the commitment by our businesses to the UN Women's Empowerment Principles.

The International Association of Insurance Supervisors (IAIS) recently commented that 'there is growing acknowledgment that advancing diversity, equality and inclusion (DE&I) within insurers' organisations and business models supports sound prudential and consumer outcomes and sustainability objectives'.

We consider this focus on inclusivity, both internally and externally, to be central to our approach and the outcomes we support.

Supporting a just and inclusive transition

We fully support the urgent need to reduce global greenhouse gas emissions to net zero to limit climate change. We are particularly conscious of what the potentially catastrophic impacts of climate change may mean for the communities in which we operate – and millions of our customers – in Asia and Africa. At the same time, the transition to a low-carbon economy also impacts the communities in which we operate as they are currently more dependent on burning fossil fuels for electricity and have fewer means to finance the transition.

We recognise that our responsibilities go beyond finance and we want to support communities, companies and governments during this transition. Therefore our chosen approach continues to give thoughtful consideration to the need for a just and inclusive transition in the following ways:

- We unveiled a pledge to become a net-zero asset owner by 2050, committing to specific short-term targets to engage with companies to help decarbonise our considerable financial assets. In setting these targets and thresholds, we seek to maintain investment in companies providing essential services to communities while they actively transition to alternatives, such as renewable energy companies that may still have a small element of coal revenue.
- We actively support this transition by bringing an emerging market perspective to the decarbonisation discussions, such as our involvement at COP26, our involvement in bodies such as the Net Zero Asset Owner Alliance, and our continued support of the Energy Transition Mechanism as an example of the practical private-public solutions needed to progress the energy transition.
- We believe that the responsible approach in the communities in which we operate is to engage and support the transition, rather than to divest of all fossil fuel based companies who are providing essential needs.
- We continue to serve first-time customers and under-served communities through a range of innovations, recognising that these groups, especially women and girls, are more heavily impacted by the effects of climate change.
- We also strengthened our efforts in creating inclusive workplaces, supporting both external and internal communities while celebrating diversity in thought and culture.

As we move forward, we know this approach may impact our ability to decarbonise at a pace achievable in developed markets, but we believe this to be the right responsible long-term approach in our markets.

Note

[1] Our investment portfolio ('investment portfolio') includes both listed equities and corporate bonds, while excluding assets held by joint venture businesses and assets in unit-linked funds as we do not have full authority to change the investment strategies of these. Further information is provided in the Basis of Reporting at www.prudentialplc.com/~/media/Files/P/Prudential-V13/esg-report/basis-of-reporting-2021

Targets

The Board and management recognise the importance of targets in evidencing its commitment to progress on ESG topics. To date, Prudential has established targets in relation to the decarbonisation of its investment portfolio, its Scope 1 and 2 targets and the gender diversity of its senior leadership team. From 2022, the decarbonisation target will be included in the long-term incentive plan. Further information is available in the Directors' remuneration report.

During 2021, the business has made good progress on each of these as set out in the table below and in the relevant sections of this report.

Target	Board's evaluation of progress	Detail in report
25% reduction in the carbon emissions of the investment portfolio by 2025	On track	PAGE 82 >
Divestment from all direct investments in businesses that derive more than 30% of their income from coal, with equities to be fully divested by the end of 2021 and fixed-income assets by the end of 2022	Achieved for equity holdings On track for fixed income assets	PAGE 83 >
Engagement with the companies responsible for 65% of the absolute emissions in our investment portfolio	On track	PAGE 83 >
25% reduction (per FTE) in Scope 1 and 2 reduction by 2030	On track	PAGE 89 >
Women in Finance Charter target of 30% of women in senior leadership by end of 2021	Achieved, with 35 per cent of senior leadership roles filled by women at 31 December 2021	PAGE 98 >

We will continue to review and update our ESG strategy in line with our business strategy, and all carbon metrics and targets – both near-term and longer-term – will be regularly reviewed to take into account evolving scientific data and stakeholder expectations.

The above targets are as at 31 December 2021. The Board will continue to evolve these as the Group progresses on its ESG journey, and such future targets may include, but not be limited to, responsible investment and diversity.

Challenges and goals

As recognised at COP26, limiting global warming to 1.5°C requires rapid, deep and sustained reductions in global greenhouse gas emissions in the coming years, particularly in the period to 2030. Action will be required from all players across both the private and public sectors. Prudential is committed to working alongside the governments in the markets in which it operates, multi-lateral development banks and others. This urgent need for action informs the goals and challenges of the coming three to five years.

Within an ESG context, our goals for the coming three to five years include:

- Achievement of the decarbonisation targets set out in May 2021, and articulation of further targets as appropriate, aligned with our ambition of pursuing a just and inclusive transition;
- Identifying where the impacts of climate change touch on access to health and financial security, and seeking to address these to support our customers;
- Offering savings and protection products to underserved populations, particularly recognising that these groups, especially women and girls, are more heavily impacted by the effects of climate change and the Covid-19 pandemic; and
- Evolving our Scope 1 and 2 target from 'carbon neutral by 2030' to 'net zero by 2030'.

Challenges to the achievement of these goals will include:

- Continually balancing the need for decarbonisation with sustainable development through a just and inclusive transition, and particularly how to achieve decarbonisation targets as the Group grows in its key markets of India, China, Malaysia and Thailand, which remain highly reliant on coal and other fossil fuels;
- Setting a net-zero target for our Scope 1 and 2 emissions from our own operations while recognising that renewable energy options remain limited in some of our markets, and the offset market matures; and
- Balancing the interests of all our stakeholders across both developing and developed markets, acknowledging their varying capacity and perspectives.

ESG governance

The Board considers ESG to be integrated and aligned with our core business strategy of helping people to get the most out of life. It recognises the major role that Prudential can continue to play across Asia and Africa, as well as in the long-term success, resilience and health of the communities in which we operate. As such, ESG matters, including climate change, are overseen by the Board, which is responsible for determining overall strategy and prioritisation of key focus areas.

In early 2021, the Board noted the importance of embedding the ESG Strategic Framework within the Group. It also noted the need to focus on progressing related matters such as the development and embedding of the Group's purpose and values, progressing diversity and inclusion (D&I) priorities, and building upon employee engagement activities. Accordingly, the Board established the Responsibility and Sustainability Working Group (RSWG). The RSWG is chaired by Alice Schroeder and comprised four Non-executive Directors during 2021 (Alice Schroeder, Jeremy Anderson, Fields Wicker-Miurin and Jeanette Wong, who replaced Kai Nargolwala).

The RSWG formally met five times during 2021. The main items dealt with were:

- The development and embedding of the ESG strategic framework;
- ESG reporting matters including:
  - recommendation of the approval of the 2020 ESG report to the GAC and the Board;
  - discussion and agreement of an approach for our FY21 reporting, acknowledging that the ESG reporting landscape is constantly evolving and disclosures would therefore need to be considered and enhanced year on year;
  - training on new Hong Kong and global reporting standards; and
  - oversight of the approach, preparation and review of the 2021 Report as set out below.
- Consideration and recommendation to the Board of the Group's new carbon reduction targets, ahead of the announcement made in May 2021;
- People and culture matters including:
  - oversight of how the Group's Culture framework has been embedded throughout the organisation, monitoring the development of metrics for measuring culture and reviewing a quarterly dashboard on People-related data;
  - ensuring a cohesive diversity and inclusion strategy is embedded across the Group, regularly monitoring progress against key metrics, with specific focus on the Global Talent Sponsorship Programme, the embedding of diversity within recruitment process, and the launch of the PRUCommunities Programme; and
  - oversight for the Group's workforce engagement activities from May 2021. Members of the Working Group and the Board as a whole attended a variety of both formal and informal events. Full details of these activities can be found within the S.172 statement on pages 138.
- Oversight of Group's corporate and social responsibility programmes and how they align and work with the Prudence Foundation, for which it received regular updates on its long-term work. Deep dives were presented on some of the Foundation's flagship programmes and discussions were held on the Foundation's aspirations moving into 2022 and aligning the Foundation's work with the Group's climate commitments.
- The Working Group also assisted the Board by reviewing the Group Code of Business Conduct and the Group Modern Slavery Statement, recommending both for approval by the Board.

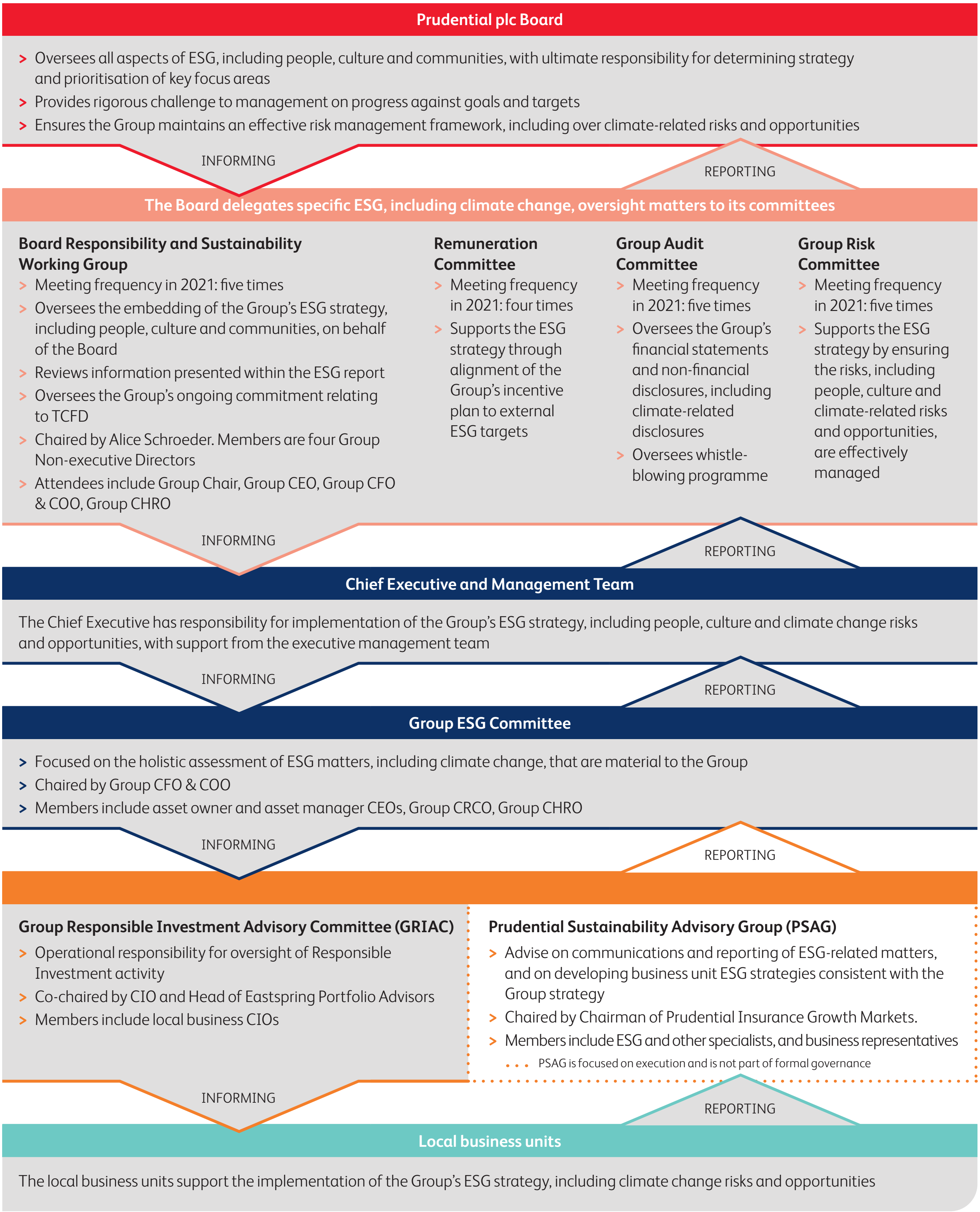
In terms of the specific preparation of this report, the RSWG considered this throughout its development:

- July 2021: the proposed approach to the Group's 2021 ESG Report, including the consideration of various voluntary reporting frameworks approving alignment with the SASB Insurance Standard, the HKSE requirements and the approach to materiality for 2021;
- October 2021: the outline of the 2021 report;
- February 2022: reviewed the first draft; and
- March 2022: final approval.

The Working Group was set up to run until the 2022 AGM and asked to consider future governance arrangements for responsibility and sustainability matters as part of its remit. The Working Group has operated very effectively as a forum for oversight and discussion of a number of topics that have required additional Board-level focus. In order to build upon the success of its first year, the Board has agreed with the Working Group's recommendation that it continue in operation for a further year until the 2023 AGM. Thereafter we will review the evolving agenda and priorities of the Board, the assignment of responsibilities to the Board's Committees and consider how best to ensure that key topics receive the appropriate time and attention at Board-level.

Management oversight

ESG activity, including the impacts from climate change, is overseen at a management level by the Group ESG Committee chaired by the Group Chief Financial Officer and Chief Operating Officer, in his role as ESG sponsor. He will continue to chair this Committee in his role as Interim Group CEO. Membership of the Committee includes the Group Chief Risk and Compliance Officer, the Group HR Director and senior representatives from the Group's asset owner and asset management businesses, including the Chief Executives of Eastspring and PACS (Prudential's Singapore business). One of the Group ESG Committee's responsibilities is to oversee the Group's progress towards fulfilling our commitment to report against the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). In 2021, the Group ESG Committee reported to the Board through the RSWG. Further information on the governance and oversight of our responsible investment activity is provided on page 107.



Prudential plc Board

- Oversees all aspects of ESG, including people, culture and communities, with ultimate responsibility for determining strategy and prioritisation of key focus areas
- Provides rigorous challenge to management on progress against goals and targets
- Ensures the Group maintains an effective risk management framework, including over climate-related risks and opportunities

The Board delegates specific ESG, including climate change, oversight matters to its committees

Board Responsibility and Sustainability Working Group

- Meeting frequency in 2021: five times
- Oversees the embedding of the Group's ESG strategy, including people, culture and communities, on behalf of the Board
- Reviews information presented within the ESG report
- Oversees the Group's ongoing commitment relating to TCFD
- Chaired by Alice Schroeder. Members are four Group Non-executive Directors
- Attendees include Group Chair, Group CEO, Group CFO & COO, Group CHRO

Remuneration Committee

- Meeting frequency in 2021: four times
- Supports the ESG strategy through alignment of the Group's incentive plan to external ESG targets

Group Audit Committee

- Meeting frequency in 2021: five times
- Oversees the Group's financial statements and non-financial disclosures, including climate-related disclosures
- Oversees whistle-blowing programme

Group Risk Committee

- Meeting frequency in 2021: five times
- Supports the ESG strategy by ensuring the risks, including people, culture and climate-related risks and opportunities, are effectively managed

Chief Executive and Management Team

The Chief Executive has responsibility for implementation of the Group's ESG strategy, including people, culture and climate change risks and opportunities, with support from the executive management team

Group ESG Committee

- Focused on the holistic assessment of ESG matters, including climate change, that are material to the Group
- Chaired by Group CFO & COO
- Members include asset owner and asset manager CEOs, Group CRCO, Group CHRO

Group Responsible Investment Advisory Committee (GRIAC)

- Operational responsibility for oversight of Responsible Investment activity
- Co-chaired by CIO and Head of Eastspring Portfolio Advisors
- Members include local business CIOs

Prudential Sustainability Advisory Group (PSAG)

- Advise on communications and reporting of ESG-related matters, and on developing business unit ESG strategies consistent with the Group strategy
- Chaired by Chairman of Prudential Insurance Growth Markets.
- Members include ESG and other specialists, and business representatives

• • • PSAG is focused on execution and is not part of formal governance

Local business units

The local business units support the implementation of the Group's ESG strategy, including climate change risks and opportunities

Description of ESG strategic framework

The key features of our ESG framework are its three strategic pillars, which have clear alignment with our business strategy. Within each of these, specific focus areas have been identified where there is an opportunity for Prudential to make a meaningful impact, and as such greater focus will be placed on these.

THE PILLARS AND FOCUS AREAS ARE:

Making health and financial security accessible

- Digital innovation
- Inclusive offerings
- Promoting financial literacy

READ MORE **PAGE 75** >

CORPORATE PURPOSE

Helping people get the most out of life

Building social capital

- Digital responsibility
- Diversity, inclusion and belonging

READ MORE **PAGE 96** >

Stewarding the human impacts of climate change

- Decarbonising our investment portfolio
- Supporting a just and inclusive transition

READ MORE **PAGE 82** >

THE FOLLOWING STRATEGIC ENABLERS SUPPORT THESE PILLARS:

Good governance and responsible business practices

READ MORE **PAGE 117** >

Responsible investment

READ MORE **PAGE 107** >

Community engagement and investment

READ MORE **PAGE 113** >

Our 2021 ESG Report is structured in line with this framework and provides an update on our progress in the year across each of the pillars and enablers.

The United Nations Sustainable Development Goals (SDGs) are universally recognised and provide a transparent and standardised mechanism of illustrating the intended outcomes of our strategy. In aligning with the SDGs, the Group is focused on those where we can make a meaningful impact because of the close relationship with our purpose and business strategy.

We have aligned with the SDGs at a target-level for the following goals and intended outcomes:

SDG	SDG target		Intended outcome	How Prudential can support this outcome
1 No poverty	1 NO POVERTY	**1.4, 1.5**	Increased access to quality healthcare services, and financial services for the poor and the underserved, including microfinance. Improved resilience of the poor and reduction in their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters, where there are no, or limited, social safety nets.	Innovate to develop new financial products and distribution channels to advance financial inclusion (page 75) Provide products at a lower ticket size to enhance affordability Enable financial literacy to promote understanding of the need for health and protection products
3 Good health and wellbeing	3 GOOD HEALTH AND WELL-BEING	**3.8, 3.d**	Strengthened capacity of our local (and developing) markets, for early warning, risk reduction and management of national and global health risks. Increased access to quality healthcare and financial risk protection for all across Asia.	Scale health and protection policies for people on all incomes (page 76) Collaborate with community organisations to support health promotion, safety and resilience activities (page 113)
8 Decent work and economic growth	8 DECENT WORK AND ECONOMIC GROWTH	**8.3**	Promoted development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, including through access to financial services.	Expand support for small and medium-sized enterprises (page 77) Investments in business and industry underpinning growth and supporting the development of capital markets. Provide financial literacy support and tools to communities.
13 Climate action	13 CLIMATE ACTION	**13.1, 13.3**	Strengthened societal adaptive capacity in respect of climate-related hazards. Improved education, awareness and human capacity on climate change mitigation, adaptation, impact reduction and early warning.	Measure, manage and publicly disclose the carbon footprint of our investment portfolio. Be an active steward of the investments in our portfolio companies, engaging with management and exercising shareholder voting rights (page 109) Collaborate with community organisations to support resilience and disaster recovery activities (page 115)

Approach to materiality and stakeholder engagement

As set out in the 2020 ESG report, the Group's ESG framework was developed following a rigorous process, which identified key ESG expectations from investors, rating agencies, government and regulators, stock exchanges, NGOs, industry and independent organisations, media and employees. This comprehensive stakeholder engagement informed the materiality assessment for the purposes of our 2020 ESG reporting. Through this analysis, the three strategic pillars and three enablers were identified and defined, and these proposals were discussed with stakeholders across the Group to ensure that our ESG strategy was fully integrated into the business.

As the ESG strategy is still being embedded, and in line with best practice, the 2021 materiality review was carried out by refreshing the 2020 process. The 2021 review acknowledged that the ESG landscape and stakeholder expectations are evolving quickly, and that Prudential's business continues to evolve. The 2020 ESG strategy analysis considered both internal and external stakeholder expectations and business strategic priorities to identify the key ESG themes to form the basis of the Group's ESG strategy and, as such this continues to meet the HKSE materiality requirement. During 2021, we discussed our ESG framework through normal-course interaction with external stakeholders, including regular investor meetings with specialist and generalist investors, and meetings with NGOs including ShareAction. This allowed management to consider the extent to which the framework is appropriate and resonant to stakeholders.

Management noted that the focus on a just and inclusive transition in our developing markets and how it has informed our decision-making was of particular interest to many stakeholders. Many of these stakeholders approach the discussions from a more developed-market perspective, and therefore have appreciated this additional context. The Group has outlined its commitment to enabling a just and inclusive transition to a low-carbon economy, and its recent net-zero commitments further support this strategic focus. This demonstrates alignment between stakeholder priorities, the Group's material ESG issues and the Group's strategic activity.

Across all stakeholder groups consistent themes arose, namely climate change, human rights and supply chain issues and disclosure of specific ESG metrics. Many of the topics raised by stakeholders are covered within the Group's ESG strategic framework and as a result of the 2021 work, certain additional topics have been deemed to be material and to be the key ESG topics and strategic priorities in managing ESG issues for the short and medium term. The table below shows how these topics are linked to our strategic framework and how they have evolved between 2020 and 2021.

The Group will continue to focus on enhancing its disclosure of these material areas in the coming years. Biodiversity and broader nature-based considerations are emerging topics among certain stakeholder groups. This will be kept under close review and is being tracked by the Group Responsible Investment Advisory Committee.

Engagement with the Group's stakeholders has highlighted more generally the continuing appetite for data and metrics to monitor and measure the Group's ESG performance and impact. The appetite for greater transparency on the Group's workforce composition and turnover and for metrics for customer complaints will be met by disclosing against the new HKSE social KPI requirements and the adoption of the SASB Insurance Standard, as set out below.

Material topics – Prudential's ESG strategic pillars and enablers	Material subtopics	Changes
Making health and financial security accessible	> Digital innovation > Inclusive offerings, including the social impact and benefit > Promoting financial literacy > Customer relationships, including satisfaction	Expanded discussion of digital innovation to include financial management as well as health Enhanced focus on the social impact of products within inclusive offerings Customer relationships moved into health pillar reflecting its importance; increased references to customer satisfaction
Stewarding the human impacts of climate change	> Decarbonisation of our investment portfolio > Supporting a just and inclusive transition > Management of direct operational environmental impacts	Management of direct operational environmental impacts considered as a discrete topic given its importance and setting of public targets
Building social capital	> Diversity, inclusion and belonging > Digital responsibility	Diversity, inclusion and belonging remains a material subtopic and is presented in the context of our broader employee relationship and value proposition
Responsible investment	> Responsible investment	Material topics unchanged
Good governance and responsible business practices	> Standards of behaviour > Responsible supply chain > Responsible tax practices > Mitigating financial crime > Whistleblowing > Responsible working practices	Enhanced focus on responsible supply chain, including human rights
Community engagement and investment	Supporting communities across three main areas: > Health > Education > Safety	Material topics unchanged

Approach to ESG reporting

As a Hong Kong-listed company, Prudential's ESG reporting must follow the requirements of the Hong Kong Stock Exchange (HKSE), as well as the UK Listing Rules. In December 2019, the HKSE Listing Rules for ESG reporting were updated to include a number of new 'comply or explain' provisions. The new requirements are effective for financial years commencing on or after 1 July 2020 and Prudential's 2021 ESG report has been prepared in accordance with these requirements.

HKSE sets out various reporting principles and they are addressed through the report as follows:

Materiality	Discussion of 2021 approach outlined in 'Approach to materiality' section above.
Quantitative	As reporting maturity develops, the Group continues to work towards disclosing more comparable and quantitative information. For 2021, additional metrics have been provided in compliance with the HKSE requirements and the voluntary adoption of the SASB Insurance Standard (see below).
Consistency	The FY21 report has been prepared on a consistent basis to FY20, with the exception of the treatment of Jackson. Unless otherwise stated, Jackson has been excluded from the commentary on FY21 performance and from quantitative disclosures as at 31 December 2021. The Scope 1 and 2 disclosures have been provided both including and excluding Jackson, in order to provide a baseline for future reporting.
Reporting boundary	Consistent with prior years, the scope of the report, and data therein, excludes joint venture partnerships, notably our joint ventures in India and China, and the Takaful business in Malaysia, unless otherwise stated.

New HKSE disclosures are included in the relevant sections of the report, and an index is included at the end of the ESG report to set out how Prudential has met each of the new HKSE reporting requirements.

Prudential is a supporter of the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Prudential has included climate-related financial disclosures in this report consistent with the TCFD recommendations and the TCFD's recommended disclosures. We have included in our ESG report the material climate-related financial disclosures consistent with the four recommendations and the eleven recommended disclosures set under TCFD. These disclosures are principally set out in the following sections of this report: ESG Governance, Stewarding the Human Impact of Climate Change and Responsible Investment. An index is included at the end of the ESG Report to demonstrate how Prudential is meeting the TCFD recommendations.

In October 2021, the TCFD released additional guidance implementing the 'Recommendations of the Task Force on Climate-related Financial Disclosures' (2021 TCFD Annex). Some of the additional guidance in the 2021 TCFD Annex will require more time for us to fully consider. We will start this review over the course of 2022.

As well as the work to enhance internal management and reporting of climate-related information, we participate in external benchmarks to provide additional visibility to stakeholders on our climate-related activity. We aim continually to improve the transparency and utility of our reporting. In 2021, we continued to participate in CDP (formerly the Carbon Disclosure Project) and maintained our score with a B grading (2020: B). Given our strategic focus on Asia and Africa, we decided not to renew our membership of ClimateWise, which has a predominantly UK focus.

The Group welcomes recent developments around sustainability reporting standards under the remit of the IFRS Foundation. In parallel to tracking the convergence in sustainability reporting standards that is anticipated in the coming years, the Group is committed to enhancing its disclosures. The goal is to enhance, over time, the sophistication of our sustainability disclosures in line with stakeholder expectations, in a way that does not inhibit the straightforward adoption of new reporting requirements as convergence takes place. To this end, during 2021 we reviewed various voluntary reporting frameworks and decided to prioritise reporting in line with the SASB Insurance Standard for 2021. This approach was discussed and agreed with the Group ESG Committee and RSWG in July 2021. An index is included at the end of the ESG report to set out how Prudential has met each of the new requirements.

While assurance of ESG data is not required by the HKSE, it is encouraged as part of the HKSE's 2020 update to the ESG Listing Rules. Historically, the Group has sought limited assurance on selected indicators within the Group's ESG report. These indicators cover community investment data, employee diversity data and environment data.

As the maturity of Prudential's ESG reporting develops and in recognition of the increasing demand for and use of Prudential's ESG data, it is necessary to keep the scope of ESG data assurance under review.

In order to provide stakeholders with an update on progress against the Group's decarbonisation targets, the Group is disclosing the WACI of its investment portfolio for the first time in the 2021 ESG Report. Given the degree of stakeholder interest in this metric, the RSWG agreed that this should be included within the scope of the assurance work.

Prudential plc appointed Ernst and Young LLP (EY) to provide limited independent assurance over selected ESG KPIs within the 2021 ESG Report for the year ended 31 December 2021. These are indicated throughout. The assurance engagement was planned and performed in accordance with the International Standard for Assurance Engagement (ISAE) (UK) 3000 (July 2020), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance report was issued and is available on the Prudential plc website at www.prudentialplc.com/~/media/Files/P/Prudential-V13/esg-report/assurance-statement-2021. This report includes details of the scope, respective responsibilities, work performed, limitations and conclusion.

Strategic Pillar: Making health and financial security accessible

Despite the rapid rise in prosperity in Asia, there are still low levels of insurance cover and limited social safety nets. This is evidenced by 39 per cent of health and protection spend still being paid out-of-pocket, and an estimated 80 per cent of the population of Asia still without insurance cover. Combined with rising prosperity and ageing populations, this creates a large and growing health and protection gap that has been estimated at US$1.8 trillion. Our goal is to close the health, protection and savings gaps across Asia and Africa. To achieve this, we are focused on four areas:

- Digital innovation, where we make healthcare services and financial management tools easily available;
- Inclusive offerings, where we develop more inclusive products and services for underserved segments of society, including products suitable for a wider range of income groups such as through our 'bite-sized' insurance products;
- Meeting the changing needs of our customers and ensuring they have the best access to our products through our multi-channel and integrated distribution approach; and
- Promoting financial literacy so that people gain knowledge of financial management and have a deeper understanding of protection benefits.

Digital innovation

Digitalisation supports greater accessibility as more consumers, particularly those in developing markets across Asia and Africa with relatively high smartphone penetration rates, begin to rely on digital channels for financial products and services. By scaling up our use of digital technology, we can help make healthcare and financial security more accessible and affordable, and support our customers to prevent, postpone and protect against ill-health.

Core to this is Pulse by Prudential, our all-in-one health and wealth app, which uses AI-powered tools and personalised services. Pulse empowers people to take charge of their health and wealth anytime, anywhere.

Pulse is active in 17 markets in Asia and Africa and we utilise AI technology to offer users a wide selection of services, ranging from health assessments and risk factor identification to telemedicine, wellness and digital payment capabilities. Health features such as AI Symptom Checker and Digital Twin have been launched in Pulse to most markets in which Pulse is available. These features are paired with health experts online (where available) and fitness communities to help Pulse users stay healthier.

Pulse has widened its offerings, attracting more users, with cumulative downloads of the Pulse app now exceeding 32 million. The breadth of services on this all-in-one health and wealth app is designed to attract a new generation of customers, one that is younger, more health-conscious, and from middle to lower income groups.

We are growing the capabilities of Pulse across all our businesses, adding new features that are relevant to each market to increase user engagement. As we design these services, we consider emerging population risks and public health trends, such as an ageing population.

Health is not only the absence of disease but also the ability to be and stay healthy by taking positive actions towards preventing adverse health outcomes. Pulse supports our customers to postpone and prevent ill health through its food and fitness features, empowering them with the tools they need to embark on their personal health journey.

The demographic of Pulse users tends to be our younger customers, for whom the immediacy of information provided by the app is important. Free features rolled out in 2021 around food and nutrition, such as accessible information on the importance of micronutrients, enable our customers to make healthy choices and allow for regular interaction with the app. Meal plans and recipes are also provided, with further enhancements planned for 2022 to add more regional recipes, reflecting culinary diversity.

Fitness features developed in 2021 include the roll-out of My Wearables in all markets in Asia and Africa, which allows users to synchronise Pulse to their fitness tracking devices. With the PulseFit subscription, customers can access curated exercise videos and track their personal goals to form healthy habits.

All our markets continue to be affected by the Covid-19 pandemic and our businesses have continued to support our customers and communities in a range of ways. Initiatives include providing free Covid-19 protection and post-vaccination benefits, and awareness campaigns to educate communities on Covid-19 prevention and protection.

Wealth solutions

We intend to lower the threshold for wealth services, high-quality advice and services to the broader market. This will be enabled by a wealth offering on Pulse, which can stand on its own or be combined with advice from an agent. Our goal is to be a trusted adviser, regardless of channel, as we financially educate people, help them plan and visualise goals, and guide them on where and how to invest.

> ***'As growing cross-industry collaborations make healthcare and financial security more widely accessible and affordable to all, digitalisation could go a long way to closing the protection gap – and help people to live well for longer.'***
>
> **Boon Huat Lee,**
> Chief Digital Officer

During 2021, we rolled out digital wealth solutions, Wealth@Pulse, in three markets – Singapore, Thailand and the Philippines – with plans to include more markets next year. In these markets, users have access to a personal AI digital assistant trained to respond to users' queries on financial planning and a Knowledge Centre containing bite-sized information resources.

Digital partnerships

Partnerships are critical to the development and success of Pulse. We build deep relationships with our digital partners to expand multiple offerings that combine health, wealth, retirement and lifestyle knowledge and solutions. To date, we have entered into 56 key digital partnerships, including with Smarter Health and Privé Technologies in 2021. These add to our global and local partnerships with healthtechs from around the world, including UK-based Babylon Health, Indonesia-based Halodoc, Malaysia-based DoctorOnCall and Singapore-based MyDoc.

In Africa, we partnered with a telemedicine partner, Rocket Health, to provide convenient and cost-effective healthcare services to our customers and agents in Uganda. In Ghana, we formed a partnership with BIMA, a leading provider of mobile-delivered insurance and health services, and AirtelTigo, Ghana's third-largest mobile operator, to provide customers with simple, affordable insurance products. This partnership strengthens our financial inclusion proposition for the informal sector – primarily made up of petty traders with low income and no social protection – helping them to access health and insurance services through a simplified claims process.

Digital health development and thought leadership

In 2021, Prudential Singapore returned as the headline sponsor for the world's largest fintech event, the Singapore FinTech Festival, where our key message was around the importance of trust in building a sustainable business.

The PRUFintegrate programme continued to engage the design, technology and student communities around the world through the API Exchange (APIX) Hackolosseum platform, encouraging them to reimagine health and wealth outcomes and contribute creative solutions to business challenges. In 2021, a total of 52 entries took part in a new challenge statement on how Pulse features can be leveraged to provide health and wealth benefits for our communities.

In May 2021, Prudential Thailand hosted a virtual two-day 'HealthHack' competition, an AI-focused hackathon offering Thai innovators the opportunity to showcase their healthtech capabilities. The hackathon sought innovative solutions to two problems: to help modify unhealthy behaviours and for the non-invasive diagnosis of a health condition. The solutions were required to leverage AI capabilities to perform diagnosis through smartphones, wearables or imaging. The contestants were evaluated based on the level of innovation, user experience and interface design, as well as technological techniques employed to build the target feature, with a total of 16 teams presenting solutions.

In the Philippines, we continued the conversation about pressing healthcare topics through our Healthscape PH Dialogue Series, which brought together government and corporate stakeholders. At the first webinar, titled 'Healthscape PH: Focus on Filipinos' Health and Wellbeing in 2021', we launched our Health of Asia Barometer report, which explores the challenges Asian societies face in efforts to improve citizens' health and wellness. The second webinar covered the launch of a study commissioned by the Philippines business on the effects of climate change on the health and wealth of Filipinos. The study was designed to guide the government and businesses in developing climate-mitigation strategies and solutions. The paper's key finding was that no disease group is immune to the effects of climate change, and that the incidence of some conditions is expected to increase as a result of climate change. Such conditions include vector-borne diseases, including dengue fever, as a higher daytime temperature is scientifically linked to increased dengue incidence. The paper, which supports Pulse's proposition of affordable health protection offerings such as dengue cover, is authored by Dr Renzo Guinto, a planetary health expert. For more information on this paper, please refer to page 84.

In Singapore, as part of our ongoing research on preparing for longevity, we conducted a new study in 2021 with the Economist Impact (part of the Economist Group) called 'Re-imagining 100'. The research examines the pandemic's impact on Singapore residents as they live longer lives. While Covid-19 has not adversely affected Singaporeans' readiness to live to 100, it has had a negative impact on their mental health and financial wellbeing. Forty-seven per cent of the respondents reported a deterioration in their financial wellbeing since the onset of Covid-19. Mental health is also strained, with 70 per cent of respondents who reported a deterioration in their mental health also saying their financial wellbeing has declined. This has affected people's confidence in their ability to finance longevity, with only 29 per cent saying they feel prepared to live to 100. In these uncertain times, we remain committed to helping people prepare for the future by supporting them in their health and financial planning journey today.

Inclusive offerings

We recognise the importance of health and financial inclusion, particularly in emerging markets and in markets that are experiencing demographic shifts and varying levels of social safety nets. In making health and financial security accessible, it is vital that we develop and re-design our products and services, across our multi-distribution channels, in a way that is inclusive. This is so that underserved segments, including vulnerable communities, have the protection and savings products which meet their needs. This will include, but not be limited to, products that recognise the evolution and needs of families, women, religious minorities, small and medium-sized enterprises and lower-income groups.

To encourage greater product innovation around the concept of families, we ran an internal competition where each business proposed both new products and changes to product terms that would address the needs of a wider range of families. The entries were presented to the Customer Proposition Council and the winning entry was from Prudential Vietnam with its campaign 'Tell me who you love'. The proposed product offers a tailored, standalone critical illness cover that covers the customer and their chosen beloved. As an added touch, the customer can choose to send a personalised card to their selected partner upon purchase. Another notable entry was from our business in the Philippines, which developed PRUHealth FamLove, a family solution that gives customers the ability to share coverage with up to three family members. It also recognises the diversity of Filipino families by allowing for these to include spouses, but also other de facto partners, including same-sex couples, and adopted children. We will be working to implement these concepts in 2022.

Prudential Hong Kong has expanded its beneficiary list for all its life insurance policies, embracing inclusiveness in support of evolving family structures. Customers who purchase a life insurance policy can now choose from either their same-sex or opposite-sex fiancé/fiancée and spouses, grandparents, grandchildren, cousins, nephews and nieces, stepchildren and stepparents, or legal guardians, as their beneficiary.

We DO family

With our purpose to help people get the most out of life, Prudential is striving to widen our scope and provide protection solutions that are more inclusive to meet these evolving customer needs. During 2021, we developed a campaign, We DO Family, to support the development of more inclusive products that recognise the evolution of nuclear families. The initiative seeks to address this through expanding our product coverage to include a wider array of relationships. Families exist in many forms, such as grandparent-grandchildren families, aunts and uncles parenting nieces and nephews, single-parent families, stepfamilies, cohabitation and adoptive families, as well as other de facto family units.

Women

In Thailand, Prudential introduced a 'Rewrite Her Life' campaign aimed at empowering women. As part of this, Prudential Thailand introduced products and services designed to support and help Thai women through all stages of life, including those who plan to manage their financial security. These included PRUClick Saving 8/20 and PRUSuk Samran, as well as various wellness products covering women's health, such as PRUBreast Cancer Care, PRUCritical Care, PRUSmart Health and PRUHealthy Plus.

In Indonesia, we launched Lady's Account Critical Cover, a group-based critical-illness product that is bundled with the UOB Lady's Account (savings account). The coverage focuses on seven types of female cancer including breast, cervix uteri, uterus and ovary.

In the Philippines, PRUHealth Prime – Select Breast Cancer was introduced as an affordable product that supports early interventions for breast cancer.

Muslim community

Prudential Malaysia is committed to progressively evolving Pulse into an all-in-one health and wealth app for Malaysians, as well as addressing the needs of the Muslim community. As such, a Sharia-based ecosystem has been developed within Pulse, known as PRUIman & My Iman, available by subscription. The Sharia-based ecosystem serves as a digital Islamic lifestyle companion that helps users achieve total wellness, with the integration of health and wealth management through Islamic lifestyle practices. It includes tools, content and information to support the journey towards achieving quality of life spiritually, physically and financially, the Islamic way.

Prudential Indonesia continues to lead in the Sharia segment, where we have a market share of 29 per cent, driven by our commitment to expand inclusive product offerings to the mass market segment. In 2021, Prudential Indonesia diversified its product offerings by launching PRUCerah, the first Sharia-based traditional life insurance that offers monthly education fund benefits and an additional education fund. Demonstrating our commitment to fulfilling the diverse needs of Indonesians, we are establishing a dedicated Sharia business, Prudential Sharia Life Assurance. This will enable full product vetting by the Sharia religious authorities and the use of specialist distribution techniques.

Small and medium-sized enterprises

In 2021, Prudential Singapore introduced Business@Pulse, a one-stop platform that helps small and medium-sized enterprises (SMEs) broaden and simplify access to insurance and employee benefits, which will be implemented in 2022. This is part of our regional enterprise business offering that enhances the way we support and interact with our SME partners. Unlike multinational corporations, SMEs may not have sufficient resources to build or buy their own digital platforms, often resulting in manual processes. As Singapore grapples with an ageing workforce and rising healthcare costs, there is a need to help SMEs support their employees with the necessary protection through our digital tools. Through Business@Pulse, employees will be able to view their group insurance coverage and make claims easily from within the app itself.

Prudential Thailand is also supporting corporate customers, including SMEs, through the delivery of digital solutions, technologies and insurance products via its new group employee benefits health services. The new services offer corporate customers the flexibility to choose and adjust insurance benefits to suit every type of enterprise needs. With 24/7 access to Pulse by Prudential, including online telemedicine services, employees are able to access holistic health management services, designed to help maintain the physical and mental health of all employees.

In July 2021, the Philippines business launched a group insurance package for companies and their employees through a collaborative partnership with AstraZeneca, a leading biopharmaceutical company, Avega, the country's leader in healthcare administration, and Intellicare, the country's pre-eminent health maintenance organisation (HMO). The product is made available via Pulse and is supplemented by health awareness content from AstraZeneca that can also be accessed in the app, to create a holistic approach in providing the best health and wellness programmes for the Filipino workforce.

Low-income groups

One of our flagship programmes in Malaysia, PRUKasih, has been helping low-income families and the disabled community with temporary financial relief since 2011. As a public-private partnership, we work with government agencies, 11 NGOs and 27 community volunteers to scale up and support members and their families with financial aid in the event that they experience a loss of income due to illness, accident or death. This sponsored financial protection plan supports more than 40,000 households across 35 communities and provides protection to over 33,000 members. Since the project began, PRUKasih has paid out approximately US$3.87 million (RM16.2 million) on over 11,000 claims cases.

As part of plans to scale the PRUKasih programme to benefit more low-income families, we plan to convert the programme into a microinsurance offering, providing affordable premium products for the low-income community. With PRUKasih 2.0, we hope to reach more low-income families nationwide and make financial protection widely available and affordable.

Bite-sized offerings

A critical aspect of inclusive offerings is affordability. We ensure this by developing bite-sized insurance products that cater to those who seek ease and convenient processes without complex documents, as well as under-insured consumers or first-time buyers who are seeking financial planning without neglecting their income and lifestyle needs. We are also specifically designing products to address conditions that are becoming more prevalent as a result of climate change. For example, cases of dengue fever, a mosquito-borne viral disease, are increasing in several of our markets. Examples of such affordable products, including those addressing such infectious diseases, include:

- In the Philippines, the PRUDengue MedCare and PRUDengue MedCare Pro plans provide benefit if the insured is diagnosed with dengue from only $4 for six months or $7 for 12 months. PRUDengue MedCare provides dengue protection with a lump sum benefit of PhP10,000 ($200) upon diagnosis, while PRUDengue MedCare Pro provides an added death benefit due to dengue of PhP100,000 ($2,000). Parents can also purchase this for their children. PRUMedCare – Select Infectious Disease is the first and only product in the Philippines that offers coverage for any of the four infectious diseases of dengue, typhoid, measles and malaria.
- In Cambodia, we launched a product that provides coverage in case of diagnosis or death due to dengue and/or malaria, from $4 a year.
- In Vietnam, PRU-Tropical delivers protection against three tropical diseases of dengue, malaria and measles. We also offer PRU-Guard 24/7 to provide protection against accidents, as well as PRU-Care, which protects against three critical illnesses – cancer, stroke and heart diseases – from $3.80 a year.

Customers

Our trusted brands, digitally enabled multi-channel distribution, and efficient and agile infrastructure enable us to meet the growing health and wealth needs of people and their communities. We are enhancing our digital tools and capabilities (such as Pulse) to make it easier for customers to interact and stay with us.

In parallel to Pulse, we use a multi-channel distribution model with over 540,000 licenced tied agents and access to over 26,000 bank branches. We are equipping our people and our advice channels with new skills, so that we have a much more inclusive approach to the markets that we serve.

Customers are at the centre of our business. We have a Group Code of Business Conduct (see *Good governance and responsible business practices* section on page 117) that sets out how we do business. Within this, the Group has set out five Customer Conduct Standards within the Customer Conduct Risk Policy, each with its own key control processes and activities:

1. Provide and promote high standards of customer service

We measure customer service in a number of different ways to ensure we are delivering for our customers, including complaints, persistency and policy cancellations. On an annual basis we use a third party to conduct a customer satisfaction survey in each of our businesses, measuring both net promoter score and overall customer satisfaction. While cultural differences may not allow a meaningful Group-wide aggregation on the current methodologies, we are seeking to develop a more consistent methodology during 2022, which includes in-depth insights to determine which part of the customer journey has the most impact on their advocacy, and to better understand customers' sentiments from their verbatim comments.

We use the insights from these surveys to drive further improvements in our sales and servicing processes. For example, our claims promise was developed as a result of this feedback. We also carry out a series of transactional touchpoint surveys at the local business level on a systematic, consistent and regular basis to assess customer satisfaction. Monthly trends are analysed by our businesses and specific customer feedback is used to carry out root cause analysis.

We recognise that when a customer is making a claim this may be a particularly stressful time in their lives. Therefore we strive to ensure that our claims process is simple, fair and transparent, and our staff and agents are professionally trained to support customers in their time of need. During 2021, we launched our claims promise for our customers in Asia:

> ***'A Prudential policy protects you and your family during life's difficult moments. We pay your claim as quickly as possible and with compassion and care. We make it simple and easy, and only ask for necessary information.'***
>
> **Our claims promise**

We make the following commitments as part of our claims promise:

- **Timeliness:** We handle each claim as soon as we receive it and will keep you informed of its progress.
- **Communication with care:** We let you know when we receive your claim, when we require additional documents and the outcome of your claim. Our staff and agents are professionally trained to guide you whenever you need help.
- **Fairness:** We understand that your claim is important to you. We treat every customer fairly. We ensure our claims process is clear, transparent and without customer bias.
- **Customer experience:** Your feedback is important to help us serve you better. If you have a complaint, we will deal with it seriously.
- **Privacy:** We take your privacy seriously and will protect it at all times.

To support customer service, we are upgrading and digitising our learning and development programmes. Our approach enables our agents and partners to more capably and confidently advise on an ever-evolving set of customer needs.

FUTUReady is a suite of Pulse-enabled tools and programmes that support all aspects of agency management. Our new agent onboarding programme, PRUExpert includes digital content, plus several weeks of instructor-led and work-based learning. The programme is designed to support clear outcomes around performance, customer-centricity and market conduct. PRUExpert initially went live in Malaysia and the Philippines in 2021 and will continue to be rolled out across our markets in 2022. We also provide agents with more than 1,200 bite-size videos, for anytime anywhere learning and sales enablement. Our ambition is to help new agents attain MDRT certification in their first year and for agents to benefit from enhanced coaching from their leaders.

2. Treat customers fairly, honestly, and with integrity

Our local customer committees monitor our strategic customer initiatives, with the aim of transforming the customer journey and fulfilment and embedding a customer-focused culture. Our customer committees are responsible for making executive decisions on strategic customer initiatives and incorporating identified actions into their business operations or plans. Local customer committees feed up to a Group-level committee, which meets on a quarterly basis, known as the Transforming Customer Fulfilment Council. One particular topic that the council focused on during 2021 was revisiting our underwriting and claims rules to be more inclusive for diverse families.

Our businesses are required to comply with their local regulatory requirements and meet our Group-wide policies and standards covering the fair treatment of customers. We provided regular training for intermediaries to ensure that the salesforce has a clear understanding of our products, the target customers for each product, and the customer risks inherent in each product; and through the embedding of controls, including customer financial needs analysis and risk appetite profiling, to ensure the suitability of product sales.

3. Provide and promote products and services that meet customer needs, are understood by them and deliver value

In ensuring that our products meet customer needs, we consider product, suitability, marketing and sales quality policies.

Customer proposition

Our approach to responsible proposition design is intended to ensure that we provide products and services that meet the diverse needs of our customers and deliver real value. We design the entire pre-sale, onboarding and fulfilment journey with a deep understanding of the target customers' protection and savings needs across their life stages. The Customer Proposition Council is the forum for our business and Group-level executives to innovate and institutionalise customer solutions that can be rolled out and implemented across our markets. During 2021, the Council focused on the diverse family concept and standalone critical illness plan, promoting equal access for wider family members, providing future-proof benefits and value-added services in an affordable way. Covering governance and oversight, our Product Approval Committee is responsible for approving products from our business units, including new insurance products, alterations of existing products and the launch of new funds on investment-linked products.

Our product approval process

Quantitative and qualitative customer and agent research to understand customer needs, and optimise product ideas to meet those needs

New product proposals reviewed and approved by business product approval committees, which include risk and compliance teams and other relevant functions

New product proposals reviewed and approved by Product Approval Committee

Suitability

We aim to simplify our insurance products and how they are explained in product documentation and by salespeople, so that customers can easily understand the features, benefits and associated terms and conditions and are able to clearly assess how our products fit with their needs. We have 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. To protect vulnerable customers, our product development and customer engagement process identifies customer segments for which the product is not suitable and/or where assistance and further protection might be needed during the sales journey. Identifying and treating vulnerable customers with extra care is a core component of training for our sales force.

4. Maintain the confidentiality of our customer information and handle the data appropriately

We take all reasonable steps to ensure that customer data is processed fairly and in accordance with applicable data protection laws. This is discussed in detail in our Digital Responsibility section on page 104.

5. Act fairly and in a timely way to address customer complaints

We define a complaint as any explicit expression of dissatisfaction, grievance or criticism of our products or services provided by our employees/agents, regardless of the form or source, whether written or verbal, whether justified or alleged and whether from or on behalf of the complainant. A significant complaint is defined as an allegation or infraction that may adversely impact the business, whether financial or non-financial in nature.

Providing prompt and due action, where required, in response to customer complaints is essential to ensure appropriate outcomes for customers, treat them fairly and to maintain or rebuild confidence and trust in the Prudential brand.

Our local businesses are responsible for ensuring appropriate initiatives are implemented to mitigate or prevent complaints and associated risks, always striving to improve the handling of complaints and overall customer experience in the delivery and performance of products and services to them. Local businesses follow robust procedures, including governance frameworks for effective management of complaints, aimed at protecting customers' interests.

Our local businesses have independent and dedicated teams tasked with responsibility for managing complaints and maintaining databases of complaints received. Across the Group as a whole, our level of complaints remains steady at two complaints per 1,000 policies in force.

Our local businesses analyse complaint trends and patterns to make an assessment of potential risks and root causes of complaints. Complaints metrics and accompanying analysis and details of significant complaints are reported to local management and relevant committees, guiding subsequent actions aimed at preventing and managing underlying risks. Significant complaints are escalated where necessary to relevant senior management members, which may include the local compliance head and the CEO for appropriate guidance and management action. Our businesses track follow-up actions to ensure relevant remedial and preventive actions are implemented to properly address identified root causes and issues.

Promoting financial literacy

One of the ways in which we make health and financial security accessible is through increasing financial literacy, a focus area for Prudence Foundation. Our goal is to ensure that people have a good understanding of money management from a young age to help them to make more informed financial choices later in life. More information on Prudence Foundation's areas of focus can be found in the Community Engagement and Investment section on page 113 of this report.

Cha-Ching

Cha-Ching is a global financial education and responsibility programme aimed at children aged between seven and 12. Now in its 11th year, the programme is aimed at tackling financial literacy gaps among children and today continues to expand across our markets. Cha-Ching involves a blended learning approach, leveraging digital tools and platforms as well as the school environment. Our aim is to ensure that the programme is accessible and freely available to millions of children, parents and teachers, equipping them with the necessary financial literacy skills.

In 2016, Prudence Foundation partnered with Junior Achievement (JA) to develop the Cha-Ching Curriculum, which has been successfully implemented for six years through strong NGO and government collaboration in eight Asian markets: the Philippines, Indonesia, Malaysia, Vietnam, Taiwan, Singapore, Cambodia and Thailand. More than 23,000 teachers have been trained to deliver the Cha-Ching Curriculum in schools to date, with over 870,000 primary school students having learnt the lessons of earn, save, spend and donate.

During 2021, an independent review of Cha-Ching was conducted to evaluate the progress of over 200,000 students using the curriculum across five countries in Asia.

> ***'The findings are impressive and analysis shows that students achieve higher scores on knowledge, attitude and behaviour after participating in Cha-Ching than they did before. Comparisons with other research suggest that the impact on financial knowledge is higher than is typical for developed economies.'***
>
> **Dr Adele Atkinson,** global expert in financial literacy, who conducted the review

In 2021, the teacher-led Cha-Ching Curriculum programme continued in Africa, where we worked with Junior Achievement Africa to bring this to over 7,600 primary school students in four countries: Ghana, Nigeria, Uganda and Côte d'Ivoire. In Asia, Cartoon Network continues to broadcast the Cha-Ching cartoons, reaching over 35 million households daily. Cha-Ching content continues to be available online via the website and through digital channels including social media, receiving over 93 million views to date in Asia and Africa.

Given the ongoing Covid-19 environment in 2021, we actively drove digital initiatives as part of our efforts to increase the reach and impact of Cha-Ching:

- The virtual 2021 Global Money Week campaign – led by the OECD and themed 'Take care of yourself, take care of your money' – saw the active participation of our 11 markets including Indonesia, the Philippines, Malaysia, Kenya and Nigeria , which held Cha-Ching webinars, competitions and digital campaigns to raise awareness of the importance of financial literacy for youths.
- The online Cha-Ching Financial Accreditation (CCFA) continued to be rolled out where possible. This online assessment is endorsed by education authorities and was developed in alignment with the OECD Core Competencies Framework on Financial Literacy for Youth and the ASEAN Teachers Competency Framework. The Cha-Ching teacher network continued to be strengthened through the CCFA, and online CCFA webinars were also held in the Philippines and Indonesia. To date, over 8,700 teachers have registered and 4,800 have completed the CCFA online assessment. Cha-Ching videos and parent resources have been made available for free on the Pulse app across markets including Singapore, Vietnam, Cambodia and the Philippines, with expansion into other countries expected in 2022.

PRUKasih Entrepreneurship Programme

Malaysia continued its PRUKasih Entrepreneurship Programme (PEP) for 34 members who were equipped with skills and knowledge needed to start a new business or scale their existing business. The programme focuses on developing mental and emotional wellbeing, which has been particularly critical during the pandemic, as well as honing financial skills. A total grant of US$7,200 (RM30,000) was given to participants who successfully completed their business pitch with a panel of judges. More information on PRUKasih can be found on page 78 of this report.

PRU e-FinLit

The Online Professional Certification Training Program on Financial Literacy, or PRU e-FinLit, was rolled out in June 2021 across the province of Negros Occidental in central Philippines, certifying 3,235 teachers in its first phase of implementation. PRU e-FinLit seeks to systematically improve the financial literacy of the Filipino public through inclusion of financial literacy in formal education accessible online, nationwide. This programme also supports the Department of Education's newly implemented Financial Education Policy, which aims to enhance the financial literacy and financial capability of all learners to make wise financial decisions and achieve financial health.

In Indonesia, our financial literacy efforts are focused on women, SMEs and Muslim communities, in addition to children. Through our financial literacy for women initiative, we reached more than 5,200 women in 2021. Our Sharia financial literacy programme in partnership with Sharia-based financial services and Sharia Economic Community Association (Masyarakat Ekonomi Syariah) reached and educated nearly 7,500 people about the importance of Sharia insurance and raised awareness to more than 1,000 SME entrepreneurs.

In Laos, we developed and built an online learning course called Basics of Life Insurance, where people can access and learn about life insurance online for free. There are 12 lessons led by financial consultants covering the importance of life insurance and basic financial management concepts and skills. We also launched an online tool called Insurance Protection Calculator for individuals to calculate and assess their financial wellbeing.

#MoneyParenting

#MoneyParenting, a multi-award-winning initiative that was started by our asset manager Eastspring, helps parents to learn, teach and plan more effectively when it comes to financial management. This dedicated microsite was introduced in 2020 as a result of a survey conducted by Eastspring with 10,000 parents across nine Asian markets, which revealed that there was a lack of financial management tools to help parents become better role models for their children. #MoneyParenting has seen more than 100 million impressions of advertising views and over 200,000 users to the microsite across Asia. It has also received more than one million views of its videos to date.

In 2021, Eastspring established a new partnership with The Asian Parent, a leading parenting community, to extend the reach to over two million parents across Asia. The partnership included a dedicated platform that offered tips and resources to teach parents how to introduce their children to money, as well as outreach and engagement activities. Eastspring has also organised webinar sessions in collaboration with financial education partners like Playmoolah and Little Tauke and distribution partners to equip parents with skills to teach their children financial literacy. In 2021, these sessions reached over 5,000 parents. We also work with partners outside of Eastspring to make #MoneyParenting content available, including through the Pulse app and Prudential Life business channels in various markets.

Strategic Pillar: Stewarding the human impacts of climate change

Limiting climate change and its associated increases in planetary temperatures is one of the greatest global challenges of our time. Failing to limit these increases is expected to have significant economic, societal and individual consequences. Prudential remains committed to proactively play our part in enabling the transition to a low-carbon economy. We do this by decarbonising our investment portfolio and own operations, and by working towards sustainable development and energy transition in all our markets through collaborative and collective engagement. Recognising this, as we support the move to low-carbon economies in these emerging markets, we strive to ensure that the transition is a just and inclusive one for all of society: a transition that supports sustainable growth and economic health within our local markets and communities.

This section includes:

- > Climate-related metrics and targets
- > Identifying climate-related opportunities
- > Identifying and assessing climate-related risks
- > Managing and responding to climate-related risks
- > Climate-related scenario testing
- > Managing our direct operational environmental impacts
- > Supporting a just and inclusive transition

An index is included in the reference section on page 131 to demonstrate how we are meeting the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

Climate-related metrics and targets

Our focus on decarbonisation of our investment portfolio, to steward the human impacts of climate change, recognises that climate change presents long-term risks to the sustainability of our business. Catastrophic climate change, or the anticipation thereof, could also have a systemic impact on financial markets before the climate change occurs.

In May 2021, we announced both long and short-term pledges for decarbonising our investment portfolio, through which Prudential can also play our part in the transition to a global low-carbon economy and the collective efforts to limit the rise in global warming. Our long-term pledge is to become 'net zero' by 2050, with the short-term pledges discussed in the table below. These pledges are aligned to the Paris Agreement, which invites parties to commit to holding the increase in the global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts from climate change. We continue to review and update our ESG strategy in line with our business strategy, and all of our climate metrics and targets will be regularly reviewed to take into account evolving scientific data and stakeholder expectations. Our targets, as set out below, are for our investment portfolio, which includes both listed equities and corporate bonds, while excluding assets held by joint venture businesses and assets in unit-linked funds, as we do not have full authority to change the investment strategies of these.

In 2021 we recorded a reduction in the WACI of our investment portfolio of 23 per cent against our 2019 baseline. However, as we seek to achieve a just and inclusive transition towards a low-carbon economy, some of the actions which we may take in pursuit of our long term carbon reduction ambitions may create short to medium term volatility in our WACI performance. For example, there are companies in our markets who currently have high levels of emissions, but are committed to transition and require financing to support this. In investing in green bonds from such companies, this will have the impact of increasing the WACI of our investment portfolio in the short to medium term, until the underlying companies' emissions reduce, as the green bond also takes the score of the overall company. We believe supporting such companies is consistent with our inclusive transition policy. Our public target nevertheless remains to achieve a 25 per cent reduction in WACI in our investment portfolio by 2025, whilst continuing to support a just and inclusive transition in the markets in which we operate.

	2021	**2019**	% change
Weighted average carbon intensity (WACI)	**296***	386*	(23)
Coverage	**69%**	67%	

* Within the scope of EY assurance – see page 74.

Data availability remains an ongoing challenge, as is reflected in the coverage level of the WACI calculation for our investment portfolio in the table. We continue to work with data providers and our asset managers to improve the availability of data.

We have reviewed climate metrics being adopted by the financial sector for their appropriateness, data availability (ie coverage) to support them and their relevance to our markets. We selected a suite of metrics to measure our exposure to climate change to utilise the strengths of specific metrics while also addressing their shortcomings. Absolute emissions measure the total carbon footprint associated with the investments held in an investment portfolio, whereas WACI compares that carbon footprint to the revenue also associated with the investments in the investment portfolio. We use absolute emissions to monitor our engagements (so as to help reduce absolute levels of greenhouse gas emissions) and WACI for our investment portfolio of assets (so as to be able to compare progress in intensity improvements on different investment portfolios, which is very important in our roles as asset owner and asset manager).

An example of the need for the use of different metrics is the current treatment of green bonds: certified green bonds have the same carbon footprint as a conventional bond from the same company, even though the green bond is issued to support transitioning to, for example, low-carbon operations. This equal treatment could disincentivise purchasing such green bonds from companies who are committed to transition and require financing. Using a suite of intensity and absolute emissions metrics helps overcome these unintended consequences.

Our metrics and targets for the Scope 1, 2 and 3 footprint of our operations are discussed in the *Managing our direct operational environmental impacts* section on page 89 of this report.

We actively monitor and provide feedback to industry bodies, such as on the TCFD consultation on Proposed Guidance on Climate-related Metrics, Targets and Transition Plans. We continue in collaboration with our asset management and asset owner business units to develop further metrics that are appropriate for our business, to support enhanced management and reporting for climate risk, and to integrate into broader investment processes aligned with our responsible investment framework.

Our short-term targets and progress made

Short-term climate target	Progress up to end of 2021	Metric rationale
A 25 per cent reduction in the carbon emissions of our investment portfolio by 2025 against our 2019 baseline	By the end of 2021, we had reduced the weighted average carbon intensity (WACI) of our investment portfolio by 23 per cent against our 2019 baseline, placing us on track to achieve the 25 per cent target by 2025. We operate in both developed and emerging markets in Asia and Africa and the carbon footprint of investments in these markets, which underlies our WACI, are higher than in areas such as Europe. Investment decisions such as strategic asset allocation, portfolio construction and investment selection can influence the direction of the WACI, as can changes in the carbon intensity of the underlying businesses in which we invest. Implementing our coal policy was a key driver of the reduction in WACI. Looking forward, we have a range of investment and active ownership strategies available to further reduce the WACI, including the orderly implementation of our current coal policy during 2022. In addition, Eastspring seeks to actively engage with companies in the investment portfolio in order to influence them to adopt positive strategies to further improve carbon efficiency, and to work with sub-fund managers on reducing the emissions of their funds while maintaining a focus on performance.	We use the WACI as a proxy for the transition risk in our investment portfolio: a higher WACI normally indicates that an investment portfolio has to transition more extensively to align with the Paris Agreement. By reducing the WACI of our portfolios, we also support the transition to a low-carbon economy. A key benefit of using WACI is that it allows comparisons between different investment portfolios, which is very important in our roles as asset owner and asset manager.
Divestment from all direct investments in businesses which derive more than 30 per cent of their income from coal, with equities to be fully divested by the end of 2021 and fixed-income assets by the end of 2022	During 2021 we divested from all direct equity investments in businesses which derive more than 30 per cent of their income from coal, whether from mining or energy production. We remain on track to divest by end of 2022 from fixed-income assets in businesses meeting the same criteria.	We believe our coal policy supports a just and inclusive transition in the markets where we operate, as discussed in the *Supporting a just and inclusive transition* section on page 67. When considering different thresholds, each was tested against whether it supported a just and inclusive transition and fit our requirements on risk and return. Companies that are highly dependent on coal are a stranded asset risk, while a well-diversified portfolio is important, but challenging for our businesses in emerging markets, which invest in underdeveloped capital markets. Ultimately, the threshold for our coal policy was set so as to balance the risk and return, while also allowing companies in those markets to phase out of coal in an inclusive manner.
A target to engage with the companies responsible for 65 per cent of the absolute emissions in our investment portfolio	Eastspring has developed a process to meet this engagement target and has made progress in 2021 towards meeting the target by reviewing 44 per cent of these investee companies, and engaging with 31 per cent of the same group.	We aim to support a just and inclusive transition to a low-carbon economy through our engagement target, based on a belief that engagement is preferable to divestment to secure a just transition. Engagement is a core part of providing effective stewardship and we seek to encourage business and management practices that support sustainable development through constructive interaction, based on our in-depth knowledge of the companies and their business environment.

Pru Life UK study offers key insights on climate change

Our business in the Philippines, Pru Life UK, commissioned an independent study (which can be found here: https://www.prulifeuk.com.ph/en/explore-pulse/health-financial-wellness/climate-change/) to better understand the impact of climate change on Filipino families. The pioneering study explores the health impacts of climate change and their potential pressures on financial security and wellbeing.

The impacts of climate change on physical and mental health will eventually affect the financial health of individuals, households and communities. While it is hard to calculate the actual cost of climate-sensitive diseases, it is known that healthcare needs lead to depletion of savings resulting from hospitalisation and loss of incomes due to absenteeism. Therefore, financial security in anticipation of a warming planet is an urgent priority.

The paper concludes that:

- There is no disease group that is immune to the effects of climate change, and the incidence of some conditions is expected to increase as a result of climate change.
- Multiple responses will be needed for the variety of physical and mental health issues that are likely to arise.
- Climate change must be viewed as a public health issue.
- Rapid decarbonisation to stabilise the climate will be good not just for the planet but for people's health too.
- Financial security at all levels is a climate adaptation measure.
- Climate and health knowledge needs to be communicated to raise awareness and equip people with tools to contribute to both mitigation and adaptation.
- Building societal resilience to climate change and its health effects is also an urgent priority since climate change is already happening.

Identifying climate-related opportunities

We believe our strategic ESG framework, including the goal to decarbonise the investment portfolio while supporting a just and inclusive transition, is an important way in which we can meet our stakeholders' expectations and fulfil our stewardship obligations. Over time, it reduces the Group's asset exposure to climate change risk – which includes both physical and transition risks – while also contributing to efforts to mitigate climate change by decarbonising the global economy.

We also recognise that the implementation of our strategic ESG framework could generate some climate-related opportunities for the Group. As a significant investor and asset owner with long-term investment horizons and liabilities, the Group is in a position to invest in and develop products linked to climate mitigation and resilience.

In response to this, we are developing responsible investment products that channel our customers' savings towards investments such as the Asia Sustainable Bond Fund by Eastspring. More information on our ESG-related investment activity is available in the *Responsible investment* section starting on page 107, including increasing the ESG choices for our investment-linked products (ILP), as described in the *Capital allocation* section on page 112.

Climate change is also likely to drive demand for new health, insurance and savings products. New health products need to reflect the impact of climate change on human health through changes in the incidence and impact of diseases, and the emergence of new diseases. This topic is discussed in the *Making health and financial security accessible* section on page 75, which also explains how we are developing more products for underserved sections of the market.

Identifying and assessing climate-related risks

To enable us to continue to be a long-term and resilient business serving our customers, we must actively identify and assess how climate change can impact our business.

Our risk identification processes in our Group Risk Framework recognise thematic emerging and principal risks. ESG risks, which include climate risk, have previously been identified as a Group principal risk. The Group Risk Committee and the Board receive updates on the principal risks identified, the Group's exposure to these risks and subsequent management activities. More information is available in *section ii. of the risk management cycle* of the Risk Review report in our Annual Report and Accounts.

We actively participate in industry forums and networks, including the Chief Risk Officer (CRO) Forum, to further develop understanding and support collaborative action in relation to ESG risks, including climate change, and to remain aware of industry best practice as it develops. The emerging industry consensus, as expressed by both the Climate Financial Risk Forum and the CRO Forum, is for insurers to treat climate risk as a cross-cutting amplifier of the existing standalone risk types. As such, climate-related risks are considered within our existing risk management processes. By treating climate-related risk as a cross-cutting risk, we recognise that there could be significant interdependencies with, and impacts on, other established standalone risks, such as credit, market, insurance and operational risk. See the Risk Review report in the Annual Report and Accounts and *section ii. of the risk management cycle* for further information on the broader risk identification process.

During 2021, we continued to focus on developing our understanding of our exposure to actual and potential climate-related risks and their associated impacts on the Group, focusing on key local markets in Asia. We also identified several existing business activities and processes where risks may be heightened when a climate lens is applied. Building on the climate-related risk assessments carried out in 2020, a series of workshops were held with the appropriate subject matter experts across the Risk, Compliance and Security teams. These workshops explored in detail the potential impact of cross-cutting climate-related risks to existing risks and risk management processes across short, medium and long-term horizons.

This holistic process enabled us to identify the following areas of potential exposure to climate-related risks over the short, medium and long term:

- **Financial resilience** – Our assets under management are at risk of physical climate risk in the long term. Some of our assets under management are in high emission, carbon-intensive and carbon-reliant sectors. These assets are exposed to transition risk in the short and medium term, potentially resulting in increased levels of price volatility, taxation, regulation and/or reduced demand, which could lead to impairments, downgrades and/or stranding if they fail to adapt, innovate or transition to a lower-carbon business model. We have limited financial exposure to such assets in high emission, carbon-intensive and carbon-reliant sectors, as set out in our *Climate-related metrics and targets* section.
- **Operational resilience** – Climate change could have physical impacts on our operations. The impact from such climate events on operational resilience, including the impact on third-party providers and the servicing of our customers, is explored in our operational risk scenarios.
- **Insurance and product risks** – Our strategy focuses on life, health and wealth products, which excludes us from underwriting greenhouse gas-intensive activities. Climate change could result in changes in mortality, morbidity and/or persistency for our life and health underwriting portfolio. The overall financial impact should be mitigated by our ability to reprice contracts if needed and develop new products.
- **Data and model limitations** – Current limitations in financial climate data quality and availability, and asset and liability modelling tools make it challenging to accurately assess the financial impact on the Group, particularly for longer-term time horizons. We continue to assess the methods for quantifying the financial impact of climate risks as they evolve in the industry and also within the Group. We also use independent internal and external reviews.
- **Regulatory, legislative and disclosure expectations** – The pace and volume of new climate-related regulation across the Group's markets could pose compliance and operational challenges that may necessitate multi-jurisdictional coordination. The increasing disclosure expectations of stakeholders heightens the potential for litigation risk associated with external reporting conveying a material false impression or misleading information. We continue to monitor and engage on regulatory and industry developments. Our governance process is designed to help avoid misstatements and/or overstatements in external reporting.
- **Strategy implementation** – As the Group implements its ESG strategy and climate-related commitments, there is a continuing need to balance potentially different interests, expectations and objectives, both within and across stakeholder groups. We have regular internal and external engagement to identify potential required trade-offs and assess the implications of them through our governance structures.

While many climate-related risks are common at Group and business level, the nature, focus and impact of these risks can differ across the Group's markets. Our emerging risk process, at both the Group and the business level, helps ensure that we continue to quickly identify and adapt nimbly to new and evolving climate change and ESG topics.

Managing and responding to climate-related risks

The management and mitigation of ESG and climate-related risks is enacted through our Group Governance Manual, which includes a number of ESG-related policies that support the implementation of our ESG strategy. Following the series of workshops held with Risk, Compliance and Security subject matter experts, we identified initial areas of the Group Risk Framework to update in order to reflect climate considerations. The main updates are noted below.

The concept of climate as a 'cross-cutting risk' was included in the annual refresh of the Group Risk Framework and associated policies, and qualitative references to ESG considerations have been added to the Group Risk Appetite framework, specifically focusing on the Group's externally communicated ESG commitments.

CRO Forum participation

As a member of the CRO Forum, we contributed to the paper published in November 2021 which provides guidance on industry best practice for embedding ESG and sustainability risks into insurers' existing risk management framework ('Mind the sustainability gap – Integrating sustainability into insurance risk management' at www.thecroforum.org/category/publications/). We have used the concepts and approaches outlined in the paper across the Group during 2021 to further embed climate risk considerations into the Group Risk Framework.

Updates to the Enterprise Risk Management framework in 2021 included changes to the Group's non-financial risk appetite statements to consider risks through a stakeholder lens. This stakeholder-focused approach recognises the importance of considering topics, including climate change, from the perspective of both their impact on the Group and the Group's impact on its wide range of stakeholders (a concept known as 'double materiality'). It also recognizes that what is considered financially material to the Group may change rapidly (a concept known as 'dynamic materiality'), particularly in light of rising stakeholder influence, greater international connectivity, and the increased transparency and speed of information exchange. It also supports a more forward-looking approach to identifying emerging ESG considerations.

Other enhancements included adding our ESG-related models, including the tools developed for measuring and managing the Group's investment portfolio decarbonisation, to the scope of the model and user developed application (MUDA) policy. Additionally, the updated Outsourcing and Third-Party Supply Policy includes a direct reference to ESG, and incorporates Responsible Supplier Guidelines on ESG topics including labour, health and safety, and ethics.

ESG considerations, including those associated with climate, have been incorporated into core decision-making processes, including:

- **Remuneration:** changes to the incentive plan have been aligned with the Group's externally communicated decarbonisation targets.
- **Strategic Decisions, Mergers and Acquisitions:** the policies and processes supporting significant decisions and transactions have been updated to systematically include consideration of how the matter requiring approval supports and/or impacts the Group's ESG strategy.
- **Strategic and Business Planning and Performance Management:** climate and ESG considerations have been included within the business planning process.

The industry's understanding of climate-related risks is evolving quickly. To address this and recognising the cross-cutting nature of climate risk, we have carried out a number of training initiatives to raise the level of knowledge and understanding of our colleagues:

- The Group Risk Committee received a briefing on the embedding of climate risk within the enterprise risk management framework.
- During 2021, we ran a Group-wide monthly climate risk forum, with participation from specialist risk teams, representatives from local business risk teams and other functions, including Actuarial and the Investment teams.
- This training was supplemented with regular direct engagement with our larger businesses to address specific climate-related themes relevant to their local markets. Follow-up presentations covered topics including the practicalities of climate scenario analysis and guidance on incorporating climate considerations in the business plan risk assessment process.
- We provided specific training sessions to business continuity and operational risk colleagues on our third-party physical climate risk platform to support the adoption of the platform across our businesses.
- We delivered a series of training sessions on ESG, including dedicated sessions on climate-focused topics, to over 500 members of the Risk, Compliance and Security function. These sessions were led by the appropriate business risk owners and subject matter experts, ensuring that experiences and lessons learned from climate-focused activities were shared broadly across the Group's business locations and teams.
- Across the broader business, climate risk awareness was increased through functional and business awareness sessions and workshops as well as specific sessions on business planning. Climate change considerations were also a specific focus during a briefing session with the chairs of the Audit and Risk Committee of the major businesses.

Climate-related scenario testing

Scenario testing is a key tool to improve understanding and support decision-making. Scenario testing is particularly useful for raising awareness of climate change risks due to the wide scope and unknown timing of potential mitigation and adaptation actions.

Climate scenarios used

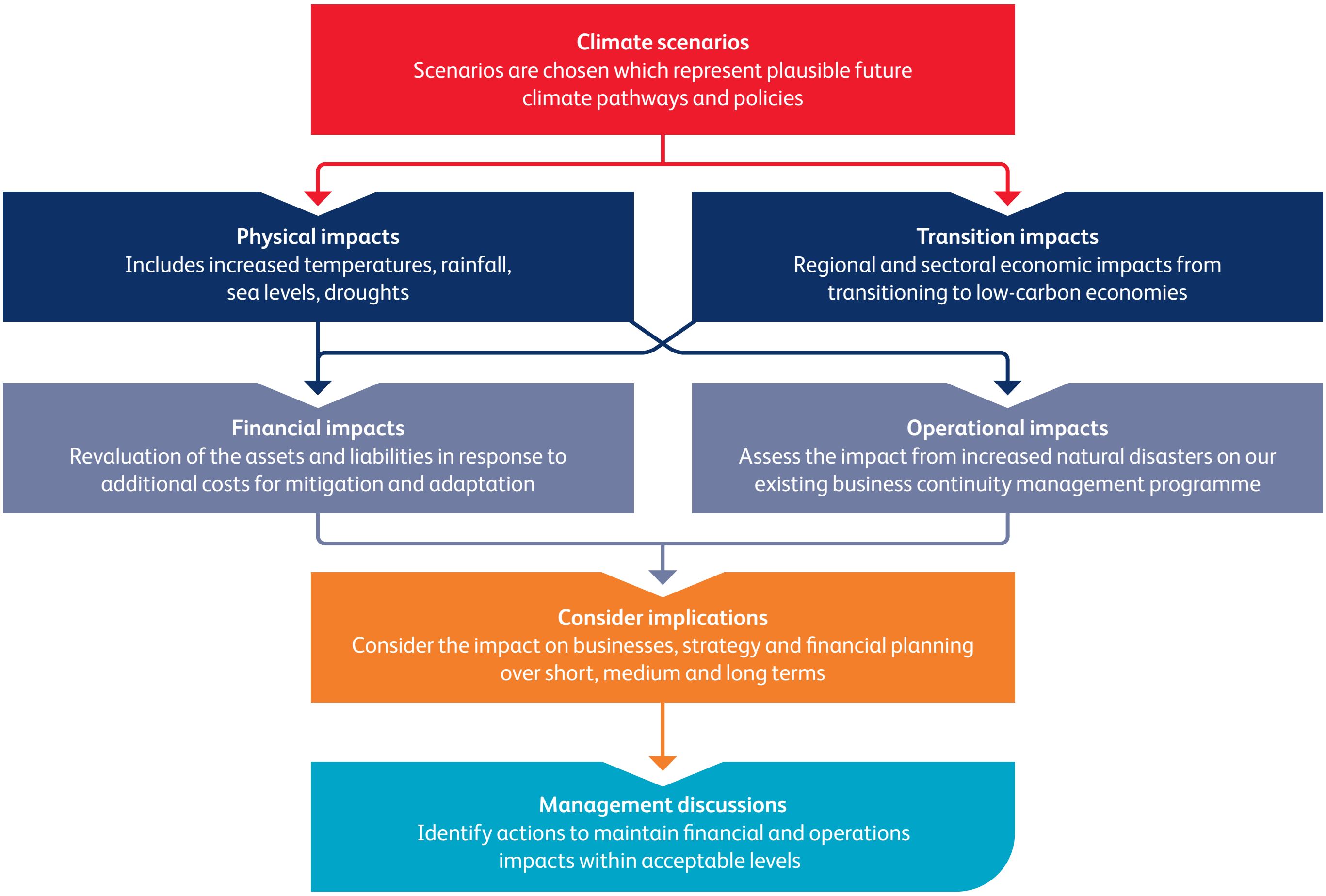
During 2021, we continued developing our scenario testing approach for climate change. Investigating different methodologies appropriate to our nature, scale and complexity also supports our ability to engage with our Group and local business regulators on this topic. We monitored and evaluated developments in climate scenario testing, including publications by our Group and local regulators and global bodies, such as the International Association of Insurance Supervisors (IAIS), the Network for Greening the Financial System (NGFS), the Principles for Responsible Investment (PRI) and the International Energy Agency (IEA).

We use three scenarios to identify risks over the short, medium and long term:

- Orderly transition scenario: Temperature increases are kept well below 2°C through the orderly introduction of climate policies, in line with the second-lowest United Nations IPCC emissions pathway, known as Representative Concentration Pathway (RCP) 2.6. This scenario includes transition impacts, in an orderly manner, as well as physical impacts in line with a 1.6°C increase in temperature.
- Disorderly transition scenario: Temperature increases are kept well below 2°C but with delayed and sudden introduction of policies, in line with RCP 2.6. This scenario includes transition impacts, in a disorderly manner, while still limiting the physical impacts by the end of the century in line with a 1.6°C increase in temperature.
- Failure to transition scenario: Temperature increases exceed 4°C with no further policies introduced beyond those already announced. Little transition impacts are included in the scenario while dramatic physical impacts are explored, in line with RCP 8.5.

The three scenarios provide plausible future outcomes and are constructed to simulate the complex and non-linear interactions between energy, economy and climate systems. They also account for various policy and technology developments, supporting a sophisticated exploration of different plausible futures and an understanding of the impacts from trade-offs between the policy and technology options. The insights from the scenario testing work were reported in the Group's Own Risk and Solvency Assessment report, which continues to be provided to the Board.

Summary of how we use climate change scenario testing



Climate scenarios
Scenarios are chosen which represent plausible future climate pathways and policies

Physical impacts
Includes increased temperatures, rainfall, sea levels, droughts

Transition impacts
Regional and sectoral economic impacts from transitioning to low-carbon economies

Financial impacts
Revaluation of the assets and liabilities in response to additional costs for mitigation and adaptation

Operational impacts
Assess the impact from increased natural disasters on our existing business continuity management programme

Consider implications
Consider the impact on businesses, strategy and financial planning over short, medium and long terms

Management discussions
Identify actions to maintain financial and operations impacts within acceptable levels

Impact on assets and insurance liabilities

We used three commonly applied scenarios, comparable to those from the NGFS and Bank of England, to quantify the exposure of the Group's insurance balance sheet assets and liabilities to physical and transition climate-related risk.

Each scenario is translated into sensitivities to economic factors, which are then applied to the Group's assets and liabilities to quantify the potential financial impacts of climate change relative to our base assumption. The scenario with the largest overall impact on the Group balance sheet is the failed transition scenario, where physical climate change impacts in the longer term, which could result in financial market impacts sooner. The disorderly transition scenario has the biggest impact in the short term as markets assimilate policy changes, resulting in limited impact in the medium and long term. As expected, the orderly transition scenario has the lowest overall impact on the Group balance sheet. Our analysis did not take account of the potential actions available to the Group to mitigate the impact, in line with emerging industry practice, and is an area where we expect to consider further the opportunities available.

Though the Group remains exposed to financial impact from climate change, the results for each scenario were not outside observed market volatility and therefore do not indicate the need for an explicit allowance for climate change in the assumptions used for the liability valuations or observed market values.

An additional scenario exercise applied to a sample of our carbon-intensive holdings highlighted the potential range of impacts on equity prices and corporate bonds between those companies that have started to transition and those who have not. A key challenge identified in this exercise is the limited availability of disclosed climate-related financial reporting across our Asia and Africa holdings, which is required for sophisticated climate scenario models. We expect such limitations to be overcome as more climate disclosures occur in these regions, potentially using established frameworks such as the TCFD or the anticipated standards from the International Sustainability Standards Board (ISSB).

We focus on life, health and wealth products and therefore do not have greenhouse gas (GHG) intensive activities in our underwriting portfolio. While climate change can impact morbidity, mortality and persistency, the impact of climate change does not directly alter the Group's assumptions for its insurance business based on the annual review of experience. If experience or exposure were to change, for example due to a step change in long-term morbidity and/or mortality expectations in a particular region due to climate events, the financial impacts from climate-related risks on our insurance liabilities could be more significant and would be allowed for as part of the regular review. However, the longer-term impact to the Group should be managed by our ability to reprice contracts if needed and develop new products. Work continues on plotting significant clusters of customer locations to assess the potential risk from physical climate events to our known customer base.

The complexity and long-term nature of these climate scenario tests result in the need for some simplifications in the exercises, in line with developing industry practices, such as using a static balance sheet. Simplifications are also applied in estimating the sectoral and regional impacts. The regional impacts are particularly important for Prudential given our operational footprint across Asia and Africa. We participate in and contribute to bodies working towards overcoming these simplifications, as described in the *Supporting a just and inclusive transition* section, starting on page 92.

Climate scenario testing has helped develop our understanding of the nature of the climate risk the Group faces, reinforcing that the main financial risk from climate change is to the asset side of the balance sheet. This is consistent with our business model: as a major asset owner and manager, we rely on investment returns to meet the longer-term obligations of our liabilities and remain exposed to risks that could interrupt or impair those returns, such as a disorderly transition. This also reinforces the case for our strategic objective to decarbonise the investment portfolio.

Impact on financial planning and strategy

As part of our annual strategy and business plan exercise, we applied scenarios comparable to the disorderly transition scenario, ie the below 2°C scenario, which has the largest financial impact over the relevant period, to the economic and non-economic assumptions underlying the exercise. The scenario showed the Group's financial plan remains viable over the period under assessment.

Impact on our operations

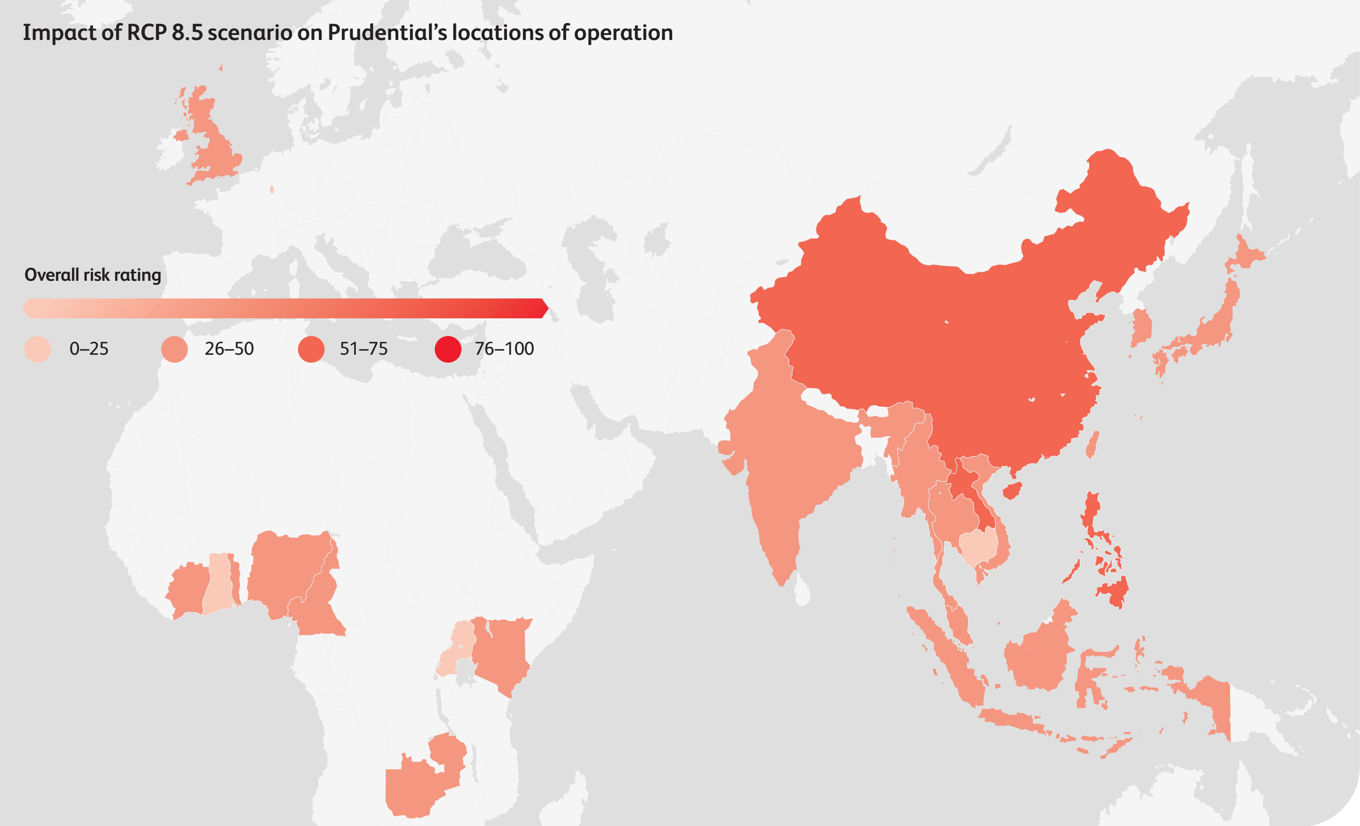
We are also exposed to climate-related physical risk, which may threaten our real estate, corporate facilities, infrastructure and other real assets, and customers.

Our business continuity management programme assesses the risk to our staff and operating locations from natural disasters, including those caused by climate-related physical impacts, such as increased frequency and severity of tropical storms or increased flooding. We remain focused on maintaining and enhancing our organisational resilience.

We use a third-party provider to assess our exposure to physical climate risks and the results of this can be seen in the diagram below. Exposure estimates are based on the highest United Nations IPCC emissions pathway, known as RCP 8.5, which is a high-emissions scenario predicted to lead to temperature increases in excess of 4°C by the year 2100 from the average temperatures between 1850 and 1900, resulting in significant climate-related physical impacts. The diagram shows the extent to which our operations could be exposed to the physical impacts of climate change, if there is no transition to lower-carbon economies. The climate data used by the third-party provider is derived from internationally recognised sources, including IPCC data sets and modelling. The validity of this data has been spot-checked by back-testing global events.

We continue supplementing existing business continuity management activities with scenario analysis to identify additional areas of vulnerability that may arise due to climate change, including potential impacts on our properties, operations, third-party supply chains and customers. Utilising our third-party provider's platform, pilot scenarios were developed during the year to assess climate-related impacts within local businesses. Specifically, the operational risk scenarios were used to investigate how a severe typhoon and/or flood would cause property damages and business interruption, providing insight in the potential increases in operational costs and/or reputational impact.

Impact of RCP 8.5 scenario on Prudential's locations of operation



Managing our direct operational environmental impacts

We seek to actively reduce our direct impact on the environment in line with our purpose of improving the lives of our customers and their communities. To understand our impact, we measure our environmental performance and take action to improve our performance.

Our Group Environment Policy forms part of our Group Governance Manual and applies to our operational properties worldwide, guiding our approach to the management of the direct impacts of our businesses. This includes compliance with environmental laws and regulations with respect to emissions, energy consumption, water use, waste disposal, environmental supply chain management and the adoption of risk management principles for all property-related matters.

The highlights of our 2021 environmental performance are available below. Our 2021 reporting covers the period 1 October 2020 to 30 September 2021, and selected indicators, as noted in the disclosure tables below, are assured by EY. On 13 September we demerged Jackson, our US operations. These metrics and commentary cover the performance of the continuing Prudential Group for 2021 and form the new baseline data from which we will measure future environmental performance.

As the fall in our 2021 emissions is ahead of the reduction trajectory required to meet our 2030 target for Scope 1 and 2 emissions, we have not purchased any carbon offsets for Scope 1 and 2 emissions in 2021. Data in respect of business travel emissions is collected and reviewed within the consideration of our broader operational emissions. Reflecting the previous structure of the Group, and the associated need to regularly travel to and from operations, we chose historically to offset our UK procured air travel emissions. Given the reduction in air travel as a result of the pandemic and the changes in the Group's structure, we no longer believe that adopting this approach on an ongoing basis is meaningful in the context of our broader climate change activities. Whilst we consider the ongoing role and value of offsets as they relate to business air travel, we have decided not to offset any air travel emissions for 2021. We continue to keep our policy around the use of offsets under review.

Group emissions data

Greenhouse gas (GHG) emissions are broken down into three scopes. We have included full reporting for Scope 1 and 2 and selected Scope 3 reporting. Scope 1 emissions are our direct emissions from the combustion of fuel, fugitive emissions and company-owned vehicles. Scope 2 emissions cover our indirect emissions from the purchase of electricity, heating and cooling. We have stated our Scope 2 emissions using both the location and market-based methods in line with the GHG Protocol Scope 2 Guidance. We recognise that our Scope 3 emissions footprint is greater than the emissions relating to our own operations, as reported under Scope 1 and 2. During 2021, we carried out a review of our Scope 3 emissions and more information on this is available below.

We aim to broaden the assured scope over time and as such, we are focused on improving data quality year-on-year, for example the expansion of our Scope 3 reporting in 2021, as detailed below and in the Basis of Reporting. We have also focused in 2021 on improving Scope 1 and 2 data collection from Africa and water and business travel data reporting from Asia.

A summary of our Scope 1, 2 and 3 emissions, excluding Jackson, is provided below, including a restatement of 2020 on the same basis. Data for Jackson, and the composite Prudential Group up until the point of the demerger of Jackson, can be found in the *Reference* section of this report.

The emissions table shows Scope 3 emissions on a consistent basis to those reported for 2020, and the expanded 2021 boundary, as follows:

- The inclusion of 2,001tCO_2e for Asia business travel meant our business travel emissions increased by 8.9 per cent to 2,139.5 tCO_2e in 2021, reflecting the continued impact of travel restrictions and other control measures related to the Covid-19 pandemic, even with the enhanced assured reporting scope.
- Inclusion of the fuel and energy related activities generated Scope 3 emissions of 6,451 tCO_2e in 2021. This category of emission is directly linked to Scope 1 and 2 emissions and therefore, the actions we are taking to reduce our carbon intensity in these areas will enable us to deliver reductions in these Scope 3 emissions.

Emissions Source (tCO_2e)	**2021***	**2020**	**Change (%)**
Scope 1	1,481	1,378	7.5
Scope 2 – market based	19,986	23,608	(15.3)
Scope 2 – location based	21,547	23,525	(8.4)
Scope 3 (2020 boundary comparative)	160	1,998	(92)
Scope 3 (expanded 2021 boundary)	8,793	n/a	
Total: Scopes 1 and 2	21,467	24,986	(14.1)
Total: Scopes 1, 2 and 3 (2020 boundary comparative)	21,627	26,984	(19.9)
Total: Scope 1, 2 and 3 (expanded 2021 boundary)	30,260	n/a	
kg per m^2 – Scopes 1 and 2	58.22	66.72	(12.7)
Tonnes per employee – Scopes 1 and 2†	1.47	1.69	(13.0)
kg per m^2 – Scopes 1, 2 and 3 (2020 boundary comparative)	58.65	72.06	(18.6)
kg per m^2 – Scopes 1, 2 and 3 (expanded 2021 boundary)	82.07	n/a	

* Within the scope of EY assurance – see page 74 and the Basis of Reporting on the Prudential plc website at www.prudentialplc.com/~/media/Files/P/Prudential-V13/esg-report/basis-of-reporting-2021 which notes which Scope 3 categories were assured in 2021.

† Outside scope of EY assurance.

The Covid-19 pandemic has continued to affect our operations, with lockdowns and office closures for non-essential workers across the regions where we operate. Our global absolute Scope 1 and 2 (market based) GHG emissions across our occupied estate, excluding Jackson, were 21,467 tCO_2e, down 14.1 per cent in 2021. Electricity use in our buildings is the largest contributor to our operational footprint at 19,986 tCO_2e (market based), making up 93 per cent of our total Scope 1 and 2 emissions. The energy consumption associated with our employees working from home has not been captured in our reporting.

Monitoring our progress

Based on the site assessments undertaken in previous years, we have identified emissions reduction opportunities and developed target projections and emissions reduction roadmaps with each of our businesses. These roadmaps are being used to track delivery against our target.

In support of the implementation of these roadmaps, we have been working to strengthen the processes in place for communicating, collating, and reviewing environmental data. We have remained focused on sharing knowledge between our businesses, including via an online conference aimed at property management teams across our markets.

During 2021, we migrated the environmental data for our entire property portfolio into a single digital reporting platform. This platform allows us to visualise and interrogate the emissions performance of our property portfolio down to a single building. This level of granularity enables us to gain better insights where potential emission reductions can be found and to provide our business units with a tool to measure the impact of their sustainability actions. This will support us in tracking progress towards achieving our 2030 carbon reduction target.

Operational carbon reduction target

We have set a target to become carbon neutral across our Scope 1 and 2 (market-based) emissions by the end of 2030. We aim to deliver a 25 per cent reduction per full time employee (FTE) in our operational emissions from a 2016 baseline, then abating the remaining emissions via carbon offsetting initiatives.

We are ahead of the emissions reduction trajectory required to meet our 2030 target. However, we are aware that office closures and operational restrictions imposed to manage the spread of Covid-19 have played a part in the achievement of this reduction. We anticipate that as social distancing restrictions ease, and a more normalised level of operations resume in our offices, we will see a rebound in our Scope 1 and 2 emissions closer to normalised levels. Anticipating this partial rebound, we are developing and implementing reduction measures across our operations portfolio to address this anticipated increase and to ensure we continue to meet our target aspirations. We will continue to keep our performance and our target under review.

Leasing and fitting out our portfolio

The properties we occupy and the decisions we make around the leasing and fitting out of our facilities form a critical part in achieving our environmental objectives. During 2021, we updated our internal property approval process to require our local businesses to demonstrate that they have assessed the environmental impact associated with the proposed project.

We also developed internal guidance for incorporating environmental performance considerations into the office design process, such as using LED lighting with sensors, installing timers, lighting zones and maximising natural light. This guidance has been adopted for projects undertaken in Thailand, Kenya and the Philippines. Two of these new offices became operational during 2021 and will generate energy and carbon reductions in the future.

We are also focusing on the materials used and the waste generated by office relocations. To reduce the waste from an office move in Malaysia, we worked with the landlord to reduce the requirements of the reinstatement clause in their contract, saving the disposal of 152 tonnes of waste being generated. Our business in Malaysia has recently used carpet tiles certified carbon neutral. This project used 900m^2 of flooring and resulted in a reduction of the embodied carbon of eight metric tons of carbon dioxide.

Scope 3 emissions review

During 2021, we carried out a review of our Scope 3 emissions to better understand which areas of our value chain contribute most significantly to our overall emissions footprint. The assessment was carried out in accordance with both the Greenhouse Gas Protocol and Partnership for Carbon Accounting Financials (PCAF) and considered all 15 Scope 3 categories.

Our review identified eight of the Greenhouse Gas (GHG) Protocol's Scope 3 categories that were relevant to Prudential. Of these Scope 3 categories, our most significant emissions are from our investment portfolio, which we are reporting for the first time in 2021. Data gaps across some of our Scope 3 categories remain and as Scope 3 data accuracy and methodologies continue to evolve, we will seek to align with best practice, and broaden the scope of reported Scope 3 categories. The table below summarises our Scope 3 emissions review.

Category		Relevant	Why category is relevant or not	Reported in FY21	Assured
1	**Purchased goods and services**	Yes	There are emissions associated with the products and services we purchase, for example IT and professional services.	No	No
2	**Capital goods**	Yes	There are embedded emissions with the capital goods we purchase, for example IT hardware and furniture.	No	No
3	**Fuel- and energy-related activities (not included in Scope 1 or Scope 2)**	Yes	There are emissions associated with the extraction, production and distribution of the fuels and electricity that we purchase, including for business travel.	Yes	Yes
4	**Upstream transportation and distribution**	Yes	We generate emissions through third-party courier and logistics services.	No	No
5	**Waste generated in operations**	Yes	We generate emissions through the disposal and treatment of waste generated in our on-site operations.	Yes. Water data reported for UK and Asia. Waste data is UK only.	Partly, as set out in Basis of Reporting
6	**Business travel**	Yes	We generate emissions by travelling for business-related activities, including flights and land transport, booked through our travel partners.	Yes. UK and Asia only.	No
7	**Employee commuting**	Yes	We generate emissions through staff commuting and from remote working, however, we have a limited ability to influence these.	No	No
8	**Upstream leased assets**	Yes	We generate emissions from landlord-provided services, such as air-conditioning, that are not captured in our Scope 1 and 2 disclosures.	No	No
9	**Downstream transportation and distribution**	No	We do not sell products that are transported.	No	No
10	**Processing of sold products**	No	We do not process intermediate products.	No	No
11	**Use of sold products**	No	We do not sell products that have an associated energy use outside of our operations.	No	No
12	**End-of-life treatment of sold products**	No	We do not sell physical products that can be disposed.	No	No
13	**Downstream leased assets**	No	We do not lease assets to other entities.	No	No
14	**Franchises**	No	We do not operate any franchises.	No	No
15	**Investments**	Yes	We hold significant financial investments which generate emissions.	Yes (see *Climate-related metrics and targets* section on page 82)	Yes

Enforcement actions and other regulatory events

No fines or regulatory actions occurred during the year for environmental incidents (2020: zero)

Supporting a just and inclusive transition

As a steward of long-term capital, we seek to use our scale and expertise to drive decarbonisation at pace, and to do so in a way which is just and fully inclusive. This means that we are continuously mindful of the need to implement our decarbonisation strategy in a way that acknowledges the nature of the markets in which we operate, and seeks to share the financial and social burden of the transition in a fair manner, promoting sustainable development for all stakeholders.

Our Asian and African markets include highly developed economies, such as Hong Kong and Singapore, that have diversified, service-led economies and mature financial markets. It also includes emerging markets that are more dependent on primary and energy-intensive industries. These emerging markets have a greater reliance on fossil fuels in their energy generation mix than developed economies. These countries' energy transition is likely to proceed at a slower pace, as acknowledged by the Paris Agreement and reflected in the countries' Nationally Determined Contributions.

Supporting a just and inclusive transition through our Responsible Investment targets

The need for a just and inclusive transition was an explicit consideration for Group while evaluating possible targets and commitments. This was brought to life specifically in the decision around our coal policy where in considering different thresholds, each was tested against whether it supported a just and inclusive transition. Ultimately, the threshold for our coal policy was set so as to balance our stewardship duties in developing markets, while also allowing companies in those markets to phase out of coal in a just and inclusive manner and encouraging companies in more developed countries to phase coal out quicker. In reviewing and approving the targets, the Board and its Responsibility and Sustainability Working Group (RSWG) took a specific interest in a just and inclusive transition aspects.

We further support an inclusive transition through our engagement targets, based on a belief that engagement is preferable to divestment to secure a just transition, though divestment may be the appropriate response in certain circumstances. Engagement is a core part of providing effective stewardship and we seek to encourage business and management practices that support sustainable development through constructive interaction, as described in the examples in our *Active ownership* section on page 109.

Policy engagement and advocacy

With operations in Asia and Africa, we are well placed to bring an emerging markets perspective to stakeholder discussions to help ensure the need for a just and inclusive transition in developing markets is considered in policy and regulation.

We regularly engage with regulators and monitor evolving climate risk-related initiatives that could develop into new regulation in the markets in which we operate. We consider the transition to a low-carbon economy to be essential and we engage constructively with trade associations, policymakers and NGOs to shape the evolution of regulation and standards relating to climate risk and transition.

Throughout 2021, we actively engaged with international standard setters, and with governments and regulators in the markets where we operate on key issues shaping the ESG policy environment. As in 2020, a major area of engagement with our host governments was the ongoing management of Covid-19 and the impact on our customers, communities and staff. We have engaged with governments to support their health priorities, including the use of digital solutions in healthcare and insurance, and in supporting financial inclusion. More information on our approach is available in the *Making health and financial security accessible* section on page 75. At the same time, attention on the effects of climate change and the role of the financial sector increased at both the international and national level (see Prudential and COP26 on page 94).

As well as direct engagement with governments and regulators, we worked with a number of trade associations and working groups to understand and inform approaches to international and national-level policy and regulations and to benefit from the collaboration and cooperation that comes from working alongside peers in industry to inform and understand policymaking.

The table below summarises the key stakeholders and topics we engaged with and the topics we contributed to.

Stakeholders and topics	Prudential contribution
At the international level, we closely followed the climate-related initiatives set out by both the International Association of Insurance Supervisors (IAIS) and the International Organisation of Securities Commissions (IOSCO)	> Ongoing discussions with the IAIS on how to assess and incorporate climate-related risks in its yearly Global Monitoring Exercise. > Early participation in the IAIS's Climate Task Force, established in October 2021 with the purpose of engaging with industry stakeholders to provide input to IAIS climate work. This will continue in 2022. > Engagement with, and feedback to the Taskforce on Climate-Related Financial Disclosures (TCFD) consultation on Proposed Guidance on Climate-related Metrics, Targets and Transition Plans.
We also monitored and contributed to a range of consultations through the IIF	> With the IIF, we led the creation of a working group within their Insurance Regulatory Committee to focus on how issues affect Asia-Pacific markets specifically, including on climate change and sustainability and digital transformation and the implications for financial inclusion. > We contributed to the following consultations via the IIF: – IOSCO ESG ratings consultation. – IFRS Foundation Exposure Draft on Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board (ISSB) to set IFRS Sustainability Standards. – IIF Sustainable Finance Working Group (SFWG) response to the TCFD public consultation on Climate-related Metrics, Targets and Transition Plans. – IAIS Application Paper on the Supervision of Climate-related Risks in the Insurance Sector.
As governments and regulators in the markets we operate in have developed their policies and regulations to support sustainable finance, we have engaged actively in the policy development process	> The Group CEO's membership of, and participation in, the Monetary Authority of Singapore's International Advisory Panel (IAP), which included a focus on national and regional sustainable finance priorities. > Membership of Singapore's Green Finance Industry Task Force's Workstream on Disclosure. Our Singapore business provided inputs to the development of a best practices disclosure document, which sets out pathways for financial institutions (specifically banks, asset managers and insurers) to adopt and put in place TCFD recommendations based on the different stages they are at in their sustainability reporting journey. Our Singapore business also provided responses to the SGX Consultation Paper on Climate and Diversity, and ESG Metrics. > Response to Indonesia's regulatory requirements to submit a Sustainable Finance Action Plan (SFAP). > Participation in the Mayor of Shanghai's annual International Business Leaders' Advisory Council meeting, with a paper on developing Shanghai's role in sustainable finance.
Engaged with UK policymakers and regulators during its COP Presidency on UK listing requirements and international policymaking	> Membership of the CBI's Sustainable Finance Working Group. > Input to the UK Financial Reporting Council consultation on the use of scenario analysis by FTSE350 companies. > Participation in an ABI roundtable to help provide feedback on the PRA/FCA Climate Financial Risk Forum Scenario Analysis Working Group's draft Scenario Analysis Guide for Insurers and Asset Managers.

Prudential and COP26

A major focus of policymakers, regulators and business in 2021 was the preparation for and meeting of the UNFCCC's Conference of Parties (COP26), under the UK and Italian Presidency, with the meeting from 31 October to 13 November 2021.

Through 2021, Prudential worked with the UK government's COP Unit and UK embassies in our markets on key themes ahead of COP26. We participated in local Energy Transition Councils facilitated by the UK government in a number of ASEAN markets. We also participated in green finance workshops organised by the UK government or other partners in collaboration with domestic policymakers.

At COP26, across a range of activities, the Chair, Group CFO and COO and senior Prudential representatives highlighted the importance of an inclusive transition in Asia and Africa; the challenges of addressing coal retirement and investment in renewables in developing markets; and the framework for financial market participants to achieve net-zero goals – for example, the creation of an International Sustainability Standards Board (ISSB) to deliver a global baseline for sustainability-related disclosure standards. Prudential partnered with the GHS@COP26 conference, which took place during COP26, led by the City of London Corporation and the Green Finance Institute, to amplify these messages and initiatives.

Prudential supported the publication during COP26 by the World Economic Forum (WEF) of a set of principles to ensure a 'Just and Urgent Energy Transition', while Don Kanak, chairman of Prudential Insurance Growth Markets, took part in the Asian Development Bank's partnership launch for the development of an Energy Transition Mechanism, alongside the Indonesian and Philippine governments.

Memberships of trade associations, such as Asia House, the UK-ASEAN Business Council and the China-Britain Business Council, and a number of British and European Chambers of Commerce, enabled the organisation of, and participation in roundtables and meetings with policymakers on green and sustainable finance, healthcare and digital issues, often virtually given the continuing restrictions on international travel. Green and sustainable finance also featured in various government-to-government and regulatory dialogues that took place through the year, and into which Prudential advocated relevant priorities and perspectives. Through membership and chairmanship of the EU-ASEAN Business Council, contributions were made to a range of policy papers and events covering issues including plastics, energy transition, healthy ageing, fuel economy and fuel standards, and digital tools for affordable protection, health and wellness.

We developed and contributed to a range of advocacy and position papers and events covering a broad range of issues from climate and health to financial inclusion. Examples include Prudential's Philippines business, Pru Life UK, which commissioned a study that aimed to support greater understanding of the effects of climate change on Filipinos' health and wealth, and to guide the industry and government in developing practical preparation and mitigation strategies (see case study). With support from Prudential Singapore, EuroCham Singapore produced a 'Future of Healthcare and Wellbeing White Book, 2021–2022', including a paper on 'Healthcare and Innovation – a Healthcare financier perspective' by Prudential. We were the headline sponsor of the Singapore FinTech Festival 2021, with a major focus on the role and impact of digital innovation on expanding financial inclusion. We participated in the Commonwealth Trade and Investment Summit in September 2021, highlighting the role of technology in expanding financial and health inclusion. We sponsored the CamTech 2021 Summit which included a focus on the potential for digitisation to drive inclusion and on green finance.

Energy Transition Mechanism
Coal-fired power plants represent a fifth of total global carbon emissions, and nearly three-quarters of emissions from the electricity and heating sector. Given the global reliance on coal, the private and public sectors must work together to support the transition to a low-carbon economy. The development of the Energy Transition Mechanism (ETM) is an example of the type of project that will be needed, which is being trialled in Indonesia and the Philippines. The ETM concept was developed by Don Kanak, Chairman of Prudential Insurance Growth Markets.

The ETM is a scalable public-private partnership that can be used to acquire and then retire coal-fired power plants well before the end of their useful life, in an orderly and just way. The ETM proposes that an investment fund is established in collaboration with national authorities in order to purchase and retire coal-fired power plants within 10 to 15 years, cutting short their expected lifetimes of 30 to 40 years. A complementary facility would channel proceeds into renewable power, grid upgrades and support for workers and communities. In this way, the ETM would help developing countries to finance an orderly transition towards less reliance on coal in the total energy mix and have access to affordable renewable power.

In 2021, the Asian Development Bank (ADB) commissioned a study to validate and refine the ETM concept in Indonesia, the Philippines and Vietnam. After the first study was completed, the ADB launched a detailed feasibility study of operationalising the ETM in Asia, with a pilot in late 2022 in Indonesia and the Philippines. The 'Southeast Asia ETM Partnership' was formally launched in November 2021 at COP26, with attendance from senior officials in developed and developing countries and philanthropists.

We continue to support the ETM as an example of the practical private-public solutions needed to progress the energy transition and we look forward to seeing the outcome of the detailed feasibility study in Indonesia and the Philippines.

Sustainable Development Investment Partnership (SDIP)
The SDIP is a multi-stakeholder initiative under the World Economic Forum and OECD, of which Prudential and over 40 other companies, foundations, multilateral development banks and governments are members. Its goal is to mobilise finance at scale in developing countries in support of the Sustainable Development Goals. Through the SDIP, we work with public and private sector institutions in emerging markets, particularly in South-east Asia, to scale domestic and international investment in sustainable infrastructure and promote energy transition.

Working with SDIP, we became an initial signatory of the 'Principles for Financing a Just and Urgent Energy Transition' (JUET Principles), launched at COP26. These principles create a better context for the developed countries to step up their financial assistance to the emerging markets and complement the ETM through creating the right enabling environment to facilitate large-scale and urgent energy transition in developing economies.

Work is underway to further explore where the SDIP and the EU-ASEAN Business Council can work together with the Net Zero Asset Owner Alliance to increase the voice of emerging markets in transition finance.

Joining the Net Zero Asset Owner Alliance

In June 2021, we joined the United Nations-convened Net Zero Asset Owner Alliance (NZAOA). The NZAOA is a network of institutional investors committed to the decarbonisation of their investment portfolios with support from scientific advisers and collaborators, including the Partnership for Carbon Accounting Financials and the Science Based Targets initiative.

In joining the NZAOA, we aim to bring an emerging markets perspective to the discussions on investment portfolio decarbonisation, which is critical to ensure that the specific needs of those developing markets are addressed. Since joining the NZAOA, we have participated in a range of discussions, including updates to the NZAOA's target setting protocol, inclusion of additional asset classes such as sovereign bonds in carbon accounting, engagement and protocols. Additionally, we have taken the initiative to set up a new sub track, within the NZAOA, focused on financing the transition in emerging markets.

Strategic Pillar: Building social capital

We build social capital by building trusted relationships with our employees, on whom our success depends, and we seek to safeguard the public's trust in us through our rigorous approach to digital responsibility.

Our people responsibility

As an employer, we have made a pledge to make Prudential a place where our people can *Connect, Grow and Succeed*.

Our Employee Value Proposition
With 'Ambitious' as one of our values, we have a bold vision for what it is like to work at Prudential. We are on a multi-year transformational journey to reach this, within which 2021 was a critical year.

Our Group Culture Framework outlines who we are, why we exist, and how we conduct our business and ourselves, as well as how we behave while at work and in the wider world. The four components that comprise our culture framework are: *Purpose, Principles, Values, Future-Ready Skills*.

In October 2021, to give form to our Group Culture Framework, we launched a unified employee value proposition (EVP). The EVP speaks to our current and prospective employees, prompting reflection on the impact they can make at Prudential, and providing tangible proof points on how Prudential powers their careers. The EVP is as follows:

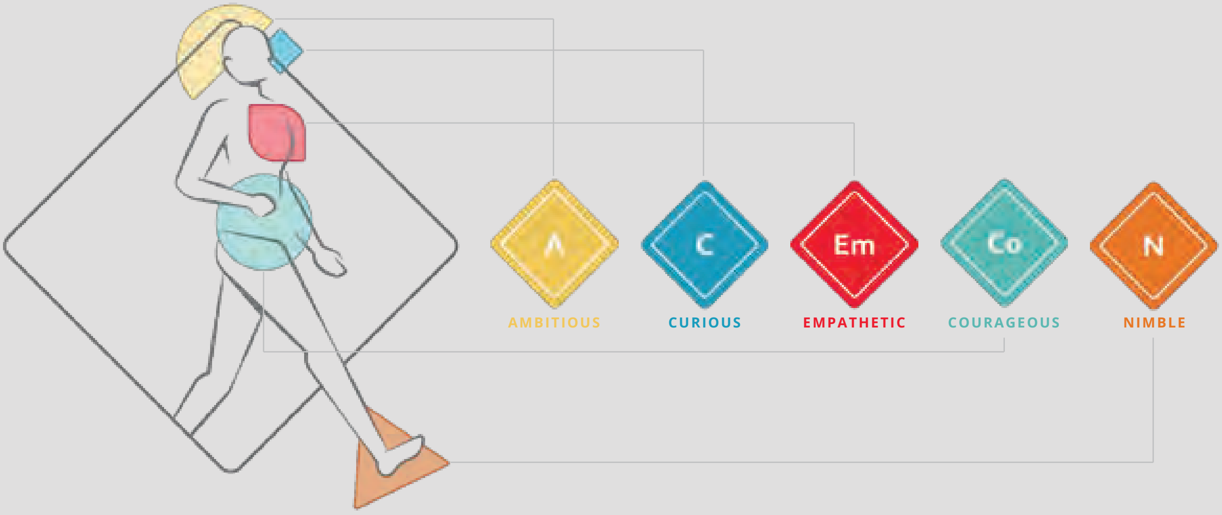
> *'Prudential's purpose is to help people get the most out of life. We do that for customers and employees alike. We know that career decisions are significant – and that you entrust us with your time, talent and passion. This powers our ambitions in Asia and Africa. In exchange, to honour the trust you place in us, we pledge to make Prudential a place where you can Connect, Grow, and Succeed.'*

Prudential plc's Employee Value Proposition

The EVP is a pledge, not a strategy itself. Our people strategy and a three-year roadmap were socialised with our Board and guide our work to fulfil the promises it makes. The strategy covers areas including culture, diversity and inclusion, learning and development, leadership, talent, performance and more; the roadmap lays out a series of intended outcomes. During 2021, the roadmap called for aligning processes and engaging our people, with performance management being a focal point.

Purpose	**We help people get the most out of life**					
Principles	We put customers first	We act with integrity	We embrace a growth mindset	We invest in communities	We take the long view	
Values	AMBITIOUS	CURIOUS	EMPATHETIC	COURAGEOUS	NIMBLE	
Future-Ready Skills	Look Broadly	Tell Stories	Think Conceptually	Imagine Possibilities	Build Iteratively	Work Collaboratively

Our values



Culture

Our people surveys are central to measuring our progress on our three-year culture journey. We conducted our first survey in May 2020 and our second in January 2021. These initial surveys told us that, although our people were proud to work for Prudential and were being supported in our initial response to Covid-19, they needed more support in the areas of work-life balance, raising concerns, and career and learning opportunities.

We then carried out our third global people survey in December 2021, with 95 per cent of our colleagues participating and providing feedback. Understanding of the Group's values was the most improved factor on the survey, compared to January 2021. Overall engagement continues to improve, and our 2021 engagement score was above the benchmark median score for all industries globally. Since we ran the initial survey in May 2020, we have made significant improvement in the following areas:

- Open and honest two-way communications;
- Reporting a concern without fear;
- Rarely feeling overstressed by work; and
- Doing something when someone is not delivering in their role.

At Group level, topics raised by colleagues included learning and development opportunities, positioning our colleagues for growth during business transformation and enhancing colleague wellness. Insights from the survey will help inform plans at both business and Group level.

In 2020, we conducted our first Collaboration Jam, a three-day inclusive online conversation where colleagues could connect and co-create solutions for the issues that matter most to them. Input from our colleagues during 2020's Collaboration Jam helped us to define our new values: ambitious, curious, empathetic, courageous and nimble, which we believe are fundamentally human values, represented by different parts of the body so that they are accessible regardless of language or seniority. Each value is defined by different mindsets and acceptable and unacceptable behaviours, making it clear what is expected of our colleagues. Our values are embedded in our approach to feedback and reward. We launched our values in early 2021, with a series of videos where colleagues explained what the values meant to them personally.

We conducted our second Collaboration Jam in August 2021, with over 9,000 colleagues registering to participate and more than 75,000 comments made over the 72-hour period. As in 2020, the 2021 Jam engaged our people to define another aspect of our Group Culture Framework, our future-ready skills, which we explored through key themes of culture and connection, customer-centricity, hybrid work, and wellbeing and the future of work. We used this colleague input to identify the values associated with the future-ready skills as well as the competencies necessary to put them into action. The competencies will be used to build our self-directed learning paths, which will be offered to colleagues in 2022. Insights gained from the Collaboration Jam form a key part of the ongoing development and iteration of our people roadmap.

The values and the future-ready skills work together to signal to our people how we want them to 'show up' in everyday interactions with customers and colleagues and also what we want them to do as they undertake their work. Our learning programmes are organised around the future-ready skills and our people receive continuous feedback on how well they are living the values from peers and managers through TellMe, an internal app that enables this feedback.

Learning

We have made a pledge to make Prudential a place where our people can connect, grow, and succeed. A significant part of our pledge to employees is preparing them for the future of work, so that they can participate in and contribute to our transformation, and also so that they are confident and well equipped for wherever their careers may take them.

In 2021, at the Group level, we made a series of strategic investments in learning and development (L&D). Our vision is to build a workforce that knows how to learn and does so in the flow of work and in service of our business ambitions. Our L&D strategy is intertwined with our Group Culture Framework, linking our learning programmes to our organisational culture. More information about the training provided to our agency force is provided on page 79.

We have partnered with LUMA Institute, an education company, to help develop our innovation and design thinking capability. To achieve scale, we have introduced LUMA Workplace, which is an online platform that enables a do-it-yourself approach to design thinking that includes tools, templates, suggested agendas and more. To lay a foundation for a broader rollout of design thinking as a future-ready skill, we have trained almost 250 people from across the Group on LUMA's Practitioner Certification Programme.

We hosted two company-wide webinars: one on 'New ways of working', and another called 'What could go wrong?' The first unpacked our values and introduced the concepts around our future-ready skills. It also served as the launch for LUMA Workplace and LinkedIn Learning, which hosted curated learning paths around our future-ready skills. The second webinar extended the narrative around values into the space of sound risk management. Both webinars were broadcast with live simultaneous translation in several local languages to increase accessibility of the content.

Our local businesses also developed local learning programmes tailored to specific needs. Notably, Prudential Singapore held a week-long 'Learning Fest' called PRUYou Fest: Supercharging You to Power up PRU, focused on capability building and celebrating the learning culture at Prudential Singapore. The event saw 1,260 attendees, including employees and agency distributors, who clocked over 1,700 learning hours that week.

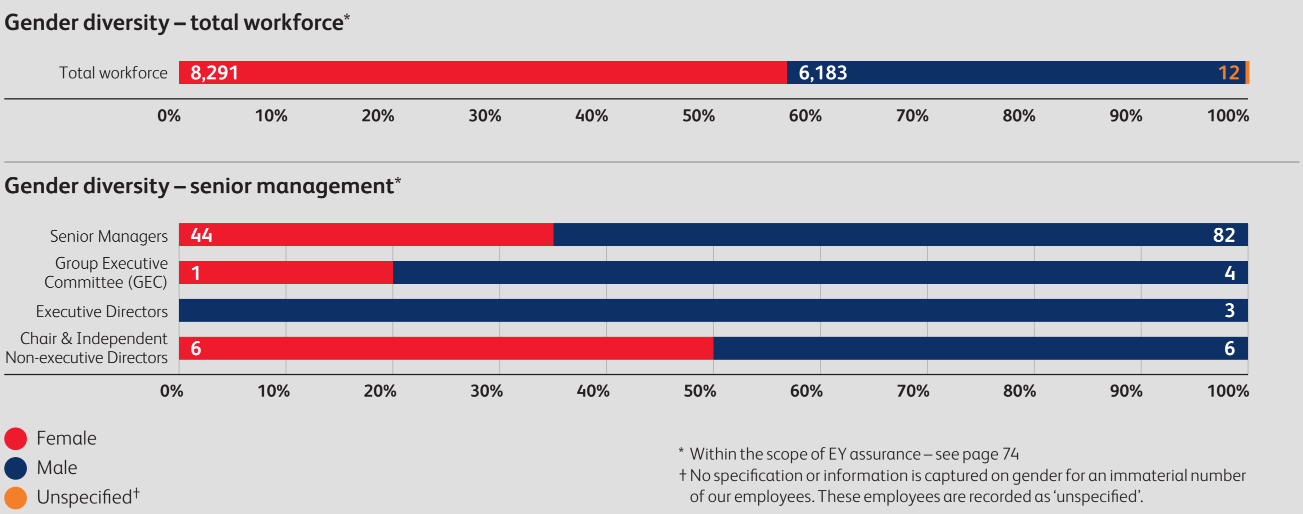
Employees are expected to complete mandatory training each year on key topics such as anti-bribery and corruption, anti-money laundering, privacy and competition law, completing an average of 12 hours training during 2021.

Diversity, inclusion and belonging

We seek to build a culture where diversity of thinking, skills, identity and experience is celebrated and inclusion assured for our people, customers and partners.

To proactively manage the hiring and promotion of senior leaders, we have developed a dashboard that will be used at both a Group and local business level to support the management of talent pipelines. A summary of our D&I performance is included below. While our diversity figures have improved year-on-year, we recognise that we have more to do in this area, and a number of the initiatives set out below are aimed at addressing this, for example our Talent Sponsorship Programme that launched in 2021.

- At 31 December 2021, the representation of women on our Board was 40 per cent. However, following the 2022 AGM, the representation of women will be 33 per cent, just below the average for FTSE100 companies, and we expect further changes during 2022 as the Board continues to evolve.
- We have exceeded the recommendation of the Parker Review to have at least one director being from what is regarded in the UK as an ethnic minority background on the Board by 2021, with five of our 15 directors meeting this criteria.
- As a signatory to the HM Treasury Women in Finance Charter since 2016, we had a target of 30 per cent women in senior management by the end of 2021. At 31 December 2021 this figure was 35 per cent.



* Within the scope of EY assurance – see page 74
† No specification or information is captured on gender for an immaterial number of our employees. These employees are recorded as 'unspecified'.

Our Global D&I Council, established in May 2020, is responsible for defining our global D&I strategy and supporting programmes, promoting and championing D&I initiatives in respective businesses and challenging the organisation when progress is limited. The Council provides updates to the Board twice a year and the Responsibility and Sustainability Working Group (RSWG) receives quarterly D&I updates. In July 2021 we expanded the Council to include five additional members to ensure alignment to the broader ESG strategy. The Council has established a global D&I Charter guided by the principles of empowering our employees, fostering transparency, and creating communities.

In October 2021, after reviewing our approach to employee networks, the Global D&I Council launched PRUCommunities, which are led and owned by our people and open to everyone at Prudential, providing person-to-person connections and a strengthened sense of belonging. PRUCommunities is designed to be a safe place for our people to share identities, interests and goals, and ignite the changes they would like to see at Prudential. PRUCommunities of our people enable them to Connect, Grow and Succeed through building connection and community locally, regionally and globally across businesses and functions. On 19 November 2021 the first global event for PRUCommunities was hosted with #PinkFridayPride, run by PRUPride to support LGBTQI+ colleagues.

During 2021, we launched our Talent Sponsorship Programme, which is aimed at accelerating diverse talent and matches our most senior executives as sponsors to selected leaders and sponsees who have been identified through our talent review process as critical pipeline for our future. This programme aims to provide sponsees with greater visibility in the organisation, increasing their impact in their existing roles and accelerating their career progression. The programme has been a learning experience for both sponsors and sponsees, who built trusted relationships across the organisation, gained a greater understanding of other functions and developed their personal leadership. To date, over 70 per cent of sponsees have achieved their objectives. The programme will expand in 2022 by cascading to the next level of our talent pipeline, doubling the number of sponsees to 60, and focusing on underrepresented talent groups, based on gender, generation and background, to drive diversity and inclusion in leadership at Prudential.

As part of our ongoing commitment to transparency, during 2021 we again submitted responses to the ShareAction Workforce Disclosure Initiative, where we achieved a score of 88 per cent (2020: 76 per cent) and the Bloomberg Gender Equality Index, being listed on the index for the second year.

Leadership

We have taken steps to embed inclusive traits into the mindsets and behaviours that underpin our values. We focus on Senior Management Team (SMT) hiring, succession and development, leveraging a tool underpinned by Hogan Assessments. The tool has been developed to provide insight on alignment with our values and leadership capabilities and identify potential derailers including potential biases an individual may have. Furthermore, certain local businesses have run workshops to invite leaders to reflect on their personal leadership and engage conversation around changes that could help them become more inclusive. This is consistent with our approach on learning, where we set Group-wide strategy and run certain company-wide programmes, which local businesses complement with interventions to meet local needs.

With our focus on raising awareness and embedding our values and inclusiveness, we provided our top 200 leaders with the Leadership Culture Journey programme during 2021. The programme provided a safe space, connecting leaders from across the organisation to reflect and freely discuss our values and what they mean to our leaders personally. They have also learned practices and tips to reinforce our values in daily reality. As part of this, we introduced an Adaptive Leadership framework, which supports systemic change around mindsets, behaviours, capabilities and more.

Since 2020, we have enrolled a cohort of our leaders in a Transformative Journey, a deeply contemplative programme aimed at developing more human-centric leaders and change agents for the organisation. Over 60 per cent of this year's cohort reported improved wellbeing and all say they have shifted their mindset and feel more empowered to drive change. Going forward, we are aiming to reach a critical mass of our leaders in order to drive a more courageous and entrepreneurial mindset throughout the organisation. To sustain the momentum of this programme, we are aiming to enrol up to 50 per cent of our leaders and top talent on this programme in 2022.

Talent and succession

Our talent management approach is evolving by providing both targeted interventions for selected segments of talents and leaders identified as successors for future leadership roles, as well as providing all employees with access to individual development and career opportunities. To align with external hiring, individuals identified in succession pipelines will undertake our Hogan-based Assessment, which will inform their selection when the role becomes available and also guide their development in preparation for their next career move.

Our focus is to promote from within to provide meaningful careers for our people and strengthen our leadership capabilities deeper into the organisation. In 2021, almost 70 per cent of our leadership appointments have been internal candidates, of which a number have come from the promotion of talents, including those who have participated in our Talent Sponsorship Programme. We also focus on internal mobility, and nearly 50 per cent of all appointments came from cross-business mobility.

We have improved succession coverage by accelerating readiness of successors who are ready to take a designated role within the next 18 months and we have increased our talent pipeline by 30 per cent over three years. We have achieved this by moving deeper into the line of succession to mitigate the risk of promotions leaving gaps. To strengthen our pipelines in commercial, financial and HR roles, we piloted new functional assessment centres, using psychometrics to identify future potential and panel interviews on critical skills assessed by internal leaders. Our Executive Development Centre supports the talent pipeline for the most strategic roles in our organisation, with 43 per cent of participants being promoted within a year, 14 per cent taking on expanded roles and the remainder continuing to grow into their existing roles.

Recognising that every employee is a talent, we are developing a more democratised approach to talent development, providing all employees with the opportunity to access mentoring and new career experiences.

In June, we launched myMentor, a platform to provide mentoring at scale, where employees can register as a mentor and/or search for a mentor across the entire organisation. Mentors can share their extensive knowledge, insights, advice and experiences with colleagues across the Group, supporting personal and organisational growth in a transparent and democratised manner. Over 130 mentoring relationships have been created during 2021 on the platform, significantly increasing the number of mentorship opportunities for our people.

In October, we piloted our Opportunity Marketplace platform, which aims to provide colleagues with new learning and development opportunities, capturing the untapped energy and capabilities of our people. The Marketplace applies machine learning to match our people's skills and aspirations with project opportunities, permanent roles and learning opportunities. It allows people to drive their own growth and development by furthering their experience and skills in areas that interest them. We will continue to roll out the Opportunity Marketplace during 2022.

Reward and recognition

We aim to build reward plans that attract and engage exceptional people, foster their wellbeing and provide with them fair and personalised opportunities to share in organisational success. We recognise and reward high performance and are committed to a fair and transparent system of reward. Among our benefits, we offer employees competitive pension arrangements. Remuneration is linked to the delivery of business goals, our values and expected behaviours. We ensure that our rewards for our people do not incentivise inappropriate risk-taking by assessing employees on 'what' they have achieved, and on 'how' they have done so.

We aim to create the right environment for all of our people to excel and contribute to the company's success, in line with our purpose to help people get the most out of life. In 2021, we introduced a new performance management framework based on our employee value proposition to connect, grow and succeed. The framework is based on our 'Coach' principles:

- Continuous: Frequent feedback anytime, anywhere;
- Ownership: Each of us is responsible for our own careers;
- Authentic: Open conversations in a trusted, honest and motivating manner;
- Clear employee, team and individual goals: Clarity on what is expected of our employees and teams; individual goals all align to our business strategy; and
- How we behave and exhibit our Group values form an integral component of individual performance.

We have prioritised linking our values to reward outcomes. We continue to drive 360-feedback for our colleagues, which we adapted in 2021 to ensure the way in which we evaluate performance and development is aligned with our values. The behaviours associated with our values form the basis of peer-to-peer feedback, which in turn is included in annual performance reviews, linking behaviours to reward outcomes.

The Group's executive remuneration arrangements reward the achievement of Group, business, functional and personal targets, provided that performance is aligned to the Group's risk framework and appetite and that our conduct expectations, as well as those of our regulators and other stakeholders, are met. Information on executive remuneration and its alignment with the pay of other employees, including the CEO pay ratio and UK gender pay gap, is provided in the Directors' Remuneration Report within the Annual Report.

Wellbeing

Following feedback from our Collaboration Jams, we have sought to raise awareness on wellness, as well as connection with and recognition from colleagues. During 2021, we co-created our wellbeing framework with all of our businesses to define how we ensure that we look after the health and wellness of our employees. Our focus is on four main wellbeing pillars: health and wellness, financial, work-life blend and mental wellbeing. More detail on how we support our colleagues across these four areas of wellbeing is provided in the table below. These Group-wide programmes are supplemented by local initiatives, including family Fridays, where employees are encouraged to finish early, virtual fitness challenges and wellbeing webinars and speaker events. The implementation of the wellbeing framework is monitored through a dashboard, which provides an indication of how well we are performing against the wellbeing standards and enablers.

We continue to develop our wellbeing approach in the context of the rapid transition to hybrid ways of working, which will see an ongoing proportion of people continuing to work remotely. We have developed our approach to hybrid working, including principles and toolkits to support our employees based on guidance from our people through the 2021 Collaboration Jam, along with input from our managers and leadership. In October, we engaged over 120 managers across the Group to understand how to support them to implement hybrid working at Prudential on an ongoing basis. This identified three key areas of focus for successful hybrid working, namely technical skills and the need for digital upskilling of employees, human skills to support and manage wellbeing, and organisational support to provide consistent access to hybrid working arrangements for our people. The aim of this is to enable a transition to sustainable performance that prioritises employee wellbeing while facilitating working in a hybrid way.

Wellbeing at Prudential is defined across four pillars:

Area	Benefit principles	Core company-wide benefits	Additional benefits available in some of our markets
Health and wellness	We create a workplace that fosters a healthy lifestyle We provide competitive protection benefits for employees and their families	All our markets offer minimum life coverage of 48x monthly base salary to help provide financial security for colleagues' families, subject to local insurer approvals. This is in addition to the supplementary support of six months guaranteed basic cash and other benefits, such as accrued pension and extended medical coverage. Pru Care Fund – In addition to life protection and sick leave benefits in place, we are ready to provide financial assistance of up to US$20,000 so that employees can meet basic needs in the event of hardship resulting from unexpected loss of income due to permanent disability, critical illness or exceptional circumstances.	Home Environment – To foster a safer and more comfortable home environment we offer to provide colleagues with home office and gym equipment, as well as hygiene and cleaning devices. Healthy Lifestyle – To emphasise a healthy lifestyle, we offer nutrition, fitness training and also collective office exercise breaks. Vaccination Leave – We offer extra time off for colleagues to receive vaccinations and have proper time to rest and recover.
Mental wellbeing	We promote mental health through access to services and support, when and where our people need them within an environment of psychological safety at work	Our medical plans include coverage for clinical psychologists and psychiatrists for employees and their dependants. Employee Assistance Programme (EAP) – We offer 24/7 counselling for colleagues and dependants, supplemented by a year-long series of webinars on wellbeing.	Staycation – Additional time off is offered in conjunction with annual leave to encourage leisure and recharge during lockdown.
Financial wellbeing	We support our employees to achieve financial security through innovative financial tools, financial literacy and planning	We offer competitive retirement savings plans. PruSharePlus – this is an employee share scheme offered across most of our markets that gives employees an opportunity to invest in the Company in return for matching share awards.	Parental Care Expenses – This replaces maternity coverage expenses and is extended to cover expenses related to adoption and surrogacy.
Social wellbeing	We provide an inclusive, family-friendly work environment and promote community work opportunities We recognise different ways of working	Hybrid working. Global Wellness Day – All colleagues across our global footprint were encouraged to take a synchronous day off, dedicated to resting, recharging and spending time with family and friends. PRUCommunities, with a focus on health and sport, have been supported and created across the organisation and are being further encouraged with the launch of the Global PRUCommunities Governance Framework in October 2021.	Parental Leave – Primary caregivers can have up to 16 consecutive weeks of paid leave, subject to statutory requirements, following the birth, adoption or surrogacy of a child. This replaces maternity leave. Partner Leave – Partners supporting primary caregivers in the event of the birth, adoption or surrogacy of a child can have up to 10 days of paid leave. This replaces our current five-day paid paternity leave. Phase Back – Colleagues may return to work on a part-time basis (minimally 50 per cent) for up to four weeks following a period of long-term absence, such as parental leave or long-term sick leave. Sabbatical – Colleagues may apply for an unpaid career break of up to 12 months, subject to your years of service. Early Release on Eve of Special Holidays – Early release will move to 12pm from 4pm to give colleagues more time to enjoy and celebrate special holidays with family and friends.

Mental Health Framework

The pandemic has led to a rising demand for mental health support. Prudential has introduced a Mental Health Framework focused on raising awareness, providing preventive care, offering protection and building sustainability through support and connection in the workplace, collectively known as 'APPS'.

Since the launch of our new Employee Assistance Programme (EAP) in March 2021, about one in four employees have accessed the services. Since inception, over 2,400 employees have attended our monthly wellbeing seminars on topics including boosting mental health, building resilience and effective stress management since inception. The top searches on the EAP website were in relation to mental health and work-related subjects.

We have also enhanced our mental health coverage by incorporating psychiatrist and clinical psychologist coverage in local health plans to support the inclusion of mental health for employees and their dependants.

Looking ahead, we are focused on building deep capability and driving mobility across the organisation. This is in line with the needs of the business as we accelerate Pulse and continue to drive our transformation. Building on this year's progress, our priorities for 2022 include:

- **Work:** Preparing our people for the future of work. We will raise the digital literacy of our entire population and host a series of design thinking programmes to reinforce our values, build out our future-ready skillsets, and equip our people managers.
- **Workforce:** Positioning our business and digital teams for growth. We will continue organisation design work that clarifies our operating model, make a significant investment in digital upskilling for select technical roles, and increase rotational assignments.
- **Workplace:** Powering high-performance teams and wellness for all. We will deploy tools and programmes that support sustainable hybrid working and continue the focus on psychological safety, particularly as it relates to workloads and expectations.

Our digital responsibility

Digital innovation is central to our aim of helping our customers to be healthier and wealthier, helping them to get the most out of life. We are ambitious and we act with integrity in regard to digital responsibility. We are resolute in our commitment to fairness, safety and transparency in the design, governance and operation of our digital ecosystem.

Group-wide Information Security Framework

With the increasing reliance on technology in delivering our business objectives, effective management of technology risk is of paramount importance. Information security and privacy is rated one of the top risks in Prudential, and we continue to demonstrate strong commitment to protect our customer data and preserve the privacy of our customers through a robust information security management framework.

Global Security Operating Model

The Group-wide information security team operates globally through a 'Centre of Execution' model, leveraging skillsets, experience and resources across our geographical footprint to optimise our security defences and responses across Asia, Africa and the UK. The model fosters strong collaboration and knowledge sharing, which is crucial in the new era of cyber security. The global model has allowed us to consolidate and optimise information security technologies and processes across the Group, enabling security services to become more effective and efficient.

Group Data Policy

More than ever, the ability to manage increasing volumes of data is critical to any company's success in a digital world. Prudential is currently going through a digital transformation and is creating ecosystems that enable the Group to collect and use data from various customer touchpoints. Given the Group's ongoing digital aspirations, the data that needs to be managed is expected to continue to grow at pace, with an increase in both the variety and volume of information and the speed at which it is collected. Managing this data responsibly is key to gaining the trust of customers globally.

The Group Data Policy defines Prudential's approach to ensuring that core data is managed effectively throughout its lifecycle in line with the regulatory frameworks of the markets in which we operate, data security and privacy policies and the Group Data Strategy. Under the Group Data Strategy, we seek to democratise the access of data, turning data into an organisational asset that can be leveraged to improve the health of our customers and enhance their wealth. Core data has been defined as data that is currently relevant to the single sources of truth for customer, product, pricing, contract, asset, valuation and external data.

The data lifecycle includes acquiring the right data, ingesting it, storing it, transforming it so that it can be consumed by applications to support AI, business intelligence and operational use cases, and retaining it in accordance with regulatory requirements.

The effective management of Prudential's data is a joint responsibility of the business and technology teams, and managing data responsibly is key in gaining the trust of our customers globally.

Specifically, the policy requirements are classified into five key areas:

- Data governance and structure: The practice of making strategic and operational decisions to manage organisational data effectively. Data Governance Councils are established at Group and local business levels and define data procedures and policies to be implemented across the organisation.
- Data access: Ensure data is easily explorable and accessible in a structured way.
- Data usage: Ensure data is not misused or abused, and is used ethically, according to any applicable law, and with due consideration for individual privacy.
- Data quality: Ensure that the organisation's data is accurate and consistent over its entire lifecycle.
- Training and certification: Create a data culture within the organisation. Improve the data literacy of our staff.

Group Information Security Policy

The Group Information Security Policy (GISP) underpins how Prudential governs and manages information security. To support our global approach, the GISP is applied to all relevant businesses in Prudential, and the policy is developed with reference to numerous international and local standards including:

- ISO27002;
- NIST Cyber Security Framework;
- The Hong Kong Insurance Authority Guideline on Cybersecurity;
- The Monetary Authority of Singapore's Guidelines on Technology Risk Management; and
- The Bank Negara Malaysia Risk Management in Technology Policy Document.

The policy is also supported by a suite of technical standards to enable consistent implementation. Our global security function retains its overarching commitment to protect the business, comply with all applicable laws and regulations, and support the growth of the Group securely.

Oversight and Governance of Information Security

As the technology landscape of Prudential continues to evolve at pace, a new technology risk management model has been established through: (i) the establishment of the Group Technology Risk Committee (GTRC) and the Technology Risk Management team; (ii) the operationalisation of technology risk reporting across all businesses; and (iii) the provision of independent second-line assurance services.

The GTRC was established in September 2021, replacing the Group Information Security and Privacy Committee (GISPC), following the demerger of Jackson. The GTRC defines and provides governance of the overall technology risk management framework, including information security and privacy risks, across the Group. The GTRC meets at least quarterly and is a sub-committee of the Group Executive Risk Committee (GERC).

As the chairman of the GTRC and a standing member of the GERC, the Group Chief Information Security Officer (CISO) provides regular update to the GERC and the Group Risk Committee (GRC) on the cyber threats facing Prudential and the progress of Prudential's security programme. Periodically, the Group CISO also holds a dedicated session with the GRC for a more in-depth discussion on the cyber risk facing Prudential.

Cyber strategy and risk management

We have developed our global information security programme to deliver our cyber security strategy and to drive continuous improvement across people, process and technology.

During 2021, the Group-wide information security programme evolved to focus on four key aspects to protect the Group and our customer data against heightened cyber threats, while enabling digital transformation of the business. These are (1) enabling secured digital platform and ecosystems; (2) uplifting the cyber defence capabilities; (3) automation and continuous improvement; and (4) transformation of the security organisation.

Data breach metrics

Total number of (privacy) data breaches	Total number of (privacy) data breaches involving sensitive health information	Total number of customers and employees affected by company's data breaches	Total number of customers and employees affected by company's data breaches involving sensitive health information
18	6	47,266	113

A total of 18 data breaches were reported and collectively involved personal data of 47,266 individuals. The top three types of data breaches were i) loss of policy documents in transit (33 per cent); ii) data disclosed to incorrect recipient by email, post or other means (33 per cent); and iii) SMSs sent to wrong customers or terminated distribution representatives (22 per cent).

Out of the 18 data breaches reported, six involved sensitive health information and collectively impacted 113 individuals. The six data breaches were mainly related to policy document loss, data disclosed to incorrect recipient via post or emails, and a contractor sending unencrypted files to an external email address.

While the incidents do not represent any systemic issue, mitigation actions have been taken to prevent recurrence of the incidents.

Digital responsibility and Pulse

Prudential is committed to providing robust security protection over both our Pulse app and customer data, via a core set of security controls that have been implemented into our Pulse app. These include multi-factor authentication as part of the device registration process, mandating minimum mobile device operating systems versions, prevention of jailbroken and rooted devices from using Pulse, and the secure transmission and storage of data.

The Pulse app follows a robust secure development lifecycle that includes scanning for vulnerabilities in code and open-source software libraries. Independent penetration testing is conducted by a third party as and when changes are delivered as part of the Pulse ecosystem development. This is further secured by continuous testing through engaging a group of professional security researchers or ethical hackers.

Our Pulse ecosystem relies on partnerships with a range of third parties. All business partners we engage with go through a detailed due diligence process to ensure that they meet our high standards on data security and protection requirements. Additionally, our in-house security monitoring tool has been developed to detect vulnerability and alert our key partners in order to keep Prudential safe by keeping our ecosystem partners safe.

Data within our digital ecosystem is treated the same as all data in our organisation and is governed by the Group-wide Information Security Policy and Group-wide Privacy Policy. Pulse collects information about users in order to provide relevant services to them. Health-related information is collected by our health partners (such as Babylon) directly and Prudential will only receive a user's health information from our health partners with the user's explicit consent. All information collected is transparent to the user through the Privacy Notice provided to them before user registration.

To align the range of regulatory expectations and requirements across our businesses relating to customer privacy, we have developed the OnePulse Privacy Framework (OPF) to standardise the implementation of privacy controls. Referencing the General Data Protection Regulation (GDPR) requirements, the OPF outlines the mandatory and configurable controls to be built into our Pulse app, covering data subject rights, customer consent and privacy notices. Additional controls are being considered as regulatory requirements evolve eg China Personal Information Protection Law. More information about our approach to privacy is available below.

Privacy

As a business with a large global footprint, Prudential must navigate a number of different privacy laws. Robust privacy governance allows us to ensure that processing activities concerning the personal data of our customers, staff members, agents and stakeholders are embedded with 'privacy-by-design' principles and their privacy rights are being respected, which includes personal data being used and processed with legitimate causes, no over-collection of their personal data or tracking them, the data subjects being well informed about our processing and their respective privacy rights and processes being in place for handling their requests. This supports Prudential's trustworthiness with customers, enabling them to let us process their personal data without concern that their data will be misused. A key focus in 2021 was to further embed privacy across the Group and ensure that the protection and compliant use of personal data is considered a key component during new projects and initiatives. In addition to the local privacy training that employees receive, global training focusing on the requirements of the Group Privacy Policy has been rolled out to ensure that employees are regularly reminded of their responsibilities when handling personal data. Privacy maturity reviews were conducted across Asia, Africa and the UK and work is underway to further strengthen our Group-wide privacy controls.

The Group Privacy Office continues to have oversight of privacy compliance through implementation of the Group Privacy Policy and regularly reports on Privacy compliance to the Group Executive Risk Committee. The office works closely with privacy officers across Asia and Africa to support and advise on ongoing privacy compliance, as well as to provide a point of escalation for resolving data privacy issues.

Development of AI Council and AI Ethics Principles

Artificial intelligence (AI) is not only core to Pulse, but in the course of 2021, AI has successfully been deployed in several insurance business processes. This is guided by our eight AI Ethics Principles, which we developed in 2020 and which are governed by the Global AI Council. They are:

Value
Design AI with a clearly defined purpose, and aligned with customer values

Compliance
Comply and respect relevant regulations, including human rights laws

Transparency and Explainability
Be transparent that AI is used as part of our products and services, explain this simply and be prepared to justify decisions made

Accountability and Responsibility
Accept accountability transparently for the outcome of the use of AI

Fairness
Treat people fairly, avoid bias and unfair discrimination

Privacy and Security
Respect user privacy and security

Reliability
Design AI that is highly reliable and robust

Assurance
Continuously review and monitor our AI deployment and outcomes to continually meet all principles

Building AI and digital capabilities for the next generation

AI Bootcamp – Prudential Cambodia organised an AI Bootcamp in October 2021 to raise awareness of AI technology and its applications among local universities, as well as create brand awareness of Pulse and recruit Pulse Ambassadors. Thirty students from seven local universities with different backgrounds and majors participated in the event. Prudential colleagues led workshops that took students with no knowledge of AI to create a workable AI prototype during the one-day hackathon, which ended with a competition. The event was well received by the students, and Prudential Cambodia plans to organise similar hackathon events in the future.

PRU AI Explorer Programme – Launched in the Philippines, the PRU AI Explorer Programme is a capability-building programme that offers AI and digital learnings, and immersion opportunities for underserved teens, in partnership with Junior Achievement Philippines and Microsoft Philippines. Its pilot run entailed a complementary Microsoft-powered online introductory Data Science course and Data Analyst certification for 1,000 senior high students from public schools and alternative learning systems in various marginalised communities including Tondo in Manila, Cabanatuan City in Luzon, Negros Occidental province in Visayas, and the Bicol region.

An AI Centre of Execution (CoE) has also been set up to optimise expertise and serves as a platform for best practices sharing across the Group.

The Ethics Working Group of the Global AI Council is instrumental in upholding our AI Ethics Principles and is the only working group that approves or rejects AI prototypes. This working group was constituted and met for the first time in 2021. Chaired by Prudential's Global Chief Science Officer, its 15 members include representatives from various businesses and functions, with expertise in the fields of AI, medicine and ethics. Its main responsibilities include providing approval of all AI initiatives and prototypes and maintaining a record of all assessments and certifications.

In 2021, the Ethics Working Group reviewed AI systems that were in production for compliance with our eight AI Ethics Principles, based on real-world system performance. In several instances, the Ethics Working Group has made the decision to remove existing AI functionality from production where it has not been possible to ascertain compliance with all eight principles. The features removed include My AI Clinic, AI Skin Health Check, and Gout Buster, demonstrating how we evolve our AI deployment to align with our customers' needs and provide tangible value to them.

Our AI ethics governance has enabled us to build and implement AI systems thoughtfully, by considering all aspects that promote the responsible and ethical use of AI.

Strategic Enabler: Responsible investment

As a significant allocator of capital in financial markets, our commitment to responsible investment encompasses our role as both asset owner and asset manager. In that capacity, we can play a vital role in the just and inclusive transition to a low-carbon economy. We seek to apply ESG considerations more broadly in our investment decisions and in our stewardship duties, including ensuring that our investment decisions are aligned with our diversity values and support our focus on making health and financial security accessible.

Responsible Investment Governance

We see responsible investment as the dual responsibility of both the asset owner and the asset manager. Our life insurance businesses (as asset owners) and Eastspring (as asset managers, including its advisory activities through Eastspring Portfolio Advisers) therefore work closely together on all aspects of responsible investment. This dual responsibility is reflected both in our governance and in our Group Responsible Investment Policy, which outlines our expectations as described further below in this section. The governance for ESG, which includes the governance for responsible investment, is set out in the *ESG governance* section on page 69 of this report.

Responsible investment activity is overseen by the Group ESG Committee. Operational responsibility for responsible investment activity is delegated to the Group Responsible Investment Advisory Committee (GRIAC), which provides a forum for the Group and local businesses to consider responsible investment approaches. The GRIAC is co-chaired by the Chief Investment Officer (CIO) of Prudential and Co-Chief Investment Officer of Eastspring, who are both senior executives within our main asset owner and asset management businesses. Other permanent members include the CIOs of the major life businesses, as well as representatives from the Group Finance and Group Risk functions.

The GRIAC meets at least monthly to monitor the implementation of current responsible investment activities, and considers and prioritises new initiatives. The GRIAC considers potential trade-offs between responsible investment initiatives and the risk/return profile of the investment portfolio. The new Group Responsible Investment Policy and the targets announced in May 2021 were both discussed by the GRIAC, prior to approval by the Group ESG Committee and the Responsibility and Sustainability Working Group (RSWG).

Our asset manager, Eastspring, has established its own governance structure for responsible investment, which is aligned with the Group governance, to ensure ESG considerations are taken into account in all investment activities, and also for assets managed for third-party clients. Additionally, Eastspring is responsible for the implementation of certain elements of the Group Responsible Investment Policy, for which an appropriate governance structure is needed. The Eastspring Investments Sustainability Steering Committee, chaired by the Eastspring's Chief Executive Officer, oversees all sustainability and responsible investment activities. The Eastspring Responsible Investment Working Group assists in implementation of the activities. Further information on Eastspring's governance can be found at www.eastspring.com/about-us/responsible-investment

Group Responsible Investment Policy

During 2021, we made significant updates to our Group Responsible Investment Policy. The purpose of the policy is to articulate the Group's expectations relating to responsible investment and guide our local businesses and asset managers, including Eastspring Portfolio Advisers (EPA), on how to consider ESG factors in investment activities. EPA is our investment centre of excellence for tactical asset allocation, model portfolio construction, manager selection, liability-driven investments and solutions and derivative expertise.

The policy aims to manage ESG risks and improve long-term returns on assets, producing better results for both clients and communities. The policy ensures that, as an asset owner and asset manager, Prudential can monitor and measure ESG considerations over time. A summary of the policy can be found here: www.prudentialplc.com/en/investors/governance-and-policies/policies-and-statements, including details on the scope of the policy. The updated Group Responsible Investment Policy is structured across six different implementation strategies as shown in the diagram below to support the investment portfolio targets we announced in May 2021, as set out in the *Climate-related metrics and targets* section on page 82. This implementation strategies approach was developed in 2021 as part of the policy update.

Our six implementation strategies

Screening the portfolio
Maintaining an awareness of the potential risks to the Group's reputation arising from investment activities

Exclusion
Excluding a company from the investment portfolio if its products or conduct is considered to be unacceptable

ESG integration
Incorporation of ESG information into our parts of the investment process:

- Asset allocation
- Portfolio management
- Risk management
- Manager selection

Active ownership
Maintaining a dialogue with the companies in which we invest about ESG risks and opportunities

Voting policy that supports long-term performance by taking account of relevant ESG issues

Capital allocation
Shifting capital from harmful activites towards environmental or social needs

- Portfolio decarbonisation
- ESG investments

Market influence
Influencing the market with regard to responsible investment by contributing to sustainable initiatives

Screening the portfolio

Our local businesses are required to maintain an awareness of ESG risks in the investment portfolio and report on these, enabling us to take appropriate action if an investee company's products or conduct are not in line with our values. This screening is integrated to internal reporting on responsible investment and is also carried out on an ad hoc basis. Screening is the starting point for any new policy on responsible investment and it informs our follow-up actions, such as engagement or shifting invested capital away from the company, with complete exclusion as a last resort. Examples of screening the investment portfolio include assessments of our exposure to violators of the UN Global Compact and other severe incidents relating to conduct.

Exclusion

We exclude companies from our investment portfolio if their products or conduct are considered to be unacceptable to Prudential. When considering a Group-wide exclusion, an assessment is made on the expected risk vs return impact of the investment portfolio. A proposal for an exclusion needs to be approved by the local business and follows our responsible investment governance process.

We have Group-wide exclusions on coal, tobacco and controversial weapons as defined below. Our local businesses may add additional companies to their exclusions if they see fit. The scope and nature of the Group-wide exclusions are reviewed regularly, both for appropriateness and impact on the investment portfolio.

Our Group-wide exclusions

Coal exclusion

Description	Companies generating more than 30 per cent of their revenue from coal mining and/or electricity generated from coal.
Exceptions	Green bonds of coal companies with clear alignment to the Paris Agreement are exempted as Prudential will support these companies in contributing to the energy transition. The investment portfolio manager should also seek reasonable assurance that funding provided by the green bond is not freeing up additional financial capacity for that issuer or related companies in the market that will be used to fund non-sustainable alternatives.
Status	Divestment by the end of 2021 for equities has been completed, and by the end of 2022 for corporate bonds is on track.

Tobacco exclusion

Description	Companies that produce tobacco, which are labelled as 'Tobacco' by GICS level 3 (or GICS Sub-Industry).
Exceptions	None
Status	Divestment by end 2021 has been completed.

Controversial weapons exclusion

Description	Companies with verified involvement in cluster munitions, anti-personnel mines, biological weapons, chemical weapons and nuclear weapons outside of the UN Treaty on the Non-Proliferation of Nuclear Weapons.
Exceptions	None
Status	Divestment by end 2021 has been completed.

In 2021, Eastspring developed and implemented an exclusions policy for the large majority of its Collective Investment Schemes (CIS). While this exclusions policy currently addresses tobacco and controversial weapons exclusions, Eastspring is committed to an ongoing review of this policy. For example, Eastspring is assessing the potential implications related to the exclusion of companies generating revenue from coal, where it has direct control over mandate guidelines, and the potential for engagement with clients in relation to their own mandate guidelines. The definitions of Eastspring's exclusions align to the definitions of the Group-wide exclusions.

ESG integration

We seek to integrate ESG factors into our investment decisions alongside traditional financial analysis, to better manage risk and generate sustainable, long-term returns for our customers. ESG integration is relevant for the entire investment process, and all the relevant investment teams within the Group are expected to demonstrate how ESG considerations are integrated into investment decisions. Eastspring in Singapore has integrated the Sustainability Accounting Standards Board (SASB) framework into the majority of its investment processes to help systematically identify financially material ESG factors at the company level.

Eastspring also reports annually to the Principles of Responsible Investment (PRI), demonstrating how ESG is integrated into investment decisions. In 2020, Eastspring achieved A+ scores across two categories and A scores across four categories, well above the median scores for the PRI's asset management signatories. The PRI's next reporting cycle has been postponed until 2023, but we remain committed to providing transparency on our progress.

We operate in both developed and emerging markets in Asia and Africa and the responsible investment landscape differs significantly across these markets. Challenges relating to the emerging markets in which we operate include the availability of company-level ESG data. If data is not available in a certain market, local investment teams are required to set up their own framework to assess ESG risks. Eastspring Vietnam has set up such a framework, leveraging industry standards and combining this with company-level assessments, which are often obtained by speaking to companies directly.

We are supportive of further regulation around ESG integration in investments (see the *Policy engagement and advocacy* section on page 92). The European Union's Sustainable Finance Disclosure Regulation (SFDR) is one such development. In 2021, 82 per cent of Eastspring's international funds (SICAV) received Article 8 status, which means the fund 'promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices'.

Additionally, we have integrated climate risk into our investment process for our balance sheet assets, where relevant. We treat climate risk as a cross-cutting risk within our risk management and we continue developing our climate scenario testing approach. More information on how we take climate risk into account is covered in the *Stewarding the human impacts of climate change* section on page 82. We are also exploring methods to integrate climate change in our strategic asset allocation. Our asset manager, Eastspring, approaches climate risk at the company level and has engaged with the Singapore regulator, Monetary Authority of Singapore (MAS), on its Environmental Risk Management Guidelines.

Active ownership through engagement and voting

As custodians of our customers' assets, it is important that we act in ways consistent with our stewardship responsibilities. This means seeking to maximise the long-term capital growth of the assets entrusted to us, while remaining accountable to our customers for our actions and being aware of our duty to uphold their best interests when carrying out investment activities.

Eastspring is a member of International Corporate Governance Network (ICGN) and its stewardship approach is aligned with the ICGN Global Stewardship Principles and ICGN Global Governance Principles. Eastspring is also a member of the Asian Corporate Governance Association, which seeks to promote high standards of corporate governance across the Asia-Pacific region.

We believe active ownership via engagement and voting is preferable to divestment and will seek to engage with investee companies where we have concerns, and use divestment only in circumstances where that is the appropriate response.

Engagement

Engagement is a core part of providing effective stewardship and we seek to encourage business and management practices that support sustainable financial performance through constructive interaction, based on our in-depth knowledge of the companies and their business environment. Our level of conviction to hold a particular investment can be impacted by the results of engagement.

Eastspring undertakes company engagements focused on both financial and non-financial matters on an annual basis. Engagement is traditionally carried out for equity holdings, but investing in companies' debt can also be used as a way to engage with companies on important matters. Engagement is therefore happening across different teams within Eastspring, with its Equity, Fixed Income and Sustainability teams engaging on different topics:

- Engagement with the companies responsible for 65 per cent of the absolute carbon emissions of Prudential's investment portfolio, as described in the box below;
- Engagement with companies on ESG risks that are financially material for the specific company to get a better understanding on how the company is handling these risks; and
- Collaborative engagement focusing on specific ESG topics.

With respect to specific engagements related to material ESG issues, Eastspring's Equity, Fixed Income and Sustainability teams have engaged with around 500 companies in 2021, in addition to engagement on financial issues with companies.

Engagement target on climate change

We have set a target to engage with the companies responsible for 65 per cent of the absolute carbon footprint of our investment portfolio. Eastspring has developed a process to meet this engagement target. Engagement is carried out by the portfolio manager and/or by the sustainability team. The sustainability team works closely with the investment teams to make sure the engagement is aligned and the relevant information is incorporated. Eastspring relies on multiple sources of input to inform engagement, including input from the portfolio manager, CDP, Climate Action 100+ and the company's sustainability reports.

For engagement relating to decarbonisation, the requests included in the engagement are aligned with the expectations of the Net Zero Asset Owner Alliance for companies to:

- commit to net-zero greenhouse gas (GHG) emissions across their value chains by no later than 2050 and be supportive of the transition to a net-zero greenhouse gas emission world by 2050;
- define interim GHG reduction targets that are in line with reaching net-zero emissions by 2050;
- develop and implement plans for their businesses to remain viable in a climate-neutral economy, with meaningful consideration of associated social impacts;
- support adoption and implementation of governmental policies facilitating the transition to net-zero emissions;
- prepare for and not disrupt price mechanisms on GHG emissions;
- take action and make progress on efforts to lower GHG emission intensity of their operations and products, and to disclose in line with the four core elements of TCFD recommendations: governance, strategy, risk management, and metrics and targets; and
- enter direct time-bound engagement dialogue with Alliance members and/or other investor initiatives to discuss efforts to decarbonise their business by 2050.

Eastspring has developed a process to meet this engagement target and has made progress in 2021 towards meeting the target by reviewing 44 per cent of these investee companies and engaging with 31 per cent of the same group. Eastspring will continue engagement until it is decided the company has implemented our requests satisfactorily.

Collaborative engagement

Eastspring participates actively in industry working groups on sustainability. On climate change, Eastspring is actively involved in the following:

- Asia and Japan engagement by Climate Action 100+
- the ASEAN utilities engagement undertaken by the Asia Investor Group on Climate Change (AIGCC)
- engagement on disclosure on climate change, water and deforestation by the CDP

The production of palm oil is linked to deforestation and biodiversity loss, with over 85 per cent of the global supply of palm oil produced in Indonesia and Malaysia. Prudential operates in both of these countries and, as an example of collaborative engagement, Eastspring has joined the PRI Sustainable Commodities Programme. Within this working group, Eastspring Indonesia and Eastspring Malaysia are engaging with companies to produce more RSPO-certified palm oil, which is an important step in making the sector more sustainable.

Another example of collaborative engagement is with a Malaysian utility company, where Eastspring combined direct and collaborative engagement. The equity team in Malaysia conducted four engagements with the company in 2021 to address its renewable energy ambitions, including technology applications, its overseas acquisitions, and its plans to reduce its reliance on coal via its energy transition. Eastspring was part of a collaborative engagement whereby the company's net zero ambitions were discussed. Eastspring, through the AIGCC Utilities Engagement Programme, followed this engagement with a written request for the company to specifically state its plan on how it will reach its net zero ambitions with short, medium, and longer-term targets. Currently, the company is signalling that target-setting is expected to take place in early 2023.

Engagement on financially material ESG impacts

In the case of Eastspring's Fundamental Equity and Fixed Income teams, company engagements assist in understanding how companies are using their capital and conducting their business. Engagements may take place on a variety of issues, including ESG matters that present a potential material risk to a company's financial performance.

Example 1
Eastspring's equity team has been actively engaging management of a Japan-based steel company since 2017 on three key issues: carbon emissions and energy usage (including disclosure policies), board governance and structure, and workplace safety. Starting from 2021, our topic of engagement expanded to include our monitoring of progress of the company's efforts to transition to a low-carbon economy, and raising the quality and diversity in the Board and senior management.

The team discussed the potential shift in the business model and strategies in the transition to a low-carbon economy and monitored the progress of transition. The team also challenged the management's decision to issue convertible bonds to fund transitioning projects as well as overseas acquisition. In addition, Eastspring advocated for further training, particularly on diversity, for Board directors and senior management, and suggested the adoption of disclosure standards by the Sustainable Accounting Standards Board (SASB) in the annual sustainability report.

Over the course of this long-term engagement, the team has observed good progress towards setting specific medium and long-term carbon emission reduction targets, with the ultimate goal of net zero by 2050. Certain progress was noted in transitioning technology, with a carbon-neutral technology project being rolled out at the specialty steel subsidiary in Europe. Management registered Eastspring's disagreement to the equity-dilutive bond issue and accepted its recommendation for training and adoption of SASB disclosure standards.

While the steel industry's commitment to transition toward a low-carbon economy is vital, we continue to actively engage on a range of material ESG issues.

Example 2
The equity team in Singapore engaged an Australian-based steel company on gender diversity. Progress has been made with a piloted talent acquisition strategy, which has driven an increase in female representation in operator and trade roles at the company.

The company has adopted a multi-faceted approach by changing work practices and modifying role designs to better accommodate more diverse talent pools: facilities were upgraded to cater for a greater proportion of women; hiring practices were changed to access wider candidate pools and shifting requirements to qualifications to attitudes and behaviours; and the company offered alternative work arrangements, inclusive leadership training for managers, and a rethink of job designs.

Eastspring engages companies around sustainable business practices, the structures that govern them and the company's commitment to improving the level of transparency.

Example 3
Eastspring's equity team in Indonesia has had an ongoing engagement with an agribusiness on governance, transparency and risks related to its capital structure. Over this time, the company has made commitments that translated into positive outcomes in their reporting, as well as progress on the Roundtable on Sustainable Palm Oil (RSPO) certification for South Sumatra. The company's focus on reducing greenhouse gas emissions and chemical fertiliser use has led to improved composting practices, which fulfil 50 per cent of fertiliser needs, and an improved yield, achieving 99.9 per cent traceability.

Eastspring engages on unsustainable practices that are likely to impact the longer-term enterprise value of a company.

Example 4
Eastspring's Fixed Income Team in Singapore engaged with a coal mining contractor around its longer-term business model and transition planning. As the company's existing customer base are coal miners, it suggested a higher revenue risk as the company is structurally unable to significantly diversify its revenues away from the customer base in the near term. The engagement led the team to conclude that the company does not have sufficient preparedness for dealing with the evolving financing landscape and lacks the intention of increasing transparency for bond investors. With an increased understanding and based on the apparent risks, the team reduced holdings in these bonds.

While these examples are not exhaustive of the topics Eastspring has raised in company engagements, they highlight the interlinked nature of environmental, social and governance impacts for companies. Good governance practices can support social and environmental impacts to business activities and in turn, the longer-term drivers of returns for a business.

Voting
Alongside engagement, voting is considered part of the investment process and a way to support long-term performance by investee companies. By exercising our votes, we seek both to add value and to protect our interests as shareholders. We consider the relevant issues, meet company management if necessary and vote accordingly. Where possible, we seek to discuss any contentious resolutions with investee companies before casting our votes, in order to ensure that our objectives are understood, and our votes will be cast in the best interests of our investors and clients. Where appropriate, we use third-party investment advisers to aid the process of making proxy voting decisions. Eastspring engages Institutional Shareholder Services (ISS), a fellow signatory to the United Nations-supported Principles for Responsible Investment (PRI), to provide administrative assistance in connection with voting proxies.

In 2021, Eastspring voted on 97.4 per cent of the total number of proxy votes in which it was eligible to vote. Eastspring voted with management recommendations 90.7 per cent of the time and voted against management recommendations 9.3 per cent of the time. Please refer to Eastspring's website for more information on its proxy voting record: www.eastspring.com/about-us/responsible-investment

Capital allocation
Capital allocation refers to the allocation of our capital towards environmental or social needs appropriate to the markets in which we operate, while also securing the required financial returns from such investment opportunities that meet the long-term needs of our customers and investors. We will continue to refine our definitions for ESG investments in 2022 in line with best practice and industry standards, such as the Sustainable Finance Disclosure Regulation of the European Union.

Through shifting capital to companies that align more closely with our values, we believe we can incentivise companies to operate more sustainably, especially if combined with engagement. As described below, we do this for both our investment portfolio and our investment-linked products (ILP), where the investment risk associated with the product is usually borne by the policyholder.

Investment portfolio
In 2021, Prudential Hong Kong shifted a large part of its US equities core allocation to ESG factor Exchange-Traded Funds (ETFs). These ETFs reduce fossil fuel reserves by 30 per cent and reduce the carbon footprint by 30 per cent compared to the broad benchmark. As such, shifts to ETFs with a lower carbon footprint support us in achieving our investment portfolio decarbonisation target.

In 2021, Prudential Singapore reached its target of investing SGD200 million in sustainable investments mainly by investing in ETFs, despite reporting in 2020 that progress to meet the target was a challenge due to a lack of internal ESG fund strategies and shifting business priorities. At present, there are no plans to set a new investment target for ESG-related products, but Prudential Singapore anticipates integrating more investment strategies with an ESG focus in 2022.

ILP funds
Prudential Singapore launched two sustainable ILP funds in 2021. These offer clients in Singapore a way to invest more sustainably while aiming to provide long-term total returns. Singapore-based clients can now invest in:

- PRULink Global Impact ESG Equity Fund: Managed by Wellington Management Company LLC, the fund invests primarily in global equities and focuses on companies whose core business aims to generate positive social and/or environmental change alongside financial returns.
- PRULink Global Climate Change Equity Fund: Managed by GMO Investment Management Company (Ireland) Limited. The fund invests primarily in equities of companies that are positioned to directly or indirectly benefit from efforts to curb or mitigate the long-term effects of global climate change, to address the environmental challenges presented by global climate change, or to improve the efficiency of resource consumption.

Eastspring's collective investment schemes are often offered to clients as ILP funds. Eastspring has integrated ESG considerations in the investment decisions for its international fund range, in line with the Principles of Responsible Investment, of which Eastspring has been a signatory since 2018. This is evidenced by the fact that the majority of Eastspring's international fund range is managed under a regulatory classification that promotes ESG characteristics and Eastspring factsheets are progressively integrating ESG data and metrics.

Market influence
We recognise the role that we can play in our markets, both bilaterally and through industry partners, to support the development of sustainable finance. For over 100 years we have built long-term, trusted relationships with policymakers and regulators on important local issues such as capital market development, product design and innovation, capacity building and financial inclusion. We seek to engage with policy bodies and regulators in the markets in which we operate to both shape the debate and align our approach to evolving best practice. Further detail is provided in the *Supporting a just and inclusive transition* section on page 92.

We operate in both developed and emerging markets in Asia and Africa and the responsible investment landscape differs significantly across these markets. Challenges relating to the emerging markets in which we operate include the availability of ESG data, the size of the investment universe and a lack of funding to finance the energy transition. We leverage our experience within developed markets, including around risk management, financing the transition and ESG standards, to help support sustainable finance developments in emerging markets. In 2021, Prudential became a signatory to the PRI as an asset owner and joined the Net Zero Asset Owner Alliance. Since joining the NZAOA, we have sought to raise awareness of the challenges in transition finance, especially in emerging markets, such as the issue that certified green bonds have the same carbon footprint as conventional bonds from the same company, which could disincentivise investment in companies committed to the transition. Going forward, Prudential will remain active on signalling the challenges for emerging markets and, where possible, contributing to a solution. More information about Prudential's memberships, signatories and commitments is available on our website.

Eastspring collaborates closely with the Asia Investor Group on Climate Change (AIGCC). Eastspring has taken an active role in the low-carbon investment working group, the utilities engagement, the engagement and policy working group and the climate training working group.

In 2021, Eastspring contributed to several initiatives, including WWF's RESPOND tool, which aims to explore and compare how asset managers are implementing responsible investment, and WWF's Barriers to Impact report, which uncovers what driving tangible, real-world change entails for Asian financial institutions.

Strategic Enabler: Community engagement and investment

Our approach to community investment

We align our community investment strategy with our business purpose, taking into consideration our stakeholders' areas of interests. Our strategy remains focused on health issues relevant to communities where we operate, education (specifically financial education) and building community resilience through safety. In living our purpose, we contribute to improving lives and leaving a lasting impact on society through our employee engagement and volunteer programmes. We continue to build on the long-term relationships we have with our community partners, offering both financial and skills-based support.

Governance of community investment

Our Group-wide Community Investment Policy and the Group's ESG strategy guide our approach to community investment and engagement. Within this framework, our businesses have the autonomy to manage their own community investment programmes. In Asia and Africa, Prudence Foundation, a unified charitable organisation governed by a statutory Board of Directors, regularly reviews our strategy and funding for community investment programmes with the aim of maximising positive outcomes in the regions where we operate. The Responsibility and Sustainability Working Group (RSWG) oversees our community engagement and investment activities on behalf of the Board.

Our Group-wide Community Investment Policy sets out minimum standards, including not permitting any investment or contributions that are prohibited by law or regulation, those under the Political Donations Policy, and those to any religious organisation whose principal aim is to propagate a particular faith. It is the Group's policy neither to make donations to political parties nor to incur political expenditure, within the meaning of those expressions as defined in the UK Political Parties, Elections and Referendums Act 2000. The Group did not make any such donations or incur any such expenditure in 2021.

Monitoring and measuring community investment

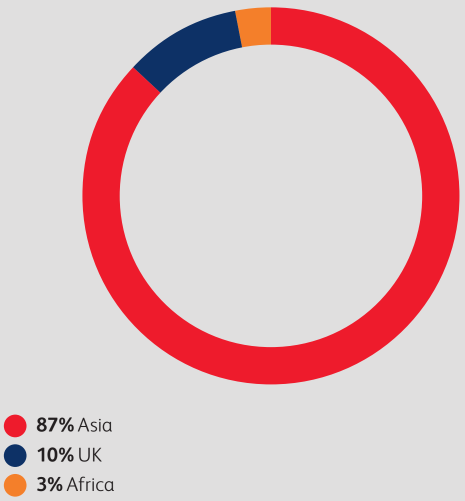
Our community investment performance metrics are aligned to the Business for Societal Impact (B4SI) Framework, which is used to monitor progress and guide the valuation of cash contributions.

In 2021, direct cash donations to charitable organisations totalled $5.9 million (2020: $9.7 million), reflecting donations made during the reporting year by continuing operations, excluding JVs. 2020 figures have been restated on this basis. For a breakdown, please refer to the charts.

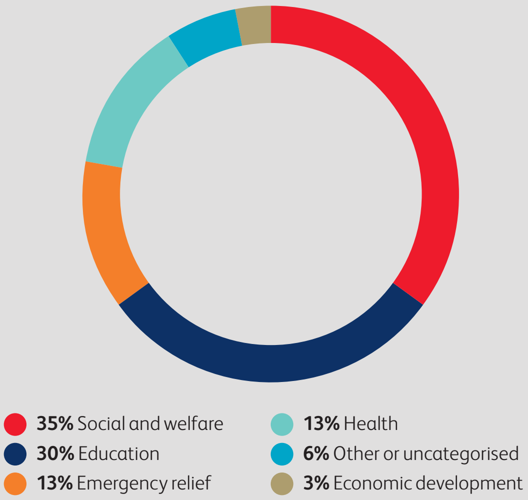
Due to the broad nature of our community work, some of our projects span different focus areas, in which case classification is made according to the activity's primary purpose. For instance, our community resilience projects may sit within social/welfare, education or health. The reduction in our overall spend was largely attributed to having more one-off donations in response to the immediate impact of the Covid-19 pandemic in 2020. Exceptional activities undertaken in 2020 included our donations to The China Research Development Foundation and a number of Covid-19 relief projects.

Prudential colleagues and agents also contributed around 26,000 hours of volunteer service in their local communities in 2021.

Charitable donations by region* %



Charitable donations by area of focus %



* Within the scope of EY assurance – see page 74.

Covid-19 Relief Fund

In 2020, the Group created a US$2.5 million Covid-19 Relief Fund, which was administered by Prudence Foundation, Prudential's community investment arm in Asia and Africa. The fund was distributed to Prudential's businesses globally, supporting approved charitable and community projects that addressed the immediate social and economic impacts of the pandemic.

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. These include:

- Prudential Laos' support for the Laos Red Cross in providing schools with appropriate Personal Protective Equipment as children return to school.
- Two projects in Uganda, with one providing food to teachers in vulnerable communities whose livelihoods have been affected by prolonged school closures due to the pandemic. The second project focuses on providing mental health services to those suffering from the impacts of Covid-19. as well as raising awareness on the issue.

In addition to the Covid-19 Relief Fund, Prudence Foundation also launched a SAFE STEPS Kids 'Be Cool Be Clean' campaign with Cartoon Network. This campaign includes video and activity materials that teach children the importance of good hygiene. The content is distributed across all Cartoon Network platforms as well as our key SAFE STEPS Kids partnerships, such as the International Federation of Red Cross and Red Crescent Societies (IFRC) and various National Red Cross Societies.

Health

In the area of health inclusion, Prudence Foundation has been supporting early childhood care and development since 2013. In 2020, we established a new partnership with UNICEF to implement a regional early childhood development (ECD) programme that advances ECD as part of the Nurturing Care Framework. The goal is to raise awareness and provide essential knowledge and skills to parents and caregivers around holistic nurturing care for children aged from up to three years old. In 2021, the programme saw a successful pilot in Indonesia, where it reached 30,000 parents and 60,000 children aged under five. In addition, with funding support from Prudence Foundation, UNICEF has completed country rapid assessment on Nurturing Care ECD services in four countries: Cambodia, Indonesia, Thailand and the Philippines. The findings will help inform a larger initiative for developing country-specific ECD strategy and programming approach in the near future.

Virtual Mapathon

Each year, disasters around the world kill nearly 100,000 people and affect as many as 200 million people, and millions more die of preventable diseases. Many of the places where these incidents occur are 'missing' from open and accessible maps, resulting in a lack of reach for humanitarian organisations.

Since 2014, Médecins Sans Frontières (MSF), also known as Doctors Without Borders, has been supporting the Ministry of Health in Nigeria to fight Noma, a low-profile disease that mostly affects children under five living in poverty.

In October 2021, Prudence Foundation, in partnership with MSF, organised two Missing Map Mapathon sessions, where PRU Volunteers helped to put the missing places and populations in Sabon Birni and Illela of Nigeria on the digital map. The effort will help MSF get to the patients more quickly, track diseases more effectively and better understand where the needs of the people are the greatest during an emergency.

A total of 174 PRU Volunteers from 20 locations across Asia, Africa and the UK participated in the Mapathon events, mapping out over 7,000 buildings in Sabon Birni and Illela. With physical volunteering becoming more challenging, this virtual volunteering event provided a meaningful opportunity for our employees to connect with one another in a good cause. We are hopeful that our contribution will make a significant impact in enabling timely prevention and treatment of the disease. We will consider holding the activity again in 2022, given the positive response received.

In conjunction with the Mapathon, Prudence Foundation has also made a donation of US$45,000 (HKD 350,000) to fund MSF activities in providing healthcare to the people in need.

Education

Cha-Ching

Developed by Prudential to address the gap in financial literacy for children, Cha-Ching is a global financial education and responsibility programme catering to children aged between seven and 12. The award-winning programme, now in its 11th year, continues to expand across all our markets and is well received by children, parents, educators and government. For more on our approach to promoting financial literacy and how it supports making health and financial security more accessible, please see page 80.

Safety

SAFE STEPS

To promote the resilience of communities, we run SAFE STEPS, a global programme that provides education and awareness on life-saving tips, including information on climate and disaster risk preparedness, road safety, first aid and Covid-19. Developed in partnership with the IFRC and National Geographic, it continues to reach millions of people in Asia and Africa through our many media partnerships and government collaborations.

In 2020, we developed the SAFE STEPS Covid-19 campaign to provide key educational messages and awareness on Covid-19 across Asia and Africa. In 2021, Prudence Foundation worked with IFRC Africa to implement a Covid-19 Risk Communication and Community Engagement programme, providing informative materials to help address common Covid-19 misinformation and vaccine concerns. In addition, country-specific communication strategies are being co-developed between local Prudential business and National Red Cross organisations to cater for local concerns and needs across five countries.

Prudence Foundation continued with its SAFE STEPS Kids initiative, which uses popular cartoon characters to equip millions of children with actionable information to protect themselves and others in the event of emergencies or disaster situations. The programme has been leveraged by National Red Cross societies in Malaysia, Singapore, Indonesia and the Philippines and integrated into school activities, reaching more than 7,000 students via both online and offline programmes.

The programme's reach continues to be significant:

- SAFE STEPS programmes reach over 100 million people in Asia and Africa via various media partnerships;
- SAFE STEPS Kids has a TV reach of 35 million households every day; and
- On social media, SAFE STEPS Kids has reached over 23 million people, and its videos have been viewed 5.6 million times across all digital platforms since its launch.

SAFE STEPS in Asia

In Vietnam, Prudential has partnered with AIP Foundation to implement a holistic SAFE STEPS Kids Road Safety programme in two provinces in 2020 and 2021. The programme not only benefited over 2,700 students directly through educational activities, but also saw other positive benefits such as:

- The average helmet-wearing rate across the project schools increased from 26 per cent (pre-intervention) to 88 per cent at the end of the project;
- Students' road safety knowledge improved from 9.8 per cent to 59.6 per cent; and
- Safe pedestrian behaviour improved from 78 per cent to 97 per cent for students who walked on the sidewalk; and from 18 per cent to 76 per cent for those using zebra crossings.

In the Philippines, Prudential continued to partner with the Metro Manila Development Authority (MMDA) to promote the wellbeing of its employees, as well as motorists and pedestrians, through the SAFE STEPS Road Safety programme. MMDA is the frontline government agency in Metro Manila that is responsible for traffic management, waste management and disaster prevention, among others. Free personal accident insurance coverage was extended to 8,000 of its regular and contingent employees who belong to marginalised sectors and have little or no access to protection. From 2020 to October 2021, we processed benefits for 21 families of MMDA's employees.

SAFE STEPS in Africa

SAFE STEPS Road Safety Africa continues to be launched across our Africa markets:

- Zambia continues to work with the Road Traffic Safety Agency on distributing the campaign, where it is broadcast on eight radio stations, reaching 8 million people.
- In Côte d'Ivoire, new partnerships have been established to promote the campaign, reaching over 5 million people.
- In Ghana, a partnership has been established with the government's 'Arrive Alive' campaign, which will see the SAFE STEPS Road Safety campaign run on multiple channels.
- Lastly, in 2021 a partnership with Nation Media Group, the largest independent media house in East and Central Africa, was established for the promotion of the campaign in Kenya throughout 2022.

SAFE STEPS D-Tech Awards

The SAFE STEPS Disaster Tech (D-Tech) Innovation Programme, introduced in 2019, is to identify, fund and support innovative disaster tech solutions that could save lives in natural and climate-related disaster events. It is also aimed at catalysing innovation and increasing investment and non-financial support through partnerships. The programme has been unified with the SAFE STEPS programme and relaunched as the SAFE STEPS D-Tech Awards. The second awards edition kicked off in December 2020 and the finalists and winners were announced in June 2021. The Stimson Center from the US won the non-profit category with its Mekong Dam Monitor, which uses satellite data to provide near real-time monitoring of water levels in Mekong dams, enabling downstream communities to prepare for floods, water supply disruptions and other risks caused by upstream dam operations. EcoWorth Tech from Singapore was awarded the for-profit prize for its Carbon Fibre Aerogel (CFA) sponge, made of low-cost natural materials capable of cleaning waters and absorbing oil, mitigating the environmental impact of polluting industries.

In addition to prize funds, the winners had the opportunity to receive mentorship, technology support and access to investor networks across the region. The SAFE STEPS D-Tech Awards continue to grow and our network of partners supporting the D-Tech Awards now includes humanitarian partner, IFRC, technology partner, Lenovo, and eight strategic partners.

Disaster risk reduction in schools

Since 2013, Prudence Foundation has been supporting the implementation of Safe Schools in partnership with Save the Children and Plan International, which aims to address the objectives of the Comprehensive Safe Schools Framework (CSSF), a globally recognised framework that focuses on the importance of school infrastructure, school disaster management and disaster risk education. This partnership also supports the objectives of the Sendai Framework for Disaster Risk Reduction.

In 2021, in view of the Covid-19 pandemic and the ongoing risks related to climate change that continue to impact learners globally, Prudence Foundation supported a global initiative led by Global Alliance for Disaster Risk Reduction & Resilience in the Education Sector (GADRRRES) and Save The Children, to revise and strengthen the CSSF. The revised Global Comprehensive Safe School Framework is expected to be completed by March 2022 and will look to include an all-hazards approach to education resilience compared to previous editions.

To date, Safe Schools has been implemented in Indonesia, Vietnam, Thailand, Cambodia and the Philippines, with over 141,000 students and 51,000 adults trained in disaster risk reduction planning and capacity building. In 2019, Prudence Foundation renewed its partnership with Plan International to roll out the programme across Thailand, Cambodia and the Philippines between 2019 and 2022, aiming to reach a further 20,000 children and adults by the end of 2022. However, we have since reached over 48,000 children and adults, exceeding the original three-year target.

In the Philippines, Prudence Foundation has partnered with Save the Children and the Philippines' Department of Education to develop a management information system for schools designed to reduce disaster risk, along with training and capacity-building for teachers and local government officials. All components of the Disaster Risk Reduction Management Information System (DRRMIS) have been completed in 2021, however due to school closures, only the first component of the ecosystem – Rapid Assessment of Damages Report (RADaR) – was implemented nationwide. This was a timely rollout, as the Philippines was hit by five typhoons and three earthquakes in a span of just six months in 2021. During these disasters, RADaR was used by over 21,000 schools, with more than 37,000 submissions, providing timely reports to enable a speedy response from the government to ensure school safety and education continuity. The programme will continue to be rolled out and expanded through 2022 and 2023, with the aim of benefitting over 20 million students and almost 47,000 schools nationwide. External consultants have also been engaged to conduct an independent evaluation of the programme, with the intent to share evidence-based impacts and build a case study for other governments to reduce disaster risk and potentially replicate this approach in other countries.

London community investment activity

Prudential plc continued its long-term support of Save the Children's Emergency Fund, which helps the charity prevent and respond to crises across the world. In 2021, the charity responded to a number of incidents in our markets, including floods in Indonesia and Nigeria, the threat of Ebola in Côte d'Ivoire, and Covid-19 relief efforts in Uganda and Thailand.

Prudential's London office continued its three-year partnerships with four local charities – The Cares Family, The Connection at St Martin's, Mind in the City, Hackney and Waltham Forest, and The Amos Bursary – supporting projects tackling homelessness, isolation and loneliness, mental health and social inclusion.

Strategic Enabler: Good governance and responsible business practices

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.

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	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. 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.
Social	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. 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.
Governance	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.

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 at www.prudentialplc.com/en/esg/esg-reporting

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.

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 101.

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 though a 24-hour Employee Assistance Programme offered by an external provider.

Reference tables

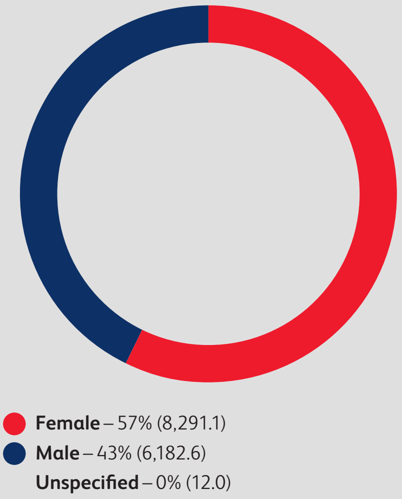
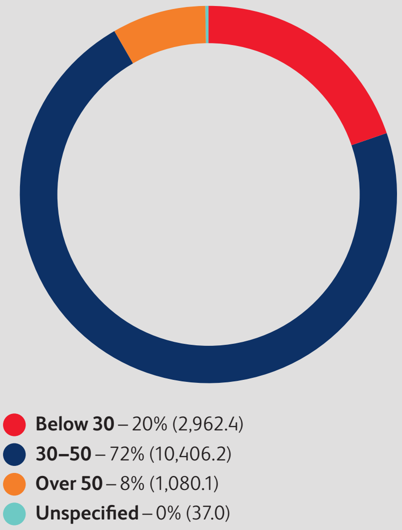
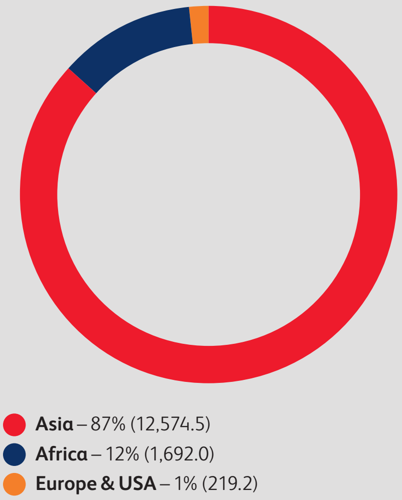
Hong Kong Stock Exchange requirements

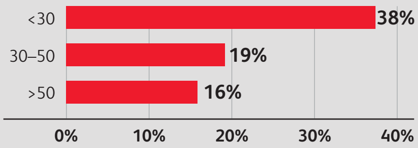
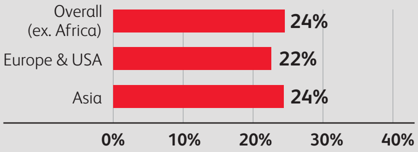
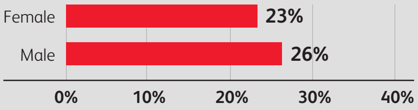
We demerged Jackson on 13 September 2021. The metrics and commentary covered in this section include the performance of the continuing Prudential Group and exclude Jackson.

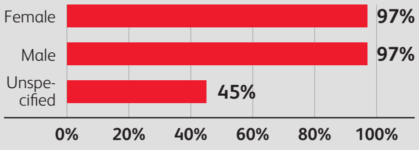
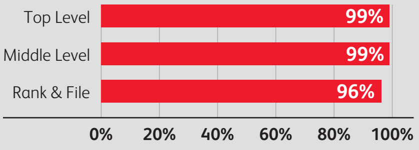
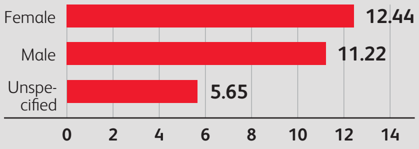
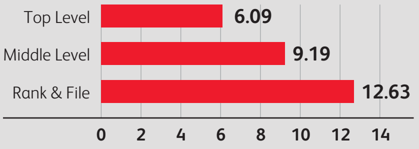
<table>
<tr><th>HKEX KPI Requirement</th><th>Indicator</th><th>Disclosure</th></tr>
<tr><td colspan="3">Environmental</td></tr>
<tr><td>Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</td><td>A1</td><td>Our Group Environment Policy applies to our operational properties worldwide, guiding our approach to the management of the direct impacts of our business units.</td></tr>
<tr><td>The types of emissions and respective emissions data.
Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.</td><td>A1.1 & A1.2</td><td>Prudential provides full reporting for Scope 1 and 2 emissions and selected Scope 3 reporting. More information is provided in the <i>Group emissions data</i> section on page 89.
<table>
<tr><th></th><th>2021</th><th>2020</th></tr>
<tr><td>Direct Scope 1 emissions (tCO_2-e)</td><td>1,481</td><td>1,378</td></tr>
<tr><td>Direct Scope 1 Emissions (tCO_2-e/FTE)</td><td>0.10</td><td>0.09</td></tr>
<tr><td>Direct Scope 1 Emissions ($kgCO_2$-e/m^2)</td><td>4.02</td><td>3.68</td></tr>
<tr><td>Direct Scope 2 (market based) Emissions (tCO_2-e)</td><td>19,986</td><td>23,608</td></tr>
<tr><td>Direct Scope 2 (market based) Emissions (tCO_2-e/FTE)</td><td>1.37</td><td>1.62</td></tr>
<tr><td>Direct Scope 2 (market based) Emissions ($kgCO_2$-e/m^2)</td><td>54.21</td><td>63.04</td></tr>
</table></td></tr>
<tr><td>Total hazardous waste produced (in tonnes) and, where appropriate, intensity.</td><td>A1.3</td><td>As a life insurer, the production of hazardous waste is not applicable to our operations.</td></tr>
<tr><td>Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.</td><td>A1.4</td><td>
<table>
<tr><th></th><th>2021</th><th>2020</th></tr>
<tr><td>Total non-hazardous waste produced (tonnes)</td><td>222</td><td>376</td></tr>
<tr><td>Total non-hazardous waste produced (tonnes/FTE)</td><td>0.02</td><td>0.03</td></tr>
</table>
Waste associated with our operations includes office waste and limited food waste from canteens. As we occupy leased assets and smaller offices, waste is commonly controlled by the landlord or the municipal government via direct roadside collection. It therefore it is not always possible to obtain waste data. We continue to work with our landlords in all the areas we operate to enhance the coverage of our reporting. During 2021, we increased the scope of reporting of waste data to cover 60 per cent of our occupied floor area.
While the scope of our waste reporting increased, the volume of non-hazardous waste produced fell during 2021. This reflects the impact of Covid-related office closures and reduced office occupancy across our markets.</td></tr>
</table>

<table>
<tr><th>HKEX KPI Requirement</th><th>Indicator</th><th>Disclosure</th></tr>
<tr><td>Description of emissions target(s) set and steps taken to achieve them.</td><td>A1.5</td><td>We have set a target to become carbon neutral across our Scope 1 and 2 (market-based) emissions by the end of 2030. We aim to deliver a 25 per cent reduction per full time employee (FTE) in our operational emissions from a 2016 baseline, then abating the remaining emissions via carbon offsetting initiatives. To date the steps we have taken are:
> Carrying out site assessments for the highest consuming assets in our portfolio to identify measures to reduce our carbon intensity
> Tracking the application of energy savings measures in all assets we occupy. These will be reviewed quarterly.
> Developing roadmaps for all business units with identified reduction measures to be implemented by 2025.
To date, we are ahead of the emissions reduction trajectory required to meet our target. More information is available on page 90.
We have also set a target to reduce the carbon emissions of our portfolio of shareholder and policyholder assets by 25 per cent by 2025. Our ambition is that the assets we hold on behalf of our insurance companies will be ‘net zero’ by 2050. During 2021 we reduced the WACI of our portfolio by 23 per cent against the 2019 baselines. More information is available on page 82.</td></tr>
<tr><td>Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.</td><td>A1.6</td><td>Non-hazardous waste is sorted in our offices and where possible recycled. The waste generated by our operations is managed by the landlord of the premises we occupy and therefore we are restricted in materials we can recycle by their operations.
The waste we produce is not material to the overall environmental impact of our operations and as such, we do not currently have any targets in place to reduce the waste associated with our operations. We continue to encourage waste reduction across our operations and we have implemented initiatives such as providing staff with reusable cups and lunchboxes to reduce consumption of single use plastic.
As a life insurer the production of hazardous waste is not applicable to our operations.</td></tr>
<tr><td>Policies on the efficient use of resources, including energy, water and other raw materials.</td><td>A2</td><td>Our Group Environment Policy applies to our operational properties worldwide, guiding our approach to the management of the direct impacts of our business units.</td></tr>
<tr><td>Direct and/or indirect energy consumption by type in total (kWh in ’000s) and intensity.</td><td>A2.1</td><td><table><tr><th></th><th>2021</th><th>2020</th></tr><tr><td>Total Consumption (kWh)</td><td>42,131,700</td><td>43,981,515</td></tr><tr><td>kWh/FTE</td><td>2,891.48</td><td>2,974.34</td></tr></table>More information is available in the SECR report on page 136.</td></tr>
<tr><td>Water consumption in total and intensity.</td><td>A2.2</td><td><table><tr><th></th><th>2021</th><th>2020</th></tr><tr><td>Total water withdrawal (m^3)</td><td>123,025.82</td><td>133,241.18</td></tr><tr><td>Total water withdrawal (m^3/m^2)</td><td>0.33</td><td>0.36</td></tr></table>We are not currently able to report the water consumption of all our assets as some sites do not have water submetering or water is charged as part of the service charge.
During 2021, we increased the scope of reporting of water data to cover 74 per cent of our occupied floor area.</td></tr>
<tr><td>Description of energy use efficiency target(s) set and steps taken to achieve them.</td><td>A2.3</td><td>We do not have explicit energy efficiency targets in place. However, 93 per cent of our Scope 1 and 2 carbon emissions are from the use of electricity thus, to achieve our carbon reduction targets the implementation of energy efficiency measures are key.
We have carried out site assessments across our asset portfolio and identified measures to reduce our impact. We have in turn developed roadmaps for our businesses with measures to implement to generate energy savings. We will continue to carry out these assessments and identify savings opportunities to reduce our energy consumption.</td></tr>
</table>

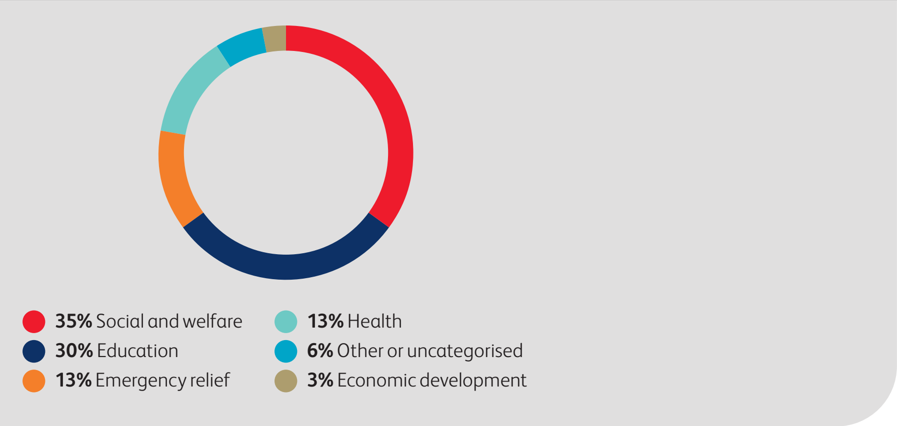
HKEX KPI Requirement	Indicator	Disclosure
Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	A2.4	As a life insurer with office-based operations, water consumption and water efficiency are not material to our business. Currently, we do not have any targets in place to reduce the water used in our operations.
Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	A2.5	As a life insurer, the use of packaging material is not applicable to our business.
Policies on minimising the issuer's significant impact on the environment and natural resources.	**A3**	Our Group Environment Policy applies to our operational properties worldwide, guiding our approach to the management of the direct impacts of our business units.
Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A3.1	The most significant impact of our activities on the environment is through our investment portfolio. More information about how we are reducing the weighted average carbon intensity footprint of our investment portfolio is available on page 82. More information is available in the *Responsible investment* section on page 107.
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	**A4**	More information is available in the *Identifying and assessing climate-related risks* section on page 84 and the *Managing and responding to climate-related risks section* on page 85.
Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	A4.1	Different scenarios, including below 2°C scenarios, have different potential impacts on our businesses, strategy, and financial planning, as described in the *Climate-related scenario testing* section starting on page 86. We have identified short, medium and long term climate-related issues as described in the *Identifying and assessing climate-related risks* section starting on page 84. We have taken actions, including integrating our processes for identifying, assessing, and managing climate-related risks into our overall risk management, as described in the *Identifying and assessing climate-related risks* section on page 84 and the *Managing and responding to climate-related risks* section on page 85. We also identified climate-related opportunities, as described in the following sections: the *Description of ESG strategic framework* section starting on page 71, the *Inclusive offerings* section starting on page 76, and the *Identifying climate-related opportunities* section on page 84.

HKEX KPI Requirement	Indicator	Disclosure
Social		
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	**B1**	Prudential's policies protect our employees by formalising its responsibilities and those of everyone in the organisation. More information on the following policies is available on page 133: > Discrimination and Harassment Policy > Diversity and Inclusion Policy > Employee Relations Policy > Recruitment Policy > Remuneration Policy > Talent Policy
Total workforce by gender, employment type, age group and geographical region.	B1.1	**Total workforce (FTE) by gender**  ● **Female** – 57% (8,291.1) ● **Male** – 43% (6,182.6) **Unspecified** – 0% (12.0) **Total workforce (FTE) by employee type**  ● **Full time** – 100% (14,471.8) **Part time** – 0% (13.9) **Total workforce (FTE) by age group**  ● **Below 30** – 20% (2,962.4) ● **30–50** – 72% (10,406.2) ● **Over 50** – 8% (1,080.1) ● **Unspecified** – 0% (37.0) **Total workforce (FTE) by region**  ● **Asia** – 87% (12,574.5) ● **Africa** – 12% (1,692.0) ● **Europe & USA** – 1% (219.2)

HKEX KPI Requirement	Indicator	Disclosure
Employee turnover rate by gender, age group and geographical region.	B1.2	**Employee turnover rate by age group** %  **Employee turnover rate by region** %  **Employee turnover rate by gender** % 
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	**B2**	The Group Health and Safety Policy and operational standards ensure business units 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 operations, to as low 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.
Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	B2.1	There were no work-related fatalities in the reporting year (2020: nil, 2019: nil).
Lost days due to work injury.	B2.2	23 incidents resulting in 88 days lost to work injury.
Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B2.3	Health and safety measures adopted are predictive and reactive, centrally coordinated and locally executed and include: > Defined policy, roles, responsibilities, and management mechanisms; > Legal requirements, and monitoring changes on an ongoing basis; > Risk profiling, assessment and control plans; > Incident reporting and investigation protocols; > Protocols for procurement of equipment and services; > Provision of information, instruction, and training; > Arrangements for communication and consultation with employees; > Workplace welfare facilities and wellbeing programmes; and > Mechanisms for monitoring, reviewing and reporting performance.
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	**B3**	Our Performance and Learning Policy sets out the importance of our people and frames how we invest in their development to deliver against our strategy and the future success of the organisation. This includes our Performance Management Framework. More information is available in the *Learning* section on page 98.

HKEX KPI Requirement	Indicator	Disclosure
The percentage of employees trained by gender and employee category.	B3.1	**Percentage of employees trained by gender** %  **Percentage of employees trained by employee category** % 
The average training hours completed per employee by gender and employee category.	B3.2	**Average training hours completed per employee by gender**  **Average training hours completed per employee by category** 
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	**B4**	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. The nature of our business means that main risk would be in our supply chain. More information is available in the *Modern slavery* section on page 119.
Description of measures to review employment practices to avoid child and forced labour. Description of steps taken to eliminate such practices when discovered.	B4.1, B4.2	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. The nature of our business means that main risk would be in our supply chain. More information is available in the *Modern slavery* section on page 119.
Policies on managing environmental and social risks of the supply chain.	**B5**	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 our responsible supplier guidelines cover a range of ESG topics. More information is available in the *Supply chain* section on page 118.
Number of suppliers by geographical region.	B5.1	Asia 8,751 Africa 1,255 Europe 517 **Total 10,523**
Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	B5.2	During 2021 we continued to deploy an additional procurement management system module, Coupa Risk Assess, across our business units, providing a single system to gather supplier due diligence. The deployment of this system across our business units 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.
Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5.3	More information is available in the *Supply chain due diligence* section on page 118 and the *Modern slavery* section on page 119.

HKEX KPI Requirement	Indicator	Disclosure
Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	B5.4	In line with the new Group-wide Third Party Supply and Outsourcing Policy, we have introduced new responsible supplier guidelines. Our responsible supplier guidelines cover a range of ESG topics. More information is available in the *Supply chain* section on page 118.
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	**B6**	Our Customer Conduct Risk Policy includes our Customer Conduct Standards and sets out the core values and standards that the Group expects all employees and persons acting on behalf of it to observe. More information is available in the *Customers* section on page 78. Our Group Data Policy defines how we should manage data throughout its lifecycle and employ the technology best suited for the business use cases. More information is available on page 104. Our Privacy Policy governs the protection of data and complies with the General Data Protection Regulation. More information is available on page 105.
Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6.1	As a life insurer, this is not applicable to our business.
Number of products and service related complaints received and how they are dealt with.	B6.2	42,038 (2020: 34,308) While the overall number has increased, our level of complaints remains steady at two complaints per 1,000 policies in force. More information on how we deal with customer complaints is available on page 80.
Description of practices relating to observing and protecting intellectual property rights.	B6.3	Prudential's brand, being the Prudential and Eastspring names and the Face of Prudence, are considered as our intellectual property. These are protected by a comprehensive process to maintain registered trademarks in the brand across all of the markets in which we operate. This is supported by a brand Co-existence Agreement with Prudential Financial and M&G plc. Where we see infringements of our brand, we take active steps to enforce our rights against third parties. Certain elements of our artificial intelligence development are considered to be intellectual property, and a dedicated working group within the AI Council is tasked with formalising, registering and protecting Prudential's intellectual property in this space. Further disclosure is not provided due to commercial sensitivity.
Description of quality assurance process and recall procedures.	B6.4	A description of our quality assurance procedures is available in the *Customers* section on page 78. As a life insurer, product recall procedures are not relevant to our business.
Description of consumer data protection and privacy policies, and how they are implemented and monitored.	B6.5	Our Group Data Policy defines how we should manage data throughout its lifecycle and employ the technology best suited for the business use cases. More information is available on page 104. Our Privacy Policy governs the protection of data and complies with the General Data Protection Regulation. More information is available on page 105. Our Information Security Policy supports our resilient information security programme across the organisation and our commitment to protecting the data entrusted to us by customers.

HKEX KPI Requirement	Indicator	Disclosure
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	**B7**	More information on the following policies is available on page 135: > Anti-Bribery and Corruption Policy > Anti-Money Laundering and Sanctions Policy > Group Escalation Policy > Group Counter Fraud Policy
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	B7.1	None
Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	B7.2	More information is available in the *Whistleblowing* section on page 120.
Description of anti-corruption training provided to directors and staff.	B7.3	We provide training to our staff to ensure that they are familiar with international standards and best practice, as well as being well equipped to implement our policies in their respective markets. Training completion levels are monitored throughout the year.
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	**B8**	Our Community Investment Policy covers how we are committed to working with the communities in which we operate as active and supportive members. It also outlines our strategy for investing in the community and how we make investments and report against them.
Focus areas of contribution	B8.1	
Resources contributed to the focus area.	B8.2	In 2021, direct cash donations to charitable organisations totalled $5.9 million (2020: $9.7 million).

SASB Insurance Standard

<table>
<tr><th>SASB Topic</th><th>Accounting metric</th><th>Code</th><th>Disclosure</th></tr>
<tr><td>Transparent Information & Fair Advice for Customers</td><td>Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customer</td><td>FN-IN-270a.1</td><td>Nil</td></tr>
<tr><td></td><td>Complaints-to-claims ratio</td><td>FN-IN-270a.2</td><td>Total number of complaints received / total claims raised x 1,000 = 25

Prudential believes that this metric is less applicable to the life insurance sector, and that a more appropriate metric is the number of complaints per 1,000 policies in force, which remains steady at two.</td></tr>
<tr><td></td><td>Customer retention rate</td><td>FN-IN-270a.3</td><td>89 per cent</td></tr>
<tr><td></td><td>Description of approach to informing customers about products</td><td>FN-IN-270a.4</td><td>More information on the way we communicate with customers and our approach to responsible marketing is available in the <i>Customers</i> section on page 78.</td></tr>
<tr><td>Incorporation of Environmental, Social, and Governance Factors in Investment Management</td><td>Total invested assets, by industry and asset class</td><td>FN-IN-410a.1</td><td>
<table>
<tr><th>Total invested assets by asset class</th><th>US$ million</th></tr>
<tr><td>Debt</td><td>81,540</td></tr>
<tr><td>Loan</td><td>2,367</td></tr>
<tr><td>Equity securities and portfolio holdings in unit</td><td>48,448</td></tr>
<tr><td>Other financial instruments</td><td>0</td></tr>
<tr><td>Derivatives</td><td>212</td></tr>
<tr><td>Deposits including items classified as cash equivalents</td><td>5,351</td></tr>
<tr><td>Cash (as defined under IFRS)</td><td>1,112</td></tr>
<tr><td>Property</td><td>56</td></tr>
<tr><td>Total</td><td>139,086</td></tr>
</table>
<table>
<tr><th>Total invested assets by industry</th><th>US$ million</th></tr>
<tr><td>Basic materials</td><td>1,435</td></tr>
<tr><td>Communications</td><td>3,879</td></tr>
<tr><td>Consumer, cyclical</td><td>2,452</td></tr>
<tr><td>Consumer, non-cyclical</td><td>4,913</td></tr>
<tr><td>Energy</td><td>3,302</td></tr>
<tr><td>Financial</td><td>20,016</td></tr>
<tr><td>Funds</td><td>9,261</td></tr>
<tr><td>Government</td><td>46,102</td></tr>
<tr><td>Industrial</td><td>2,578</td></tr>
<tr><td>Other</td><td>40,205</td></tr>
<tr><td>Technology</td><td>1,807</td></tr>
<tr><td>Utilities</td><td>3,136</td></tr>
<tr><td>Total</td><td>139,086</td></tr>
</table>
</td></tr>
<tr><td></td><td>Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies</td><td>FN-IN-410a.2</td><td>We seek to integrate ESG factors into our investment decisions, alongside traditional financial analysis, to better manage risk and generate sustainable, long-term returns for our customers. Our Group Responsible Investment Policy guides our business units on how to consider ESG factors in investment activities. More information is available in the <i>Responsible Investment</i> section on page 107.

Additional information is provided in Eastspring's PRI report.</td></tr>
</table>

SASB Topic	Accounting metric	Code	Disclosure
Policies Designed to Incentivize Responsible Behaviour	Net premiums written related to energy efficiency and low-carbon technology	FN-IN-410b.1	As a life insurer, this metric is not applicable to our business.
	Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors	FN-IN-410b.2	As a life insurer, this metric is not applicable to our business.
Environmental Risk Exposure	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes	FN-IN-450a.1	As a life insurer, this metric is not applicable to our business.
	Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)	FN-IN-450a.2	As a life insurer, this metric is not applicable to our business.
	Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy	FN-IN-450a.3	As a life insurer, this metric is not applicable to our business.
Systemic Risk Management	Exposure to derivative instruments by category: (1) total potential exposure to noncentrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives	FN-IN-550a.1	(1) total potential exposure to noncentrally cleared derivatives US$31,156m (2) total fair value of acceptable collateral posted with the Central Clearinghouse US$769m (3) total potential exposure to centrally cleared derivatives US$13,377m
	Total fair value of securities lending collateral assets	FN-IN-550a.2	US$158m
	Description of approach to managing capital and liquidity-related risks associated with systemic non-insurance activities	FN-IN-550a.3	A description of our approach is covered in the Risk Report of our Annual Report and Accounts, under the discussion of the Group's principal risks.
Activity Metric	Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance	FN-IN-000.A	Total policies in force: 17,760,921

TCFD index

Pillar	Recommended disclosure	Disclosure
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities.	The Board oversees climate-related risks and opportunities as described in the *ESG governance* section starting on page 69, which includes our governance around climate-related risks and opportunities. Our governance for responsible investment is disclosed in the *Responsible Investment Governance* section starting on page 107.
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	Management has an active role in assessing and managing climate-related risks and opportunities, as described in the *Management oversight* section starting on page 69, and the management of responsible investment as described in the *Responsible Investment Governance* section starting on page 107.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	We have identified short, medium and long term climate-related risks as described in the *Identifying and assessing climate-related risks* section starting on page 84. We identified climate-related opportunities, as described in the following sections: the *Description of ESG strategic framework* section starting on page 71, the *Inclusive offerings* section starting on page 76, and the *Identifying climate-related opportunities* section on page 84.
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Our businesses, strategy, and financial planning is impacted by climate-related risks and opportunities as described in the following sections: > Businesses: the *Identifying and assessing climate-related risks* section starting on page 84, the *Climate-related scenario testing* section starting on page 86, and the *Managing our direct operational environmental impacts* section starting on page 89. > Strategy: the *Description of ESG strategic framework* section starting on page 71, the *Inclusive offerings* section starting on page 76, and the *Identifying climate-related opportunities* section starting on page 84. > Financial planning: *The Impact on financial planning and strategy* section starting on page 88.
	c) Describe the potential impact of different scenarios, including a 2°C scenario, on the organisation's businesses, strategy, and financial planning.	Different scenarios, including below 2°C scenarios, have different potential impacts on our businesses, strategy, and financial planning, as described in the *Climate-related scenario testing* section starting on page 86.
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	We have processes for identifying and assessing climate-related risks, as described in the *Identifying and assessing climate-related risks* section starting on page 84.
	b) Describe the organisation's processes for managing climate-related risks.	We have processes for managing climate-related risks, as described in the *Managing and responding to climate-related risks* section starting on page 85.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	We have integrated our processes for identifying, assessing, and managing climate-related risks into our overall risk management, as described in the *Identifying and assessing climate-related risks* section on page 84 and the *Managing and responding to climate-related risks* section on page 85.

Pillar	Recommended disclosure	Disclosure
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	We use a suite of metrics to assess climate-related risks and opportunities, which are disclosed in the *Climate-related metrics and targets* section on page 82 and in the *Managing our direct operational environmental impacts* section on page 89.
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We disclose Scope 1, Scope 2 and selected Scope 3 greenhouse gas emissions in the *Group emissions data* section on page 89. Scope 3 category 15 is our most material source of GHG emissions, for which we describe the related risks in the *Identifying and assessing climate-related risks* section starting on page 84. We do not have material climate-related risks and opportunities related to our Scope 1 and Scope 2 GHG emissions.
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We use a suite of targets to manage our climate-related risks and the performance against those targets, as described in the following sections: > Investment portfolio: *Climate-related metrics and targets* section starting on page 82 > Operations: *Operational carbon reduction target* on page 90 We have, to date, not yet set targets for opportunities. In summary for our investment portfolio, in May 2021, we announced both long and short term pledges. Our long term pledge is to become 'net zero' by 2050 with the short term pledges as follows: > A 25 per cent reduction in the carbon emissions of our investment portfolio by 2025 against our 2019 baseline. By the end of 2021, we had reduced the weighted average carbon intensity (WACI) of our investment portfolio by 23 per cent against our 2019 baseline, placing us on track to achieve the 25 per cent target by 2025. > Divestment from all direct investments in businesses which derive more than 30 per cent of their income from coal, whether from mining or energy production, with equities to be fully divested by the end of 2021 and fixed-income assets by the end of 2022. During 2021 we divested from all such direct equity investments and remain on track to divest by end of 2022 from fixed-income assets in businesses meeting the criteria. > A target to engage with the companies responsible for 65 per cent of the absolute emissions in our investment portfolio. Eastspring has developed a process to meet this engagement target. In 2021, Eastspring reviewed 44 per cent of these investee companies, and engaged with 31 per cent of the same group. For operations, we have set a target to become carbon neutral across our Scope 1 and 2 (market-based) emissions by the end of 2030. We aim to deliver a 25 per cent reduction per full time employee (FTE) in our operational emissions from a 2016 baseline, then abating the remaining emissions via carbon offsetting initiatives. To date, we are ahead of the emissions reduction trajectory required to meet our target.

Our Group-wide policies relating to our ESG Strategic Framework

ESG strategic pillar/enabler	Our Group-wide policies	Owner and date of last review
Making health and financial security accessible	To ensure we treat our customers fairly, management of conduct risks is key. Prudential mitigates conduct risk with robust controls, which are identified and assessed through the Group's conduct risk assessment framework, and regularly tested within its monitoring programmes. Our Customer Conduct Risk Policy provides this framework and includes our Customer Conduct Standards, which set out the core values and standards that the Group expects all employees and persons acting on behalf of it to observe, and which further support our ESG strategy. These values and standards include specific requirements regarding customers. In particular, the Group has committed to: > Treat customers fairly and honestly; > Provide and promote products and services that meet customer needs, are clearly explained and deliver real value; > Maintain the confidentiality of our customer information; > Provide and promote high standards of customer service; and > Act fairly and in a timely way to address customer complaints and any errors we find.	Group Chief Executive July 2021
Stewarding the human impacts of climate change	Our Responsible Investment Policy articulates how ESG considerations are integrated into investment activities and processes in a consistent and coherent way. It describes our approach to ensure external commitments and internal targets on responsible investment are met and to ensure the different objectives of responsible investment are taken into consideration when making investment decisions.	Group Chief Financial Officer and Chief Operating Officer July 2021
	Our Environment Policy outlines our approach to understanding and managing the direct environmental impact of the Group. This covers our measurement, monitoring, review and reporting of issues associated with our environmental performance.	Group Chief Financial Officer and Chief Operating Officer July 2021
Building social capital	Our Discrimination and Harassment Policy reflects our commitment to creating and maintaining a welcoming, supportive culture in which all can work in a friendly and professional working environment. This policy prohibits discrimination, harassment, bullying and other types of misconduct where the behaviour is contrary to Prudential's values and standards. Where our people experience or witness inappropriate behaviours, they are encouraged to report this via a range of available channels including their line manager, Human Resources, grievance procedures or Speak Out. Finally, the policy reinforces Prudential's zero-tolerance stance over retaliation against reporters of any concerns or for cooperating or participating in the investigation of a complaint.	Group HR Director July 2021
	Our Diversity and Inclusion Policy sets out how we foster an inclusive workforce and ensure all our employees are treated fairly and feel valued, and together have the diversity in skill sets and backgrounds that enriches the organisation. Our policy considers a range of diversity aspects of our employees, including gender, age, ethnicity, disability, sexual orientation and background.	Group HR Director July 2021
	Our Employee Relations Policy outlines the way we engage our employees and motivate them to achieve success for the Group: promoting positive relationships with employees, representative organisations and trade unions, and maintaining a positive reputation for the treatment of employees.	Group HR Director July 2021

ESG strategic pillar/enabler	Our Group-wide policies	Owner and date of last review
Building social capital continued	Our Performance and Learning Policy sets out the importance of our people and frames how we invest in their development to deliver against our strategy and the future success of the organisation. This includes our Performance Management Framework.	Group HR Director July 2021
	Our Recruitment Policy covers the Group's recruitment processes, reflecting fairness, equality of opportunities for all, and for all recruitment decisions to be made without bias and with due consideration. The Recruitment Policy aims to provide a set of principles to guide hiring for all involved across the organisation, introducing consistency in the process and decision-making across the Group while setting standards to enable oversight and improve quantitative and qualitative reporting of the recruitment process.	Group HR Director July 2021
	Our Remuneration Policy outlines our effective approach to appropriately rewarding our employees in a way that aligns incentives to business objectives and performance, and enables the recruitment, retention and incentivisation of high-calibre employees in line with our risk appetite and Group Reward Principles.	Group HR Director December 2021
	Our Talent Policy demonstrates how we attract, select and develop the best people for roles that will ensure high performance in the short term and future-proof leadership capability through building business-relevant longer-term succession and talent pipelines. It sets out our fair and effective approach to pursuing this.	Group HR Director July 2021
	Our Consensual Relationships Policy reinforces our values, as well as the Group Code of Business Conduct. The policy applies to consensual romantic and sexual relationships and reflects our continuing commitment to a professional and supportive working environment, where everybody is treated fairly, has equal opportunities, and is respected and valued for their contributions to our company.	Group HR Director July 2021
	Our Group Data Policy is centred on the principle that data must be well governed and effectively managed through its lifestyle. The Policy provides a data, business, people and technology framework, which defines how we should manage data throughout its lifecycle and employ the technology best suited for the business use cases.	Group Chief Digital Officer July 2021
	Our Privacy Policy governs the protection of data and complies with the General Data Protection Regulation. Our Information Security Policy supports our resilient information security programme across the organisation and our commitment to protecting the data entrusted to us by customers.	Group Chief Digital Officer July 2021
Responsible investment	Our Responsible Investment Policy articulates how ESG considerations are integrated into investment activities and processes in a consistent and coherent way. It describes our approach to ensure external commitments and internal targets on responsible investment are met and to ensure the different objectives of responsible investment are taken into consideration when making investment decisions.	Group Chief Financial Officer and Chief Operating Officer July 2021

ESG strategic pillar/enabler	Our Group-wide policies	Owner and date of last review
Good governance and responsible business practices	Our Group Code of Business Conduct sits at the heart of our Group Governance Manual, and highlights the ethical standards that the Board expects of itself, our employees, our agents and others working on behalf of the Group. The Code 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.	Group Chief Executive December 2021
	Our Group Risk Framework describes the Group's approach to risk management, and the key arrangements and standards for risk management and internal control that support the Group's compliance with Group-wide statutory and regulatory requirements.	Group Chief Risk and Compliance Officer July 2021
	Our Anti-Bribery and Corruption Policy covers our values for reputation, ethical behaviour and reliability. As an organisation we are focused on financial practices that align to those values and we prohibit corruption or bribery within our working practices.	Group Chief Risk and Compliance Officer July 2021
	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.	Group Chief Risk and Compliance Officer July 2021
	Our Security Policy has been replaced with a number of new policies. The Group Resilience Policy covers physical security, health and safety and business continuity management. The Group Escalation Policy sets the framework by which the Group can conduct investigations relating to a range of security issues. The Group Counter Fraud Policy supports our business units in the development of proportionate fraud systems to enhance fraud detection, protection and investigation. The Group Speak Out Policy sets out the framework and controls relating to whistleblowing.	Group Chief Risk and Compliance Officer July 2021
	Our Tax Risk Policy includes our processes to manage tax-related risk, by identifying, measuring, controlling and reporting on issues considered an operational, reputational or regulatory risk.	Group Chief Financial Officer and Chief Operating Officer July 2021
	Our Political Donations Policy outlines our position that as an organisation we do not donate to political parties. This is defined as covering any political party or candidate or any other organisation that attempts to affect support for any political party. It is defined as covering any payment or gift or contribution, direct or indirect, as defined by the UK's Political Parties, Elections and Referendums Act 2000. The policy covers expenditure on engagement activity on public policy discussions and applies across the Group.	Group Chief Financial Officer and Chief Operating Officer July 2021
	Our Third-Party Supply and Outsourcing Policy covers how we manage and oversee our third-party arrangements, through due diligence/selection criteria, contractual requirements, the ongoing monitoring of such relationships, and reporting and escalation. Additionally, the policy considers the requirements of the UK Modern Slavery Act and the principles of the UN's Universal Declaration of Human Rights.	Group Chief Financial Officer and Chief Operating Officer July 2021
Community engagement and investment	Our Community Investment Policy covers how we are committed to working with the communities in which we operate as active and supportive members. It also outlines our strategy for investing in the community and how we make investments and report against them.	Group Chief Financial Officer and Chief Operating Officer and Group HR Director July 2021

SECR Report

Our 2021 energy consumption and GHG emissions are disclosed below in accordance with the Streamlined Energy and Carbon Reporting (SECR) framework of the Companies Act 2006 (Strategic and Directors' Reports). No energy reduction projects were undertaken in the UK portfolio during 2021. Information on energy reduction initiatives across our Asian and African portfolio are included in the section on Managing our direct operational environmental impacts. This table shows emissions for the composite Prudential Group (including Jackson up until the point of the demerger) and covers the period 1 October 2020 to 30 September 2021. More information on the methodologies used is available in the Basis of Reporting.

	2021		2020	
	UK and offshore	**Global (excluding UK and offshore)**	**UK and offshore**	**Global (excluding UK and offshore)**
Emissions from activities for which the company own and control, including combustion of fuel and operation facilities (Scope 1) tCO_2e	**122**	**3,954**	147	5,490
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location based) tCO_2e	**122**	**36,516**	125	42,995
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, market based) tCO_2e	**177**	**34,900**	208	42,995
Total gross Scope 1 and Scope 2 emissions (location-based) tCO_2e	**244**	**40,470**	272	48,485
Intensity ratio: tCO_2e/m^2	**0.0119**	**0.0850**	0.0484	0.0972
Intensity ratio: tCO_2e/fte	**1.1675**	**2.3354**	1.0146	2.6245
Energy consumption used to calculate above emissions: kWh (Scope 1)	**663,621**	**19,252,400**	764,344	23,903,383
Energy consumption used to calculate above emissions: kWh (Scope 2)	**559,790**	**69,984,995**	543,498	77,714,027

GHG emissions tables

Group (Including Jackson)

Emissions Source (tCO_2e)	**2021**	**2020**	**Change (%)**
Scope 1	**4,076**	5,637	(27.7)
Scope 2 – market based	**35,077**	43,203	(18.8)
Scope 2 – location based	**36,638**	43,120	(15.0)
Scope 3 (2020 boundary comparative)	**296**	2,164	(86.3)
Scope 3 (expanded 2021 boundary)	**10,397**	n/a	
Total: Scopes 1 and 2 market based	**39,154**	48,840	(19.8)
Total: Scopes 1, 2 and 3 (2020 boundary comparative)	**39,450**	51,004	(22.7)
Total: Scope 1, 2 and 3 (expanded 2021 boundary)	**49,551**	n/a	
kg per m^2 – Scopes 1 and 2	**78.85**	96.24	(18.1)
Tonnes per employee – Scopes 1 and 2	**2.23**	2.61	(14.5)
kg per m^2 – Scopes 1, 2 and 3 (2020 boundary comparative)	**79.44**	100.51	(21.0)
kg per m^2 – Scopes 1, 2 and 3 (expanded 2021 boundary)	**99.79**	n/a	

Jackson

Emissions Source (tCO_2e)	**2021**	**2020**	**Change (%)**
Scope 1	**2,595**	4,259	(39.1)
Scope 2 – market based	**15,091**	19,595	(23.0)
Scope 2 – location based	**15,091**	19,595	(23.0)
Scope 3 (2020 boundary comparative)	**137**	166	(17.5)
Scope 3 (expanded 2021 boundary)	**1,605**	n/a	
Total: Scopes 1 and 2	**17,686**	23,854	(25.9)
Total: Scopes 1, 2 and 3 (2020 boundary comparative)	**17,823**	24,020	(25.8)
Total: Scope 1, 2 and 3 (expanded 2021 boundary)	**19,291**	n/a	
kg per m^2 – Scopes 1 and 2	**138.33**	179.34	(22.9)
Tonnes per employee – Scopes 1 and 2	**5.96**	6.03	(1.2)
kg per m^2 – Scopes 1, 2 and 3 (2020 boundary comparative)	**139.40**	180.58	(22.8)
kg per m^2 – Scopes 1, 2 and 3 (expanded 2021 boundary)	**150.88**	n/a	

Non-financial information statement

We recognise that to help our customers get the most out of life, we need to take a long-term view on a wide range of issues that affect our business and the communities in which we operate. To do this, we maintain a proactive dialogue with our stakeholders to ensure that we are managing these issues sustainably and delivering long-term value. Further information on our engagement with our stakeholders can be found in our Section 172 Statement below.

The Group's Strategic Report, including the ESG report and the Section 172 Statement, includes information required by the non-financial reporting provisions contained in sections 414CA and 414CB of the Companies Act 2006. These reporting requirements are met in a number of sections of our annual report. The diagram below illustrates where the relevant material is presented.

ESG Strategic Enabler:
Good governance and responsible business practices
PAGE 117 >

ESG Strategic Enabler:
Good governance and responsible business practices
PAGE 117 >

Business model
PAGES **12** TO **13** >

Principal risks
PAGES **51** TO **63** >

Employees

Human rights

Governance, Group-wide policies and due diligence
PAGE **133** >

Anti-bribery and anti-corruption matters

Social matters

Environmental matters

ESG Strategic Enabler:
Good governance and responsible business practices
PAGE 117 >

ESG Strategic Pillar:
Making health and financial security accessible
PAGE 75 >

KPI:
Carbon emissions
PAGE 28 >

ESG Strategic Pillar:
Building social capital
PAGE 96 >

ESG Strategic Pillar:
Stewarding the human impacts of climate change
PAGE 82 >

Streamlined Energy and Carbon Reporting (SECR) framework
PAGE 136 >

UK Companies Act, Section 172 Statement

The Board recognises the importance of considering all stakeholders in its decision making.

Section 172 of the UK Companies Act 2006 (the Act) requires each Director to act in a way that he or she considers, in good faith, would be most likely to 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 to the interests of the Company's employees, its relationship with suppliers and customers and the impact of the Company's operations on the community and the environment, amongst other matters.

This statement details how the Board builds and maintains strong relationships with its stakeholders, how it understands their interests, needs and concerns and how the strength of these relationships are contributing to the Company's success.

Prudential's key stakeholders are its customers, investors, our workforce, regulators, governments and wider society and suppliers.

The Section 172 duty applies to each individual Director, even when decisions are made collectively by the Board. It is fiduciary in nature and so recognises the position of trust that each Director holds and the need for good faith. The stakeholder factors are also relevant in the creation of the Group's corporate culture.

Upon joining the Board, each Director is provided with an induction which includes a detailed briefing on director duties, including those arising under Section 172 and an overview of the Group's stakeholders.

A briefing note reminding Directors of their Section 172 duties is made available to the Board at each of its meetings. Individuals who submit proposals to the Board for approval are required to address the Section 172 criteria in their papers, pointing out what impact the proposal may have on the Group's stakeholders, or how stakeholder views have been taken into account. This ensures that the Board is sufficiently briefed, and that materials support a robust discussion, with due regard to the impact a proposal may have on the Group's stakeholders.

Section 172 duties are taken into account in our Board succession planning and training materials. We ensure that we take account of any conflicts between different stakeholder concerns, and resolve such conflicts as smoothly as possible at the highest level necessary.

A summary of the Board's stakeholder engagement activities in 2021 is set out below.

Customers

Why customers matter to Prudential

The Group's purpose is to help customers get the most out of life. We make healthcare affordable and accessible, delivering products and services which meet the diversity of people's needs. We protect people's wealth and grow their assets and we empower our customers to save for their goals. Prudential is building the capacity to serve 50 million customers by 2025. Our customers are at the heart of what we do, and we are committed to helping them get the most out of life.

How the Board engages and communicates with customers and understands their interests, needs and concerns

Our extensive distribution channels enable us to better understand and service customers' financial needs. Prudential engages directly with its customers through contact centres, dedicated account managers, face-to-face advice (where possible), mobile phone apps and telephone technical support teams. The development of Prudential's digital proposition, specifically the digital health app Pulse, has enabled Prudential to give its customers a greater range of services, including through partnerships with others.

The Board receives regular reports on issues affecting customers from business heads. In particular, during 2021, it has focussed on the impact of the pandemic on customers, including the steps being taken by the business to support them and the operational resilience of the business and key suppliers to service them. Through deep dives on local businesses, the Board has developed a better understanding of how the business is responding to customer needs in individual markets.

The impact that engagement with customers has on Board decision-making

The outcome of our operational teams' engagement with customers is transmitted through the business and used to shape the design of our products and how and where we distribute those products, and ultimately to inform strategic decisions made at Board level. Decisions about which markets to access, what kind of products to offer and how to develop our agency force, our bank partnerships and our digital capabilities, are all driven by an understanding of what customers want, based on engagement with those customers.

The Board has actively discussed and supported the evolution of the digital strategy throughout 2021, and the customer and distribution strategies of individual businesses. The Group intends to build capacity to serve a greater number of customers. The Board receives updates and tracks the progress towards this goal.

Investors

Why investors matter to Prudential

The Board is committed to the long-term delivery of future shareholder returns through value appreciation and dividends. Securing our investors' trust through regular engagement ensures their ongoing investment and support.

How the Board engages and communicates with investors and understands their interests, needs and concerns

The Group seeks to maintain an open and active dialogue with investors. This ensures that the Group's strategy is well understood by the market and that investors' perspectives and concerns are communicated to the Board.

During 2021, over 480 meetings were held with around 364 individual institutional investors in the UK, continental Europe, the US and Asia. Of these 480 meetings, 367 were attended by one or more of the Executive Directors. These meetings took the form of one on one, group sessions and participation in panels and walking tours organised in some cases by brokers.

In late 2021, an in-depth investor perception survey by an independent third party was commissioned. This survey covered long standing and existing shareholders as well as those who participated in the Hong Kong equity raise. The topics covered included Group leadership and strategy, execution of strategic projects and detailed questions on the operating businesses in key markets. The results of the perception survey were presented to the Board for discussion in early 2022 and actions were agreed in a number of areas for implementation by the management team. The Board would like to register its thanks to the shareholders who participated in this extensive process.

The Chair holds an ongoing programme of engagement with major investors in respect of governance and strategic matters, with the Chair attending over 35 investor meetings in 2021. She reports back to the Board on the key themes raised.

Engagement with institutional investors on the Directors' Remuneration Policy and implementation is led by the Remuneration Committee Chair. This year, the Committee Chair designate joined a number of these meetings. The Chair of the Remuneration Committee reports to the Committee on such matters. The Committee's advisors also provide advice on major investor and proxy agency views and the Committee takes these into account throughout the year when making decisions.

All Non-executive Directors, and in particular the Senior Independent Director and Committee Chairs, are available to meet with major shareholders on request.

The Group's AGM is the single largest shareholder engagement event of the year. In 2021, shareholders were unable to attend the AGM in person due to UK Government restrictions. Instead, shareholders were invited to participate in the AGM electronically via the Lumi platform. In August 2021, at a General Meeting to approve the separation of Jackson Financial Inc., shareholders were able to attend in person and also electronically, where they could raise questions directly with the Board and vote on the demerger resolution.

Prudential will continue to offer shareholders the opportunity to attend shareholder meetings in person, where possible, and electronically. This hybrid approach allows the greatest flexibility for shareholders who want to engage with the Board, including the growing number of Hong Kong based shareholders, who now have the opportunity to participate more meaningfully in shareholder decision making, or would otherwise not have the opportunity to participate directly.

A key focus for investor relations activity in 2022 will be growing the investor base that specialises in Emerging Market growth companies, in particular investors based in Asia. We expect that the level of investor interaction using digital mechanisms will remain high though we are hopeful that face-to-face engagement can take place more than was possible in 2021. We are taking steps to support an increase in liquidity on the Hong Kong line of stock (ticker 2378 HK) including the facilitation of transfers of shareholdings from the London line. Considerable marketing and communications were initiated in 2021 and will continue, including working with Asian-based research franchises to increase the number of commentators located close to our operating markets and those who actively cover our Asian regional peers. We intend to host a number of tailored and thematic investor relations events during the year for investors and research analysts.

The impact that engagement with investors has on Board decision-making

During 2021, the Board considered the views of shareholders when deciding how to structure the separation of Jackson (see break out box below for further detail), on matters concerning Board succession and composition, and with regards to the size, structure and timing of the Hong Kong share capital raise more broadly (see break out box below for further detail). The perspectives gained from investor meetings, and the need for broad investor support, were considered by the Board when making these key strategic decisions.

Workforce

Why the workforce matters to Prudential

The Group aims to attract, retain and develop highly-skilled staff. Ongoing engagement with the workforce is critical to ensuring the successful delivery of the Group's strategic objectives.

How the Board engages and communicates with the workforce and understands their interests, needs and concerns

The Board uses a range of formal and informal methods to engage, communicate and understand the views of the workforce.

In May 2021, the Board's Responsibility & Sustainability Working Group assumed responsibility for workforce engagement activities and has also sought to engage other Non-executive Directors. This role was previously fulfilled by designated Non-executive Directors, Kai Nargolwala for Asia, and Tom Watjen for the US and the UK. In anticipation of Kai's retirement from the Board in May 2021, the Board reflected on the experience of having had a designated Non-executive Director as the mechanism for workforce engagement and decided to adopt this alternative mechanism as a means to get wider and deeper Non-executive involvement, alongside the insights that the Executive Directors bring into the Boardroom. The Board is satisfied that the Working Group is effective in its engagement with the workforce, and will continue to monitor the arrangements on a periodic basis.

In addition to the Working Group's direct engagement with the workforce, and additional engagement by the Executive Directors, the Board also receives regular updates on employee matters. In particular, the Board received reports on the impact of the pandemic and the prolonged period of work from home and hybrid working arrangements.

A summary of the Working Group's engagement with the workforce in 2021, and that of other Non-executive Directors, is set out below:

Townhall Meetings

Members of the Working Group participated in various Townhall meetings throughout 2021 for members of the workforce located in the UK and Hong Kong head offices. The normalisation of remote meetings, as a consequence of the pandemic, has provided an opportunity for wider attendance at these townhalls and therefore the ability to connect with a larger population of the workforce.

Members of the Working Group gained a sense of employee sentiment across the head office locations and could gauge how management were setting the tone, embodying the Group's Values, and supporting the workforce through a period of transformation in Prudential and wider global upheaval.

Collaboration Jam II

The Collaboration Jam II was a 72-hour crowd-sourced online conversation, supported by external advisers HSM, exploring future-ready skills, wellbeing in the context of the pandemic, and gathering employee views around the shift to hybrid working. Over three days, members of the Working Group participated in the Jam, together with over 9,000 members of the workforce.

A summary of insights emerging from Jam II was presented to the Working Group, including HSM's conclusions and recommendations. A key area of focus was the impact of the prolonged period of home/hybrid working on employees and their wellbeing. HSM's conclusions noted a strong alignment of views globally on key topics and that there was an opportunity for the Group to harness a strong desire from employees for individual accountability and a readiness for change, through providing more support and guidance to achieve high performance underpinned by wellbeing. Management outlined how these insights were being reflected in initiatives to support employee wellbeing, helping them to navigate working in a hybrid environment, equipping them with skills for an increasingly digital business, and continuing to foster an inclusive environment in which employees are comfortable speaking out.

Values Connect Sessions

These sessions formed part of the Leadership Culture Journey (LCJ), the Group's signature programme to equip the Top 200 leaders to role model the five Group Values launched in September 2020 (Ambitious, Courageous, Curious, Empathetic, Nimble).

Members of the Working Group joined facilitated small group sessions that were held with senior leaders in order for them to share their personal views and learnings from the LCJ. Each session focused on one of the Values.

Participating in these sessions gave Working Group Members an opportunity to connect in a small group setting and to better understand how the Values were being embedded across the organisation and how well they resonated with employees.

Workforce / continued

Diversity & Inclusion (D&I) Council Meetings
The D&I Council is co-chaired by the Group Chief Financial Officer and Group Chief Operating Officer and the Group HR Director, and comprises 17 leaders from across the Group. It is responsible for defining a global D&I strategy, promoting and championing D&I initiatives in respective businesses, and challenging the organisation.

The Working Group has been regularly updated on the Council's meetings and the Group's D&I initiatives. Through attendance, Members of the Working Group have been able to see directly how the Council is fulfilling its role and gained a better understanding of the progress being made on initiatives in support of the Group's goal to empower employees and create a sense of belonging through respect and appreciation of differences.

The impact that engagement with the workforce has on Board decision-making
The Board received detailed updates on the Working Group's engagement with the workforce, the development of key talent and the succession pipeline and on D&I priorities, which included the output of the Global Talent Review, and the output of employee surveys.

The Board discussed with management throughout the year the various ongoing initiatives to support the workforce. These included initiatives to support staff well-being through the pandemic, to embed the Group's values and desired behaviours throughout the organisation and to develop talent and a diverse and inclusive workplace. These are set out in more detail in the ESG Report on pages 66 to 136.

To address sentiments revealed by the Group-wide engagement surveys, Prudential took several immediate actions, including the creation of regional forums to discuss individual acceleration plans, assigned mentors, offered involvement in strategic projects and provided opportunities for more interaction with executive leaders.

Regulators

Why regulators matter to Prudential
Regulators regulate and supervise the insurance and asset management industries, promote its general stability and protect policy holders.

Prudential operates in highly regulated markets, and seeks to maintain honest, constructive and open relationships with regulators to ensure mutual trust, respect and understanding.

How the Board engages and communicates with regulators and understands their interests, needs and concerns
During 2021, Prudential was included as a designated insurance holding company under the Hong Kong Insurance Authority's (IA) Insurance Ordinance, and is now subject to the Hong Kong IA's Group-wide Supervision (GWS) Framework.

In November 2021, members of our Group Executive Committee presented to the Regulatory College of Supervisors on the Group's strategy and key business initiatives.

The Directors meet with the Hong Kong IA on a periodic basis, sharing an agreed range of management information. Discussions cover areas such as capital, risk management and governance issues impacting Prudential and the industry.

The Board receives regular updates on our engagement with the Hong Kong IA regarding the shape of its legislative and regulatory framework and how the requirements of the GWS Framework have been implemented by the Group.

The impact that engagement with regulators has on Board decision-making
During 2021, the Board discussed and approved various matters in relation to its designation under the Hong Kong IA Insurance Ordinance and the GWS Framework, including the details of all transitional arrangements agreed with the Hong Kong IA.

After designation, the Group Risk Committee regularly oversees the progress made by the Group on transitional arrangements agreed with the Hong Kong IA.

The Board also engaged pro-actively with the Hong Kong IA and other relevant regulators throughout the year on strategic initiatives that we have completed including the demerger of the Jackson business, the equity raise and the debt restructuring.

Governments and the wider society

Why governments and the wider society matter to Prudential

We regard governments in the markets in which we operate as important stakeholders. In addition, we support communities where we operate, by making healthcare affordable and accessible, offering savings and protection products, paying tax revenues and community support activity.

How the Board engages and communicates with governments and the wider society and understands their interests, needs and concerns

As in 2020, a major area of engagement with our host governments was the on-going management of Covid-19 and the impact on our customers, communities and workforce. Throughout 2021, Prudential actively engaged with international standard setters, and with governments and regulators in the markets in which we operate on key issues shaping their policy environment, including emerging ESG issues.

As well as direct engagement with governments and regulators, we worked with a number of trade associations and working groups to understand and inform approaches to international and national-level policy and regulations and to benefit from the collaboration and cooperation that comes from working alongside peers in industry to inform and understand policy-making.

Memberships of trade associations such as Asia House, the UK-ASEAN Business Council and the China-Britain Business Council, and a number of British and European Chambers of Commerce, enabled the organisation of, and participation in roundtables and meetings with policymakers on green and sustainable finance, healthcare and digital issues, often virtually given the continuing restrictions on international travel. Green and sustainable finance also featured in various government-to-government and regulatory dialogues that took place through the year, and into which Prudential advocated relevant priorities and perspectives.

The progress of these initiatives together with key government and political developments are reported to the Board throughout the year by the Director of Group Government Relations.

Our approach to community investment and engagement is guided by our Group-wide Community Investment Policy and the Group's ESG strategy. Within this framework, our businesses have the autonomy to manage their own community investment programmes. The Prudence Foundation regularly reviews our strategy and funding for community investment programmes with the aim of maximising positive outcomes in the regions where we operate. The Responsibility and Sustainability Working Group oversees our community engagement and investment activities on behalf of the Board. In 2021 the Working Group received an update on the activities of the Prudence Foundation, including an overview of its alignment to the Group ESG strategic framework and strategy, its structure, governance and budget together with an update on its flagship programmes and the Foundation's aspirations for 2022 and beyond.

The impact that engagement with the government and the wider society has on Board decision-making

In May 2021, the Board approved a number of climate-related commitments including a pledge to become a 'net zero' asset owner by 2050 and various immediate actions to support that objective.

Throughout 2021, Prudential worked with the UK government and UK embassies in our markets on key themes ahead of the meeting of the UNFCCC's Conference of Parties (COP26), including developing sustainable capital markets and the role of investors in a just and long term energy transition. We participated in local Energy Transition Councils facilitated by the UK government in a number of ASEAN markets, and green finance workshops organised by the UK government or other partners in collaboration with domestic policymakers (for example, in Thailand and Kenya).

At COP26, across a range of activities, the Chair, Group CFO and COO and senior Prudential representatives highlighted the importance of a just and inclusive transition in Asia and Africa; the challenges of addressing coal retirement and investment in renewables in developing markets; and the framework for financial market participants to achieve net zero goals.

Suppliers

Why suppliers matter to Prudential

Together with our workforce, our suppliers support us in serving our customers. Strong supplier relationships are therefore vital.

How the Board engages and communicates with suppliers and understands their interests, needs and concerns

Modern slavery

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 continue 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 new Group Third Party Supplier and Outsourcing Policy (GTPSO).

Payment terms

In order to demonstrate Prudential's ongoing commitment to supporting its supply chain, through the difficult trading circumstances triggered by the global pandemic, Prudential continued to provide payment assistance in 2021.

Prudential's standard contractual payment terms in the UK provide for payment to suppliers within 30 days after the invoice date. In the most recent reporting period ending 31 December 2021, the average time taken to pay invoices was 29 days. For smaller suppliers with under 100 employees, our Small Supplier Accelerated Payment Scheme aims to pay suppliers in as little as 10 days after the invoice date. The Scheme has now benefited over 150 small suppliers with payments of nearly £9 million in 2021.

The impact that engagement with suppliers has on Board decision-making

During 2021, the Board approved a new GTPSO, which governs the relationships that the Group has with over 6,000 service providers. The policy aligns and builds on the Group's ESG framework through the introduction of Responsible Supplier Guidelines that promote the development of a sustainable and ethical supply chain, with a particular emphasis on conducting due diligence on a service provider's position and compliance with human rights, ethical and safe labour practices and local labour laws and wage standards for spend in categories considered to be of higher risk. The policy was reviewed and approved by the Risk Committee, before being approved by the Board.

Case studies of the Board's consideration of the impact on stakeholders of major transactions

During 2021, the Board approved two significant strategic transactions, namely: the separation and demerger of Jackson Financial Inc. and the equity capital raising through the issue of new shares on the Hong Kong branch register. The Board spent a considerable amount of time discussing the impact each transaction would have on the affected stakeholders before making a decision. Set out below is a summary of those considerations.

The separation and demerger of Jackson Financial Inc.

Context

In January 2021, the Board of Prudential announced that it had decided to pursue the separation of its US operations (Jackson) from the Group through a demerger, whereby shares in Jackson would be distributed to Prudential shareholders.

Stakeholder considerations

In arriving at this strategic decision the Board took into account the impact that the separation would have on the affected stakeholders. The Board received regular briefing materials, advice and presentations from Management and its advisors and sought to understand the views of investors as it determined its strategy. The impact of changes arising from the separation on employees and customers was also discussed, prioritising the fair treatment of all involved.

The Board believed that the separation would lead to an improvement in strategic, operational and financial execution for both the Group and Jackson after the separation, which would enhance their speed and agility to adapt to their customers' evolving needs, to manage stakeholder relationships and improve financial outcomes for their respective shareholders. The separation of Jackson would also complete Prudential's strategic transformation from a global group into a business exclusively focussed on the long-term structural opportunities of Asia and Africa.

Impact of stakeholder considerations on the Board's decision to approve the demerger of Jackson Financial

In January 2021, the Board, after discussing the merits of the proposed transaction and its impact on the affected stakeholder groups, decided that a demerger was in the best interests of shareholders when assessed against other options, including a minority IPO, other separation paths or retaining Jackson.

Throughout the project the Company engaged pro-actively with the Hong Kong IA and the Michigan Department of Insurance and Financial Services, and the Board took into account their views in the structuring of the transaction in order to secure their support.

The Board actively considered mitigants to reduce the impact on institutional and retail investors who may have been unable to hold shares in Jackson, including determining the size of the stake the Group could retain upon the demerger, and supporting a proactive programme of investor relations activity.

A share sale option was also established to enable small retail shareholders to sell their Jackson Shares and receive the cash sale proceeds, net of applicable withholding taxes with Prudential covering the cost of brokerage and any currency conversion. The Company's registrar, EQ, also provided a corporate sponsored nominee service which enabled eligible shareholders who may face logistical and/or practical difficulties in holding shares listed on a U.S. exchange, to hold their entitlement to Jackson Shares in the form of CREST Depository Interests instead.

At the General Meeting in August 2021, shareholders overwhelmingly supported the demerger resolution, voting 99.65 per cent in favour of the separation. Shortly thereafter the Board approved a dividend in-specie, distributing Jackson shares to the Group's shareholders.

Decision to raise equity and issue shares on the Hong Kong branch register

Context

In January 2021, Prudential announced that the Board was considering a potential $2.5-$3 billion raising of equity in the context of the intended demerger of Jackson, in order to accelerate de-levering of the Group's balance sheet through the redemption of existing high-coupon debt. At the same time, the Group announced changes in the regulatory capital calculation used by Jackson. This meant that there would be no pre-separation dividend to Group shareholders.

Stakeholder considerations

The Board believed there were clear benefits to shareholders from increasing both its Asian shareholder base and the liquidity of its shares in Hong Kong. As a non pre-emptive equity raise, the size of the issuance was limited to the 5 per cent shareholder authorisation which had been obtained at the 2021 AGM with an overwhelming 99.69 per cent of votes cast in its favour. The Board recognised the potential shareholder concerns of a non pre-emptive raise and engaged with the Group's top 20 shareholders to ensure any specific concerns were heard.

Impact of stakeholder considerations on the Board's decision to approve the Hong Kong share offer

Having considered the interest of all stakeholders, particularly the views expressed by the Group's existing shareholders, the Board reached the conclusion that a Hong Kong Fully Marketed Offer, comprising a global institutional placing and a simultaneous public offer to Hong Kong based retail investors (including a preferential offer to eligible employees and agents) was in the best interests of the Company as a whole. The allocation of shares under the offer took into account a number of criteria, including the interests of existing shareholders and the strategic benefits of increasing both our Asian shareholder base and enhancing liquidity in Hong Kong.

The share offer was launched in October 2021, raising approximately $2.4 billion of equity from a range of existing shareholders, new Asia-focussed institutional investors and sovereign wealth funds. The equity raise enabled $2.25 billion of debt repayment to de-lever the Group's balance sheet and enhance the Group's financial flexibility in light of the breadth of the opportunities to invest in growth.

Strategic report approval by the Board of Directors

The strategic report set out on pages 6 to 145 is approved by the Board of Directors.

Signed on behalf of the Board of Directors

Mike Wells
Group Chief Executive

8 March 2022

Governance

Contents

Shriti Vadera
Chair

While the challenges of the pandemic continued during 2021, it was an eventful first year for me as Chair of Prudential. We took significant steps as a company and I would like to thank my fellow Board members, management, colleagues and shareholders for their commitment, support and, at times, their patience.

Recognising the huge impact on individuals and communities alike, we have worked assiduously to support our staff and customers throughout 2021. The Board has continued, in large part, to operate virtually, with members meeting together only where permissible and possible. There was a small window in November 2021 when more of us were able to meet in London and this provided an invaluable opportunity for the face-to-face connection which has been sadly absent over the last two years.

Board composition
The Board has continued to evolve to reflect the Group's changing geographic footprint and strategic focus on our transformation to a purely Asian and African-focused growth company. In addition to changes to the Executive team, one of my key priorities has been changes to the non-executive composition of the Board. While a number of long-standing Directors have come to the end of their tenure, I have been delighted with the appointments of the three Non-executive Directors who joined us in 2021 Chua Sock Koong, Ming Lu and Jeanette Wong together with George Sartorel who joined the Board in January of this year. Between them, they bring a depth and breadth of operational experience in Asia and add to the diversity of thought and perspectives around the Boardroom table. They enhance the Board's familiarity with digital technology, and better enable it to support and challenge the business at an operational level. We introduced Sock Koong, Ming and Jeanette at last year's Annual General Meeting (AGM). George brings deep operating expertise in insurance from a long career in the sector across the Asia Pacific region, as well as experience of digital transformation. We will continue to seek Asian, specialist financial services and digital experience in the next phase of appointments.

I am sorry to say goodbye to some long-standing members of the Board who have seen the Group through a period of transformation. Following Kai Nargolwala's retirement from the Board at the AGM in May 2021, Fields Wicker-Miurin retired from the Board on 31 December 2021. Fields was a valued member of the Board, the Remuneration Committee and the Board's Responsibility & Sustainability Working Group (RSWG) since its inception.

On reaching the end of their nine-year tenure, Anthony Nightingale and Alice Schroeder will step down from the Board at the conclusion of the 2022 AGM. Alice has been a valuable long-standing member of both the Audit and Risk Committees and I am particularly grateful for her work setting up and chairing the RSWG since February 2021. Anthony has brought considerable experience and insight to the Board, Nomination & Governance Committee and as Chair of the Remuneration Committee since 2015, in which role he has been highly diligent in engagement with our shareholders. As previously announced, Chua Sock Koong will succeed Anthony as Chair of the Remuneration Committee following the conclusion of the 2022 AGM. I would like to thank all of them for their contributions.

To ensure a smooth transition and to mitigate some of the loss of institutional memory of those Directors stepping down, we have brought the new joiners onto the Board early. This overlap means that the Board is larger in the medium term than is expected over the longer term, but this enables new members to benefit from the out-going members' experience and insight. As a further important element of ensuring stability and continuity of knowledge during this period of transition and as the average tenure of Board members will be a little over three years following the 2022 AGM, the Board considered that it would be in the best interests of the Company to extend the tenure of the Senior Independent Director, Philip Remnant, by one year to the 2023 AGM. I have sought the view of major shareholders as part of my annual programme of engagement and am grateful for the support indicated so far.

Board agenda in 2021

I have set out in my Chair's letter the transformation of the Group in 2021 and the key transactions which took place. Overseeing those transactions and the necessary documentation took up a significant amount of the Board and management's attention during the year. I am grateful to all for the additional time put in, which ensured that the Board agenda progressed on a number of other fronts at the same time.

Alongside the corporate transactions, the focus of the Board's agenda has been to deepen its knowledge of Prudential's individual businesses through a series of deep dives with local management teams. These have focused on the specifics of each business alongside cross-cutting themes, their customer propositions, distribution strategies including the use of digital, their competitive landscape, the particular challenges they face and how they are meeting them. It has been beneficial and rewarding to meet different teams across the Group (albeit largely virtually), to hear their experiences and witness the energy they bring to supporting customers, employees, agents and communities, including through the pandemic. I am looking forward to being able to hold these sessions in person in the near future.

As I noted last year, good governance includes a commitment to continuous improvement and to that end I am grateful to Jeremy Anderson for leading an exercise to consider lessons for the Board to learn from the revision to Jackson's hedge modelling, announced last January, which had an impact on Jackson's statutory capital. Building on the work done by management and internal audit to look at policies and controls in relation to model risk management, Mr Anderson made a number of recommendations to enhance governance oversight arrangements at Group and at our business units. Further detail is included in his report on pages 184 to 190.

Impact on, and engagement with, key stakeholders

The Board considers ESG matters as needing to be fully integrated and aligned with its core business strategy. ESG, including climate change, is overseen by the Board, which is responsible for determining overall strategy and prioritisation of key focus areas, and to ensure our ESG strategic framework (published in 2020) is being embedded across our business. We established the RSWG to devote more time to overseeing our work on the environment, communities, diversity, inclusion, people and culture, the embedding of our ESG framework, the enhancement of disclosures for 2021 and to employee engagement activities. During 2021, we reviewed various voluntary reporting frameworks and decided to prioritise reporting in line with the Sustainability Accounting Standards Board Insurance Standard for 2021.

As a significant asset manager and asset owner in regions forecast to be severely impacted by climate change, Prudential has a distinctive role to play in the transition to a low-carbon economy. Recognising this, in May 2021, we set a target to be net zero by 2050 for our insurance assets supported by a 25 per cent reduction in the weighted average carbon intensity of our investment portfolio by 2025. Full details of the strategy and the work of the RSWG are included in the ESG Report on page pages 66 to 137.

Alongside consideration of the impact Prudential can have across its customers, communities and wider stakeholders, the Board has focused on the wellbeing of our employees through 2021, not least as we continue to adjust to the impact of the pandemic on working practices and as the organisation goes through a period of significant change. 2021 was the second year of a three-year plan to promote and embed a diverse and inclusive culture and our chosen behaviours across the Group, and the Board and I have participated in a number of employee engagement activities and seen how the Group's values are being embedded in our business. Further details are included in the Section 172 Statement on pages 140 to 141.

Focus for 2022

I hope this report and those of my fellow Committee Chairs demonstrates the careful work, challenge and oversight undertaken in 2021. After a year of significant change and external uncertainties, in 2022 the Board will focus on delivery of the opportunities we believe our strategic decisions have positioned Prudential to realise across our markets. The Covid-19 pandemic and its effects will continue to impact the markets and societies in which we operate, so we will focus on the wellbeing of our staff and the development and delivery of products and services which best support our customers and policyholders. We will invest in our skills and capabilities as Pulse positions us for digitally-enabled delivery of health protection, insurance and wealth management products and services. We will continue to build on our leading positions in Hong Kong and South-east Asia, and where we see the greatest growth opportunities in the largest economies of China, India, Indonesia and Thailand. Technology innovation, adaptation and adoption will continue to be a key driver and enabler of our strategy.

The ongoing pandemic meant I was unable to meet shareholders in person at our AGM in 2021, though I welcomed the engagement we were able to have through our virtual meetings. We were able to hold a hybrid General Meeting (GM) in August 2021 for the vote on the demerger of Jackson, while throughout the year I have been pleased to meet with our major investors, though largely virtually rather than in-person. I hope that the AGM in 2022 provides the first opportunity for me to meet with shareholders at the AGM in person, public health circumstances permitting. The detailed arrangements will be communicated in our AGM Notice published in April 2022.

I look forward to updating you further there.

Shriti Vadera
Chair

Board of Directors

Changes to the Board in 2021:

- On 1 January 2021, Shriti Vadera became the Chair of the Board
- On 12 May 2021, Chua Sock Koong, Ming Lu and Jeanette Wong joined the Board
- Following the conclusion of the 2021 AGM held on 13 May 2021, Kaikhushru Nargolwala retired from the Board
- On 31 December 2021, Fields Wicker-Miurin retired from the Board

Changes to the Board in 2022:

- On 14 January 2022, George Sartorel joined the Board
- As announced on 10 February 2022, at the end of March 2022 Mike Wells will retire from his role as Group Chief Executive and step down from the Board. Mark FitzPatrick, currently Group Chief Financial Officer and Chief Operating Officer, will become Interim Group Chief Executive and James Turner, currently Group Chief Risk and Compliance Officer, will become Group Chief Financial Officer. Avnish Kalra will succeed Mr Turner as Group Chief Risk and Compliance Officer and will join the Group Executive Committee.
- Following the conclusion of the 2022 AGM to be held on 26 May 2022, Anthony Nightingale and Alice Schroeder will retire from the Board

The composition of the Prudential Corporation Asia Limited board of directors mirrors the Prudential plc Board.

Changes to Board Committee Membership:

- On 1 January 2021, Shriti Vadera became the Chair of the Nomination & Governance Committee
- On 4 February 2021, Jeremy Anderson stepped down from the Nomination & Governance Committee and became a member of the Responsibility & Sustainability Working Group . David Law stepped down from the Nomination & Governance Committee and joined the Remuneration Committee and Tom Watjen joined the Nomination & Governance Committee
- On 4 February 2021, Fields Wicker-Miurin and Kai Nargolwala joined the Responsibility & Sustainability Working Group
- On 3 March 2021, Amy Yip stepped down from the Remuneration Committee and joined the Audit Committee
- On 12 May 2021, Chua Sock Koong joined the Audit Committee and Remuneration Committee, Ming Lu joined the Nomination & Governance Committee and Risk Committee and Jeanette Wong joined the Audit Committee and Risk Committee
- On 1 November 2021, Jeanette Wong joined the Responsibility & Sustainability Working Group

Shriti Vadera

Chair

N

Appointments

- **Appointed to the Board: May 2020**
- **Appointed Chair: January 2021**
- **Age: 59**

Relevant skills and experience

Shriti brings senior boardroom experience and leadership skills at complex organisations, including extensive experience in the financial services sector, with international operations and at the highest level of international negotiations between Governments and in multilateral organisations. She contributes her wide-ranging and global experience in economics, public policy and strategy, as well as her deep understanding and insight into global and emerging markets and the macro-political and economic environment.

Shriti was chair of Santander UK Group Holdings, the Senior Independent Director at BHP and a Non-executive Director of Astra Zeneca. Between 2009 and 2014, she undertook a wide range of assignments, such as advising the South Korean Chair of the G20, two European countries on the Eurozone and banking crisis, the African Development Bank on infrastructure financing and a number of global investors and sovereign wealth funds on strategy and economic and market developments.

From 2007 to 2009, Shriti was a Minister in the UK government, serving in the Cabinet Office, Business Department and International Development Department. She led on the UK Government's response to the global financial crisis and its Presidency of the G20. From 1999 to 2007 she was a member of HM Treasury's Council of Economic Advisers.

Shriti's career began with 15 years in investment banking with SG Warburg/UBS, where she had a strong focus on emerging markets.

Key current external appointments

- Institute of International Finance, Board Member
- Chair, The Royal Shakespeare Company

Michael Wells

Group Chief Executive

Appointments

- **Appointed to the Board: January 2011**
- **Appointed Group Chief Executive: June 2015**
- **Age: 61**

Relevant skills and experience

Mike has more than three decades' experience in insurance and retirement services, having started his career at the US brokerage house Dean Witter, before going on to become a managing director at Smith Barney Shearson.

Mike joined the Prudential Group in 1995 and became Chief Operating Officer and Vice-Chairman of Jackson in 2003. In 2011, he was appointed President and Chief Executive Officer of Jackson, and joined the Board of Prudential.

During his leadership of Jackson, Mike was responsible for the development of Jackson's market-leading range of retirement solutions. He was also part of the Jackson teams that purchased and successfully integrated a savings institute and two life companies.

Key current external appointments

- International Advisory Panel of the Monetary Authority of Singapore
- San Diego University Advisory Board
- China Children Development Foundation

Executive Directors

Mark FitzPatrick CA
Group Chief Financial Officer
and Chief Operating Officer

Appointments

- **Appointed to the Board: July 2017**
- **Age: 53**

Relevant skills and experience

Mark has a strong background across financial services, insurance and investment management, encompassing wide geographical experience relevant to the Group's key markets.

Mark previously worked at Deloitte for 26 years, building his industry focus on insurance and investment management globally. During this time, Mark was Managing Partner for Clients and Markets, a member of the executive committee and a member of the board of Deloitte UK. He was a Vice Chairman of Deloitte for four years, leading the CFO Programme and developing the CFO Transition labs. Mark previously led the Insurance & Investment Management audit practice and the insurance industry practice.

Mark is also a Director of Prudential Services Limited and Pulse Ecosystems Pte. Ltd, which are wholly owned Prudential subsidiaries. Mark is co-Chair of the Prudential Diversity & Inclusion Council and the Chair of the Group ESG Committee.

Key current external appointments

- British Heart Foundation
- Scottish Mortgage Investment Trust plc

James Turner FSA FCSI FRM
Group Chief Risk and Compliance Officer

Appointments

- **Appointed to the Board: March 2018**
- **Age: 52**

Relevant skills and experience

Having held senior positions at Prudential for over a decade, James has a wide-ranging understanding of the business and draws on previous experience across internal audit, finance and compliance, as well as technical knowledge and skills, relevant to his role.

James joined Prudential as the Director of Group-wide Internal Audit and was appointed Director of Group Finance in September 2015. James joined the Board as the Group Chief Risk Officer in March 2018 and in July 2019 assumed responsibility for Group Compliance relocating to Hong Kong in August 2019.

Non-executive Directors

The Hon. Philip Remnant CBE FCA
Senior Independent Director
A N Re

Appointments

- **Appointed to the Board: January 2013**
- **Age: 67**

Relevant skills and experience

Philip is a chartered accountant and brings substantial advisory, regulatory and listed company experience to the Board, having worked in senior roles across the financial services sector, including asset management, in the UK and Europe.

Philip was formerly a senior adviser at Credit Suisse and a Vice Chairman of Credit Suisse First Boston Europe and Head of its UK Investment Banking Department. He was twice seconded to the role of Director General of the Takeover Panel. Philip served on the board of Northern Rock plc and was Chairman of the Shareholder Executive. Philip also served on the board of UK Financial Investments Limited and was Chairman of The City of London Investment Trust plc and of M&G Group Limited.

Key current external appointments

- Severn Trent plc
- Takeover Panel (deputy chairman)

Key

A **Audit Committee**	Ri **Risk Committee**
N **Nomination & Governance Committee**	Rs **Responsibility & Sustainability Working Group**
Re **Remuneration Committee**	● **Committee Chair**

Non-executive Directors / continued

Jeremy Anderson CBE

Independent Non-executive Director

Ri A Rs

Appointments

- **Appointed to the Board: January 2020**
- **Age: 63**

Relevant skills and experience

Jeremy brings to the Board substantial leadership experience in the financial services sector across Asia. He has extensive technical audit and risk management skills and experience, particularly with regards to multinational companies.

Jeremy was formerly the Chairman of Global Financial Services at KPMG International having previously been in charge of its UK Financial Services Practice and held roles including Head of Financial Services KPMG Europe, Head of Clients and Markets KPMG Europe and CEO of KPMG's UK consulting business. Jeremy served as a member of the Group Management Board of Atos Origin and as Head of its UK operations. Jeremy also served on the board of the UK Commission for Employment and Skills.

Key current external appointments

- UBS Group AG/UBS AG (Audit Committee Chair, Senior Independent Director, Vice-Chair)
- The Productivity Group
- The Kingham Hill Trust

Chua Sock Koong

Independent Non-executive Director

A Re

Appointments

- **Appointed to the Board: May 2021**
- **Age: 64**

Relevant skills and experience

Sock Koong has more than 30 years' experience in business leadership, operations, information technology and digitalisation throughout Asia.

From 2007 to 2020, Sock Koong was Chief Executive Officer of Singapore Telecommunications Limited (Singtel), Asia's leading communications technology group, having previously held a number of senior roles at the firm, including Treasurer, Chief Executive Officer International and Group Chief Financial Officer.

Key current external appointments

- Bharti Airtel Limited & Bharti Telecom Limited
- Cap Vista Pte Ltd
- Defence Science and Technology Agency
- The Singapore Public Service Commission
- The Singapore Council of Presidential Advisers
- Royal Philips NV

David Law ACA

Independent Non-executive Director

A Ri Re

Appointments

- **Appointed to the Board: September 2015**
- **Age: 61**

Relevant skills and experience

David has extensive technical knowledge and skills in audit, accounting and financial reporting matters and experience across the Group's key markets, and across a number of industry sectors, particularly insurance.

David is a chartered accountant and spent almost 33 years working with Price Waterhouse and PricewaterhouseCoopers (PwC). During that time he was, amongst other things, the global leader of PwC's insurance practice, a partner in the UK firm, and worked as the lead audit partner for multinational insurance companies. He also led PwC's insurance and investment management assurance practice in London and the firm's Scottish assurance division. After his retirement from PwC, David became a director and Chief Executive Officer of L&F Holdings Limited and its subsidiaries, which is the professional indemnity captive insurance group which serves the PwC network and its member firms. David retired from this role in June 2019.

Key current external appointments

- University of Edinburgh (Chair of Audit and Risk Committee; Membership of Exception Committee, Nominations Committee and Remuneration Committee)

Ming Lu

Independent Non-executive Director

Ri N

Appointments

- **Appointed to the Board: May 2021**
- **Age: 63**

Relevant skills and experience

Ming has over 30 years' experience of investing and developing businesses throughout the Asia Pacific region.

Ming is the Head of Asia Pacific at KKR Asia Limited and is a Partner of Kohlberg Kravis Roberts & Co. L.P. He also serves as a member of the KKR Asian Private Equity Investment Committee, KKR Asian Portfolio Management Committee and KKR Investment, Management and Distribution Committee. Since 2018 he has played an important role in KKR's Asia growth and expansion and has served as a member of the Asia Infrastructure Investment Committee and Asia Real Estate Investment Committee.

Ming previously worked for CITIC, the largest direct investment firm in China, before moving to Kraft Foods International Inc.. He was president of Asia Pacific at Lucas Varity, and a partner at CCMP Capital Asia (formerly J.P. Morgan Partners Asia), where he was responsible for investment in the automotive, consumer and industrial sectors across a number of countries throughout Asia. Ming has also held directorships at Ma San Consumer Corporation, Mandala Energy Management Pte Ltd, Weststar Aviation Service Sdn Bhd and MMI Technologies Pte Ltd.

Key current external appointments

- KKR Asia Ltd
- Goodpack Pte Ltd

Anthony Nightingale CMG SBS JP

Independent Non-executive Director

Re N

Appointments

- **Appointed to the Board: June 2013**
- **Age: 74**

Relevant skills and experience

Anthony has extensive listed company experience and knowledge of the Asian markets.

From 2006 to 2012, Anthony was managing director of the Jardine Matheson Group, having previously held a number of senior executive positions with the firm. Anthony was formerly a director of Schindler Holding Limited, chairman of the Hong Kong General Chamber of Commerce, an Asia-Pacific Economic Cooperation (APEC) Business Advisory Council Representative of Hong Kong, China and the Hong Kong representative to the APEC Vision Group.

Key current external appointments

- Jardine Matheson Holdings (and other Jardine Matheson group companies)
- Shui On Land Limited
- Vitasoy International Holdings Limited
- The Innovation and Strategic Development Council in Hong Kong

George Sartorel

Independent Non-executive Director

Appointments

- **Appointed to the Board: January 2022**
- **Age: 64**

Relevant skills and experience

George has considerable operational expertise in financial services, following a career spanning 40 years in the insurance industry including across the Asia Pacific region.

From 2014 to 2019 he was the regional Chief Executive Officer of Allianz's Asia Pacific business, having previously held a range of senior roles for Allianz including Chief Executive of Allianz Italy, Chief Executive of Allianz Turkey, Global Head of Change Programmes for the Allianz Group, General Manager of Allianz Malaysia, Allianz Australia and New Zealand. He also previously sat on the Financial Advisory Panel of the Monetary Authority of Singapore from 2015 to 2019.

Mr Sartorel began his career at Manufacturers Mutual Insurance in Australia.

Key current external appointments

- Insurance Australia Group Limited

Key

A	**Audit Committee**	Ri	**Risk Committee**
N	**Nomination & Governance Committee**	Rs	**Responsibility & Sustainability Working Group**
Re	**Remuneration Committee**	●	**Committee Chair**

Non-executive Directors / continued

Alice Schroeder

Independent Non-executive Director

Rs A Ri

Appointments

- **Appointed to the Board: June 2013**
- **Age: 65**

Relevant skills and experience

Alice has extensive business transformation and management experience at the executive and board level, across the insurance, asset management, technology and financial services industries in the United States.

Alice was formerly a director of Bank of America Merrill Lynch International, an independent board member of the Cetera Financial Group and held the office of chief executive officer and chair of WebTuner (now Showfer Media LLC). Alice was also a managing director at CIBC Oppenheimer, PaineWebber (now UBS) and Morgan Stanley. Alice began her career at Ernst & Young as a qualified accountant, before joining the Financial Accounting Standards Board, where she oversaw the issuance of several significant insurance accounting standards.

Key current external appointments

- HSBC North America Holdings Inc.
- RefleXion Medical Inc.
- Quincy Health, LLC
- Natus Medical Incorporated
- Westland Insurance Group Ltd
- Carbon Streaming Corporation

Thomas Watjen

Independent Non-executive Director

Re Ri N

Appointments

- **Appointed to the Board: July 2017**
- **Age: 67**

Relevant skills and experience

Tom has experience across the insurance, asset management and financial services industries as well as experience with listed companies in the United Kingdom and the United States.

Tom was formerly a director of Sun Trust Bank, an executive vice president and the chief financial officer of Provident Companies Inc. and, following Provident's merger with Unum, president and chief executive officer of the renamed Unum Group. Tom started his career at Aetna Life and Casualty before joining Conning & Company, an investment and asset management provider, where he became a partner in the consulting and private capital areas. He joined Morgan Stanley in 1987, and became a managing director in its insurance practice.

Key current external appointments

- Arch Capital Group Limited
- LocatorX, Inc

Jeanette Wong

Independent Non-executive Director

A Ri Rs

Appointments

- **Appointed to the Board: May 2021**
- **Age: 61**

Relevant skills and experience

Jeanette brings to the Board operational skills and experience in the financial services sector, following a career spanning more than 35 years across South-east Asia and the broader Asia Pacific region.

From 2008 to 2019, she led DBS Group's institutional banking business, where she was responsible for corporate banking, global transaction services, strategic advisory, and mergers and acquisitions. Prior to this, Jeanette was DBS Group's Chief Administrative Officer then, from 2003 to 2008, the firm's Chief Financial Officer. As part of her role at DBS Group, Jeanette held non-executive director positions with ASEAN Finance Corporation, TMB Bank and the Bank of the Philippine Islands.

Jeanette began her career in Singapore at Banque Paribas before moving to Citibank and then JPMorgan in Singapore, where she held senior pan-Asian roles. She has previously served as a non-executive director of Fullerton Fund Management Ltd and Neptune Orient Lines Limited.

Key current external appointments

- UBS Group AG
- PSA International Pte Ltd
- Council of CareShield Life (Chair)
- Singapore Airlines Limited
- Singapore Securities Industry Council
- GIC Pte Ltd (Board Risk Committee Member)

Key

A **Audit Committee**	Ri **Risk Committee**
N **Nomination & Governance Committee**	Rs **Responsibility & Sustainability Working Group**
Re **Remuneration Committee**	● **Committee Chair**

Amy Yip

Independent Non-executive Director

A

Appointments

- **Appointed to the Board: September 2019**
- **Age: 70**

Relevant skills and experience

Amy has extensive skills and experience in banking, insurance, asset management and government following a career spanning more than 40 years in China and South-east Asia.

Amy was formerly a non-executive director of Deutsche Börse AG, Temenos Group AG, Fidelity Funds, Vita Green, Hong Kong and an Executive Director of Reserves Management at the Hong Kong Monetary Authority.

From 2006 to 2010, Amy was Chief Executive Officer of DBS Bank (Hong Kong) Limited, where she was concurrently Head of its wealth management group and previously chair of DBS asset management. Amy began her career at the Morgan Guaranty Trust Company of New York, going on to hold progressively senior appointments at Rothschild Asset Management and Citibank Private Bank.

Key current external appointments

- AIG Insurance Hong Kong Limited
- EFG Bank and EFG Bank International (Chairman, Asia Pacific Advisory Board)

Company Secretary

Tom Clarkson

Company Secretary

Appointments

- **Appointed to the Role: August 2019**
- **Age: 46**

Relevant skills and experience

Tom is the Company Secretary and plays a pivotal role in the governance and administration of Prudential and is a trusted adviser to the Board.

Prior to his appointment as Company Secretary, Tom held a number of senior roles at Prudential, including Head of Compliance, Business Partners and prior to that, Group Litigation & Regulatory Counsel.

Tom is an admitted solicitor, having practised law at Herbert Smith LLP, London from 2002 to 2012, which included secondments to Lloyds Banking Group and Royal Bank of Scotland.

Group Executive Committee

The Group Executive Committee (GEC) comprises the Executive Directors, the Chief Executive of Asia and Africa, and the Group Human Resources Director.

The GEC is a management committee constituted to support the Group Chief Executive, who also chairs the GEC. For the purposes of the Hong Kong Listing Rules, Senior Management is defined as the members of the GEC.

Jolene Chen

Group Human Resources Director

Appointments

- **Appointment to the GEC: June 2019**
- **Age: 62**

Relevant skills and experience

Jolene is the Group Human Resources Director, appointed to that role in June 2019, and has been part of the Prudential Group since July 2011.

Jolene is responsible for driving the Culture and People strategies across the Group. She is also a Councillor of Prudence Foundation, the community investment arm of Prudential and is Co-Chair of our Global Diversity and Inclusion Council.

Jolene has more than 30 years' international experience. Prior to joining Prudential, she spent over 21 years with multinational companies in a variety of resourcing, organisational design, talent management, learning and development and human resources roles.

Nicolaos Nicandrou

Chief Executive, Asia and Africa

Appointments

- **Appointment to the GEC: October 2009**
- **Age: 56**

Relevant skills and experience

Nic became Chief Executive, Asia and Africa in July 2017 and is responsible for Prudential Corporation Asia's life insurance and asset management business across 14 markets in Asia. Nic is also the chairman of CITIC-Prudential Life Insurance Limited.

Nic started his career at PwC. Before joining Prudential as an Executive Director and Chief Financial Officer in 2009, he worked at Aviva, where he held a number of senior finance roles, including as Norwich Union Life's finance director and board member, Aviva group financial control director, Aviva group financial management and reporting director and CGNU group financial reporting director.

Corporate governance codes – statement of compliance

The Company has dual primary listings in London (premium listing) and Hong Kong (main board listing) and has therefore adopted a governance structure based on the UK and Hong Kong Corporate Governance Codes (the UK and HK Codes). This report explains how the principles set out in the UK and HK Codes have been applied.

The Board confirms that, for the year under review, the Company has applied the principles and complied with the provisions of the UK Code. The Company has also complied with the provisions of the HK Code, other than as follows:

- Provision B.1.2(d) (now provision E.1.2(d)) of the HK Code requires companies, on a comply or explain basis, to have a remuneration committee which makes recommendations to a main board on the remuneration of non-executive directors. This provision is not compatible with provision 34 of the UK Code which recommends that the remuneration of non-executive directors be determined in accordance with the Articles of Association or, alternatively, by the Board. Prudential has chosen to adopt a practice in line with the recommendations of the UK Code.
- Given the circumstances of the pandemic and UK government guidance, which did not allow large public gatherings as at the date of the 2021 AGM, the Board decided, with regret, that shareholders, external advisers (including the auditor) and the majority of Directors would not be able to attend the AGM in person (and thus provisions A.6.7 (now provision C.1.6) of the HK Code could not be fully complied with). The AGM was attended in person by the Chair, the Senior Independent Director, the Group Chief Financial Officer and Chief Operating Officer, and the Company Secretary. The Group Chief Executive and the Chairs of the Board's principal committees attended the meeting via weblink and were available to shareholders for questions. The auditor also attended via weblink. A recording of the AGM is available on the Company's website. Prudential continued to keep shareholders informed through its website and released results and other presentations during the year.
- The GM held on 27 August 2021 was convened for the sole purpose of approving the demerger of Jackson Financial Inc. For this reason, only the Chair, the Group Chief Financial Officer and Chief Operating Officer, and the Company Secretary attended the GM and thus, provisions A.6.7 (now provision C.1.6) of the HK Code was not fully complied with.

The UK Code is available from www.frc.org.uk

The HK Code is available from www.hkex.com.hk

The table below contains references to disclosures in this Annual Report and Accounts which will enable shareholders to evaluate how Prudential has applied the principles of the UK Code and complied with the more detailed provisions.

Corporate Governance Principles

1. Board leadership and company purpose

A. Board promotes long-term value and sustainability

The application of principle A and a description of how opportunities and risks to the future success of the business have been considered and addressed (provision 1) are set out in the Strategic report on pages 6 to 145.

B. Purpose, Values and Strategy aligned with Culture

The Board is satisfied Prudential's purpose, values and strategy are aligned with its culture. An explanation of the Group's approach to investing in and rewarding its workforce is set out in the ESG Report on page 101 and in the Directors' Remuneration Report on pages 194 to 233. Our reporting against provision 5 is set out in the Section 172 Statement on pages 138 to 145.

C. Performance measures and controls

The responsibility for ensuring that the necessary resources are in place for Prudential to meet its objectives is delegated to Management. See pages 167 to 168 for the Board's approach to risk management and internal controls.

D. Engagement with stakeholders

Engagement with shareholders and stakeholders is described in the Section 172 Statement on pages 138 to 145 and in the ESG Report on pages 66 to 137.

E. Workforce policies and practices

Application of principle E is described in the Section 172 Statement on pages 138 to 145 (provision 5), in the ESG Report on pages 66 to 137 and in the whistleblowing disclosure (provision 6) on page 120.

2. Division of responsibilities

F. Role of the Chair

A description of the Chair's role is set out on page 59. Shriti Vadera was independent on appointment when assessed against the criteria in UK Code provision 10 (she was also independent under HK Code criteria). There is no requirement for independence to be determined post appointment. Her biography is on page 150.

G. Division of responsibilities

The Board comprises a majority of independent Non-executive Directors. There is a clear division of responsibility between the Board and the executive management team. See pages 172 to 173 for our reporting against provision 10 and 11; and the governance structure of the Board and its principal Committees on page 158.

H. Non-executive Directors

As part of reviewing the performance of Non-executive Directors and recommending them for election by shareholders at the AGM, the Board was satisfied that each Non-executive Director has sufficient time to meet their board responsibilities (see page 174).

I. Effective and efficient processes

The 2021 board evaluation tested and confirmed that the Board has the necessary support and information to function effectively and efficiently. See page 166 for more information.

3. Composition, succession and evaluation

J. Appointments and succession planning

An explanation of the Board's appointment and succession planning activities can be found on pages 169 to 174 and forms our disclosure against provision 20 and 23.

K. Skills, experience and knowledge

The Board and its Committees have a diverse combination of skills, experience and knowledge. An overview of Directors' skills, experience, knowledge and length of service is set out in the Director biographies on pages 150 to 155.

L. Evaluation of composition and diversity

The outcome of the 2021 Board Evaluation and disclosure against provision 23 can be found in the Nomination & Governance Report on pages 169 to 174.

4. Audit, risk and internal control

M. Integrity of financial statements

Prudential has formal and transparent policies and procedures to ensure the independence and effectiveness of both internal and external audit functions. An explanation of the independence and effectiveness of the external audit process can be found in the Audit Committee report on pages 179 to 180. In accordance with DTR 7.1.3(5) the Board is satisfied with the integrity of Prudential's financial and narrative statements.

N. Fair, balanced and understandable

The Board has presented a fair, balanced and understandable assessment of Prudential's position and prospects in this Annual Report and Accounts. The disclosure against provision 27 can be found on page 321 and is supported by our disclosure against provision 26 in the Audit Committee Report on pages 175 to 183. Disclosures concerning going concern (provision 30) and viability (provision 31) can be found on pages 191 and 64 respectively.

O. Internal controls and risk management

A description of Prudential's internal controls framework and risk management framework is set out on page 167 and its emerging and principal risks are set out on page 51.

5. Remuneration

P. Remuneration policies and practices

Prudential's remuneration policies and practices support the achievement of the Group's strategy, promote long-term sustainable success and are aligned to its purpose and values. A description of the work of the Remuneration Committee can be found on pages 194 to 233.

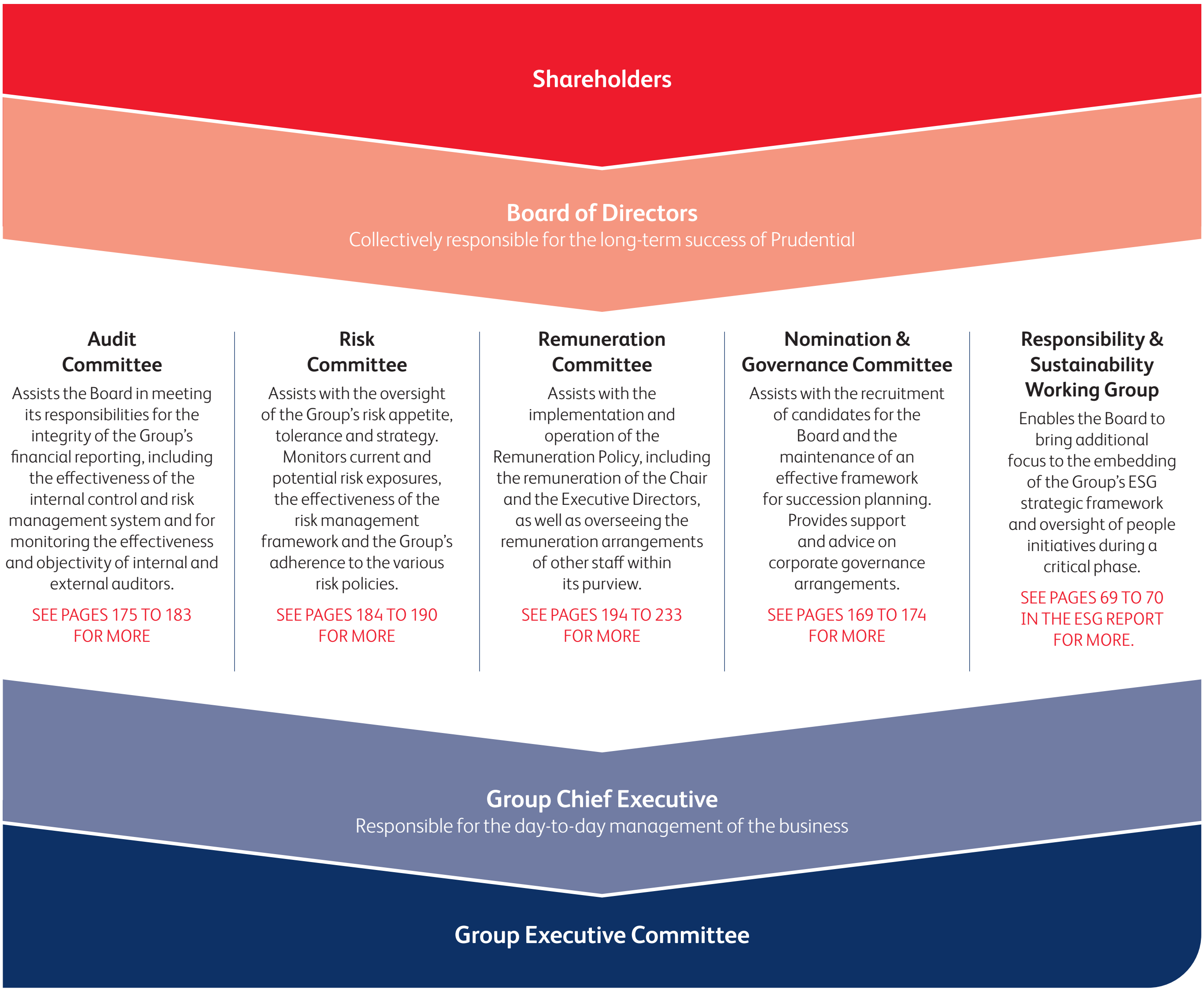
Q. Procedure for developing policy

The procedure for the development of the remuneration policy and a summary of the current Directors' remuneration policy is set out in the Directors' Remuneration report on pages 194 to 233.

R. Independent judgement and discretion

Directors exercise independent judgement and discretion when authorising remuneration outcomes. The shareholder-approved remuneration policy sets out the limited circumstances in which the Remuneration Committee may exercise discretion. The policy can be accessed on the Company's website at www.prudentialplc.com/investors/governance-and-policies/policies-and-statements

Board and Committee Structure



Shareholders

Board of Directors
Collectively responsible for the long-term success of Prudential

Audit Committee
Assists the Board in meeting its responsibilities for the integrity of the Group's financial reporting, including the effectiveness of the internal control and risk management system and for monitoring the effectiveness and objectivity of internal and external auditors.
SEE PAGES 175 TO 183 FOR MORE

Risk Committee
Assists with the oversight of the Group's risk appetite, tolerance and strategy. Monitors current and potential risk exposures, the effectiveness of the risk management framework and the Group's adherence to the various risk policies.
SEE PAGES 184 TO 190 FOR MORE

Remuneration Committee
Assists with the implementation and operation of the Remuneration Policy, including the remuneration of the Chair and the Executive Directors, as well as overseeing the remuneration arrangements of other staff within its purview.
SEE PAGES 194 TO 233 FOR MORE

Nomination & Governance Committee
Assists with the recruitment of candidates for the Board and the maintenance of an effective framework for succession planning. Provides support and advice on corporate governance arrangements.
SEE PAGES 169 TO 174 FOR MORE

Responsibility & Sustainability Working Group
Enables the Board to bring additional focus to the embedding of the Group's ESG strategic framework and oversight of people initiatives during a critical phase.
SEE PAGES 69 TO 70 IN THE ESG REPORT FOR MORE.

Group Chief Executive
Responsible for the day-to-day management of the business

Group Executive Committee

Led by the Chair, the Board is collectively responsible for the long-term sustainable success of the Company. It does this by setting the strategy and strategic objectives, approving capital allocations, annual budgets and business plans for the Group, overseeing the operations and monitoring financial performance and reporting. The Board establishes the Group's purpose and values and approves the environmental, social and governance policies, satisfying itself that these and the Group's culture are aligned with the strategy. Further, the Board is responsible for ensuring that an effective system of internal control and risk management is in place, approving the Group's overall risk appetite and tolerance and endorsing the Directors' Remuneration Policy for approval by shareholders.

To assist the Board in carrying out its functions, a substantial part of the Board's responsibilities is delegated to the Board's principal Committees, which comprise Non-executive Directors. The Board's principal Committees are the Audit Committee, Risk Committee, Remuneration Committee and the Nomination & Governance Committee. In addition, the RSWG was formed in February 2021 to assist the Board with matters concerning the Group's overall ESG Strategic Framework, including its engagement with the workforce. The Board receives regular updates on Committee and RSWG activities. The Terms of Reference for each of the Board's Committees are available to view on the Company's website www.prudentialplc.com/en/investors/governance-and-policies/board-and-committees-governance

In addition to the principal Committees and the RSWG, the Board has established a Standing Committee which can meet as required to assist with any business of the Board. It is typically used for ad hoc urgent matters which cannot be delayed until the next scheduled Board meeting. All Directors are members of the Standing Committee and have the right to attend all meetings and receive papers. Before taking decisions on any matter, the Standing Committee must first determine that the business it is intending to consider is appropriate for a Committee of the Board and does not need to be properly brought before the whole Board. All Standing Committee meetings are reported in full to the next scheduled Board meeting.

The Standing Committee allows for fast decision-making where necessary, while ensuring that the full Board has oversight of all matters under consideration and all Directors can contribute. During 2021, the Standing Committee met twice.

Delegation to management

Responsibility for the day-to-day management of the business and implementation of strategy has been delegated to the Group Chief Executive, within certain limits, for execution or further delegation by him in respect of matters which are necessary for the effective day-to-day running and management of the business. The Group Chief Executive delegates responsibility to certain senior executives through management reporting lines (principally to other GEC members, including the Chief Executive, Asia and Africa). The Chief Executive of each local business has authority (subject to the Delegated Authorities) for the management of the respective business.

Board size and roles

The Board's size allows for decision-making to reflect a broad range of views and perspectives while allowing all Directors to participate effectively in meetings. At the date of publication, the Board comprised 12 Non-executive Directors and three Executive Directors. At each scheduled meeting of the Board, the Non-executive Directors meet without the Executive Directors present.

The roles of Chair and Group Chief Executive are clearly segregated. The Chair has overall responsibility for the leadership of the Board while the Group Chief Executive manages and leads the business. The Senior Independent Director acts as a sounding board for the Chair, and provides support in the delivery of her objectives. The Chair, Group Chief Executive and Senior Independent Director all have written terms of reference which are approved by the Board and kept under regular review. A summary is available to view on the Company's website.

Chair	The Chair has overall responsibility for the leadership of the Board and succession planning. She sets the Board's agenda, with a primary focus on strategy, performance and value creation and ensures effective communication with shareholders and, together with the Group Chief Executive, represents the Group externally.
Group Chief Executive	The Group Chief Executive is accountable to and reports to the Board. He is responsible for the day-to-day management of the Group, recommending an overall strategic plan to the Board for approval and executing the approved strategy.
Senior Independent Director	The Senior Independent Director (SID) acts as a sounding board for the Chair, and support in the delivery of her objectives. The SID also acts as an intermediary for other Directors and shareholders when necessary and leads the annual performance evaluation of the Chair.
Committee Chairs	Committee Chairs are responsible for the leadership and governance of their respective Committee. They set the agenda for Committee meetings and report to the Board on the Committee activities.
Non-executive Directors	Non-executive Directors offer constructive challenge to management, holding them to account for the performance of the business. They also provide strategic guidance, offer specialist advice and serve on at least one of the Board's principal Committees.

Our governance framework

The Group Governance Manual (GGM) defines Prudential's Group-wide approach to Governance, Risk Management and Internal Control. The principles by which Prudential conducts its business activities are set out in the Group Code of Business Conduct (Code) which sits at the heart of the GGM, incorporating standards of business conduct which set expectations over employee behaviour by presenting all individual obligations referenced throughout the GGM policies in a single code. The GGM itself sets out the Group's Governance Framework, Group-wide policies and standards, including the Group Risk Framework, delegated authorities and lines of responsibility and is supported by a programme of regular learning for all Prudential colleagues.

The Code is regularly reviewed by the Board to ensure that it remains appropriate for the global business. In 2021, the review was delegated to the RSWG and a new section was added concerning employee wellbeing and how our culture of diversity and inclusion is designed to support individuals across the Group. Each individual employee confirms their compliance with the Code on an annual basis.

The Nomination & Governance Committee conducts an annual review of the Group's Governance Framework, monitoring the Group's significant governance policies, including governance arrangements of the Group's main subsidiaries, and makes recommendations to the Board as appropriate. The Risk Committee approves the Group Risk Framework, an integral part of the GGM, and the Audit Committee monitors Group-wide compliance with the GGM throughout the year. Businesses manage and report compliance with the Group-wide mandatory requirements set out in the GGM through annual attestations. This includes compliance with our Risk Management Framework, a summary of which is set out on pages 167 to 168 of this report.

The content of the GGM is reviewed regularly, reflecting the developing nature of both the Group and the markets in which it operates, with significant changes on key policies reported to the relevant Board Committee. The GGM helps the Board embed the Group's system of risk management and internal control into the day-to-day operations of the business.

Subsidiary governance

Prudential's major businesses in Hong Kong, Indonesia, Malaysia and Singapore and the Eastspring holding company (the Material Subsidiaries) have appointed independent non-executive directors to their boards. Each Material Subsidiary has established an audit and a risk committee, with standard terms of reference. To ensure an effective information flow, the Chairs of the Audit and Risk Committees maintain regular dialogue with their counterparts in each of the Material Subsidiaries. In addition, the Audit and Risk Committees receive regular reports from the audit and risk committees of the Material Subsidiaries.

Other businesses also operate local audit and risk committees, with standard terms of reference. Those committees report to the Group-level Committees through written updates provided by attendees from Group functions and the chairs of the committees can escalate matters to the Group Committee Chairs as required.

The Nomination & Governance Committee is responsible for oversight of governance arrangements for the Material Subsidiaries.

Directors' inductions, training and development

Following feedback from the 2020 Board evaluation, the Nomination & Governance Committee oversaw the development of a revised induction programme and process for new Board members in 2021. The revised programme features a series of core topics, including an overview of the Group, its key businesses and the control environment, and tailored content, to reflect the new Board member's role and any particular needs identified during the recruitment process. The induction includes written materials, presentations and meetings with the Chair, the Group Chief Executive, the Group Chief Financial Officer and Chief Operating Officer, the Group Chief Risk and Compliance Officer, the Chairs of the Board's principal Committees (as appropriate) and the Chief Executive, Asia and Africa. Further meetings with members of senior management at Group and local level are also scheduled as required to develop the Directors' knowledge of the business. Each new Board member is also assigned a longer-standing Non-executive Director to support them in their new role and provide advice and feedback.

Training

Throughout the year the Board and its Committees received regular business updates and participated in deep dive sessions, developing the Board's more granular knowledge of individual businesses, current and emerging issues relevant to the Group and its operations and on particular products and business opportunities. In 2021, these sessions included deep dives into the Group's operations in a number of its markets, the Group's digital platform Pulse, together with a Board workshop on geopolitical risks, training on the Hong Kong Insurance Authority's (IA) new group-wide supervision (GWS) framework and regulatory regime, and an update on aspects of director duties. An insurance training session was also held for Chua Sock Koong, Ming Lu and Jeanette Wong as part of their induction to the Board.

All Directors have the opportunity to discuss their individual development needs as part of their Director evaluations and are encouraged to request specific updates during the year. At the start of the year, suggested topics are shared with the Board for feedback. Directors are asked to provide information on any external training or development on an annual basis. All Directors have the right to obtain professional advice at Prudential's expense.

Stakeholder engagement

Information on the Board's engagement with, and discussion of, stakeholder views as part of the Board decision-making process can be found on pages 138 to 145. Additional information can be found on our website at www.prudentialplc.com/about-us/esg/our-approach

Regulatory environment

During 2021, Prudential was included as a designated insurance holding company under the Hong Kong IA Insurance Ordinance, and is now subject to the Hong Kong IA's GWS Framework. The GWS Framework includes requirements for Hong Kong insurance groups to have in place appropriate corporate governance arrangements and to maintain appropriate internal controls for the oversight of their business.

Individual regulated entities within the Group continue to be subject to entity-level regulatory requirements in the relevant jurisdictions in which they carry on business.

Interactions with regulators form a key part of the Group's governance framework and the Chair, Group Chief Executive, Group Chief Risk and Compliance Officer, and the Chief Executive, Asia and Africa play a leading role in representing the Group to regulators and ensuring our dialogue with them is constructive.

Employee voice

Following the retirement of Kai Nargolwala from the Board at the conclusion of the 2021 AGM and the separation of Jackson Financial Inc. in September 2021, responsibility for workforce engagement activities was transferred to the RSWG.

An overview of the workforce engagement activities undertaken during 2021 is set out in the Section 172 Statement on pages 138 to 145.

Shareholders

The Board recognises the importance of maintaining an appropriate level of two-way communication with shareholders. In addition to the extensive management engagement with shareholders, the Chair holds an ongoing programme of regular contact with major shareholders to discuss their views on the Group's governance. The Senior Independent Director and the Committee Chairs are available at the request of shareholders. Engagement with institutional investors on the Directors' Remuneration Policy and implementation is led by the Remuneration Committee Chair. An investor perception study was also commissioned in 2021, the results of which are set out in more detail together with an overview of other shareholder engagement activities undertaken during 2021 in the Section 172 Statement on pages 138 to 145.

Induction of Chua Sock Koong

In May 2021, Chua Sock Koong joined the Board as an Independent Non-executive Director and Member of the Remuneration and Audit Committees.

Sock Koong, together with Ming Lu and Jeanette Wong, met with senior management to get an overview of the Group's business, strategy, operations, risk profile, and culture framework. They also received briefings on their duties as Directors under relevant corporate governance frameworks and the Group's regulatory environment, and met with the Head of Investor Relations and the Group's corporate brokers in order to understand shareholder perspectives. Through participation in the Board deep dive sessions, Sock Koong has built up her understanding of individual businesses, and she visited the insurance business in Singapore to meet with the local leadership team.

Specifically for her role, Sock Koong met with the Chair of the Remuneration and Audit Committees together with key members of the senior management team, including for remuneration related matters, the Group Human Resources Director and the Director, Group Reward and Employee Relations and the Group's remuneration adviser, Deloitte. For audit related matters, Sock Koong met with, amongst others, the Head of Internal Audit, the external auditor KPMG, the Director of Group Financial Accounting & Reporting and the Chief Actuary.

These meetings were tailored to Sock Koong's role at Prudential and provided her with a detailed view of each Committee's work, current issues and emerging themes, as well as an understanding of the interests of the Group's key stakeholders.

Philip Remnant was chosen as the long-standing Non-executive Director to support Sock Koong, in particular to share his experience of UK governance and shareholder expectations. In October 2021, it was announced that Sock Koong would take over from Anthony Nightingale as Chair of the Remuneration Committee following the 2022 AGM. In anticipation of this, Sock Koong was able to join Anthony's programme of shareholder engagement in late 2021 in order to meet some of the Group's major shareholders and develop a deeper sense of their views.

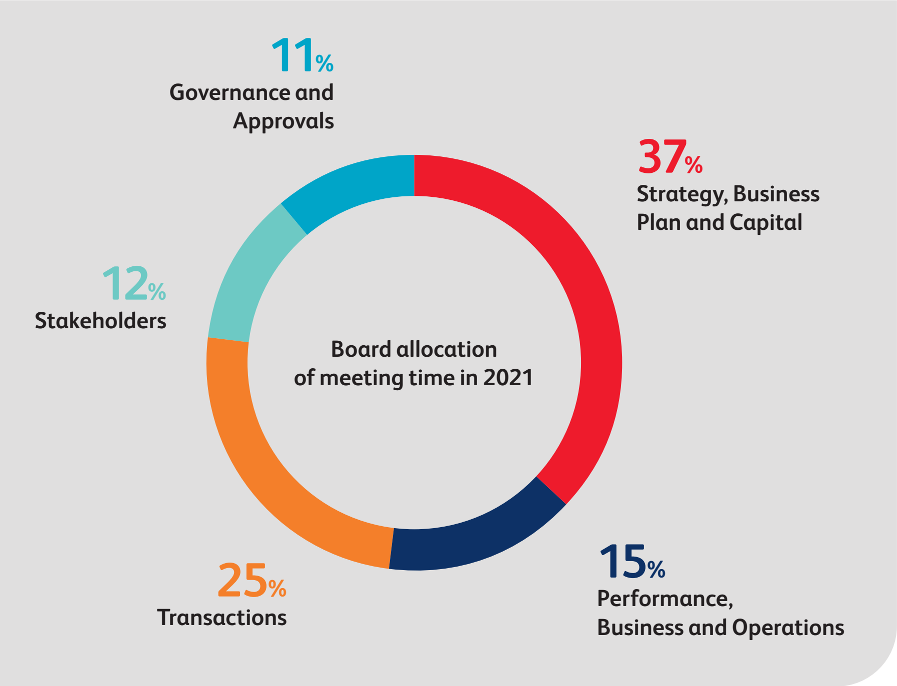
Following the conclusion of her formal induction programme, the Company Secretary and Sock Koong discussed specific follow-up areas for 2022 and feedback on the induction programme.

> ***'Although hampered by being largely virtual, the induction provided by the Company gave me an excellent introduction to the business, my role, and the key issues for different stakeholder groups, providing me with a good basis to enable me to contribute to Boardroom discussion. I look forward to meeting more of my fellow Directors and senior leaders in person soon.'***

Key areas of focus – how the Board spent its time in 2021

The Board met 18 times during 2021, which is twice the number of meetings held in 2020. These additional meetings were required primarily to support the demerger of Jackson Financial Inc. and the Hong Kong Share Offer.

The table below gives an indication of the key topics considered throughout the year.



Strategy, Business Plan and Capital

Business and strategy deep dives

- Participated in deep dive sessions, including discussion and a holistic review of Prudential's insurance and asset management operations and strategic outlook in Indonesia, Thailand, China, Hong Kong, India, Africa and Singapore
- Discussed geo-political risks and the domestic and international outlook for China
- Reviewed and evaluated Pulse, Prudential's fully digital ecosystem and platform-based business

Business plan and budget

- Approved the 2022-2024 business plan and budget
- Considered and approved any spend over $30 million and oversaw other management approvals
- Approved the 2022 Strategic Priorities

Capital

- Oversaw an increase in the allocation of capital invested in organic new business and investments in capabilities/distribution, following the restructuring of the Group into a pure-play Asia and Africa growth business

Performance, Business and Operations

Financial results

- Reviewed and approved the half year and full year results and the Form 20F
- Considered fair, balanced and understandable requirements in the half and full year financial reports, following a review by the Audit Committee
- Reviewed and approved the Going Concern and the Viability Statements that appeared in the 2020 Annual Report
- Approved the 2020 second interim dividend and first interim dividend for 2021

Reports from CEO, CFO and COO, CRCO

- Received regular reports from the Group Chief Executive, Group Chief Financial Officer and Chief Operating Officer and the Group Chief Risk Officer and Compliance Officer
- Received regular reports and presentations from the Chief Executive, Asia and Africa and (prior to September 2021), the Jackson Chief Executive

● Transactions

Demerger of Jackson Financial Inc.

- Considered the merits of an IPO vs demerger of Jackson, including the impact on the Group's stakeholders
- Received numerous transaction updates throughout 2021 from internal and external advisers
- Assured itself of the operational readiness of Jackson and Prudential prior to the demerger
- Approved the re-organisation of the Group's holding in Jackson, prior to the distribution of Jackson shares to Prudential shareholders
- Approved the Prudential Circular, the Supplementary Circular and the Notice of General Meeting, amongst other transaction documents

Hong Kong share offer

- Considered the investment case for the share offer, including the long-term strategic benefits
- Approved a reduction in the board lot size in Hong Kong to increase the turnover of Prudential shares, especially amongst retail shareholders
- Debated the share offer allocations, including the portion of shares available to Hong Kong retail investors, employees and agents
- Approved proposals on the use of the share offer proceeds
- Approved the Prospectus, Supplementary Prospectus and various transaction documents
- Considered other opportunities for inorganic growth presented by management from time to time

● Stakeholders

Investors

- Received regular reports from the Director of Investor Relations on shareholder-related matters, feedback from the Chair's shareholder engagement exercise in January 2021 and regular feedback from management on their ongoing shareholder engagement activities
- Commissioned an investor perception survey
- Considered the impact on UK-based investors who were unable to participate in the Hong Kong Share Offer

Customers

- Discussed the evolution of Prudential's digital strategy Pulse, including customer feedback on the design of Prudential's products, how and where they are distributed, and which markets to access
- As part of business reviews, considered customer proposition, products, and customer service
- Considered the impact of the pandemic on customers and initiatives to mitigate the impact/the support being provided to them

Employees

- Received updates from the RSWG on various people initiatives and regularly discussed people issues, including the impact of the pandemic
- Attended the employee Collaboration Jam and discussed employee engagement feedback

Environment

- Oversaw changes to the Group Responsible Investment framework, enabling the implementation of a new Responsible Investment Policy and Initiatives, including the Group's commitment to carbon reduction targets
- Received a report on Prudential's participation at the United Nations Climate Change Conference in Glasgow

Regulators

- Received training on the key aspects of the Hong Kong IA GWS Framework and the responsibilities of the Board
- Received reports from the Head of Group Government Relations on key government and political developments and regulatory policy updates

Communities

- Considered the impact of the pandemic on the communities in which we operate and efforts by the business to support affected communities (eg supporting vaccination programmes)

● Governance and Approvals

Approvals

- Considered various routine and administrative proposals put to the Board for approval not covered above
- Reviewed the Delegation of Authority and noted key matters approved by management

Board Committees

- Received reports from the Chairs of the Audit, Risk, Remuneration and Nomination & Governance Committees
- Considered updates to the Group Risk Appetite following the demerger of Jackson
- Approved the Own Risk and Solvency Assessment for submission to the Hong Kong IA

Shareholder meetings

- Attended the AGM and General Meeting (as required) to approve the demerger of Jackson Financial Inc (either in person, or online)

Board evaluation & succession planning

- Received the findings of the External Board Evaluation. Discussed and agreed the action plan and monitored progress.
- Approved Board appointments and committee changes on recommendation from the Nomination & Governance Committee
- Considered succession planning for the Group Chief Executive

Board meeting attendance throughout 2021

Individual Directors' attendance at Board meetings throughout the year is set out in the table below.

		Board Meetings Attended/Requiring Attendance	General Meetings[1] Attended/Requiring Attendance
Chair	Shriti Vadera	**18/18**	**2/2**
Executive Directors	Mike Wells[2]	**17/17**	**1/1**
	Mark FitzPatrick[2]	**17/17**	**2/2**
	James Turner[2]	**17/17**	**–**
Non-executive Directors	Philip Remnant	**18/18**	**1/1**
	Jeremy Anderson	**18/18**	**1/1**
	Chua Sock Koong[3]	**8/8**	**–**
	David Law	**18/18**	**1/1**
	Ming Lu[3]	**7/8**	**–**
	Kai Nargolwala[4]	**8/9**	**–**
	Anthony Nightingale	**16/18**	**1/1**
	Alice Schroeder	**18/18**	**–**
	Tom Watjen	**18/18**	**–**
	Fields Wicker-Miurin	**18/18**	**–**
	Jeanette Wong[3]	**8/8**	**–**
	Amy Yip	**18/18**	**–**

Notes

1 Attendance at the 2021 AGM was limited due to Covid-19 restrictions in the UK

2 Executive Directors did not attend a board meeting convened specifically to discuss executive succession planning

3 Chua Sock Koong , Ming Lu and Jeanette Wong joined the Board on 12 May 2021

4 Kai Nargolwala stepped down from the Board following the conclusion of the AGM held on 13 May 2021

Board and Committee papers are usually provided one week in advance of a meeting. Where a Director is unable to attend a meeting, his or her views are canvassed in advance by the Chair of that meeting where possible.

Board effectiveness

Actions during 2021 arising from the 2020 review

The performance evaluation of the Board and its principal Committees for 2020 was conducted externally by Independent Board Evaluation, an independent consultancy. The external nature of the review met the provisions of the UK Code which requires external evaluations on no less than three-yearly intervals. The findings were presented to the Nomination & Governance Committee and Board for discussion in December 2020. A final report was presented in February 2021, and the Board approved a number of action points for 2021. Set out below is an update on progress to address the 2021 actions:

Theme	Summary of Actions	Progress in 2021
Maximising Board inclusivity	> Enhance induction processes to leverage new Board members' skills as quickly as possible > Recognising the challenge with current travel restrictions, create more opportunities for less formal discussion among Board members	> The Company Secretary reviewed best practice and, together with the Chair and with input from management, revised the previous schedule of induction material in order to produce a core induction programme for all new Board members, with additional sessions for those joining each of the Committees. The revised programme is tailored to reflect the needs of the incoming Non-executive Director and aligned with the Board calendar, including making use of the programme of business deep dives presented to the Board and other Board training. > Time was provided for informal introductions to the new Board members in Q2, but otherwise the continued travel restrictions, the challenges of time-zones and the volume of Board business have limited the opportunity for the Board to have much informal time together.
Focusing on the People and ESG agenda	> Consider how best to give additional Board time and focus to the ESG and people agenda	> In February 2021, the Board established the RSWG, which is responsible for assisting the Board embed the Group's overall ESG Strategic Framework, leading on workforce engagement and developing a Group-wide approach to all forms of diversity and inclusion, including the setting of measurable objectives and monitoring progress against key metrics. > A summary of how the RSWG spent its time in 2021 is set out in the ESG Report on pages 69 to 70.
Improvements to Board information flows	> As the shape of the Group changes, build up Board members' depth of knowledge of the Asia and Africa business and refocus the Board agenda to maximise time considering business performance and strategy on a more granular basis > Review and strengthen links with subsidiary boards to leverage insight and support from those boards	> The Chair and Company Secretary made changes to the Board's agenda for 2021 to devote more meeting time to substantive business matters, including a programme of business deep dives, consideration of strategic matters, discussion of key risks and consideration of stakeholders. Other approvals and governance matters were given less meeting time and the forward agenda was further developed to assist with planning. How the Board allocated its time in 2021 is set out on pages 162 to 163. > In February 2021, the Nomination & Governance Committee considered Board governance arrangements across the Asia businesses. Regular conversations are held between the Audit and Risk Committee Chairs and their counterparts in the Material Subsidiaries, reporting on their discussions to the Audit and Risk Committees as appropriate. In addition, a further audit and risk governance event was held in October 2021, which was attended by all Non-executive Directors of the Material Subsidiaries, and by six members of the Board and the Chief Executive, Asia and Africa. The event received very positive feedback.
Improvements to Board processes	> Consider processes for briefings outside of meetings to support inclusivity and maximise ways in which Directors benefit from each other's experience and expertise	> Non-executive and Executive Directors alike were keen to retain the level of access between Non-executive Directors and management and felt that the time spent in discussions in advance of meetings was an effective and efficient use of everyone's time and served to enhance the discussion in the room, rather than substitute it in any way. Directors are mindful of the need to raise substantive issues during the formal meetings rather than only during pre-meeting discussions with management. The Remuneration Committee has trialled 'opt-in briefings', held shortly before the Committee meetings and hosted by management.

2021 review and actions for 2022

The performance evaluation of the Board and its principal Committees for 2021 was conducted internally at the end of 2021, led by the Company Secretary, through a questionnaire. The findings were presented to the Nomination & Governance Committee and the Board in February 2022 and collective Committee and Board discussions to exchange ideas and agree priorities arising from the evaluation took place. Whilst the review confirmed that the Board and its principal Committees continued to operate effectively during the year and that no major improvements were required, an action plan was approved by the Board to respond to the following recommendations:

Theme	Summary of Actions
Board composition, succession planning and meeting process	> Continue to develop the skills map to fully support the work on Board succession planning and review processes for oversight of the development of the pipeline for executive positions with the critical skills and diversity required for the Group's future strategy. > Given the difficulties during the last two years regarding travel and face-to-face interaction, create more opportunities for Board interaction amongst themselves, with management and with employees, where possible in person.
Board oversight, stakeholders and decision making	> Focus more Board meeting agenda time on customers and employees and review and update KPIs for consistent reporting and analysis. > Consider new ways to ensure learnings from past decisions are highlighted to the Board where appropriate, to fully support decision-making.
Risk oversight	> Enhance risk reporting to the Board to further support the prioritisation of key risks.

Director evaluation

Individual performance of Non-executive Directors was considered by the Chair, who gathered and provided feedback as appropriate throughout the year. The Nomination & Governance Committee discussed the performance of each Director at its meeting in February 2022, as part of the overall Board evaluation, including the Executive Directors in their capacity as Board members. The Chair relayed feedback as required.

Feedback on the performance of the Chair was separately provided to, and discussed with her, by the Senior Independent Director. The performance of Executive Directors, in their capacity as Executives, is subject to regular review. The Chair assessed the performance of the Group Chief Executive, in consultation with the Non-executive Board, while the Group Chief Executive appraised the performance of each of the Executive Directors as part of the annual Group-wide performance evaluation of all employees. The Chair of the Risk Committee provided feedback to the Group Chief Executive on the performance of the Group Chief Risk and Compliance Officer. Executive Director performance is also reviewed by the Remuneration Committee as part of its deliberations on bonus payments.

The outcome of these evaluation processes informs the Nomination & Governance Committee's recommendation for Directors to be put forward for re-election by shareholders.

Risk management and internal control

The Board is responsible for ensuring that an appropriate and effective system of risk management and internal control is in place across the Group.

The framework of risk management and internal control centres on clear delegated authorities to ensure Board oversight and control of important decisions. The framework is underpinned by the Group Code of Business Conduct, which sets out the ethical standards the Board requires of itself, employees, 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. The framework is designed to monitor and manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal control

The GGM sets out the general principles by which we conduct our business and ourselves and defines our Group-wide approach to Governance, Risk Management and Internal Control. Further information on the GGM can be found on page 160. Group-wide policies, internal controls and processes, based on the provisions established in the Manual, are in place across the Group. These include controls covering the preparation of financial reporting. The operation of these controls and processes facilitates the preparation of reliable financial reporting and the preparation of local and consolidated financial statements in accordance with the applicable accounting standards, and requirements of the Sarbanes-Oxley Act. These controls include certifications by the Chief Executive and Chief Financial Officer of each business with respect to the accuracy of information provided for use in preparation of the Group's consolidated financial reporting, and the assurance work carried out in respect of US reporting requirements.

The Board has delegated authority to the Audit Committee to review the framework and effectiveness of the Group's system of internal control. The Audit Committee is supported in this responsibility by the assurance work carried out by Group-wide Internal Audit (GwIA) and the work of the audit committees of the Group's Material Subsidiaries, which oversee the effectiveness of controls in each respective business. Details of how the Audit Committee oversees the framework of controls and their effectiveness on an ongoing basis, is set out more fully in the report on pages 175 to 183.

Risk management

A key component of the GGM is the Group Risk Framework, which requires all businesses to establish processes for 1. identifying, 2. measuring and assessing, 3. managing and controlling, and 4. monitoring and reporting the risks facing the business.

The Board determines the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board has delegated authority to the Risk Committee to assist it in providing leadership, direction and oversight of the Group's overall risk appetite, risk tolerance and strategy; overseeing and advising on the current and potential future risk exposures of the Group; reviewing and approving the Group's risk management framework, including changes to risk limits within the overall Board approved risk appetite; and monitoring the effectiveness of the risk management framework and adherence to the various risk policies. Regular activities are detailed in the report on pages 184 to 190.

The Group's risk governance arrangements, which support the Board, the Risk Committee and the Audit Committee, are based on the principles of the 'three lines model': risk taking and management, risk control and oversight, and independent assurance.

Three lines model

First line (risk taking and management)

- Takes and manages risk exposures in accordance with the risk appetite, mandate and limits set by the Board;
- Identifies and reports the risks that the Group is exposed to, and those that are emerging;
- Promptly escalates any limit breaches or any violations of risk management policies, mandates or instructions;
- Identifies and promptly escalates significant emerging risk issues; and
- Manages the business to ensure full compliance with the Group risk management framework as set out in the GGM, which among other requirements, includes the Group Risk Framework and associated policies as well as approval requirements.

Second line (risk control and oversight)

- Assists the Board to formulate the risk appetite and limit framework, risk management plans, risk policies, risk reporting and risk identification processes; and
- Reviews and assesses the risk-taking activities of the first line, and where appropriate challenging the actions being taken to manage and control risks.

Third line (independent assurance)

- Provides independent assurance on the design, effectiveness and implementation of the overall system of internal control, including governance structures and processes, risk management and compliance.

Each business is required to implement a governance structure based on the three lines model, proportionate to its size, nature and complexity, and to the risks that it manages.

Formal review of controls

A formal evaluation of the risk management and internal control system is carried out at least annually. Prior to the Board reaching a conclusion on the effectiveness of the system in place, the report is considered by the Disclosure Committee and Audit Committee, with risk specific disclosures within the report also reviewed by the Risk Committee. This evaluation takes place prior to the publication of the Annual Report.

As part of the evaluation, the Chief Executive and Chief Financial Officer of each business, including Head Office, certify compliance with the Group's governance policies and associated risk management and internal control requirements. The Governance function, under the responsibility of the Group Chief Financial Officer and Chief Operating Officer, facilitates a review of the matters raised in this certification process. This includes the assessment of any risk and control issues reported during the year, risk and control matters identified and reported by the other Group oversight functions and the findings from the reviews undertaken by GwIA, which carries out risk-based audit plans across the Group. Issues arising from any external regulatory engagement are also taken into account.

For the purposes of the effectiveness review, the Group has followed the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. In line with this guidance, the certification provided does not apply to material joint ventures and associates where the Group does not exercise full management control. In these cases, the Group satisfies itself that suitable governance and risk management arrangements are in place to protect the Group's interests. Additionally, the relevant Group company which is party to the joint venture or associate must, in respect of any services it provides in support of the joint venture or associate, comply with the requirements of the Group's internal governance framework.

Effectiveness of controls

In accordance with provision 29 of the UK Code and provisions C.2.1, C.2.2 and C.2.3 (now provisions D.2.1, D.2.2 and D.2.3) of the HK Code, the Board reviewed the effectiveness and performance of the system of risk management and internal control during 2021. This review covered all material controls, including financial, operational and compliance controls, risk management systems, budgets and the adequacy of the resources, qualifications, experience of staff of the Group's accounting, internal audit and financial reporting functions. The review identified a number of areas for improvement, and the necessary actions have been or are being taken. The Audit Committees at Group and Material Subsidiary levels collectively monitor outstanding actions regularly and ensure sufficient resource and focus is in place to resolve them within a reasonable timeframe. This includes oversight of Jackson Financial Inc. whilst it was a subsidiary of the Group.

The Board confirms that there is an ongoing process for identifying, measuring and assessing, managing and controlling, and monitoring and reporting the significant risks faced by the Group, including the Jackson Financial Inc. business prior to its demerger on 13 September 2021, which has been in place throughout the period and up to the date of this report, and confirms that the system remains effective.

Shriti Vadera
Chair

Committee's purpose

The purpose of the Committee is to assist the Board in retaining an appropriate balance of skills to support the strategic objectives of the Group, to develop a formal, rigorous and transparent approach to the appointment of Directors and maintain an effective framework for succession planning. Further, the Committee provides support and advice to the Board on governance arrangements.

More information on the role and responsibilities of the Nomination & Governance Committee can be found in its Terms of Reference, which are available at www.prudentialplc.com/investors/governance-and-policies/board-and-committees-governance

Membership and 2021 meeting attendance

Committee Members	2021 Meetings
Shriti Vadera	**6/6**
Jeremy Anderson[1]	**1/1**
David Law[1]	**1/1**
Ming Lu[2]	**3/3**
Anthony Nightingale	**5/6**
Philip Remnant	**6/6**
Tom Watjen[3]	**5/5**

Regular attendees

- **Group Chief Executive**
- **Group Human Resources Director**
- **Company Secretary**

Notes

1 Jeremy Anderson and David Law stepped down from the Nomination & Governance Committee on 4 February 2021

2 Ming Lu joined the Nomination & Governance Committee on 12 May 2021

3 Tom Watjen joined the Nomination & Governance Committee on 4 February 2021

Nomination & Governance Committee report

> ***'In 2021, the Committee held six meetings, with an ongoing focus on succession planning, Board appointments and induction.'***

Dear shareholders

I am pleased to provide you with my report as Chair of the Nomination & Governance Committee.

2021 was a busy year for the Committee as it supported the Board in planning for Group Chief Executive succession and worked with the Chief Executive on succession planning for other Executive Director and senior executive roles, conducted searches for additional non-executive members of the Board, and considered changes to the composition of the Board's Committees in order to ensure that the Board continues to have the right combination of skills, experience and knowledge to lead the Group.

Succession planning

A key focus of the Committee has been succession planning for the Group Chief Executive and members of the Group Executive Committee in light of the structural changes the Group is undergoing. Given the importance of Chief Executive and Executive Director succession, the other Non-executive Directors were invited to join the Committee in considering development plans for internal candidates and external benchmarking. These activities supported the appointments of Mark FitzPatrick as interim Group Chief Executive, James Turner as Group Chief Financial Officer and Avnish Kalra as Group Chief Risk and Compliance Officer, as announced on 10 February 2022. They also provided the foundation for the formal process that is now underway to appoint a new Chief Executive after Mike Wells steps down.

Alongside this work, the Committee has been active in searches for non-executive candidates with the experience, skills and diversity of thought and perspectives necessary to support the strategic objectives of the Group in Asia and Africa.

In May 2021, Chua Sock Koong, Ming Lu and Jeanette Wong were appointed to the Board, followed by George Sartorel in January 2022. Between them, the Board has gained further deep pan-Asian operating experience, relevant financial services expertise and significantly enhanced its digital insights. Our new Directors succeed Kai Nargolwala, who retired from the Board in May 2021, Fields Wicker-Miurin, who retired from the Board on 31 December 2021 and Anthony Nightingale and Alice Schroeder, who will step down from the Board at the conclusion of the 2022 AGM.

Non-executive Director induction

With the amount of change on the Board, ensuring that new Directors are properly inducted and able to contribute as quickly as possible has been another key focus for me and the Committee. The Committee oversaw the development and implementation of a revised induction programme for new Board members, tailored to reflect each member's role and any particular needs identified during the recruitment process. Each new Board member is also assigned a long-standing Non-executive Director to help support them in their new role.

Diversity and inclusion

The Committee seeks candidates who bring different experiences, skills and perspectives to the Boardroom, ensuring that the Board has insights into the key markets in which we operate and a balance of sector-specific knowledge, operational experience, and commercial acumen.

At 31 December 2021, the representation of women on our Board was 40 per cent. As anticipated, this has since dropped to 33 per cent, but we expect further changes over the next year as the Board continues to evolve, and we will work towards the target of 40 per cent women on the Board by the end of 2025, as recommended by the FTSE Women Leaders Review.

The backgrounds of our Board members increasingly reflect the footprint of the Group's operations and we have well exceeded the recommendation of the Parker Review at the time of this report, with five of our 15 Directors being from what is regarded in the UK as an ethnic minority background as a result of the recruitment of Non-executive Directors aligned to our Asia and Africa focussed business.

Committee composition

The Committee regularly reviews the size, structure and composition of the Board and its principal Committees. A number of changes to Committee membership were made at the start of the year, including to this Committee. New members have generally been assigned to either the Audit or Risk Committee to help them build their knowledge of the business.

Governance

The Committee oversaw an internal evaluation of the effectiveness of the Board and its principal Committees. The review confirmed that the Board and its Committees continued to operate effectively in 2021 and no major areas requiring improvement were identified. The Committee discussed some areas for further enhancement, which are set out on page 166.

The Committee considered the Group's governance framework and its governance policies, including governance arrangements of the Group's main subsidiaries to ensure that they remain appropriate and fit for purpose.

The rest of this report sets out in more detail the activities of the Committee in 2021. I would like to thank the Committee members for their diligence and contribution throughout the year and management for their responsiveness to challenge and the quality of papers.

Shriti Vadera

Shriti Vadera
Chair of the Nomination & Governance Committee

Board composition

The Committee regularly reviews the size, structure and composition of the Board and its principal committees, including the balance of Non-executive to Executive Directors on the Board, the overall number of Directors, their respective skills and experience.

At 15 members (at the time of this report), the Board is currently larger than is expected over the medium term. However, during 2021, bringing new joiners on early ensured a smooth transition, to enable them to benefit from out-going members' experience and insight, and to mitigate some of the loss of institutional memory of those Directors stepping down.

The Committee has concluded that each of the Directors in office for the year under review continued to perform effectively and was able to devote appropriate time to fulfil their duties, and that the Board and its Committees had an appropriate combination of skills, experience and knowledge.

In reaching this conclusion, the Committee determined that the Non-executive Directors continued to demonstrate the desired attributes, contributing effectively to decision-making and exercising sound independent judgement in holding management to account. Accordingly, the Committee recommended to the Board those Directors standing for election at the 2022 AGM.

During 2021, the Committee also reviewed the membership of the Board's principal Committees, recommending changes to the Board. When making recommendations, the Committee takes account of the current composition of each of the principal Committees, the skills and experience of the members and the strategic objectives of the Group. Assigning new Directors to the Audit or Risk Committees has also helped them to build up their knowledge of the business. More information on Committee membership changes can be found on page 150.

Most notably, in October 2021, the Committee recommended to the Board the choice of Chua Sock Koong to succeed Anthony Nightingale as Chair of the Remuneration Committee when he steps down at the conclusion of the 2022 AGM. By taking this decision at this time, it enabled Ms Chua to start her transition to the role by accompanying Mr Nightingale on the programme of annual shareholder engagement.

Succession planning

The Committee keeps under review the leadership needs of the Group, both for Executive and Non-executive Directors. Board succession plans are supported and informed by the results of the annual Board evaluation and individual Director evaluations.

Executive roles

The Committee's work during the year supported the Board in its responsibility for executive succession planning to ensure continuous and effective leadership of the Group. The Committee reviewed the succession plans in place for the Group Chief Executive, other Executive Directors and Group Executive Committee roles. Succession plans for the Group Executive Committee were discussed with the Group Chief Executive to identify business requirements and to plan for future succession needs. Given the Board's responsibility for appointing the Group Chief Executive and other Executive Directors, all Non-executive Directors attended these sessions.

The Committee received and discussed development assessments of internal candidates conducted by external consultants. It also received the output of extensive external talent mapping.

Succession planning for Executive Directors and the Group Executive Committee includes both longer-term planning and emergency cover. Assessment and development for internal candidates is undertaken, in addition to mapping for potential external candidates. Planning for emergency cover is assisted by a broad annual review of talent across the Group and recognises the possible difficulties in identifying and attracting suitable talent on potentially short notice.

The Committee received feedback on the performance of each Executive Director from the Group Chief Executive and confirmed the Executive Director succession plans. The Committee has oversight of a diverse pipeline of leadership talent extending below the level of the Group Executive Committee and seeks to attract, retain and develop the next generation of emerging leadership. In 2021, it was assisted in this by the RSWG. In 2021, the focus was on building new capabilities to support the changing business model and future direction of the business and on developing and embedding future ready skills.

The Committee's discussions are being supported by the Group Human Resources Director, Egon Zehnder and Spencer Stuart. In addition to acting as search consultant in respect of certain Non-executive and Executive hires, Egon Zehnder provides support for senior management development assessments and plans.

Non-executive roles

Recognising the number of Non-executive Directors reaching the end of their tenure in 2021 and 2022, the Committee oversaw an extensive external recruitment exercise starting in late 2020, which resulted in the appointments of Chua Sock Koong, Ming Lu and Jeanette Wong in May 2021. A further search for candidates with operational insurance experience, led to the appointment of George Sartorel in January 2022. In considering his appointment, the Committee took into account Mr Sartorel's deep pan-Asian insurance operating experience, including his successful transformation of Allianz's business in Asia, together with his experience of digital transformation. The search also identified further candidates who may be considered for future appointments.

These appointments are part of an ongoing process to refresh the Board to ensure that it has the right skills and experience to support the Group's strategic objectives in Asia and Africa, both now and in the future, in particular, pan-Asian operating experience, relevant financial services expertise and a high degree of digital familiarity.

The re-election of Philip Remnant

Philip Remnant, the Senior Independent Director joined the Board in January 2013. Notwithstanding that he has exceeded nine years on the Board, the Committee recommended to the Board that he remain as an independent member of the Board for a further year. Mr Remnant would remain a member of the Audit and Remuneration Committees and the Senior Independent Director.

Given the significant transition that the Board is undergoing, and the average tenure of the Non-executive Directors of just over three years, the Committee concluded that it would be in the best interests of the Company to retain Mr Remnant for an additional year. The Board will benefit from the stability and continuity of knowledge and experience, Mr Remnant's deep knowledge and experience of UK corporate governance, and the valuable support that he is providing to the Chair in his role as Senior Independent Director.

While the UK Code provides that the independence of a Director who has served for more than nine years is likely to have been impaired, or could appear to have been impaired, the Committee and Board assessed his performance and were satisfied that Mr Remnant remains independent in character and judgement.

As part of her annual engagement of major investors on governance matters, the Chair set out the above rationale to a number of investors, who were supportive of the proposed extension. Subject to shareholder approval at the 2022 AGM, Mr Remnant will step down from the Board at the 2023 AGM. During that time, the Board will identify who is best suited to succeed Mr Remnant in the role of Senior Independent Director.

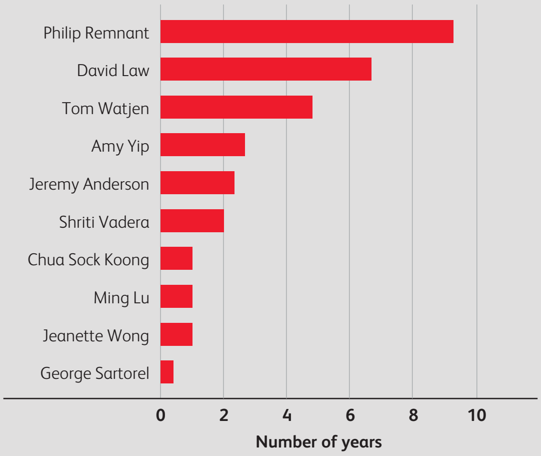
Process for appointing new Directors

The Committee assists the Board in ensuring that there is a formal, rigorous and transparent approach to the appointment of new Directors.

The Committee is involved from the start when a vacancy or a gap in the Board's skills is identified. A role description is prepared, listing the desired skills and experience and reflecting feedback from the Committee and the objectives of the Group's Diversity and Inclusion Policy. Once agreed, specialist talent agencies are typically engaged to create a long-list of candidates which is reviewed by the Committee and other Board members to create a short-list. Interviews with short-listed individuals then take place with selected Committee and Board members and feedback is provided to the Committee. In this manner, a preferred candidate is selected and the Committee then recommends the individual to the Board for appointment. For the appointment of Executive Directors, other than the Group Chief Executive, the process is led by the Group Chief Executive working closely with the Chair and the Committee, and is subject to discussion at, and approval by, the Board. The Senior Independent Director leads the Committee in the process of appointing a new Chair.

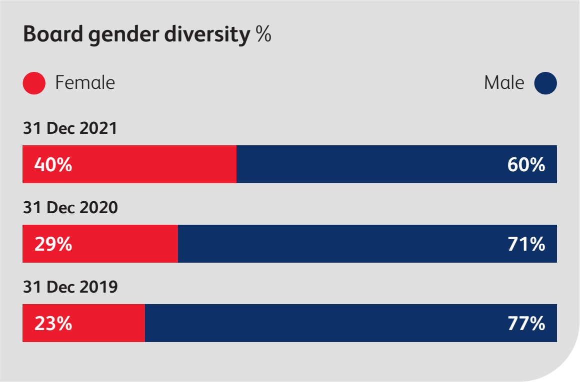
Contemporaneous with this process, due diligence checks are undertaken on the candidate and Prudential liaises with the relevant regulatory authorities. The Committee is kept updated on this process as appropriate.

Non-executive Director tenure*



* Tenure following the conclusion of the 2022 AGM, to be held on 26 May 2022.

Board diversity



Given the global reach of the Group's operations, its business strategy and long-term focus, the Board makes every effort to ensure it is able to recruit Directors with diversity of thought and perspective who will support and challenge the ongoing transformation of the organisation. The Committee seeks candidates with backgrounds, experience and skills that broaden the Board's capability, ensuring it has representation from individuals with insights into the markets in which the Group operates. Talent search agencies are briefed on the Group's requirements and candidate selection is based on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

The Group's Diversity and Inclusion Policy applies at all levels of the business and the Committee is responsible for overseeing a diverse pipeline for the Board and other senior executives and driving a Group-wide culture where our people feel valued, treated fairly and respected: enabling them to fully contribute their thoughts and perspectives and to be their authentic selves.

The Committee considers that the pipeline for diverse talent of the Group Executive Committee level remains reasonable with continued effort needed. Female representation of those who are regarded as senior management and part of the leadership teams is 35 per cent. The RSWG has overseen the development of a people dashboard, including measures for tracking local representation and experience, which will be used by the Committee in future. Inclusive leadership practices are implemented starting with the Board and Committee and throughout the organisation.

A full description of the Group's activities on diversity and inclusion can be found in the ESG report, on pages 66 to 137.

Terms of appointment

Non-executive Directors are appointed for an initial term of three years, and subject to review by the Committee and re-election by shareholders, it is expected that Non-executive Directors serve a second term of three years.

After six years, Non-executive Directors may be appointed for a further year, up to a maximum of three years, or more in certain limited circumstances. Reappointment is subject to rigorous review as well as re-election by shareholders.

The Directors' remuneration report sets out the terms of their letters of appointment, in addition to the terms of Executive Directors' service contracts.

Independence

The independence of Non-executive Directors is assessed as part of the appointment process, and annually thereafter, in line with requirements. To support that assessment, each Non-executive Director (except the Chair) provides an annual independence confirmation as required under the Hong Kong Listing Rules. Members of the Audit Committee are assessed against independence criteria in the Sarbanes-Oxley Act.

During 2021 all Non-executive Directors were considered to be independent by the Committee. The Chair, who was independent on appointment, is no longer considered independent. Anthony Nightingale and Alice Schroeder, who joined the Board in June 2013, will not be seeking re-election at the AGM in May 2022.

Time commitment

Non-executive Directors are expected to devote such time as is necessary for the proper performance of their duties. The expected time commitment is agreed and set out in writing in the Letter of Appointment, at which point the existing external demands on an individual's time are assessed to confirm their capacity to take on the role. The assessment takes into account the time required to prepare for and attend Board and Committee meetings, the AGM, general projects, Board training, dinners and other activities. The current time expectations for Board and Committee membership are set out in the following table. The time expectations of Directors performing Chair roles is considerably more.

Further external appointments which could impair the ability of Directors to meet these time commitments must first be discussed with the Chair and, where appropriate, approved by the Committee or the Board. The taking on of any external appointments by an Executive Director is also subject to Board consent.

During 2021, the Committee considered the time commitment required of the Non-executive Directors. It was concluded that the expected time commitment set out in the table below remains appropriate, notwithstanding that for 2021, given the volume of work in connection with the corporate transactions, the actual time commitment may have exceeded these numbers.

Number of regular scheduled meetings

		Approximate time commitment
Board	6 meetings	32.5 days
Audit Committee	5 meetings	15 days
Risk Committee	5 meetings	7.5 days
Remuneration Committee	4 meetings	5 days
Nomination & Governance Committee	3 meetings	4 days

Conflicts of interest

Directors have a statutory duty to avoid conflicts of interest. In addition, the Company has in place procedures to identify and, where necessary, mitigate potential conflicts of interest. These processes help to ensure decisions are made in the best interests of the Company.

The Board has delegated authority to the Committee to identify and, where necessary, authorise any actual or potential conflicts of interest.

When recommending a candidate for appointment or re-election to the Board, the Committee considers the external appointments of the proposed candidate and recommends authorisation of any conflicts to the Board as appropriate, attaching conditions to the authorisation where necessary. If a Director makes a request to take on a new external position during the year, the Chair considers the proposed external appointment and escalates to the Committee for authorisation where a conflict or potential conflict could arise.

The Board considers that the procedures for dealing with conflicts of interests operate effectively.

Board effectiveness

The Committee oversees the process by which the Board, its Committees and individual Directors' effectiveness is assessed. Following the external evaluation conducted in 2020 and the completion of resultant actions, the 2021 Board evaluation was conducted internally using a questionnaire. The findings were presented to the Committee and the Board in February 2022 and an action plan was agreed to address areas of focus identified by the evaluation. The themes, summary of actions and progress are set out on page 166.

Governance

The Committee reviews the Group's governance framework on an annual basis, monitoring the Group's significant governance policies, including governance arrangements of the Group's main subsidiaries, recommending changes to the Board as appropriate.

Audit Committee report

David Law
Chair

> *'The Group enters 2022 focused on Asia and Africa. Getting to this position has required significant, difficult work from many colleagues – thank you for all your efforts – and the continued support from our shareholders, for which also many thanks.'*

Committee's purpose

The Committee's purpose is to assist the Board in meeting its responsibilities for the integrity of the Group's financial reporting, including the effectiveness of the internal control and risk management system and for monitoring the effectiveness and objectivity of internal and external auditors.

More information about the Audit Committee can be found in its Terms of Reference, which are available at www.prudentialplc.com/investors/governance-and-policies/board-and-committees-governance

Membership and 2021 meeting attendance

Committee Members	2021 Meetings
David Law, Chair	**14/14**
Jeremy Anderson	**14/14**
Chua Sock Koong[1]	**6/6**
Philip Remnant	**14/14**
Alice Schroeder	**14/14**
Jeanette Wong[1]	**6/6**
Amy Yip[2]	**9/10**

Regular attendees

- **Chair of the Board**
- **Group Chief Executive**
- **Group Chief Financial Officer and Chief Operating Officer**
- **Group Chief Risk and Compliance Officer**
- **Director of Group Finance**
- **Director of Group Financial Accounting and Reporting**
- **Company Secretary**
- **Group Chief Internal Auditor**
- **External Audit Partner**
- **Chief Security Officer**

Notes

[1] Chua Sock Koong and Jeanette Wong joined the Audit Committee on 12 May 2021

[2] Amy Yip joined the Audit Committee on 3 March 2021

Dear shareholders

2021 has been another busy year for the Audit Committee as the Group completed its transformation into a pure Asia and Africa growth company, whilst also managing through the ongoing challenges of the pandemic. At the start of the year the Committee considered that the following should be the key areas of focus in addition to its regular ongoing responsibilities.

1. Consideration of the impact of Covid 19 on financial matters including controls, accounting judgements and disclosures;
2. Oversight of any required listing particulars;
3. Monitoring the ongoing preparation for IFRS 17; and
4. Consideration of the implications of the Jackson demerger on the disclosures, level of materiality, assurance levels and governance of the ongoing business.

I am pleased that at the end of the year the review of the Committee's effectiveness concluded that we had delivered against these objectives. We will refresh our priorities for 2022 in the light of the feedback received and new focus of the Group.

In addition to its regular schedule of meetings, the Committee met on six further occasions during the year to specifically review documents and consider proposals in relation to the Jackson demerger and the Hong Kong share offer. Some scheduled meetings were extended to allow time for the Committee to increase its understanding of the Asia business.

Throughout the year, the Committee continued to focus on the impact of Covid-19 on the business, particularly in respect of controls, key judgements and disclosures. No specific matters arose that materially impacted the Group's balance sheet, viability or internal controls but we remain vigilant as the pandemic and government responses in our markets evolve.

In order to increase its focus on the Group's Asia and Africa entities, the Committee has strengthened its relationships in 2021 with the audit committees in each of the Material Subsidiaries and this will continue in 2022. Sessions were scheduled in 2021 and for 2022 for the Committee to receive presentations from local audit committee chairs and finance teams, to allow discussion of key accounting assumptions and judgements, control matters, key products and the drivers of profitability.

To further develop the close working relationship between the Committee and the local audit committees, Jeremy Anderson, the Chair of the Risk Committee and I co-chaired an annual session attended by all of the Non-executive Directors of the Material Subsidiaries. Key matters discussed included the impact of Covid-19 on financial matters and controls, cyber and information security, conduct, culture, oversight of third parties and the implementation of IFRS 17.

The Group's IFRS 17 project has gained momentum as we prepare for its adoption within our half year 2023 financial statements. This year the focus has been on some of the key judgements as well as building and testing the complex system changes needed to apply the new reporting requirements. The Committee has been kept informed of progress on a regular basis. More information on the project is contained in note A3.2 of the financial statements.

We have paid particular attention to our whistleblowing procedures and monitored these for any indicators of issues. I regularly meet privately with the Chief Security Officer to discuss whistleblowing cases and how they are resolved. These are also discussed in private sessions with the Committee or the relevant local audit committee.

Committee membership and compliance with regulatory requirements

During 2021 Chua Sock Koong, Jeanette Wong and Amy Yip joined the Committee. They each bring extensive financial and commercial knowledge and insight to the Committee, particularly in the Asia region. The Committee bids farewell to Alice Schroeder in May who, after joining the Committee in 2013, will step down from the Committee and the Board at the conclusion of the 2022 AGM. On behalf of the Committee, I would like to thank Alice for her significant contribution and deep knowledge of the US environment.

The Board has confirmed that each member of the Committee is independent according to SEC criteria and that I may be regarded as the Committee's financial expert for the purposes of section 407 of the Sarbanes-Oxley Act. Further, for the purposes of the UK and Hong Kong Corporate Governance Codes, each member of the Committee has recent and relevant financial experience. Detailed information on the experience, qualifications and skillsets of all Committee members can be found on pages 150 to 155.

External auditor

An important part of the Committee's work consists of overseeing the relationship with the Group's external auditor, currently KPMG LLP (KPMG), including safeguarding independence, approving non-audit fees and satisfying ourselves that it is in the best interests of shareholders for the Committee to recommend their reappointment.

The Committee discussed with KPMG the continued impact of Covid-19 to ensure that it was able to deploy sufficient resources and complete its audit work satisfactorily. The Committee continued its practice of meeting privately with KPMG and I have held a number of meetings with the lead partner throughout the year. Following the demerger of Jackson and therefore the change in the size of the Group, one area of discussion with KPMG has been the scope and materiality of audit work.

As reported last year, the Board has resolved that it intends to recommend EY for appointment as the Group's auditor for the financial year ending 31 December 2023 onwards, subject to shareholder approval at the AGM in 2023. KPMG will remain the Group's auditor until 2023. During 2021, EY and KPMG commenced the transition process, with EY meeting the Committee to confirm its independence of the Group in the fourth quarter of 2021. We will also be transitioning our lead KPMG partner for the 2022 audit following completion of Philip Smart's five-year term. I would like to thank Philip for his leadership of the external audit over these particularly challenging years.

Internal audit

During the year we engaged Deloitte to conduct an external review of Internal Audit's effectiveness. We were delighted to learn that the Function had received strong feedback which was in line with our own view of their performance during a period of considerable change for the Group. The Committee receives regular updates from the Group Chief Internal Auditor and key members of his team and I meet regularly with him and the Group-wide Quality Assurance Director to discuss internal audit work and matters arising. Having a strong function with appropriate resource focused on our key risks has been a priority of the Committee throughout the year.

Transactions

The Committee spent a considerable amount of additional time in 2021 reviewing offer documents and considering matters in connection with the Jackson demerger and the Hong Kong share offer.

For the Jackson demerger, the Committee reviewed the Circular several times before recommending the accounting aspects for approval by the Board. These reviews focused on: the approach to verification; the working capital analysis; the Financial Position and Prospectus Procedures; historical financial information contained in the Circular and the no-significant change statement. The treatment of Jackson in the Group's accounts following the demerger was also an area of focus. The Committee reviewed management representation letters, the status of work carried out by KPMG and the treatment of Jackson in the Group's accounts following the demerger. The Committee reviewed the Jackson Information Statement for the Form 10, including the due diligence processes and accounting matters raised by the SEC, particularly the restatement of the accounting for a reinsurance contract within the Jackson standalone US GAAP accounts which, given the differences between US GAAP and IFRS accounting literature, had no implications for the Group's accounts.

Following the publication of the Circular, the Committee reviewed the Supplementary Circular, including the half-year 2021 results, and made recommendations to the Board in connection with the internal reorganisation of the Group's holding in Jackson, which required the Committee to review an interim set of accounts and consider the demerger accounting steps.

For the Hong Kong share offer, the Committee reviewed and made recommendations to the Board, in respect of the draft Prospectus and offering documents, including the no material adverse change statement, the indebtedness statement and pro forma financial information.

Regulatory developments

A key focus for the Committee during 2021 has been the Group's programme to demonstrate compliance with the GWS Framework following the designation of Prudential in May 2021, as well as compliance with its reporting regulations. We also participated in the lessons learned project led by the Risk Committee that followed the prior year change to the modelling of Jackson's statutory capital and have amended our terms of reference as a result of the review.

Finally, I would like to thank our management colleagues for their huge efforts this past year in difficult circumstances, their responsiveness to challenge and the quality of papers; and my fellow Committee members for their diligence and contribution throughout the year.

David Law
Chair of the Audit Committee

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered | **How the Committee addressed the matter**

Accounting judgements and estimates supporting the Group's Results

One of the Committee's key responsibilities is to monitor the integrity of the financial statements and any other periodic financial reporting. This year reviewing demerger and listing documents has added to the more regular focus on the half-year financial statements, the Annual Report and Accounts (including compliance with the GWS public reporting requirements), associated results announcements and Form 20-F disclosures, as well as the annual update of the Group's published Tax Strategy.

In reviewing these and other items, the Committee received reports from management and, as appropriate, reports from internal and external assurance providers.

When considering financial reporting matters, the Committee assesses compliance with relevant accounting standards, regulations and governance codes focusing on key areas of judgement and complexity. No material changes to accounting policies were made during 2021. The Committee continued to receive updates on the Group's plans to implement IFRS 9 *'Financial Instruments'* and IFRS 17 *'Insurance Contracts'*, which are expected to be effective on 1 January 2023. The approach to adopting these standards is further discussed in note A3.2 of the IFRS financial statements.

Throughout its review of financial reporting matters and disclosure, the Committee considered the impact of the Covid-19 pandemic and the short-term uncertainties that it has created. Further explanation on the financial impact Covid-19 has had on the business is set out in the Strategic and Operating Review and Financial Review sections of this annual report.

The Committee reviewed the key assumptions and judgements supporting the Group's IFRS results, including those made in valuing the Group's investments, insurance liabilities and intangible assets under IFRS, together with reports on the operation of internal controls to derive these amounts. The Committee also reviewed the assumptions underpinning the Group's European Embedded Value (EEV) metrics.

Assumptions setting

The measurement of insurance liabilities is based on estimates of future cash flows, including those to and from policyholders, over a long period of time. These estimates can, depending on the type of business, be highly judgemental. The Committee considered changes to assumptions and other estimates used to derive IFRS insurance liabilities and for EEV reporting. The key assumptions reviewed were:

- Persistency, mortality, morbidity (including expectations of future medical costs inflation and related premium rises) and expense assumptions within the continuing life businesses.
- Economic assumptions, including investment return and associated risk discount rates. This included review of the decision to include a liquidity premium within the valuation interest rate used by Thailand to calculate its IFRS policyholder liabilities as discussed in note C3.2.

The Committee was satisfied that the assumptions adopted by management were appropriate. Further information on the effects of material changes to insurance assets and liabilities is included in note C3 of the IFRS financial statements.

Valuation of investments

The Committee received information on the carrying value of investments in the Group's balance sheet including information on how those values were calculated for those investments which require more judgement. Further information on the valuation of assets is contained in note C2 of the IFRS financial statements. The Committee satisfied itself that overall investments were valued appropriately.

Intangible assets

The Committee received information to enable it to review the more material intangible asset balances, for example, whether there had been any indication of impairment of the Group's distribution rights asset or goodwill in light of the continued impact of the Covid-19 pandemic on activities in Asia countries. The Committee was satisfied that there was no impairment of the Group's intangible assets at 31 December 2021. Further information is contained in note C4 of the IFRS financial statements.

Treatment of Jackson within the financial statements

The Committee reviewed the accounting for the demerger of Jackson as explained in note D1.2 of the IFRS financial statements. This included confirmation that Jackson met the held for sale and discontinued criteria of IFRS 5 *'Non-current Assets Held for Sale and Discontinued Operations'* in half year 2021 and consideration of the fair value of Jackson at the same date. The Committee assessed management's analysis of the related presentation and disclosure in the financial statements and concluded they were appropriate.

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered	How the Committee addressed the matter
Other financial reporting matters	**Demerger of Jackson** The Committee reviewed the Shareholder Circular and Supplementary Circular prepared by management in accordance with the UK Listing Rules for the demerger of Jackson and was regularly briefed by Jackson management on its own preparation for listing as a stand-alone US entity. Assurance was sought from external parties including the Group's reporting accountants and financial advisers. The Committee reviewed the procedures undertaken to support the verification of material statements made in the Prudential Shareholder Circular. The Committee reviewed drafts of documents throughout 2021 and commented on the approach and content throughout the process. **International placing and Hong Kong public offer of new share capital** In October 2021, the Group issued new shares on the Hong Kong Stock Exchange through a concurrent Hong Kong public offer and international placing. The Committee reviewed the Prospectus for the share offer, prepared by management in accordance with the Hong Kong Listing Rules, and the procedures undertaken to support the verification of material statements made in the Prospectus. **Going concern and viability statements** The Committee considered various analyses from management regarding the capital and liquidity positions at Group and parent company level, taking into account the Group's principal risks. This included an assessment of the impact that different stress scenarios may have on the Group's plan and its resilience to those threats. Following this review, it recommended to the Board that it could conclude that the financial statements should continue to be prepared on a going concern basis and that the disclosures in the 2021 Annual Report and Accounts on the Group's longer-term viability were both reasonable and appropriate. **Fair, balanced and understandable requirement** The Committee carried out a formal review of whether the 2021 Annual Report and Accounts were 'fair, balanced and understandable' as required by the UK Corporate Governance Code. In particular, it considered whether the report gave a full picture of the Group's business model, strategy, financial position and performance in the year, with important messages appropriately highlighted. It also considered the level of consistency between financial statements and narrative sections, whether performance measures were clearly explained and the prominence of alternative performance measures. After completion of its detailed review, the Committee was satisfied that, taken as a whole, the Group's Annual Report and Accounts were fair, balanced and understandable. **Taxation** The Committee regularly received updates on the Group's tax matters and provisions for certain open tax items, including tax matters in litigation. The Committee was satisfied that the level of provisioning adopted by management was appropriate. See notes B3 and C7 of the IFRS financial statements. In 2021, the Committee was also updated on the OECD proposals to reform international tax including the introduction of a global minimum tax rate of 15 per cent intended to be effective from 2023. **Parent company financial statements** The Committee reviewed the parent company profit and loss account and balance sheet, which included the recoverability of the parent company's investment in subsidiaries by assessing and confirming that the net assets of the relevant subsidiaries (being an approximation of their minimum recoverable amount) were in excess of their carrying value at the balance sheet date.
External Audit	**External audit effectiveness** The Group's external auditor is KPMG LLP (KPMG) and oversight of the relationship with KPMG is one of the Committee's key responsibilities. The Committee reviewed the effectiveness of the auditor throughout the year taking into account: > The detailed audit strategy for the year, approach to risk assessment and coverage of the audit response to highlighted significant risks; > Their approach to Group materiality setting in the context of the demerger of Jackson and their proposal on how that is applied to the individual business units; > Insight around the key accounting judgements and the way KPMG applied constructive challenge and professional scepticism in dealing with management; > The outcome of management's internal evaluation of the auditor as discussed below; and > Other external evaluations of KPMG, with a focus on the FRC's annual quality review.

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered | **How the Committee addressed the matter**

External Audit *continued*

There is an open dialogue on emerging risks and issues between the Group Lead Partner and Committee members via a regular schedule of meetings aligned to key reporting milestones. In 2021 the Committee formally met with the Group Lead Partner without management present on two separate occasions.

Internal evaluation of KPMG was conducted using a questionnaire survey that was circulated to the Committee members, independent members of the audit committees of Material Subsidiaries, the Group Chief Financial Officer and Chief Operating Officer and the Group's senior financial leadership for completion. A key component of the evaluation was the degree of challenge and robustness of approach to the audit. The survey asked 29 questions over four categories (audit quality and execution, team performance, process and communication) in relation to the 2020 audit.

KPMG was given the opportunity to respond to the findings in the reports and where necessary, proposed enhancements to the audit process and team.

The Committee noted the publication by the FRC in July 2021 of the results of its Annual Quality Review. While the report contained a number of areas for improvement for KPMG as a whole, the Committee noted that the FRC had reviewed KPMG's audit of Prudential's financial statements for the year ended 31 December 2019, for which no significant recommendations were made by the FRC for further improvement and a number of areas of good practice were highlighted.

Auditor independence and objectivity

The Committee has responsibility for monitoring auditor independence and objectivity and is supported in doing so by the Group's Auditor Independence Policy (the Policy). The Policy is approved annually by the Committee. It sets out the circumstances in which the external auditor may be permitted to undertake non-audit services and is based on four key principles which specify that the auditor should not:

- Have a mutual or conflicting interest with the Group;
- Audit its own firm's work;
- Act as management or employees for the Group; or
- Be put in a position of being an advocate for the Group.

The Policy has two permissible service types: those that require specific approval by the Committee on an engagement basis and those that are pre-approved by the Committee with an annual monetary limit capped at no more than five per cent of the Group audit fee in the proposed year and capped at $65,000 individually. The Policy also provides that the total fees payable to KPMG for non-audit services, other than those required by law or regulation, shall be limited to no more than 70 per cent of the average audit fees paid in the past three consecutive financial years. In accordance with the Policy, the Committee approved these permissible services, classified as either audit or non-audit services, and monitored the usage of the annual limits on a quarterly basis. Non-audit services undertaken by KPMG were agreed prior to the commencement of work and were confirmed as permissible for the external auditor to undertake in accordance with the Policy which complies with the rules and regulations of the FRC's Revised Ethical Standard (2019), the US Securities and Exchange Commission (SEC) and the standards of the Public Company Accounting Oversight Board (PCAOB).

The Committee monitored the nature and extent of non-audit services on a regular basis to ensure the provision of non-audit services complied with the Group's Policy and did not impair the auditor's objectivity or independence. The Committee noted that KPMG typically only performed non-audit services where they complemented its role as external auditor, for example the review of half year and EEV financial statements or additional assurance to support capital market requirements. This work has by necessity been significant as a result of the demerger of Jackson and the public offering in Hong Kong in 2021. It is not however considered to detract from the objectivity and independence of KPMG due to the nature of the work and the involvement of separate teams.

In keeping with professional ethical standards, KPMG also confirmed its independence to the Committee and set out the supporting evidence for its conclusion in a report that was considered by the Committee prior to publication of the financial results.

The Committee will continue to monitor developments to ensure the Group's policies and processes around audit effectiveness and independence evolve in line with market practice.

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered	How the Committee addressed the matter
***External Audit** continued*	Fees paid to the external auditor The fees paid to KPMG for the year ended 31 December 2021 amounted to $15.5 million (2020: $16.0 million) of which $6.5 million (2020: $3.8 million) was total amounts payable in respect of non-audit services, except those required by law and regulation, as defined by the FRC's Revised Ethical Standard (2019). A breakdown of the fees payable to KPMG can be found in note B2.4 of the IFRS financial statements. The ratio of non-audit fees for the Group in 2021 over the average of audit fees for the past three years is 51 per cent for the Group, 19 per cent below the 70 per cent cap set by the FRC. In 2021, $2.1 million including amounts incurred by the discontinued US operations (2020: $0.4 million) of the $6.5 million (2020: $3.8 million) spent on non-audit services, excluding those required by law and regulation, was for one-off services associated with the demerger of Jackson and the public offering of equity shares in Hong Kong. Excluding these one-off fees, total non-audit service fees that are subject to non-audit fee cap in 2021 were $4.4 million compared with $3.4 million in 2020. The services associated with this amount included the review of the Group's half year financial statements and EEV disclosures and in 2021 additionally included assurance work performed by KPMG in connection with Prudential Hong Kong's application to early adopt the new risk-based framework in Hong Kong, the result of which is pending. In all these cases, the audit firm was considered the most appropriate to carry out the work, given its knowledge of the Group and the synergies that arise from running these engagements alongside its main audit. All non-audit services were pre-approved by the Committee and were in line with the Policy discussed above. Reappointment of the external auditor Based on the outcome of the effectiveness evaluation and all other considerations, the Committee concluded that there was nothing in the performance of the auditor which would require a change at the next AGM. The Committee therefore recommended that KPMG be reappointed as the auditor. A resolution to this effect will be proposed to shareholders at the 2022 AGM. Audit tender The Committee acknowledges the provisions contained in the UK Code in respect of audit tendering, along with legal requirements on mandatory lead auditor rotation and audit tendering. In conformance with these requirements, the Company conducted a competitive tender in 2020 to change audit firm for the 2023 financial year end. KPMG was appointed in 1999 and since 2005, the Committee has annually considered the need to retender the external audit service. Following the tender in 2020, the Board resolved that it intends to recommend EY for appointment for the year ending 31 December 2023 onwards, subject to shareholders' approval at the AGM in 2023. Transition to the new audit firm has commenced and in the fourth quarter of 2021 EY confirmed to the Committee their independence from the Prudential Group. A description of the detailed tender process is set out in the 2020 Annual Report and Accounts. Throughout the 2021 financial year, the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 issued by the UK Competition and Markets Authority. Lead Audit Partner Rotation Philip Smart, KPMG Group Lead Partner, was appointed in respect of the 2017 financial year and is expected to be replaced after a five-year term following the completion of this 2021 reporting cycle. In line with the Financial Reporting Council's Ethical Standard, the rules and regulations of the SEC and the standards of the PCAOB, a new Group Lead Partner will be required for the 2022 audit. The replacement Lead Partner has been identified and an appropriate transition plan is in place. During the 2021 year end audit, the new Lead Partner shadowed Mr Smart and met with members of the Committee and management team and attended Committee meetings.

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered	How the Committee addressed the matter
Whistle blowing	Speak out The Group continues to operate a Group-wide whistleblowing programme ('Speak Out'), hosted by an independent third party (Navex). The Speak Out programme received ad hoc reports from a wide variety of channels, including a web portal, hotline, email and letters. Reports are captured, confidentially recorded by Navex, and triaged by Group Security Investigations prior to investigation by the appropriate teams. The Committee is responsible for oversight of the effectiveness of the Group's whistleblowing arrangements. The Committee received regular reports on the most serious cases and other significant matters raised through the programme and the actions taken to address them. The Committee was also briefed on emerging Speak Out trends and themes. The Committee may, and has, requested further reviews of particular areas of interest. The Committee reviews the Group's Speak Out programme annually, satisfying itself that it continues to comply with legal, regulatory and governance requirements. The Committee also considered the consistency of approach adopted across subsidiary audit committees. The Speak Out programme has been further strengthened during the year by the management level committees. Where relevant, the Committee requested information on the sharing of lessons learned. The Chair and Committee spent time privately with the Group Chief Security Officer to understand outcomes of investigations, ensure that investigations were adequately resourced and appropriately managed, that there had been no retaliation against anyone making a report and that investigations were not improperly influenced. A review of the Speak Out programme and its oversight was undertaken in 2021.
Internal audit	Regular reporting The Committee received regular updates from GwIA on audits conducted and management's progress in addressing audit findings within agreed timelines. Any delays in implementing remediation actions were escalated to the Committee and given particular scrutiny. The independent assurance provided by GwIA formed a key part of the Committee's deliberations on the Group's overall control environment. During 2021, the areas reviewed included: transformation and change management (in particular relating to the demerger of Jackson); financial controls; outsourcing and third-party supply; customer outcomes; cyber security and IT risk; compliance and regulatory; and the second line. The Group Chief Internal Auditor reports functionally to the Committee Chair and, for management purposes, to the Group Chief Executive, and also has direct access to the Chair of the Board. In addition to formal Committee meetings, the Committee meets with the Group Chief Internal Auditor in private to discuss matters relating to, for example, the effectiveness of the internal audit function, significant audit findings and the risk and control culture of the organisation. The Committee Chair also meets with GwIA's Quality Assurance Director to discuss the outcome of the quality reviews of GwIA's work and actions arising. Annual internal audit plan and focus for 2022 GwIA operates a rolling six-month approach to audit planning. The Committee approved the plan for the second half of 2021. It also considered and approved the Internal Audit Plan, resource and budget for the first half of 2022. The H1 2022 Internal Audit Plan was formulated based on a bottom-up risk assessment of audit needs mapped against various metrics combined with top-down challenge. The plan was then mapped against a series of risk and control parameters, including the top risks identified by the Risk Committee, to verify that it is appropriately balanced between financial, business change, regulatory and operational risk drivers and provides appropriate coverage of key risk areas and audit themes within a risk-based cycle of coverage. Key areas of focus for H1 2022 include: strategic change initiatives; customer outcomes; cyber security; financial risk and financial controls; culture; outsourcing and digitalisation.

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered	How the Committee addressed the matter
Internal audit *continued*	Effectiveness of Internal Audit The Committee is responsible for approval of the GwIA charter, audit plan, resources, and for monitoring the effectiveness of the function. The Committee also assesses the effectiveness of GwIA through a combination of External Quality Assessment (EQA) reviews, required every five years, and an annual internal effectiveness review. In 2021, Deloitte performed an EQA of GwIA, which assessed GwIA as a mature function that Generally Conforms (the highest rating under the IIA's framework) with the Institute of Internal Audit (IIA) International Professional Practices Framework and Internal Audit Financial Services Code of Practice (the Standards), and with the approach to meeting the requirements and expectations of the Hong Kong Insurance Authority including the Groupwide Supervision framework. The assessment also considered GwIA's purpose, position, processes and reporting in the context of the Group's wider systems of governance. Having considered the findings of the EQA and the 2021 Internal Effectiveness review, performed by the GwIA Quality Assurance Director, the Committee concluded that GwIA had continued to operate independently of management and in compliance with the requirements of GwIA delegated authorities, procedures and practice standards in all material respects and had remained aligned to mandated objectives during 2021.
Internal control and risk management	Internal control and risk management systems The Committee is responsible for reporting and making recommendations to the Board on the effectiveness of the Group's system of risk management and internal control. The Committee considered the outcome of the annual review of the system of risk management and internal control. The review identified specific areas for improvement and the necessary actions that have been, or are being, taken. Group Governance Manual The Group Governance Manual (the Manual) sets out the general principles by which we conduct our business and ourselves and defines our Group-wide approach to Governance, Risk Management and Internal Control. Incorporating our Group Code of Business Conduct, the Group Governance Manual sets out the general principles by which we conduct our business and ourselves. Each business attests annually to compliance with: > Mandatory requirements set out in Group-wide policies, including the Group Code of Business Conduct; and > Matters requiring prior approval from those parties with delegated authority. The Committee reviewed the results of the Group Governance Manual annual content review and the results of the year-end compliance attestation for the year ended 31 December 2021.

Jeremy Anderson
Chair

Committee's purpose
The Committee's purpose is to assist the Board in providing leadership, direction and oversight of the Group's overall risk appetite, tolerance and strategy. It oversees and advises the Board on the current and potential risks to the Group, reviewing and approving the Group's risk management framework, and monitoring its effectiveness and adherence to the various risk policies.

More information on the Risk Committee can be found in its Terms of Reference, which are available at www.prudentialplc.com/investors/governance-and-policies/board-and-committees-governance

Membership and 2021 meeting attendance

Committee Members	2021 Meetings
Jeremy Anderson	**9/9**
David Law	**9/9**
Ming Lu[1]	**5/5**
Kai Nargolwala[2]	**4/4**
Alice Schroeder	**9/9**
Tom Watjen	**9/9**
Jeanette Wong[1]	**5/5**

Regular attendees

- **Chair of the Board**
- **Group Chief Executive**
- **Group Chief Risk and Compliance Officer**
- **Group Chief Financial Officer and Chief Operating Officer**
- **Company Secretary**
- **Group Chief Internal Auditor**
- **Chief risk officers of Jackson[3] and PCA**
- **Members of the Group Risk Leadership Team are invited to attend each meeting as appropriate.**

Notes
[1] Ming Lu and Jeanette Wong joined the Risk Committee on 12 May 2021.
[2] Kai Nargolwala stepped down from the Board following the conclusion of the AGM held on 13 May 2021.
[3] The Chief Risk officer of Jackson ceased attendance following the demerger.

Risk Committee report

> *'The Committee has continued to provide the Board with leadership, direction and oversight of the risk appetite and exposures of the Group.'*

Dear shareholders
As Chair of the Risk Committee I am pleased to report on the Committee's activities and focus during 2021. The Committee continued to consider the challenges presented by the pandemic, it also provided key input into the historic changes to the Group that were completed during the year.

The Hong Kong IA's GWS Framework became effective for the Group on 14 May 2021, following designation by the Hong Kong IA, subject to agreed transitional arrangements. The Committee considered updates, including the results of an independent readiness assessment, on the implementation of the Framework prior to Prudential's designation. Following implementation, we received regular updates on the Group's ongoing compliance.

The risks associated with the Jackson demerger and equity raise, which completed in September and October 2021 respectively, were a key focus of the Committee, which considered risk opinions and approved the associated risk disclosures included in transaction documentation.

Some of the other key risks and matters considered by the Committee are summarised in this letter, with further information included in the table below.

Committee operation and governance

As part of its duties detailed above, the Committee reviews the Group Risk Framework (GRF) to ensure that it remains effective in identifying and managing the risks faced by the Group and recommends changes for approval by the Board. We considered and approved the Risk, Compliance and Security (RCS) function's planned activities for 2021 and received regular reports from the Group Chief Risk and Compliance Officer (CRCO), who is advised by the Group Executive Risk Committee (GERC). We also received regular reports from the GwIA function and updates from other areas of the business as needed. In 2021, to ensure sufficient time was provided for key matters requiring detailed discussions, additional Committee time was planned following the scheduled meetings in February and November 2021.

The Committee works closely with the Audit Committee to ensure both committees are updated and aligned on matters of common interest and I report to the Board on the main matters discussed. Direct lines of communication, reporting and oversight of the risk committees of the Group's Material Subsidiaries are in place. Their terms of reference are aligned to the Committee's own, and include the requirement for relevant risk escalations directly to the Committee. Regular direct communication and close cooperation with each of the local chairs remains a key component of our governance framework, and at each meeting I update the Committee on important points raised at local level. In order to foster a close working relationship with the local audit and risk committees and deepen understanding of Group-wide risk topics, David Law and I chaired a session attended by the non-executive directors of the Group's Material Subsidiaries.

The effectiveness of the Committee was reviewed as part of the annual Board evaluation, which confirmed that the Committee continued to operate effectively during the year, with actions agreed where necessary to improve its effectiveness. I provided feedback on the performance of the Group CRCO to the Group Chief Executive as part of the annual evaluation of the Board and its members.

Risk appetite and principal risks

a. Risk governance, capital and liquidity

The Committee performed its regular review of the Group's risk policies and proposed changes to the Group risk appetite statements and associated limits, including how these would apply following the demerger of Jackson. We regularly reviewed the strength of our capital and liquidity positions, including the results of stress and scenario analyses. We also considered regular updates on the approach for adoption of the proposed Risk-Based Capital (RBC) regime at our Hong Kong business.

b. The Group's principal risks

The Committee considered the principal risks to the Group's financial viability and non-financial resilience and sustainability, in particular those driven by a constantly-changing operating environment and the risks to, and resulting from, the Group's digital and sustainability agenda. The Committee reviewed the Group's annual Own Risk and Solvency Assessment (ORSA) report in May 2021 and in-depth reviews were performed on existing and emerging high-risk areas. The Committee also received reports from the risk committee chairs of the Material Subsidiaries in 2021, with the chief risk officers of Asia, Africa and (prior to demerger) Jackson regularly attending Committee meetings.

c. Covid-19 risks

The Committee continued to monitor developments in risks from the pandemic and the Group's ongoing responses to it. It has become clear that Covid-19 and its impact will continue for longer than many would have predicted, and some societal changes accelerated by the pandemic may be significantly long-term or permanent. This includes the expectations on the nature of working arrangements and customer expectations on insurance and health products and their accessibility. A key focus of the Committee in 2022 will be on how Prudential continues to conduct itself in a way to sustainably deliver easily accessible and socially inclusive products. Similarly, time will be prioritised to discuss the fair treatment of its policyholders, the well-being of its staff, and the broader long-term macro-economic impacts of Covid-19, such as increased inflation. A fuller explanation of the principal risks facing the Group and the way in which these are managed is set out in the Risk Review on pages 44 to 65.

Sustainability, including climate change risk

The Group's annual update of its principal risks and ORSA report included assessments of the key sustainability risk areas associated with ESG considerations, including climate change related risks. In 2021, the Committee considered key changes to the GRF to reflect that sustainability risks, such as environmental risk, can impact and increase the Group's existing risks. Updates to the non-financial risk appetite framework to frame risk appetite statements around stakeholder considerations and lenses, more aligned to ESG considerations, were approved by the Committee, and policies were updated to explicitly reference climate change and other ESG considerations. A Group Responsible Investment Policy was approved to support the Group's external commitments, including those around asset book de-carbonisation. We also approved the Group's revised Third-Party and Outsourcing Policy, which specifically references ESG within its key principles.

Digital and technology risks

The Committee received regular updates on information security, data privacy and technology risks and incidents, as well as developments in the external threat landscape such as the rise in prominence of ransomware. It approved a new Group Data Policy establishing the principles and requirements for effective and scalable data management, in light of the increase in volume and variety of data expected as part of the Group's digital aspirations. A specific session of the Committee's October 2021 meeting included updates on the Group's technology risk governance model, regulatory developments, the results of external penetration testing and a deep dive review into planned features of Prudential's Pulse platform.

The Committee was kept apprised on the key risks associated with Pulse. It also received updates on the progress of roll-out plans in new markets and the implementation of key platform features, as well as developments in risk governance over the Pulse business, such as the setting up of an Audit and Risk Committee at the Pulse subsidiary during the year.

Model risk

In 2021, given their importance to the Group's business, the Committee focused on the risks associated with its critical models. Following the revision to Jackson's hedge modelling, announced on 28 January 2021, which impacted Jackson's statutory capital, with the Committee's support I led a review of the oversight and governance arrangements which operate for the Group's critical models. The work focused on reviews of relevant Group policies, existing controls in relation to models and model changes, risk validation activity, and the visibility of model risk management information. It took into account the output from an internal audit performed during the year.

The Committee has been satisfied that appropriate controls are in place and operating for critical models across the Group's portfolio of businesses. A number of enhancements are being made at a Group and business level to ensure consistency of approach and additional oversight by both specialist technical teams and the board-level governance risk and audit committees across the Group, with implementation in 2022.

The Committee approved updates to the Group's Model and User Developed Applications Policy, which explicitly includes the AI ethical principles the Group's models must comply with. Updates included an increase in oversight of models in development and the broadening of the considerations when assessing model criticality to include a wider group of stakeholders and reputational risk impacts.

The Committee received regular updates on the development of the Group internal economic capital assessment (GIECA) model in 2021. This included approving the overall GIECA methodology, prior to submission to the Hong Kong IA, and the risk calibrations for new long-term economic assumptions. It also considered the governance framework and validation activity for the GIECA model.

The Committee was also regularly updated on developments on the model planned to be used by the Hong Kong business under the Hong Kong IA's RBC regime.

I would like to take this opportunity to thank my fellow Committee members and Prudential's RCS function, both at Group level and at the level of local businesses, in supporting the crucial work of the Committee during such a transformative year.

Jeremy Anderson
Chair of the Risk Committee

Principal activities and significant issues considered by the Risk Committee during 2021

Matters considered	How the Committee addressed the matter
Risk Management	Group principal risks, including Chief Risk and Compliance Officer (CRCO) reporting The Committee evaluated the Group's principal risks, considering recommendations for promoting additional risks and changes in the scope of existing risks. The Committee also received regular reporting on the Group's exposure to, and management of, its principal risks, emerging risk themes and external developments within the Group CRCO's regular report to the Committee. Further information on how the Group identifies emerging and principal risks can be found in the Risk Review. The Group CRCO's reports also provided the Committee with regulatory updates, including the implications of the developing global capital standards, systemic risk regulation, engagement with the Hong Kong IA on the implementation of the GWS Framework and the Group's ongoing compliance with the Framework following its designation by the supervisor. Covid-19 related risks The impact of the Covid-19 pandemic has been broad with continuing implications for the Group's solvency and liquidity position. The Committee received regular updates on the nature and extent of the impacts across its principal risks, including the ongoing resilience, market and economic, product, information security, distribution and customer conduct risks and the Group's ongoing responses to them. A key focus of the Committee in 2021 has been monitoring the potential impact of the pandemic to the level of mortality claims and policy lapses or surrenders (both to the business and to customers) in certain markets. Deep dives As part of its risk oversight responsibilities, the Committee considers the results of 'deep dive' risk reviews performed over the year. In 2021, these focused on the risks related to the Group's medical reimbursement product lifecycle and product risks across its major insurance businesses; the product implications arising from IFRS17; network security through penetration testing; and proposed functionality for the Pulse platform. The Committee also considered the results of a review of the risk assessment processes for anti-money laundering and anti-bribery and corruption across its markets. The Committee received updates on actions and developments relating to deep dives completed in 2020, including those related to interest rate risk management. Transformation oversight The Committee monitored the progress of the Group's key strategic projects during the year which, in addition to those outlined in the letter above, included activities focused on IFRS 17 implementation and IBOR cessation. Information security and data privacy During 2021, updates were provided to the Committee on key external developments relevant to information security and data privacy, including changes in regulations and the external threat landscape. This included a focus on the global increase in frequency of ransomware attacks and the risk management and mitigation arrangements in place at the Group. The Committee also received regular progress updates on the operationalisation of the Group-wide governance model and strategy for the management of information security and data privacy risks, as well as Group-wide information security and privacy metrics providing a view of security posture across the businesses. In May 2021, we approved a new Group Data Policy, detailed in the letter above. A session of the October 2021 Committee meeting was dedicated to information security and data privacy, where the Committee considered the matters detailed in the letter above.

Principal activities and significant issues considered by the Risk Committee during 2021

Matters considered	How the Committee addressed the matter
Risk Management *continued*	Sustainability, including climate change, risk A key component of the RCS Plan for 2021, approved by the Committee in February 2021, was the embedding of climate risk considerations into the GRF. This, and the other ESG-related matters considered by the Committee, have been detailed in the letter above. We received regular updates on key climate-related regulatory and legislative developments, including those in respect of disclosure requirements, progress against the Group's responsible investment commitments and its ESG ratings by external assessors and agencies. Remuneration The Committee has a formal role in the provision of advice to the Remuneration Committee on risk management considerations in respect of executive remuneration. It considered risk management assessments of proposed executive remuneration structures and outcomes during the year, making related recommendations to the Remuneration Committee for its consideration. Stress and scenario testing The Committee is responsible for reviewing the outcome and results of stress and scenario testing, which is a key risk identification, measurement and management tool for the Group. Stress and scenario testing is a key component of the Group's ORSA process and the Risk Assessment of the Business Plan, as described below, as well as its Recovery Planning and Reverse Stress Testing (RST). The Group's Recovery Plan, considered by the Committee in October 2021, included an assessment of the viability and operational resilience of the Group under severe financial and non-financial shock scenarios. The Plan concluded that, as at end of 2021, the Group is expected to remain in a resilient financial and operational condition when under severe stress, with only a very extreme scenario breaching the Group's recovery activation measures, and that established governance frameworks and procedures are in place for senior management to respond to actual and potential threats. Risk Assessment of the Business Plan As part of its role in overseeing and advising the Board on future risk exposures and strategic risks, the Committee reviewed the Risk Assessment of the Business Plan, which highlighted key financial and non-financial risks, in particular those driven by the uncertain recovery in markets, the impacts of regional Covid-19 resurgences and reinstatements of restrictions and geopolitical risks. The analysis reviewed included sensitivity assessments of the impact of various plausible scenarios. Model risk management At a number of meetings during the year, the Committee reviewed the oversight and governance arrangements which operate for the Group's critical models. The review focused on a number of activities undertaken by management and internal audit to look at relevant Group policies, existing controls in relation to models and model changes, risk validation activity, and the visibility of model risk management information, taking into account the output from an internal audit performed during the year. The review made a number of recommendations which, in summary: > confirm the central role of management and the various executive technical committees in overseeing model assumptions, development and assurance, and in determining matters for escalation, but adjust some of their terms of reference to expand their coverage; > clarify the oversight expectations and responsibilities of the Audit and Risk Committees at Group and BU level; and > develop guidance, examples and training to help committees approach their roles in an appropriately consistent manner. The Committee will monitor progress against the agreed actions over the course of 2022.

Principal activities and significant issues considered by the Risk Committee during 2021

Matters considered	How the Committee addressed the matter
Regulatory and Compliance Matters	GWS Framework The matters considered by the Committee in advance of the Group's designation under, and ongoing compliance with, the GWS Framework post-designation have been detailed in the letter above. Compliance and regulatory change The Committee received regular reporting on key regulatory compliance risks and mitigation activity across the Group's businesses throughout the year, covering regulatory changes, reviews and interventions, including those relating to US-China sanctions. We also received regular updates on conduct risk and progress under the Group's Conduct Risk Programme, including those related to the further implementation, assurance and the engagement model of the Group Conduct Risk Framework. Group-wide Internal Audit The Committee received updates from GwIA throughout the year relating to matters which fall within the scope of its responsibilities. In October 2021, we considered the GwIA function's report on its audit into model governance.
Risk and Compliance Framework	Annual review of risk policies, risk framework compliance and Committee effectiveness The GRF and risk policies were subject to their annual review, with amendments made to ensure the policies remained appropriate post the GWS Framework becoming effective for the Group and the Jackson demerger, as well as changes to reflect the Group's purpose, ESG strategy and culture framework. The Board approved the changes recommended by the Committee. The Committee reviewed the results of the annual Group Governance Manual year-end compliance attestation performed by the business units under the GRF and associated policies. In February 2022, the Committee considered the findings of the annual evaluation of Committee effectiveness, agreeing actions where necessary to improve Committee effectiveness. It also considered the effectiveness of, and approved updates to, the RCS Function Mandate which formally sets out the purpose and responsibilities of the RCS function and its effectiveness in overseeing the key risks to the Group. Group Risk Appetite and Limits The Committee is responsible for recommending changes in the Group's overall risk appetite and tolerance to the Board for approval. In May 2021, the Committee recommended for approval by the Board proposed enhancements to the Group Risk Appetite framework to ensure its continued appropriateness post the Jackson demerger and to meet relevant requirements under the new GWS Framework. We approved new Limits and Triggers on asset duration and duration mismatches in July 2021 for road-testing. In November 2021, we approved an increase in the Group's capital counter-cyclical buffer reflective of the assessed mid-to-late economic cycle. Updates to the non-financial risk appetite framework and statements were approved in November 2021 to frame risk appetite statements around stakeholder considerations and lenses, more aligned to ESG considerations.

Principal activities and significant issues considered by the Risk Committee during 2021

Matters considered	How the Committee addressed the matter
External and regulatory reporting	ORSA The ORSA is a key ongoing process for identifying, assessing, controlling, monitoring and reporting the risks to which the Group is exposed and assessing capital adequacy over the business planning horizon. In May 2021, the Committee considered the Group's ORSA report, based on the Business Plan, prior to its approval by the Board. Systemic Risk Management The Financial Stability Board (FSB) has endorsed a new Holistic Framework for systemic risk management and suspended Global Systemically Important Insurer (G-SII) designations until the completion of a review in 2022. Many of the policy requirements that resulted from the Group's prior designation in 2016 as a G-SII have been adopted into the Insurance Core Principles (ICPs) and ComFrame – the common framework for the supervision of Internationally Active Insurance Groups (IAIGs) – and included under the Hong Kong IA's GWS Framework. Prudential was included in the first register of IAIGs released by the IAIS on 1 July 2020 and was designated an IAIG by the Hong Kong IA following an assessment against the established criteria in ComFrame. The Committee therefore considered, and recommended for approval by the Board, the Systemic Risk Management Plan, Recovery Plan and Liquidity Risk Management Plan. GIECA development The Committee received regular updates on the development of the Group's GIECA model and remained actively involved in its progress. Following updates at the February and May 2021 meetings, which included a summary of the key methodology decisions, the Committee approved risk calibrations for new long-term economic assumption risks at its July 2021 meeting. In October 2021, the Committee approved the overall updated GIECA methodology prior to submission to the Hong Kong IA, and considered the governance framework for the GIECA model and a validation report and opinion on model developments. In November 2021, we approved key assumptions for the proposed model to be used for FY 2021 results. Hong Kong RBC In February 2021, the Committee considered an update on Hong Kong RBC adoption which included considerations on technical specifications. In November 2021, it considered the plans for independent assurance opinions on RBC results and considered updates on the internal and external validation of the proposed RBC model. Insurance Capital Standards (ICS) The Committee considered the Group's FY2020 ICS results in November 2021. This included an update on key areas of focus for the Group's engagement on the development of the ICS during the five-year monitoring period.

Financial reporting

The Directors have a duty to report to shareholders on the performance and financial position of the Group and are responsible for preparing the financial statements on pages 234 to 321 and the supplementary information on pages 334 to 335. It is the responsibility of the auditor to form independent opinions, based on its audit of the financial statements and its audit of the EEV basis supplementary information, and to report its opinions to the Company's shareholders and to the Company. Its opinions are given on pages 322 to 331 and pages 357 to 359. Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial affairs of the Company and of the Group. The criteria applied in the preparation of the financial statements are set out in the Statement of Directors' responsibilities on page 321.

Company law also requires the Board to approve the Strategic report. In addition, the UK Code requires the Directors' statement to state that they consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors are further required to confirm that the Strategic report includes a fair review of the development and performance of the business, with a description of the principal risks and uncertainties. Such confirmation is included in the Statement of Directors' responsibilities on page 321.

The Strategic report provides, on pages 6 to 145, a description of the Group's capital position, financing and liquidity. The risks facing the Group's business are discussed in the Risk review of the risks facing our business and how these are managed on pages 44 to 65.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Going concern

In accordance with the guidance issued by the Financial Reporting Council in September 2014, 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', after making sufficient enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue their operations for a period of at least 12 months from the date that the financial statements are approved. Further information is provided in note A1 on page 242.

Powers of the Board

The Board may exercise all powers conferred on it by the Company's 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 of Association) and to give a guarantee, security or indemnity in respect of a debt or other obligation of the Company.

Rules governing the appointment of Directors

The appointment and removal of Directors is governed by the provisions in the Articles of Association (the Articles), the UK Code, the HK Code (as appended to the Hong Kong Listing Rules) and the Companies Act 2006.

Director indemnities

Subject to the provisions of the Companies Act 2006, the Company's Articles permit the Directors and officers of the Company to be indemnified in respect of liabilities incurred as a result of their office. Suitable insurance cover is in place in respect of legal action against directors and senior managers of companies within the Group. Qualifying third-party indemnity provisions are also available for the benefit of the Directors of the Company and such other persons, including certain directors of other companies within the Group. These indemnities were in force for 2021 and remain so.

Contract of significance

At no time during the year did any Director hold a material interest in any contract of significance with the Company or any subsidiary undertaking.

Securities dealing and inside information

Prudential has adopted securities dealing rules relating to transactions by Directors on terms no less exacting than required by Appendix 10 to the HK Listing Rules and by relevant UK regulations. Having made specific enquiry of all Directors, the Directors have complied with these rules throughout the period.

The Group has adopted an Information Sharing and Securities Dealing Policy which includes guidance and procedures for the identification, dissemination and escalation of inside information as well as appropriate controls on the disclosure of such information in line with regulatory requirements. All staff are made aware of the policy and receive communications reminding them of their obligations when they work on any confidential matters in the business or are notified when the Company enters or exits a closed period.

Requirements of Listing Rule 9.8.4

Information to be included in the Annual Report and Accounts under UK Listing Rule 9.8.4 may be found as follows:

Listing Rule	Description	Page
9.8.4 (4)	Details of long-term incentive schemes required by Listing Rule 9.4.3	214
9.8.4 (7)	Details of allotments of equity securities for cash	296
9.8.4 (10)	Contracts of Significance involving a Director	191
9.8.4 (12)	Details of shareholder waiver of dividends	401
9.8.4 (13)	Details of shareholder waiver of future dividends	401

US regulation and legislation

As a result of its listing on the New York Stock Exchange, the Company is required to comply with the relevant provisions of the Sarbanes-Oxley Act 2002 as they apply to foreign private issuers and have adopted procedures to ensure such compliance. In particular, in relation to Section 302 of the Sarbanes-Oxley Act 2002 which covers disclosure controls and procedures, a Disclosure Committee has been established, reporting to the Group Chief Executive, chaired by the Group Chief Financial Officer and Chief Operating Officer and comprising members of head office management. The work of the Disclosure Committee supports the Group Chief Executive and Group Chief Financial Officer and Chief Operating Officer in making the certifications regarding the effectiveness of the Group's disclosure procedures.

Hong Kong IA GWS public disclosures

Under the GWS Framework, the Group is required to provide publicly certain risk, capital and other disclosures. These GWS public disclosure requirements, as set out in the Guideline on Group Supervision (GL32) and Insurance (Group Capital) Rules issued by the Hong Kong IA, are met by certain disclosures within this Annual Report and Accounts.

Change of control

Under the agreements governing Prudential Corporation Holdings Limited's life insurance and fund management joint ventures with China International Trust & Investment Corporation (CITIC), if there is a change of control of the Company, CITIC may terminate the agreements and either, (i) purchase the Company's entire interest in the joint venture or require the Company to sell its interest to a third party designated by CITIC, or (ii) require the Company to purchase all of CITIC's interest in the joint venture. The price of such purchase or sale is to be the fair value of the shares to be transferred, as determined by the auditor of the joint venture.

Customers

The five largest customers of the Group constituted in aggregate less than 30 per cent of its total revenue from sales for each of 2021 and 2020.

Index to principal Directors' report disclosures

Information required to be disclosed in the Directors' report may be found in the following sections:

Information	Section in Annual Report	Page number(s)
Disclosure of information to auditor	Statutory and regulatory disclosures	191 and 192
Directors in office during the year	Board of Directors	150 to 155
Board Diversity	Governance report	169 to 174
ESG report	ESG report	66 to 137
Employment practices	ESG report	66 to 137
Greenhouse gas emissions	ESG report	66 to 137
Charitable donations	ESG report	66 to 137
Political donations and expenditure	ESG report	66 to 137
Remuneration Committee report	Directors' remuneration report	194 to 233
Directors' interests in shares	Directors' remuneration report	223
Agreements for compensation for loss of office or employment on takeover	Directors' remuneration report	226
Details of qualifying third-party indemnity provisions	Governance report	191
Internal control and risk management	Governance report and Strategic report	167 and 168
Powers of Directors	Governance report	191
Rules governing appointment of Directors	Governance report	191
Significant agreements impacted by a change of control	Governance report	191
Future developments of the business of the Company	Strategic and operating review	14 to 18
Post-balance sheet events	Note D3 of the notes on the Group financial statements	303
Rules governing changes to the Articles of Association	Shareholder information	400
Structure of share capital, including changes during the year and restrictions on the transfer of securities, voting rights, power to purchase own shares and significant shareholders	Shareholder information, Governance report and note C8 of the notes on the Group financial statements	296
Business review	Group overview and Strategic report	6 to 145
Changes in borrowings	Financial review and note C5 of the notes on the Group financial statements	290
Dividend details	Group overview and Strategic report	6 to 145
Financial instruments	Strategic report and Additional information	44 to 65 and 276 to 280
Corporate governance statement including compliance with the Code	Governance report	146 to 193
Fostering the Company's business relationships	ESG report	138 to 145
Monitoring culture	ESG report	97

In addition, the risk factors set out on pages 382 to 395 and the additional unaudited financial information set out on pages 361 to 381, are incorporated by reference into the Directors' report.

The Directors' report is signed on behalf of the Board of Directors by

Tom Clarkson
Company Secretary

8 March 2022

Directors' remuneration report

Contents

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.

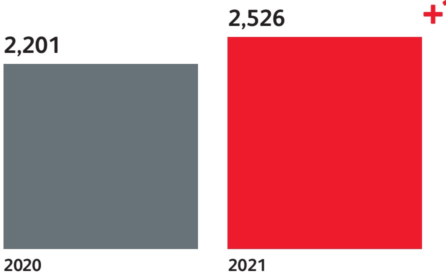
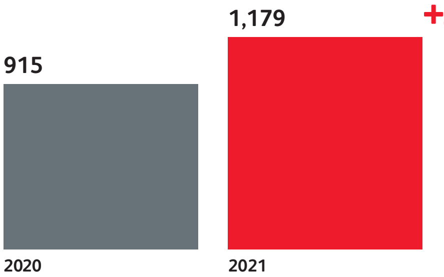
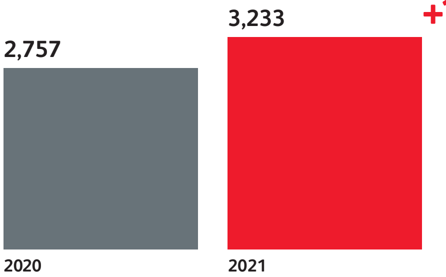
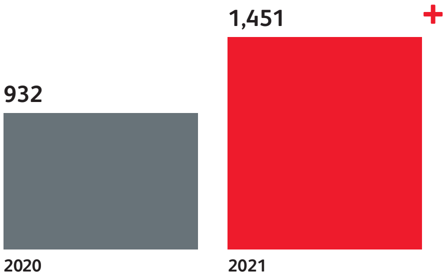
These principles were the basis for the decisions taken by the Committee, including the treatment of outstanding share awards which were set out in the Shareholder Circular published on 6 August 2021 which can be found at www.prudentialplc.com/~/media/Files/P/Prudential-V3/demerger-transaction-documents/demerger-transaction-circular.pdf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

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.

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.

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

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.

Our Executive Directors' remuneration at a glance

What performance means for Executive Directors' pay in 2021

At Prudential, remuneration packages are designed to ensure strong alignment between pay and performance. 2021 saw the Group perform strongly against its financial and strategic objectives which has been appropriately reflected in the incentive outcomes, as set out in the Annual report on remuneration.

The value of the performance-related elements of remuneration is added to the fixed packages provided to Executive Directors to calculate the 2021 'single figure' of total remuneration. The total 2021 'single figure' for the Group Chief Executive is 15 per cent less than the total restated 2020 'single figure'. This chiefly reflects the level of vesting of the 2019 PLTIP award which was partially offset by a higher 2021 AIP outcome compared to 2020. The values for the current Executive Directors are outlined in the table below:

		Fixed pay		Variable pay			
Executive Director	**Role**	**2021 salary** ($000)	**2021 pension and benefits** ($000)	**2021 bonus** ($000)	**2021 PLTIP vesting** ($000)	**2021 single figure** ($000)	**2020 single figure**[1] ($000)
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	1,085	416	1,860	536	3,897	4,349
James Turner	Group Chief Risk and Compliance Officer	943	771	1,629	450	3,793	4,003
Mike Wells	Group Chief Executive	1,581	668	3,057	1,296	6,602	7,768

Note

[1] 2020 single figure has been restated on the required basis to reflect the actual value of the 2018 PLTIP award at vesting.

Aligning pay with the Group's forward-looking strategy

Remuneration approach in light of the demerger

Following the demerger of Jackson, the Group is exclusively focused on its higher growth businesses in Asia and Africa. In this context and to reflect post-demerger priorities, the Committee has reviewed executive remuneration arrangements and made several changes. This included:

- Adjusting the weightings of the financial AIP measures, by increasing the focus on New Business Profit;
- Updating pay benchmarking peer groups to increase focus on the Asia-led financial services organisations; and
- Revising our TSR peer group ahead of 2021 awards being made under the PLTIP in order to reflect the post-demerger footprint of the Group.

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 Prudential plc employee (other than the Group Executive Committee) received, in October 2021, a Celebration Award of US$1,000 of restricted shares which will be released in October 2022.

Remuneration arrangements for 2022

Decisions summarised below were taken by the Committee in 2021. Changes to the remuneration arrangements which follow the senior leadership changes announced in February 2022 are set out in the 'Statement of implementation of remuneration policy in 2022' section of this report.

Remuneration packages for 2022, effective 1 January 2022, are set out in detail in the Annual report on remuneration and are summarised below.

				Annual Incentive Plan (AIP)		
Executive Director	**Role**	**2022 salary (local currency)**[1]	**2022 salary (USD)**[2]	**Maximum bonus (% of salary)**	**Bonus deferred (% of bonus)**	**PLTIP award (% of salary)**[3]
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	£822,000	$1,131,000	175%	40%	250%
James Turner	Group Chief Risk and Compliance Officer	HK$7,550,000	$971,000	175%	40%	250%
Mike Wells	Group Chief Executive	£1,184,000	$1,629,000	200%	40%	400%

Notes

[1] Salary increases of 3 per cent were awarded with effect from 1 January 2022.

[2] The exchange rate used to convert pay to USD is the reporting rate during 2021 of 0.7269 for GBP and 7.7728 for HKD. All salaries are rounded to the nearest $1,000/£1,000 or HKD 10,000.

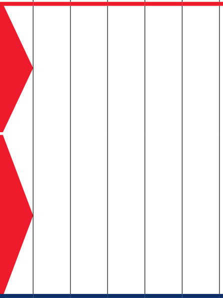
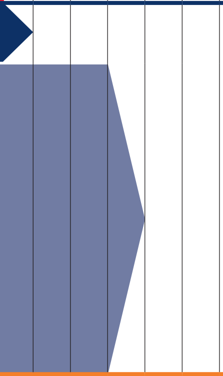
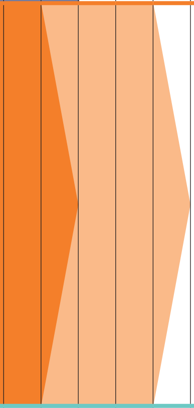
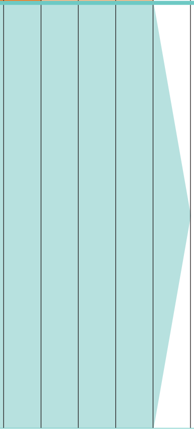
[3] The PLTIP award is subject to a three-year performance period and a holding period which ends on the fifth anniversary of the award.

Summary of the current Directors' remuneration policy

The current Directors' remuneration policy was approved at the AGM on 14 May 2020 and is expected to fully apply until the 2023 AGM, when shareholders will be asked to approve a revised Directors' remuneration policy, in line with the requirement to submit the policy for shareholder approval at least every three years. The Committee is comfortable that the current Policy operated as intended and that the overall 2021 remuneration paid to Executive Directors as set out below and within the Annual report on remuneration, was appropriate.

The pages that follow present a summary of the current Directors' remuneration policy. The complete policy is available on the Company's website at www.prudentialplc.com/investors/governance-and-policies/policies-and-statements.

Summary of the Directors' remuneration policy

Current key elements of remuneration		2021 2022 2023 2024 2025 2026	**Key features of operation of the current policy**	**How we implemented the policy in 2021**
Fixed pay	**Salary and benefits**		Salaries reviewed annually with increases generally aligned with those of the workforce. Benefits reflect individual circumstances and are competitive in the local market	A salary freeze was implemented in 2021 for Executive Directors, other than for the Group Chief Financial Officer and Chief Operating Officer whose salary was increased in April 2021 by 5% to reflect the increase in the scope of the role
	Pension		Pension contributions and/or a cash supplement up to 22.5% of salary (20% from 14 May 2021). Executive Directors based in Hong Kong receive this in addition to contributions into the Hong Kong Mandatory Provident Fund	Pension contributions for the incumbent Executive Directors remained at 13% of salary, in line with the employer pension contribution available to the UK workforce
Short-term variable pay One-year performance assessed on financial, functional and personal objectives, set with reference to business plans approved by the Board. Awards are subject to the achievement of a Pillar I capital underpin aligned with the Hong Kong Insurance Authority capital framework.	**Cash bonus**		The maximum opportunity is up to 200% of salary 40% of bonus is deferred into shares for three years Award is subject to malus and clawback provisions, including in circumstances where there are non-financial issues and personal conduct which falls short of the Company's expectations	The Group Chief Executive was awarded a maximum opportunity of 200% of salary Other Executive Directors were awarded a maximum opportunity of 175% of salary 2021 bonuses were paid based on financial and personal objectives and, in the case of the Group Chief Risk & Compliance Officer, functional objectives
	Deferred bonus			
Long-term variable pay Three-year performance assessed on a combination of: > Financial measures; > Total Shareholder Return (TSR) relative to international insurance peers; and > Sustainability scorecard of capital, conduct and diversity measures	**Prudential Long Term Incentive Plan (PLTIP)**		Maximum award under the Plan is 550% of salary although regular awards are below this level Awards are subject to a three-year vesting period from date of grant and a further two-year holding period from the end of the vesting period Awards are subject to malus and clawback provisions, including in circumstances where there are non-financial issues and personal conduct which falls short of the Company's expectations The proportion of awards which will vest for threshold performance is 20%	Awards in 2021 were below the plan limits: > Group Chief Executive: 400% of salary > Other Executive Directors: 250% of salary Weight of 2021 PLTIP measures was as follows: 50% TSR, 30% Return on Embedded Value (RoEV) and 20% sustainability scorecard. On vesting, the Committee will review awards to ensure that participants do not benefit from windfall gains. The Committee will consider Prudential's stretching performance targets; share price performance of Prudential and its peers; the prices of the indices on which Prudential is listed; and any other factors deemed relevant.
Share ownership guidelines	**Share ownership guidelines**		Significant in-employment share ownership guidelines for all Executive Directors as follows: > 400% of salary for the Group Chief Executive > 250% of salary for other Executive Directors Executives have five years from the later of the date of their appointment, or the date of an increase in these guidelines, to build this level of ownership Executive Directors leaving the Board are required to hold the lower of their actual shareholding at their retirement date and their in-employment share ownership guideline for a period of two years, subject to Remuneration Committee discretion	The post-employment shareholding requirement is implemented by requiring Executive Directors retiring from the Board to obtain clearance to deal in the Company's shares during the two years following their retirement

Principles underlying the policy

When determining the 2020 Directors' remuneration policy, the Committee had regard to a number of key principles as illustrated below:

Current key elements of remuneration	How we implemented the policy in 2021
Simplicity	The Committee is comfortable that the current remuneration structure is simple as it consists of fixed remuneration, annual and long-term incentives only. This structure is largely unchanged from our previous policy. Stakeholders are familiar with the operation of reward arrangements and there is a demonstrable link between performance and reward outcome.
Risk	The Group Risk Committee formally provides advice to the Committee on risk management considerations to inform decisions over bonus payments and long-term incentive vesting levels. The policy provides the Committee with substantial flexibility to adjust incentive outcomes, to reduce or cancel unvested awards and to reclaim both bonus and long-term incentive payments. The Committee's discretionary powers have been formalised and additional malus and clawback triggers for personal conduct introduced in relation to the AIP and PLTIP to take into account non-financial and individual factors. The time horizon for our long-term incentives extends for five years, including the holding period on awards. There are currently significant in-employment share ownership guidelines for all Executive Directors providing a material connection to the sustained success of the Company. Executives have five years from the later of the date of their appointment, or the date of an increase in these guidelines, to build this level of ownership. A post-employment shareholding requirement for Executive Directors provides continued alignment with the success of the Company and stakeholder interests even after leaving the Board. This obligation will be implemented by requiring Executive Directors retiring from the Board to obtain clearance to deal in the Company's shares during the two years following their retirement.
Alignment to culture	New and existing Executive Directors are offered pension benefits of 13 per cent of salary, aligned with the employer pension contribution available to the UK workforce. The conduct measure in the PLTIP rewards for appropriate management action and ensures that there are no significant conduct/culture/governance issues that result in significant capital add-ons or material fines. The new carbon reduction measure in the PLTIP is aligned to the ESG strategy and recognises the Group's commitment in this area. The pay arrangements for Executive Directors are aligned with those of the senior leadership team. The vesting period attached to the long-term incentives reflects the time horizon of the business plan. The additional post-vesting holding period and post-employment shareholding requirement strengthens the community of interests between Executives and other stakeholders.
Clarity	The Committee has consulted with the Company's largest shareholders and their advisers on the current policy and executive pay decisions before they are implemented. Details on Executive Director pay are clearly set out in the Annual report on remuneration.
Proportionality	There are no incentive awards for below threshold performance. Financial targets are set against the Board-approved Plan. Under the PLTIP, 20 per cent of each portion of the award will vest for achieving threshold performance. The Committee approves the termination arrangements of Executive Directors to ensure that there is no reward for failure. The PLTIP leaver rules are another safeguard that there is no reward for failure under this plan. The Committee's discretionary powers have been formalised and additional malus and clawback triggers for personal conduct introduced in relation to the AIP and PLTIP to take into account non-financial and individual factors.
Predictability	The levels of awards under incentive arrangements to Executive Directors at threshold, on-target and maximum performance points are clearly defined and presented in relevant sections of this report.

Annual report on remuneration

Membership and 2021 meeting attendance

Committee Members	2021 Meetings
Anthony Nightingale CMG SBS JP (Chair)	**8/10**
Thomas Watjen	**10/10**
Kai Nargolwala[1]	**5/6**
Fields Wicker-Miurin[2]	**9/10**
Amy Yip[3]	**4/4**
The Hon. Philip Remnant CBE FCA	**9/10**
David Law ACA[4]	**9/9**
Chua Sock Koong[5]	**4/4**

Regular attendees

- **Chair**
- **Group Chief Executive**
- **Company Secretary**
- **Group Human Resources Director**
- **Director of Group Reward and Employee Relations**
- **Remuneration Committee Adviser**

Notes

1 Kai Nargolwala stepped down from the Remuneration Committee on 13 May 2021.
2 Fields Wicker-Miurin stepped down from the Remuneration Committee on 31 December 2021.
3 Amy Yip stepped down from the Remuneration Committee on 3 March 2021.
4 David Law joined the Remuneration Committee on 4 February 2021.
5 Chua Sock Koong joined the Remuneration Committee on 12 May 2021.

Role and responsibilities

The role and responsibilities of the Committee are set out in its terms of reference, which are reviewed by the Committee and approved by the Board on a periodic basis, and which can be found on the Company's website at https://www.prudentialplc.com/~/media/Files/P/Prudential-V3/content-pdf/gremco-tor-at-01-01-2022.pdf. The Committee's role is to assist the Board in meeting its responsibilities regarding the determination, implementation and operation of the overall remuneration policy for the Group, including the remuneration of the Chair of the Board, Executive Directors, Group Executive Committee members and the Company Secretary, as well as overseeing the remuneration arrangements of other staff within its purview. In 2021, the Committee met seven times and also dealt with a number of matters by email circulation.

The principal responsibilities of the Committee set out in their terms of reference and discharged during 2021 were:

- Approving the operation of performance-related pay schemes operated for the Executive Directors, other members of the Group Executive Committee and the Company Secretary, and determining the targets and individual payouts under such schemes;
- Reviewing the operation and awards made under all share plans requiring approval by the Board and/or the Company's shareholders. Specifically, during 2021, this included approving the remuneration section of the Demerger Agreement and all related adjustments to pay and performance schemes;
- Monitoring compliance of the Chair and Executive Directors and other members of the Group Executive Committee with share ownership guidelines;
- Reviewing and approving individual packages for the Executive Directors and other members of the Group Executive Committee, and the fees of the Chair. Similarly, reviewing and approving fees for the Non-executive Directors of the Group's material subsidiaries;
- Reviewing workforce remuneration practices and related policies across the Group when setting the remuneration policy for Executive Directors, as well as the alignment of incentives and awards with culture;
- Reviewing and approving the content and format of the UK gender pay gap report;
- Monitoring the remuneration and risk management implications of remuneration of senior executives across the Group and other selected roles; and
- Overseeing the implementation of the Group remuneration policy for roles within the scope of the specific arrangements referred to in the Hong Kong IA GWS Framework.

The Chair and the Group Chief Executive attend meetings by invitation. The Committee also had the benefit of advice from:

- Group Chief Risk and Compliance Officer;
- Group Chief Financial Officer and Chief Operating Officer;
- Group Human Resources Director; and
- Director of Group Reward and Employee Relations.

Individuals are not present when their own remuneration is discussed and the Committee is always careful to manage potential conflicts of interest when receiving views from Executive Directors or senior management about executive remuneration proposals.

As part of our broader programme of shareholder engagement, the Chair of the Committee held meetings with shareholders and the principal advisory bodies to discuss decisions taken in respect of the Executive Directors' remuneration arrangements for 2022. We have had the benefit of substantive feedback from 50 per cent of our shareholder register and are pleased that the majority of shareholders and advisory bodies who provided input were supportive of our proposals and commended the manner in which we conducted the consultation process.

During 2021, Deloitte LLP was the independent remuneration adviser to the Committee. Deloitte was re-appointed by the Committee in 2021 following a competitive tender process. As part of this process, the Committee considered the services that Deloitte provided to Prudential and its competitors, as well as other potential conflicts of interest. Deloitte is a member of the Remuneration Consultants' Group and voluntarily operates under their code of conduct when providing advice on executive remuneration in the UK. Deloitte regularly meets with the Chair of the Committee without management present. The Committee is comfortable that the Deloitte engagement partner and team providing remuneration advice to the Committee do not have connections with Prudential that may impair their independence and objectivity. The total fees paid to Deloitte for the provision of independent advice to the Committee in 2021 were £81,250 charged on a fixed fee as well as time and materials basis. During 2021, Deloitte provided Prudential management advice on remuneration, digital and technology, taxation, internal audit, global mobility, risk and regulatory matters. Remuneration advice is provided by an entirely separate team within Deloitte.

In addition, in 2021 the Committee and management commissioned a large scale research project by Aon, which included analysis of remuneration trends and structures across a number of sectors and geographies. The total cost of this project, including analysis and data provided in respect of executives below Board, was US$117,700 charged on a fixed fee basis. Aon were selected and appointed by management. The Committee is comfortable that the advice received was objective and independent. During 2021, Aon provided other parts of the Group management advice on staff salary data, insurance services and asset management consulting services.

In 2021 the Board conducted an evaluation of its effectiveness which included an assessment of the Remuneration Committee. The evaluation confirmed that the Committee continued to operate effectively during the year.

Remuneration decisions taken in relation to the demerger

The Jackson business demerged from the Group with effect from 13 September 2021. The Committee established a set of principles, consistent with that applied on the 2019 demerger of M&G, to underpin decisions on remuneration relating to the demerger with Jackson, including:

- Executives should not be advantaged or disadvantaged by the demerger;
- The value of outstanding awards and their key terms (release dates, holding periods, malus and clawback provisions) should be unaffected;
- Where performance conditions need to be 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 disclosed clearly.

These principles formed the basis for the treatment of outstanding share awards which was set out in the Shareholder Circular published on 6 August 2021 and approved by shareholders at the August 2021 General Meeting. In summary, employees of Prudential plc (including the Executive Directors of the Company) received the demerger dividend on their outstanding deferred bonus and long-term incentive awards in the form of additional Prudential plc shares which will be released on the same timetable and on the same basis as their original share awards. The Committee decided that it was appropriate that, wherever possible, executives should be rewarded in the shares of the business which they continue to lead. For awards under UK all-employee share plans, the treatment was in line with the relevant rules and regulations.

Adjusting the AIP and in-flight PLTIP performance conditions

At the time of the demerger, the 2021 AIP financial targets were adjusted to exclude the Jackson business for the remainder of the year.

The Committee decided that the financial targets for the 2019 and 2020 PLTIP awards should be adjusted to exclude the Jackson components of the Plan on which the targets were based, with effect from the date of the demerger, in order to appropriately account for the period that Jackson were not part of the Group. The revised targets will be disclosed in the remuneration report for the year in which the awards vest.

The 2021 PLTIP award targets exclude Jackson performance, with the exception of the 'conduct' measure in the sustainability scorecard which includes Jackson until the point of demerger.

No changes have been made to the TSR peer groups for any outstanding PLTIP awards held by Prudential plc staff. The TSR peer group was revised ahead of 2021 awards being made in order to reflect the post-demerger footprint of the Group.

Demerger share calculation

At the time of the demerger of Jackson from Prudential plc shareholders received one share in Jackson for every forty shares they hold in Prudential plc. The Committee approved the approach to converting the demerger dividend into additional Prudential plc shares and ADRs for those with outstanding awards at the date of the demerger. Prudential plc employees who held awards over Prudential shares or ADRs therefore received the value of the demerger dividend in the form of additional Prudential plc shares or ADRs respectively. These additional shares/ADRs will vest on the same timetable and on the same basis as the original award.

The Committee considered a number of approaches for converting the demerger dividend into additional Prudential plc shares/ ADRs. It decided to determine the number of additional Prudential plc shares/ADRs to be awarded as a dividend by dividing the value of Jackson shares (based on the volume weighted average price realised through the bulk sale of Jackson shares immediately following demerger date) by the Prudential plc share price averaged over the first ten days of Jackson's regular trading on the NYSE. This approach ensured alignment between the value that our employees and our shareholders realised from the demerger.

TSR calculation

The Committee determined that the calculation of TSR for in-flight PLTIP awards should be adjusted to reflect the demerger of Jackson. This involved the application of an adjustment factor calculated in line with standard methodologies.

Table of 2021 Executive Director total remuneration (the 'single figure')

$000s (unless stated)	2021 salary	2021 taxable benefits*	2021 total bonus†	2021 PLTIP releases‡	2021 pension benefits§	Total 2021 fixed remuneration~	Total 2021 variable remuneration~	Total 2021 remuneration the 'single figure'^	Total 2021 remuneration the 'single figure' in GBP (£000)#
Mark FitzPatrick	1,085	275	1,860	536	141	1,501	2,396	3,897	2,832
James Turner[1]	943	646	1,629	450	125	1,714	2,079	3,793	2,757
Mike Wells	1,581	463	3,057	1,296	205	2,249	4,353	6,602	4,799
Total	3,609	1,384	6,546	2,282	471	5,464	8,828	14,292	10,388

* Benefits include (where provided) the cost of providing the use of a car and driver, medical insurance, security arrangements, relocation/expatriate benefits and shares awarded due to participation in the Share Incentive Plan (SIP).

† The total value of the bonus, comprising both the 60 per cent delivered in cash and 40 per cent bonus deferred into Prudential plc shares for three years. The deferred part of the bonus is subject to malus and clawback in accordance with the malus and clawback policies, but no further performance conditions.

‡ In line with the regulations, the estimated value of the 2021 PLTIP releases for all Executive Directors has been calculated based on the average share price over the last three months of 2021 (£14.00/US$19.26) and includes the accumulated dividends delivered in the form of shares. The Committee's approach to determining the level of vesting for this award is set out in the 'Remuneration in respect of performance periods ending in 2021' section. The number of Prudential plc shares under award has been adjusted to take account of the Jackson demerger in line with the approach set out in the section on 'Remuneration decisions taken in relation to the demerger'. As set out in the 2019 Annual Report, these awards have previously been adjusted on the demerger of M&G. The actual value of vesting PLTIP awards, based on the share price on the date awards are released, will be shown in the 2022 report. Due to the share price depreciation over the vesting period, the estimated value per share of the 2019 PLTIP awards is 9.1% lower than the value per share at grant. As a result, no value is attributable to share price appreciation. No adjustment to vesting levels has been proposed as a result of the share price depreciation.

§ 2021 pension benefits include cash supplements for pension purposes and contributions into defined contribution schemes as outlined in the 'pension benefit entitlement' section.

~ Total fixed remuneration includes salary, taxable benefits and pension benefits. Total variable remuneration includes total bonus and PLTIP releases.

^ Each remuneration element is rounded to the nearest $1,000 and totals are the sum of these rounded figures. Total remuneration is calculated using the methodology prescribed by Schedule 8 of Statutory Instrument 2013 No. 1981 – The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Total 2021 remuneration has been converted to US dollars using the exchange rate of 0.7269 for GBP and 7.7728 for HKD. Exchange rate fluctuations will therefore impact the reported value.

\# Total 2021 remuneration has been converted to GBP using the exchange rate of 0.7269 USD to 1 GBP.

Note

1 Mr Turner is paid in HK dollars, while Messrs Wells and FitzPatrick are paid in sterling.

Table of 2020 Executive Director total remuneration (the 'single figure')

$000s (unless stated)	2020 salary	2020 taxable benefits*	2020 total bonus†	2020 PLTIP releases‡	2020 pension benefits§	Total 2020 fixed remuneration~	Total 2020 variable remuneration~	Total 2020 remuneration the 'single figure'^	Total 2020 remuneration the 'single figure' in GBP (£000)#
Mark FitzPatrick	980	239	1,186	1,773	171	1,390	2,959	4,349	3,391
James Turner[1]	950	643	1,322	919	169	1,762	2,241	4,003	3,122
Mike Wells	1,481	388	1,355	4,286	258	2,127	5,641	7,768	6,057
Total	3,411	1,270	3,863	6,978	598	5,279	10,841	16,120	12,570

* Benefits include (where provided) the cost of providing the use of a car and driver, medical insurance, security arrangements, relocation/expatriate benefits and shares awarded due to participation in the Share Incentive Plan (SIP).

† The total value of the bonus, comprising both the 60 per cent delivered in cash and 40 per cent bonus deferred into Prudential plc shares for three years. The deferred part of the bonus is subject to malus and clawback in accordance with the malus and clawback policies, but no further performance conditions.

‡ In line with the regulations, the value of the 2020 PLTIP releases for all Executive Directors has been calculated using the share price at vesting of £14.9984 and includes the accumulated dividends delivered in the form of shares. The number of Prudential plc shares under award have been adjusted in line with the approach set out in the section on 'Remuneration decisions taken in relation to the demerger' in the 2019 Annual Report. Due to the share price depreciation over the vesting period, the estimated value per share of the 2018 PLTIP awards is 16.5 per cent lower than the value per share at grant. As a result, no value is attributable to share price appreciation. No adjustment to vesting levels has been proposed as a result of the share price depreciation.

§ 2020 pension benefits include cash supplements for pension purposes and contributions into defined contribution schemes as outlined in the 'pension benefit entitlement' section.

~ Total fixed remuneration includes salary, taxable benefits and pension benefits. Total variable remuneration includes total bonus and PLTIP releases.

^ Each remuneration element is rounded to the nearest $1,000 and totals are the sum of these rounded figures. Total remuneration is calculated using the methodology prescribed by Schedule 8 of Statutory Instrument 2013 No. 1981 – The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Total 2020 remuneration has been converted to US dollars using the exchange rate of 0.7798 for GBP and 7.7560 for HKD. Exchange rate fluctuations will therefore impact the reported value.

\# Total 2020 remuneration has been converted to GBP using the exchange rate of 0.7798 for GBP.

Note

1 Mr Turner is paid in HK dollars, while Messrs Wells and FitzPatrick are paid in sterling.

Remuneration in respect of performance in 2021

Base salary

No salary increases were awarded to Executive Directors with effect from January 2021. However, the scope of the role of the Group Chief Financial Officer and Chief Operating Officer was expanded in April 2021 to include oversight of the Group's investment processes and governance in addition to his previous responsibilities. The Hong Kong IA has also asked that he is designated as a Key Person in a Control Function with responsibility for the Financial Control function. The scope of Mr FitzPatrick's role was previously increased in 2019 to include the Chief Operating Officer responsibilities without an increase in remuneration. Having considered these developments, the Committee decided to award a 5 per cent salary increase for Mr FitzPatrick with effect from 1 April 2021.

As a result, Executive Directors received the following salaries in 2021:

Executive Director	2021 salary (local currency) from 1 January 2021	2021 salary (USD)[1] from 1 January 2021	2021 salary (local currency) from 1 April 2021	2021 salary (USD)[1] from 1 April 2021
Mark FitzPatrick, Group Chief Financial Officer and Chief Operating Officer	£760,000	$1,046,000	£798,000	$1,098,000
James Turner, Group Chief Risk and Compliance Officer	HK$7,330,000	$943,000	No change	
Mike Wells, Group Chief Executive	£1,149,000	$1,581,000	No change	

Note

1 2021 salaries were converted to US dollars using an exchange rate of 0.7269 for GBP and 7.7728 for HKD. All salaries are rounded to the nearest $1,000/£1,000 or HKD 10,000.

Pension benefit entitlements

Pension benefit arrangements for 2021 are set out in the table below. The employer pension contribution available to the UK workforce is 13 per cent of salary.

Executive Director	2021 pension benefit	Life assurance provision
James Turner	Pension supplement in lieu of pension of 13 per cent of salary and a HKD18,000 employer payment to the Hong Kong Mandatory Provident Fund.	Eight times salary.
Mark FitzPatrick and Mike Wells	Pension supplement in lieu of pension of 13 per cent of salary.	Four times salary plus an additional four times salary dependants' pension.

Annual bonus outcomes for 2021

Target setting

For 2021, financial AIP metrics comprise 80 per cent of the bonus opportunity for all Executive Directors apart from the Group Chief Risk and Compliance Officer, for whom this accounts for 40 per cent of the bonus opportunity. The performance ranges are based on the annual business plans approved by the Board and reflect the ambitions of the Group, in the context of anticipated market conditions. The financial element of Executive Directors' 2021 bonuses was determined by the achievement of four Group measures, namely adjusted operating profit, operating free surplus generation, EEV new business profit and cash flow, which are aligned to the Group's growth and cash generation focus.

Personal objectives comprise 20 per cent of the bonus opportunity for all Executive Directors. These objectives were established at the start of the year and reflect the Company's Strategic Priorities set by the Board. For 2021, Executive Directors had two shared strategic objectives linked to developing and embedding the Group's ESG strategic framework and completing the separation of Jackson from the Group.

Functional objectives account for the remaining 40 per cent of the Group Chief Risk and Compliance Officer's bonus opportunity. These are based on the Group Risk Plan and are developed with input from the Chair of the Group Risk Committee.

AIP payments are subject to meeting minimum capital thresholds which are aligned to the Group risk framework and appetites (as adjusted for any Group Risk Committee approved counter-cyclical buffers), as described in the Group Chief Risk and Compliance Officer's report section of this report.

The Committee seeks advice from the Group Risk Committee on risk management considerations to inform decisions about remuneration architecture and performance measures to ensure that risk management, culture and conduct are appropriately reflected in the design and operation of Executive Directors' remuneration.

Performance assessment

The Committee determines the overall value of the bonus, taking account of the inputs described above and any other factors which it considers relevant.

The Committee considered a report from the Group Chief Risk and Compliance Officer which had been approved by the Group Risk Committee. This report confirmed that the 2021 results were achieved within the Group's and businesses' risk framework and appetite. The Group Chief Risk and Compliance Officer also considered the effectiveness of risk management and internal controls, and specific actions taken to mitigate risks, particularly where these may be at the expense of profits or sales. The report also confirmed that the Group met minimum capital thresholds which were aligned to the Group risk framework and appetites. The Committee took into account this advice when determining AIP outcomes for Executive Directors.

The table below illustrates the weighting of performance measures for 2021 and the level of achievement under the AIP:

	Weighting of measures (% of total bonus opportunity)			Achievement against performance measures (% of maximum for each component)			2021 AIP outcome[1] (% of total bonus opportunity)
Executive Director	**Group financial measures**	**Functional objectives**	**Personal objectives**	**Group financial measures**	**Functional objectives**	**Personal objectives**	
Mark FitzPatrick	80%	–	20%	98.4%	–	96.4%	98.0%
James Turner	40%	40%	20%	98.4%	98.8%	99.2%	98.7%
Mike Wells	80%	–	20%	98.4%	–	90.0%	96.7%

Note

1 All bonus awards are subject to 40 per cent deferral for three years and the deferred bonus will be paid in Prudential plc shares.

Financial performance

The Committee reviewed performance against the performance ranges at its meeting in February 2022. Group adjusted operating profit and Group free surplus generation were approaching the stretch target established by the Board. Life new business profit and Group cash flow achievement exceeded the stretching targets established by the Board.

The level of performance required for threshold, plan and maximum payment against the Group's 2021 AIP financial measures and the results achieved are set out below:

2021 AIP measure	**Weighting**	**Threshold** ($m)	**Target** ($m)	**Stretch target** ($m)	**Achievement** ($m)
Group adjusted operating profit	25%	4,882	5,278	5,674	5,616
Group operating free surplus generated	30%	1,726	1,866	2,006	2,087
Group cash flow	10%	(348)	91	154	394
Group EEV new business profit	35%	2,163	2,472	2,534	2,526

Personal performance

A proportion of the annual bonus for each Executive Director is based on the achievement of personal objectives including:

- The executive meeting their individual conduct and customer measures;
- The executive's contribution to Group strategy as a member of the Board; and
- Specific goals related to the function for which they are responsible and progress on major projects.

At the end of the year, the Committee considered the performance of all executives against objectives established at the start of the year. At its meeting in February 2022, it concluded that 2021 had seen the execution of significant strategic objectives, as described in the Strategic report. These achievements reflect Executive Directors' high level of performance against their 2021 personal objectives. All executives met their individual conduct measures and each Executive Director made a significant contribution to the achievement of Group strategy during 2021.

The below summarises performance against the personal objectives and strategic priorities for the current Executive Directors:

Shared strategic objectives

2021 key strategic objective	Achievement	Performance relative to target
ESG – climate and diversity Develop and embed the Group's ESG strategic framework, with a particular focus on: > initiatives to improve accessibility to health and financial security; > managing the Group's exposure to climate-related risks and opportunities; and > its actions as a consequence, and improving diversity, inclusion and belonging in the organisation. **SOCIETY, PEOPLE**	The ESG framework was embedded at both functional and local business levels and the Prudential Sustainability Advisory Group was established. In May 2021, the Group set a target to become a net zero 2050 asset owner supported by a 25 per cent reduction in emissions from the portfolio by 2025. The Group is on track for achievement of this target and has achieved the exit of coal equity holdings (above the 30 per cent revenue threshold) by the end of 2021. A responsible investment policy was agreed and has been implemented. The Group launched the We DO Family campaign to support the development of inclusive products that recognise the evolution of nuclear families by expanding the Group's product coverage to include a wider array of relationships. The Group demonstrated its commitment to Diversity & Inclusion by achieving a 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'. The Group was included on the Bloomberg Gender Equality Index for the first time and is committed to the United Nations Women's Empowerment Principles.	Above target level, approaching stretch target level
Complete the separation of Jackson from the Group **INVESTORS**	The Group completed the separation of Jackson resulting in Prudential's transformation from a diversified, global group into a focused business exclusively targeting the long-term structural opportunities of Asia and Africa. The Group secured shareholder support of the demerger (at the General Meeting in August 2021, 99.65 per cent shareholders supported the demerger resolution). Shortly thereafter the Board declared a dividend in specie, distributing the Jackson shares to the Group's shareholders. The Group retained a stake in Jackson following the demerger.	Above stretch target level

Mark FitzPatrick, Group Chief Financial Officer and Chief Operating Officer

2021 key strategic deliverables	Achievement	Performance relative to target
Strategic communications with debt and equity markets and Equity raise Lead strategic communications between Prudential and the debt and equity markets, and specifically deliver the required debt repayment and refinancing. Seek to raise US$2.5-3 billion of new equity capital. **INVESTORS**	Ensured debt and equity plan remained supported by investors as the Jackson demerger and Equity raise evolved, through regular engagement with investors and ratings agencies so that both share prices and credit ratings were not impacted by equity raise and temporarily high leverage post Jackson demerger. Ensured that market disclosures on debt issuance and repayment were updated at the appropriate times and the lead regulator HKIA was supportive of the debt transactions and their capital implications. Raised c$1 billion and repaid c$3 billion of debt (including $1.7 billion redeemed in January 2022), maximising opportunity for deleveraging, debt refinancing and reduction in interest costs. Developed and refined structure, transaction size and timing throughout 2021, to ensure a successful Hong Kong Equity raise, ultimately leading to significant increase in Hong Kong share liquidity. Developed and communicated the equity story to investors through Capital Markets Day, leading Finance, Investor Relations, Corporate Strategy, Communications, Legal and external parties to deliver and execute.	Above stretch target level
Increase Asia shareholder base Increase the Asia shareholder base and Hong Kong liquidity. **INVESTORS**	Raised $2.4 billion of equity in Hong Kong to optimise balance sheet to reflect focus on Asia and Africa. Delivered the Hong Kong Equity raise marketing, securing milestone orders and ran the Hong Kong public offering. Supported further roll out of Asia research coverage. Directly managed Asia based IR effort, tailoring Investor Relation efforts to increase access to Asia-based investors via conferences and Investor Relation activities, including site visits. Drove continued domestic Hong Kong stock commentary and public relations efforts.	Above stretch target level
Deliver IFRS 17 reporting changes to ensure systems in place to deliver comparative reporting from 2022. **REGULATORS**	Sponsored the IFRS17 programme and chaired the Group-wide steering committee for IFRS 17. During 2021, the Group made significant progress with the build and testing of new actuarial and finance systems. Programme activities were completed to enable the production of the opening balance sheet and comparatives in 2022.	Above target level, approaching stretch target level

Recognising Mr FitzPatrick's very strong performance against both his individual and shared personal objectives during 2021, the Committee judged that 19.3 per cent of a maximum of 20 per cent attributable to personal objectives was appropriate.

James Turner, Group Chief Risk and Compliance Officer

2021 key objectives	Achievement	Performance relative to target
Lead strategic communications between Prudential and key regulators, ensuring constructive and open relationships. **Maintain constructive engagement and relationships with industry peers.** **REGULATORS**	Worked closely with HKIA to support finalisation of preparations for compliance with the GWS legislation, which became effective on 29 March 2021, with formal designation of the Group with effect from 14 May 2021. Proactively engaged with regulators in advance of the demerger of US business and provided support for the necessary interaction between the HKIA and DIFS. Provided insight to regulators on key Group risks and associated developments as part of the annual College of Supervisors. Engaged with both regulators and the stock exchange as part of a key role in the Group's 2021 equity raise. Continued leadership role in discussions with regulator and peers on development of the HK RBC capital regime given its economic capital focus.	Above stretch target level
Develop the Risk and Compliance leadership team and key talent to enable strong succession planning/talent pipeline. **PEOPLE**	Supported the development of the senior team within the US business to take key functional leadership roles post operational separation of the US business. Supported Group-wide talent development initiatives including mentorship and sponsorship of future and recently promoted leaders across Asia. Developed the Risk and Compliance leadership key talent across the region including identifying potential successors for the Group Chief Risk and Compliance Officer role.	Above stretch target level

Recognising Mr Turner's very strong performance against both his individual and shared personal objectives during 2021, the Committee judged that 19.8 per cent of a maximum of 20 per cent attributable to personal objectives was appropriate.

Mike Wells, Group Chief Executive

2021 key objectives	Achievement	Performance relative to target
Pulse Progress the rapid roll out across Asia and Africa and monetisation potential of Pulse as a platform with increasing functionality and operational and financial synergies with the rest of the business. **CUSTOMERS**	Supervised the roll-out of Pulse which is now available in 17 markets and exceeding 32 million downloads and c13 million registrations by the end of 2021. Pulse has attracted a large proportion of young generation users (aged 18 to 35) and mass segment users. Insights gathered on Pulse provided a better understanding of customer needs, allowing the Group to digitally deliver products and services customized to users' interests and requirements. These insights also help the agency network assist those customers that require a more personal, advice-led approach. By the end of 2021, the Group has entered into over 56 key digital partnerships which allowed it to harness the strengths and abilities of its partners, to broaden the product and services offering and to expand its market reach.	Above stretch target level
Accelerated Asian and African growth Ensure a healthy balance sheet and sufficient capital and funding for accelerated Asian and African growth, including for opportunities that may be developed or become available outside the Group 2021–2023 Plan, in a manner that begins the re-rating of the share price. **INVESTORS**	In October 2021 Prudential completed a share offer raising approximately HK$18.5 billion or US$2.4 billion on the Hong Kong Stock Exchange (HKSE). The proceeds were used to redeem existing debt, in order to maintain and enhance Prudential's financial flexibility in light of the breadth of opportunities to invest for growth in Asia and Africa. We estimate the Moody's total leverage at 31 December to be 26 per cent and if the further debt redemptions of $1,725 million in January 2022 had been completed as at 31 December 2021, we estimate that this figure would have been 21 per cent.	Above stretch target level

Recognising Mr Wells's very strong performance against both his individual and shared personal objectives during 2021, the Committee judged that 18 per cent of a maximum of 20 per cent attributable to personal objectives was appropriate.

Functional performance

The Group Chief Executive and the Chair of the Group Risk Committee undertake the assessment of performance against functional objectives for the Group Chief Risk and Compliance Officer. 2021 achievement is summarised below:

Summary of 2021 functional objectives	Achievement	Performance relative to target
Group-wide risk and compliance developments Oversee implementation of HKIA GWS requirements with key focus on development of GIECA. Specific non-financial risk framework development to change to reflect the 2021 plan: > Enhancing customer-related conduct risk management information. > Adapting the framework to ensure it remains effective in light of the strategic objectives related to the Pulse business. > Further updates to reflect the impact of climate related transition risk. **INVESTORS, REGULATORS**	Worked closely with Group Finance to lead the development of the GIECA methodology, including providing regular updates to the Group Risk Committee to enable appropriate level of challenge and transparency of key assumptions and modelling simplifications during the critical development stage. Led the adaptation of the Enterprise Risk Management Framework and Governance to meet changing requirements, including those associated with the Group's strategic focus digitalisation and external developments in the understanding of the risks associated with climate change. Engaged first-line stakeholders in training, awareness and conduct risk assessments, as well as providing conduct advice for Pulse, and enhancing conduct elements in the product approval process.	Above stretch target level
Risk and compliance oversight Ensure the business is sufficiently informed on external risk perspectives and challenged, where appropriate to take effective actions and decisions. Provide Non-executive and Executive management information and insight to fully support members in meeting their responsibilities and duties set out in their Terms of Reference in respect of risk management. Support the identification and management of emerging and top risks by the business, including deep dives into areas identified in the Top Risk process (eg interest rate management, oversight of the separation of Jackson, modelling and assumption risks and technology risk management). **INVESTORS, REGULATORS**	Delivered insightful Chief Risk and Compliance Officer updates to the Group Risk Committee focusing on the impact on the Group of rapidly developing risk themes such as geo-political developments, pandemic impacts, the management of sanctions and credit risk in the balance sheet. Completed the program of targeted, deep dive risk reviews, as proposed and agreed with the Group Risk Committee at the start of the year, including assessments following penetration testing, the use and development of digital wallets and the long-term impacts of lower for longer interest rates on core products in each of the larger markets. Provided clear and concise risk analysis and opinions in support of Board decisions including in relation the demerger of the US business, the equity raise and other strategic initiatives. Led an initiative, including training, to demonstrate an open discussion of mistakes and 'what could go wrong' by senior leaders, in order to encourage similar conversations within teams and promote psychological safety.	Above stretch target level
Operating model Implementation Operationalise a Group-wide function for the International business, improving efficiency and effectiveness through collaboration and coordination. **INVESTORS**	Completed functional alignment to Asia/Africa business operations following the demerger of the US business including build of technology and digital risk capabilities and leadership for the Asia/Africa business. Reinforced functional mission and operation as a Group-wide function and developed communication and training programmes to support the global Risk, Compliance and Security function in understanding and responding to key elements of the Group's strategy including digitalisation and ESG related initiatives.	Above target level, approaching stretch target level

In recognition of James Turner's very strong performance against his functional objectives during 2021, the Committee judged that 39.5 per cent of a maximum of 40 per cent attributable to functional objectives was appropriate.

2021 bonus awards

The Committee determined the 2021 AIP awards below on the basis of the performance of the Group and of the individual executives. In making these decisions, it reflected on factors including:

- The overall contribution of the executive;
- Behavioural, conduct and risk management considerations; and
- Wider experience of stakeholders and overall corporate performance.

40 per cent of the 2021 bonus awards will be deferred into shares for three years.

Executive Director	Role	2021 salary[1]	Maximum 2021 AIP (% of salary)	Actual 2021 AIP award (% of maximum opportunity)	2021 bonus award (including cash and deferred elements)
Mark FitzPatrick[2]	Group Chief Financial Officer and Chief Operating Officer	$1,085,000	175%	98.0%	$1,859,795
James Turner	Group Chief Risk and Compliance Officer	$943,000	175%	98.7%	$1,628,507
Mike Wells	Group Chief Executive	$1,581,000	200%	96.7%	$3,056,778

Notes

1 Salaries are converted to US dollars using an exchange rate of 0.7269 for GBP and 7.7728 for HKD.

2 The salary for Mr FitzPatrick reflects the salary increase awarded with effect from 1 April 2021.

Long-term incentives vesting in respect of performance to 31 December 2021

Prudential Long Term Incentive Plan (PLTIP)

Target setting

Our long-term incentive plans have stretching performance conditions that are aligned to the strategic priorities of the Group. In 2019, all Executive Directors were granted awards under the PLTIP. In determining the financial targets under the sustainability scorecard, the Committee had regard to the stretching nature of the three-year Business Plan for adjusted operating profit and capital positions as set by the Board. Further, in setting the conduct and diversity targets under the sustainability scorecard, the Committee considered input from the Group Chief Risk and Compliance Officer on conduct risk for the conduct measure and had regard to the Company's commitment under the Women in Finance Charter for the diversity measure.

The weightings of the measures are detailed in the table below:

	Weighting of measures						
		Sustainability Scorecard				Vesting (% of maximum)	
Executive Director	Group TSR[1]	Solvency II capital generation/ Group free surplus generation[2]	ECap operating capital generation[3]	Conduct[4]	Diversity[5]	Threshold performance	Stretch performance
Mark FitzPatrick	75%	6.25%	6.25%	6.25%	6.25%	20%	100%
James Turner	75%	6.25%	6.25%	6.25%	6.25%	20%	100%
Mike Wells	75%	6.25%	6.25%	6.25%	6.25%	20%	100%

Notes

1 Group TSR is measured on a ranked basis over three years relative to peers.

2 At the time of award a Solvency II operating capital generation measure was used in the sustainability scorecard. As set out in the 'Remuneration decisions taken in relation to the demerger' section of the 2019 Directors' remuneration report, Solvency II operating capital generation was replaced with Group free surplus generation from 1 July 2019 since Prudential ceased to be subject to Solvency II capital requirements and no longer calculated or disclosed a Solvency II position following the demerger of the M&G business and the change in the Company's Group-wide supervisor.

3 This is cumulative three-year ECap Group operating capital generation, less cost of capital (based on the capital position at the start of the performance period).

4 Conduct is assessed through appropriate management action, ensuring there are no significant conduct/culture/governance issues that could result in significant capital add-ons or material fines.

5 Diversity is measured as the percentage of the Leadership Team that is female at the end of 2021. The target for this metric has been based on progress towards the goal that the Company set when it signed the Women in Finance Charter, where 30 per cent of our Leadership Team should be female by the end of 2021.

As described in the section on 'Remuneration decisions taken in relation to the demerger', the Committee adjusted the performance conditions attached to the 2019 PLTIP awards in order to take account of the demerger with Jackson, ensuring that the revised performance conditions were no more or less stretching than those originally attached to the awards. As set out in the 2019 Annual Report, these awards have previously been adjusted on the demerger of M&G. The performance assessment provided opposite is based on these adjusted targets.

Performance assessment

In deciding the proportion of the awards to be released, the Committee considered actual results against performance targets. The Committee also reviewed underlying Company performance to ensure vesting levels were appropriate, including an assessment of whether results were achieved within the Group's risk framework and appetite. Finally, overall vesting levels were reviewed to ensure that levels of reward provided remain reflective of the Company's performance. The Directors' remuneration policy summary section contains further details of the design of Prudential's long-term incentive plans.

	Threshold (20 per cent of award vests)	**Stretch (100 per cent of award vests)**	**Performance achieved**	**Vesting outcome**
TSR[1]	Median	Upper quartile	below median	0 per cent
Group Solvency II operating capital generation/Group operating free surplus generation[3]	Group Solvency II operating capital generation from 1 January 2019 to 30 June 2019 – target $2.0 billion. Group operating free surplus generation from 1 July 2019 to 31 December 2021 – target $9.6 billion		above target but below the cumulative stretch target	83 per cent
Capital measure – Group ECap operating capital generation[3]	Target $6.1 billion		below threshold	0 per cent
Conduct	Partial achievement	Stretch achievement	no conduct, culture or governance issues that resulted in significant capital add-ons or material fines	100 per cent
Diversity[2]	28 per cent of Leadership Team being female	32 per cent of Leadership Team being female	35 per cent of our Leadership Team was female	100 per cent

Notes

1 Peer group for the 2019 awards is AIA, Aegon, AXA Equitable, China Taiping Insurance, Great Eastern, Lincoln National, Manulife, MetLife, Ping An Insurance, Principal Financial, Prudential Financial, Sun Life Financial. No adjustments were made to the peer group in respect of the demerger.

2 In 2019 the Leadership Team was subdivided into the Leadership Team and the Executive Council. Both of these leadership groups are considered for the purposes of this assessment.

3 Jackson performance was excluded from the point of demerger.

Details of cumulative achievement under the capital measures have not been disclosed as the Committee considers that these are commercially sensitive and would put the Company at a disadvantage compared to its competitors. The Committee will keep this disclosure policy under review based on whether, in its view, disclosure would compromise the Company's competitive position.

PLTIP vesting

The Committee considered a report from the Group Chief Risk and Compliance Officer which had been approved by the Group Risk Committee. This report confirmed that the financial results were achieved within the Group's risk framework and appetite. On the basis of this report and the performance of the Group described above, the Committee decided not to apply any adjustment to the arithmetic vesting outcome under the 2019 PLTIP awards and determined the vesting of each Executive Director's PLTIP awards as set out below:

Executive Director	**Maximum value of award at full vesting[1]**	**Percentage of the PLTIP award vesting**	**Number of shares vesting[2]**	**Value of shares vesting[1]**
Mark FitzPatrick, Group Chief Financial Officer and Chief Operating Officer	$3,018,080	17.75%	27,814	$535,694
James Turner, Group Chief Risk and Compliance Officer	$2,533,597	17.75%	23,349	$449,699
Mike Wells, Group Chief Executive	$7,300,743	17.75%	67,284	$1,295,881

Notes

1 The share price used to calculate the value of the PLTIP awards with performance periods which ended on 31 December 2021 and vest in April 2022 for all Executive Directors, was the average share price for the three months up to 31 December 2021, being £14.00 converted at the exchange rate of 0.7269 USD. The number of Prudential plc shares under award has been adjusted to account for the demerger of Jackson in line with the approach set out in the section on 'Remuneration decisions taken in relation to the demerger'.

2 The number of shares vesting includes accrued dividends. Shares vesting will be subject to a two-year holding period.

Long-term incentives awarded in 2021

2021 share-based long-term incentive awards

The table below shows the awards of conditional shares made to Executive Directors under the PLTIP in 2021 and the performance conditions attached to these awards.

Executive Director	Role	Number of shares subject to award	Face value of award		Percentage of awards released for achieving threshold targets	End of performance period	Weighting of performance conditions		
			% of salary	(USD)†			Group TSR	RoEV	Sustainability scorecard§
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	126,245	250%	$2,613,822	20%	31 December 2023	50%	30%	20%
James Turner	Group Chief Risk and Compliance Officer	111,215	250%	$2,302,636	20%	31 December 2023	50%	30%	20%
Mike Wells	Group Chief Executive	305,382	400%	$6,322,739	20%	31 December 2023	50%	30%	20%

† Awards for Executive Directors are calculated based on the average share price over the three dealing days prior to the grant date, being £15.05/$20.70.

§ Each of the four measures within the sustainability scorecard has equal weighting. They are GWS operating capital generation, Group ECap operating capital generation, diversity and conduct.

The Committee will review awards on vesting to ensure that participants do not benefit from windfall gains. The Committee will consider Prudential's stretching performance targets, the share performance of Prudential and its peers, the prices of the indices on which Prudential is listed and any other factors deemed relevant.

As set out in the section on 'Remuneration decisions taken in relation to the demerger', 2021 PLTIP targets were set excluding the Jackson business from the targets, with the exception of the conduct measure in the sustainability scorecard which included Jackson until the demerger date.

Relative TSR

Under the Group TSR measure, 20 per cent of the award will vest for TSR at the median of the peer group, increasing to full vesting for performance within the upper quartile. The peer group for 2021 PLTIP awards, which reflects the footprint of the post-separation Group, is set out below:

AIA Group	Allianz	AXA	China Life
China Pacific Insurance (CPIC)	China Taiping Insurance	Great Eastern	Manulife Financial
New China Life (NCI)	Ping An Insurance	Sun Life Financial	Zurich Insurance Group

Return on Embedded Value (RoEV)

Performance will be assessed on the average three-year Group RoEV relative to the 2021-2023 Board approved Plan. 20 per cent of the award will vest for achieving the threshold level of 9.0 per cent, increasing to full vesting for reaching the stretch level of at least 11.0 per cent.

Sustainability scorecard

Under the 2021 sustainability scorecard, performance will be assessed for each of the four measures, at the end of the three-year performance period. Performance will be assessed on a sliding scale. Each of the measures has equal weighting and the 2021 measures are set out below:

Capital measure:	Cumulative three-year ECap Group operating capital generation, less cost of capital (based on the capital position at the start of the performance period) relative to threshold.
Vesting basis:	Performance below threshold results in nil vesting, 20 per cent vesting for achieving threshold, increasing to full vesting for performance above stretch level. The threshold figure for this metric will be published in the Annual Report for the final year of the performance period.
Capital measure:	Cumulative three-year GWS[1] operating capital generation relative to threshold.
Vesting basis:	Performance below threshold results in nil vesting, 20 per cent vesting for achieving threshold, increasing to full vesting for performance above stretch level. The threshold figure for this metric will be published in the Annual Report for the final year of the performance period.
Conduct measure:	Through strong risk management action, ensure there are no significant conduct/culture/governance issues that result in significant capital add-ons or material fines.
Vesting basis:	Performance below threshold results in nil vesting, 20 per cent vesting for partial achievement of the Group's expectations, increasing to full vesting for achieving the Group's expectations.
Diversity measure:	Percentage of the Executive Council and Leadership Team that are female at the end of 2023.
Vesting basis:	Performance below threshold results in nil vesting, 20 per cent vests for meeting the threshold of at least 33 per cent of our Executive Council and Leadership Team being female at the end of 2023. Full vesting will be achieved for reaching the stretch level of at least 37 per cent being female by the end of 2023.

Note:

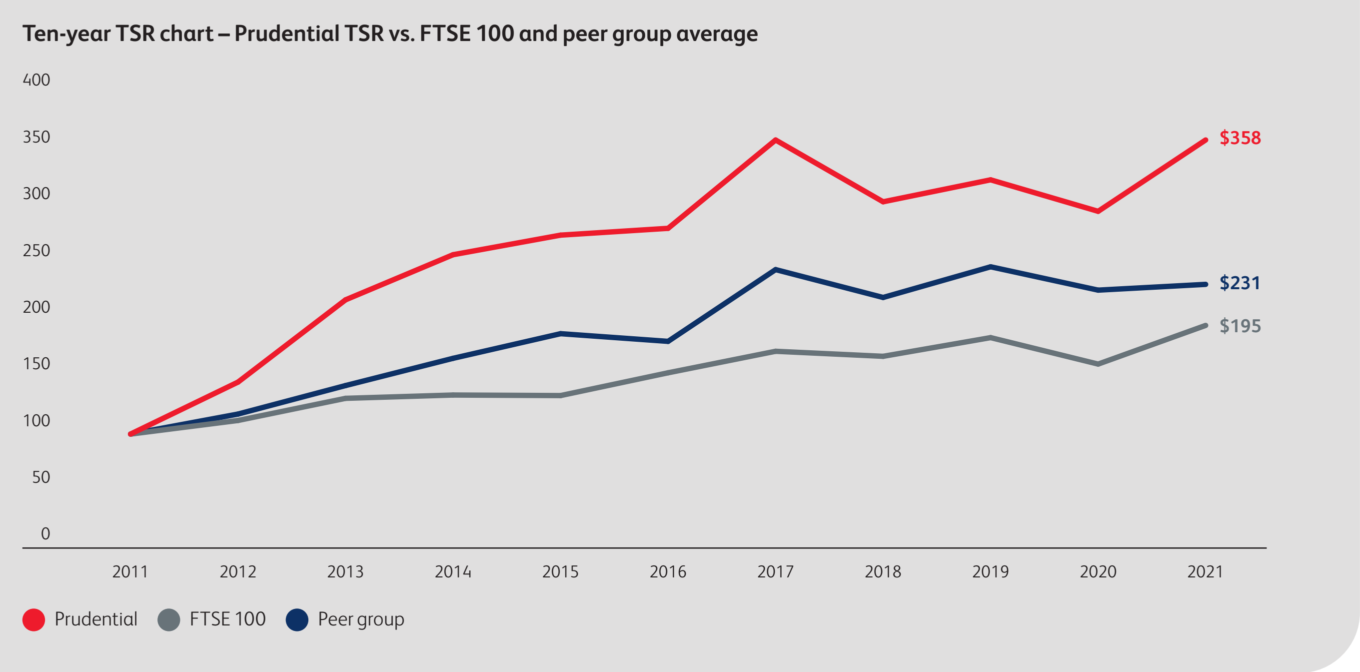
1 Following the Group's designation by the Hong Kong Insurance Authority in May 2021, the Group's regulatory capital requirements are now determined by the GWS Framework. This means that the Local Capital Summation Method (LCSM) measure has been replaced with GWS operating capital generation. Since the GWS methodology for calculating operating capital generation is the same as that previously applied under the LCSM framework, this will not require any adjustment to be made to the targets attached to outstanding PLTIP awards and the assessment of their achievement will be unaffected.

Pay comparisons

Performance graph and table

The chart below illustrates the TSR performance of Prudential, the FTSE 100 (as the Company has a premium listing on the London Stock Exchange) and the peer group of international insurers used to benchmark the Company's performance for the purposes of the 2021 PLTIP awards. The chart illustrates the performance of a hypothetical investment of $100 in ordinary shares of Prudential plc over the 10-year period 1 January 2012 to 31 December 2021 compared to a similar investment in the FTSE 100 or an index of the Company's peers. Total shareholder return is based on Returns Index data calculated on a daily share price growth plus re-invested dividends (as measured at the ex-dividend dates).

Prudential TSR vs. FTSE 100 and peer group average – total return over 10-year period to December 2021



The information in the table below shows the total remuneration for the Group Chief Executive over the same period:

$000[1]	2012	2013	2014	2015	2015	2016	2017	2018	2019	2020	2021
Group Chief Executive	T Thiam	T Thiam	T Thiam	T Thiam[2]	M Wells[2]	M Wells	M Wells	M Wells	M Wells	M Wells	M Wells
Salary, pension and benefits	2,169	2,201	2,406	938	3,048	3,029	2,415	2,423	2,122	2,126	2,249
Annual bonus payment	3,160	3,207	3,501	1,077	1,903	2,904	2,673	2,848	2,804	1,355	3,057
(As % of maximum)	(100%)	(99.8%)	(100%)	(77.3%)	(99.7%)	(99.5%)	(94%)	(95%)	(96%)	(46.0%)	(96.7%)
LTIP vesting	9,733	8,167	16,233	5,174	6,564	4,016	5,955	4,837	2,746	4,286	1,296
(As % of maximum)	(100%)	(100%)	(100%)	(100%)	(100%)	(70.8%)	(95.8%)	(62.5%)	(62.5%)	(68.8%)	(17.8%)
Other payments	–	–	–	–	–	–	–	–	–	–	–
Group Chief Executive 'single figure' of total remuneration[3]	15,062	13,575	22,140	7,189	11,515	9,950	11,042	10,109	7,671	7,768	6,602

Notes

1 All remuneration has been converted to USD using the average exchange rate for each respective financial year.

2 Tidjane Thiam left the Company on 31 May 2015. Mike Wells became Group Chief Executive on 1 June 2015. The figures shown for Mike Wells's remuneration in 2015 relate only to his service as Group Chief Executive.

3 Further detail on the 'single figure' is provided in the 'single figure' table for the relevant year. The figures provided reflect the value of vesting LTIP awards on the date of their release other than for 2021 (for which an estimate is used).

Relative importance of spend on pay

The table below sets out the amounts payable in respect of 2020 and 2021 on all employee pay and dividends:

	2020	2021	Percentage change
All employee pay ($m)[1,2]	1,000	1,057	6%
Dividends including demerger dividend ($m)[3]	420	2,201	424%
Dividends excluding demerger dividend ($m)[3]	420	466	11%

Notes

1 All employee pay as taken from note B2.1 to the financial statements.
2 FY21 and FY20 excludes Jackson costs.
3 Dividends taken from note B5 to the financial statements.

Percentage change in remuneration

The table below sets out how the change in remuneration for each Director between 2020 and 2021 and between 2019 and 2020 compared to a wider employee comparator group:

	Salary (% change)		Benefits (% change)		Bonus[8] (% change)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Executive Directors						
Mark FitzPatrick[1,2]	3%	1%	15%	26%	46%	(27)%
James Turner[1]	(0.5)%	10%	1%	49%	23%	(2)%
Mike Wells[1]	(0.5)%	1%	20%	35%	110%	(52)%
Chair and Non-executive Directors						
Shriti Vadera[3]	907%	–	–	–	n/a	–
Jeremy Anderson[4]	13%	–	n/a	n/a	n/a	n/a
David Law[4]	6%	1%	n/a	n/a	n/a	n/a
Ming Lu[6]	–	–	n/a	–	n/a	–
Kai Nargolwala[5]	(61)%	10%	n/a	n/a	n/a	n/a
Anthony Nightingale	0%	4%	n/a	n/a	n/a	n/a
Philip Remnant	0%	1%	n/a	n/a	n/a	n/a
Alice Schroeder[4]	24%	1%	n/a	n/a	n/a	n/a
Chua Sock Koong[6]	–	–	n/a	–	n/a	–
Thomas Watjen[4]	(4)%	10%	n/a	n/a	n/a	n/a
Fields Wicker-Miurin[4,7]	14%	1%	n/a	n/a	n/a	n/a
Jeanette Wong[6]	–	–	n/a	–	n/a	–
Amy Yip	0%	0%	n/a	n/a	n/a	n/a
Average pay for all UK-based employees	3.05%	3.76%	0.67%	(3.95)%	5.76%	(7.27)%

Notes

1 The change in the total salaries paid to Messrs FitzPatrick, Turner and Wells in 2020 includes a salary increase reversed from 1 April 2020. The change in salaries and bonuses for Executive Directors is calculated on a local currency basis. The change in benefits for Executive Directors is calculated in USD, as benefits values are denominated in a number of currencies.
2 Mark FitzPatrick received a salary increase of 5 per cent effective 1 April 2021 due to an increased scope to his role.
3 Shriti Vadera joined the Board and the Nominations Committee on 1 May 2020 and became Chair on 1 January 2021. The change in pay reflects her pro-rated pay for 2020 as well as her change in role.
4 Fluctuations in pay are due to change in Committee memberships in 2021.
5 Kai Nargolwala stepped down from the Board at the 2021 AGM.
6 Chua Sock Koong, Ming Lu and Jeanette Wong joined the Board in 2021.
7 Fields Wicker-Miurin retired from the Board on 31 December 2021.
8 The change in bonus shows change in the value of the annual bonus and does not include the value of long-term incentive awards, in line with the reporting regulations.

The regulations prescribe that this comparison should include all employees of the parent company. The number of individuals employed by the parent company is insufficient to be the basis of a representative comparison. Therefore, the Committee decided to use all UK-based employees as the basis for this calculation. The average pay for all employees has been calculated on a full-time equivalent basis by reference to the total pay awarded to UK employees in 2021, 2020 and 2019. The salary increase includes uplifts made through the annual salary review, as well as any additional changes in the year, for example, to reflect promotions or role changes. The increase in bonus is driven by the strong financial performance of the business in 2021 compared to 2020. There has been no change to the level of taxable benefit coverage received by employees.

Group Chief Executive pay compared with employee pay

The table below compares the Group Chief Executive's 'single figure' of total remuneration to that received by three representative UK employees in 2021.

The reduction in 'single figure' remuneration for the Group Chief Executive was driven by the lower vesting of the 2019 PLTIP. This was coupled with the increase in bonus received by all employees, due to the better financial performance of the Group, which has led to a reduction in pay ratio at all quartiles when compared to previous years.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option B	62 : 1	44 : 1	29 : 1
2020[1]	Option B	72 : 1	48 : 1	32 : 1
2019	Option B	78 : 1	60 : 1	39 : 1

Note

[1] 2020 CEO pay ratio has been recalculated to account for the 2020 CEO 'single figure' restated on the required basis to reflect the actual value of the 2018 PLTIP award at vesting.

Under the regulations, there is a choice of three methodologies to determine the 25th, median and 75th full-time equivalent remuneration of our UK employees. The Company has chosen to use the 2021 hourly rate gender pay gap information (collected in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017), as this method uses data that is aligned with other disclosures made under our gender pay gap reporting and includes all UK employees ('Option B' in the table above). The employees used in the calculations were identified using the most recently collected gender pay gap data, on 1 February 2022, following the end of the financial year. Base salary and total remuneration for these identified employees has then been calculated based on their actual remuneration for 2021. The Committee determined that the identified employees are reasonably representative since the structure of their remuneration arrangements is in line with that of the majority of employees within the UK-based Group Head Office workforce. The same methodology used for calculating the 'single figure' of the Group Chief Executive has been used for calculating the pay and benefits of these three UK employees. No elements of remuneration were omitted or adjusted. The identified individuals were employed on a full-time basis so no further adjustment has been made to their remuneration.

The salary and total remuneration received during 2021 by the indicative employees used in the above analysis are set out below:

	25th percentile	Median	75th percentile
2021 salary ($000)	87	113	153
Total 2021 remuneration ($000)	106	150	227

The Committee believes that the median pay ratio is consistent with the pay, reward and progression policies for our UK-based Group Head Office employees. The base salary and total remuneration levels for the Group Chief Executive and the median representative employee are competitively positioned within the relevant markets and reflect the operation of our remuneration structures which are effective in appropriately incentivising staff, having regard to our risk framework, risk appetites and to rewarding the 'how' as well as the 'what' of performance.

Gender pay gap

Our UK business, Prudential Services Limited, is the employing entity for all of our London Head Office staff including the UK-based Group Chief Executive and his direct reports. Prudential Services Limited has recently reported its 2021 UK gender pay gap data and details can be found on the Group's website (www.prudentialplc.com/en/esg/esg-reporting).

Due to the change in the Group's business focus, senior management roles are split between locations in the UK and Asia. The 2021 gender pay gap calculations are based on the employees based in the UK only, and therefore exclude data for part of our senior management team, including a number of senior female leaders, who are based in Hong Kong.

While women and men continue to be paid equally for performing similar roles, our gender pay gap reflects the fact that men and women have traditionally held different roles, particularly in the financial services sector. It highlights the fact that we have more men than women in leadership and senior operational roles. We continue to focus our efforts on closing the gender pay gap as quickly as possible. Female representation in our leadership roles has increased from 33 per cent in 2020 to 35 per cent in 2021 in our London Head Office.

The UK headcount of Prudential Services Ltd is now below the 250-person threshold which triggers mandatory publication of the gender pay gap and the CEO pay ratio. Both the 2021 gender pay gap and the CEO pay ratio data have been disclosed on a voluntary basis.

Consideration of workforce pay and approach to engagement

During the year, the Committee considered workforce remuneration and related policies in the businesses across the Group. Information presented to the Committee, by way of a dashboard, included how the Company's incentive arrangements are aligned with the culture and informed the Committee's decision-making on executive pay and policy. By way of example, employee salary increase budgets are considered as part of the year-end review of Executive Director compensation and salary increases.

As part of the Board's wider approach to employee engagement, which also included a Group-wide engagement survey, the Committee took additional measures in 2021 to explain how the remuneration of Executive Directors aligns with the wider Company pay policy. The Company operates a microsite on its intranet that outlines executive pay arrangements during the previous financial year and key areas of change for the year ahead. It explains to employees that total remuneration for Executive Directors is made up of a number of elements and is governed by both the Directors' remuneration policy and the Group's remuneration policy (which is also published on the Company's website) with the relevant links to these documents. Employee engagement was led by two Non-executive Directors until May 2021 when this responsibility was transferred to the Responsibility & Sustainability Working Group established by the Board in February 2021. The Governance Report section of this report describes how they discharged this responsibility during 2021.

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 Prudential plc employee (other than the Group Executive Committee) received, in October 2021, a Celebration Award of US$1,000 of restricted shares which will be released in October 2022.

As part of our continuing efforts to safeguard our employees' wellbeing, we implemented a Group Wellness Day on 2 July 2021. All employees Group-wide were encouraged to take that extra day off to rest and recharge, spend time with family and friends. Feedback from the 2021 Collaboration Jam suggests that the Wellness Day was very well received.

Chair and Non-executive Director remuneration in 2021

Chair fees

Shriti Vadera became the Chair of the Board from 1 January 2021. Her 2021 fee was set at £765,000 ($1,052,414) with effect from that date.

Non-executive Directors' fees

The Non-executive Directors' fees are denominated in Sterling. Fee levels were reviewed by the Board during 2021, and no increases to the Sterling amounts were awarded. Increases in US Dollar amounts reflect changes in exchange rate. The Board approved fees for the Responsibility & Sustainability Working Group at the time it was established in February 2021, taking account of the anticipated duties and time commitment involved in discharging the assigned responsibilities.

Annual fees	**From 1 July 2020** ($)[2]	**From 1 July 2020** (£)[2]	**From 1 July 2021** ($)[2]	**From 1 July 2021** (£)[2]
Basic fee	127,000	99,000	136,000	99,000
Additional fees:				
Audit Committee Chair	96,000	75,000	103,000	75,000
Audit Committee member	38,000	30,000	41,000	30,000
Remuneration Committee Chair	83,000	65,000	89,000	65,000
Remuneration Committee member	38,000	30,000	41,000	30,000
Risk Committee Chair	96,000	75,000	103,000	75,000
Risk Committee member	38,000	30,000	41,000	30,000
Nomination & Governance Committee Chair[1]	–	–	–	–
Nomination & Governance Committee member	19,000	15,000	21,000	15,000
Responsibility & Sustainability Working Group Chair	–	–	62,000	45,000
Responsibility & Sustainability Working Group member	–	–	30,000	22,000
Senior Independent Director	64,000	50,000	69,000	50,000
Workforce engagement role[3]	38,000	30,000	41,000	30,000

Notes

1 There is no fee paid for the role of Nomination & Governance Committee Chair.

2 Fees were denominated in sterling and were converted to USD using an exchange rate of 0.7798 for 2020 and 0.7269 for 2021.

3 The workforce engagement role was discontinued in 2021, as the scope of this role is now covered by the newly formed Responsibility & Sustainability Working Group. No specific fees are currently paid for the workforce engagement role.

If, in a particular year, the number of meetings is materially greater than usual, the Company may determine that the provision of additional fees is fair and reasonable.

The resulting fees paid to the Chair and Non-executive Directors are:

	2021 fees ($000s)	2020 fees ($000s)	2021 taxable benefits[*] ($000s)	2020 taxable benefits[*] ($000s)	Total 2021 remuneration: the 'single figure' ($000s)[†]	Total 2021 remuneration: the 'single figure' in GBP (£000s)[‡]	Total 2020 remuneration: the 'single figure' ($000s)[†]	Total 2020 remuneration: the 'single figure' in GBP (£000s)[‡]
Chair								
Shriti Vadera[1]	**1,052**	97	**102**	–	**1,154**	**839**	97	76
Non-executive Directors								
Jeremy Anderson[2]	**306**	252	**–**	–	**306**	**222**	252	197
David Law	**318**	281	**–**	–	**318**	**231**	281	219
Ming Lu[3]	**126**	–	**–**	–	**126**	**92**	–	–
Kai Nargolwala[4]	**102**	242	**–**	–	**102**	**74**	242	189
Anthony Nightingale	**246**	230	**–**	–	**246**	**179**	230	179
Philip Remnant	**308**	287	**–**	–	**308**	**224**	287	224
Alice Schroeder	**270**	204	**–**	–	**270**	**197**	204	159
Chua Sock Koong[3]	**139**	–	**–**	–	**139**	**101**	–	–
Jeanette Wong[3]	**144**	–	**–**	–	**144**	**105**	–	–
Thomas Watjen	**250**	242	**–**	–	**250**	**182**	242	189
Fields Wicker-Miurin[5]	**203**	165	**–**	–	**203**	**147**	165	129
Amy Yip	**177**	165	**–**	–	**177**	**129**	165	129
Total	**3,641**	2,165	**102**	–	**3,743**	**2,722**	2,165	1,690

[*] Benefits include the cost of providing the use of a car and driver, medical insurance and security arrangements.

[†] Each remuneration element is rounded to the nearest $1,000/£1,000 and totals are the sum of these rounded figures. Total remuneration is calculated using the methodology prescribed by Schedule 8 of the Companies Act. The Chair and Non-executive Directors are not entitled to participate in annual bonus plans or long-term incentive plans.

[‡] Total remuneration has been converted to US dollars using the exchange rate of 0.7798 for the 2020 single figure calculations and 0.7269 for the 2021 single figure calculations. As Non-executive Directors and the Chair don't receive variable remuneration components, the table above doesn't include a sum of total fixed and total variable remuneration.

Notes

1 Shriti Vadera joined the Board on 1 May 2020.
2 Jeremy Anderson joined the Board on 1 January 2020 and was appointed as the Chair of the Risk Committee in May 2020.
3 Jeanette Wong, Chua Sock Koong and Ming Lu joined the Board on 12 May 2021.
4 Kai Nargolwala retired from the Board on 13 May 2021.
5 Fields Wicker-Miurin retired from the Board on 31 December 2021.

Statement of Directors' shareholdings

The interests of Directors in ordinary shares of the Company are set out below. 'Beneficial interest' includes shares owned outright, shares acquired under the Share Incentive Plan (SIP) and deferred annual incentive awards, detailed in the 'Additional remuneration disclosures' section. It is only these shares that count towards the share ownership guidelines.

	1 January 2021 (or on date of appointment)	During 2021		31 December 2021			Share ownership guidelines	
	Total beneficial interest (number of shares)	**Number of shares acquired**	**Number of shares disposed**	**Total beneficial interest**[*] (number of shares)	**Number of shares subject to performance conditions**[†]	**Total interest in shares**	**Share ownership guidelines**[‡] (% of salary/fee)	**Beneficial interest as a percentage of basic salary/ basic fees**[§]
Chair								
Shriti Vadera	67,500	–	–	67,500	–	67,500	100%	125%
Executive Directors								
Mark FitzPatrick	166,360	121,509	59,269	228,600	459,132	687,732	250%	405%
James Turner	138,168	77,843	11,276	204,735	422,448	627,183	250%	307%
Mike Wells[1]	1,144,085	257,333	136,846	1,264,572	1,110,622	2,375,194	400%	1556%
Non-executive Directors								
Jeremy Anderson	9,157	–	–	9,157	–	9,157	100%	131%
Chua Sock Koong[2]	–	7,500	–	7,500	–	7,500	100%	107%
David Law	11,054	–	–	11,054	–	11,054	100%	158%
Ming Lu[3]	–	7,000	–	7,000	–	7,000	100%	100%
Kai Nargolwala[4]	70,000	–	–	70,000	–	70,000	100%	1000%
Anthony Nightingale	50,000	–	–	50,000	–	50,000	100%	714%
Philip Remnant	7,916	–	–	7,916	–	7,916	100%	113%
Alice Schroeder[5]	20,000	–	–	20,000	–	20,000	100%	286%
Thomas Watjen[6]	10,340	–	–	10,340	–	10,340	100%	148%
Fields Wicker-Miurin[7]	6,500	–	–	6,500	–	6,500	100%	93%
Jeanette Wong[8]	–	–	–	–	–	–	100%	–
Amy Yip	2,500	–	–	2,500	–	2,500	100%	36%

[*] There were no changes of Directors' interests in ordinary shares between 31 December 2021 and 7 March 2022 with the exception of the UK-based Executive Directors due to their participation in the monthly Share Incentive Plan (SIP). Mark FitzPatrick acquired a further 29 shares in the SIP and Mike Wells acquired a further 30 shares in the SIP during this period.

[†] Further information on share awards subject to performance conditions are detailed in the 'share-based long-term incentive awards' part of the 'Additional remuneration disclosures' section.

[‡] Holding requirement of the Articles of Association (2,500 ordinary shares) must be obtained within one year of appointment to the Board. The increased guidelines for Executive Directors were introduced with effect from January 2013 and increased again in 2017. Executive Directors have five years from this date (or date of joining or role change, if later) to reach the enhanced guideline. The guideline for Non-executive Directors was introduced on 1 July 2011. Non-executive Directors have three years from their date of joining to reach the guideline.

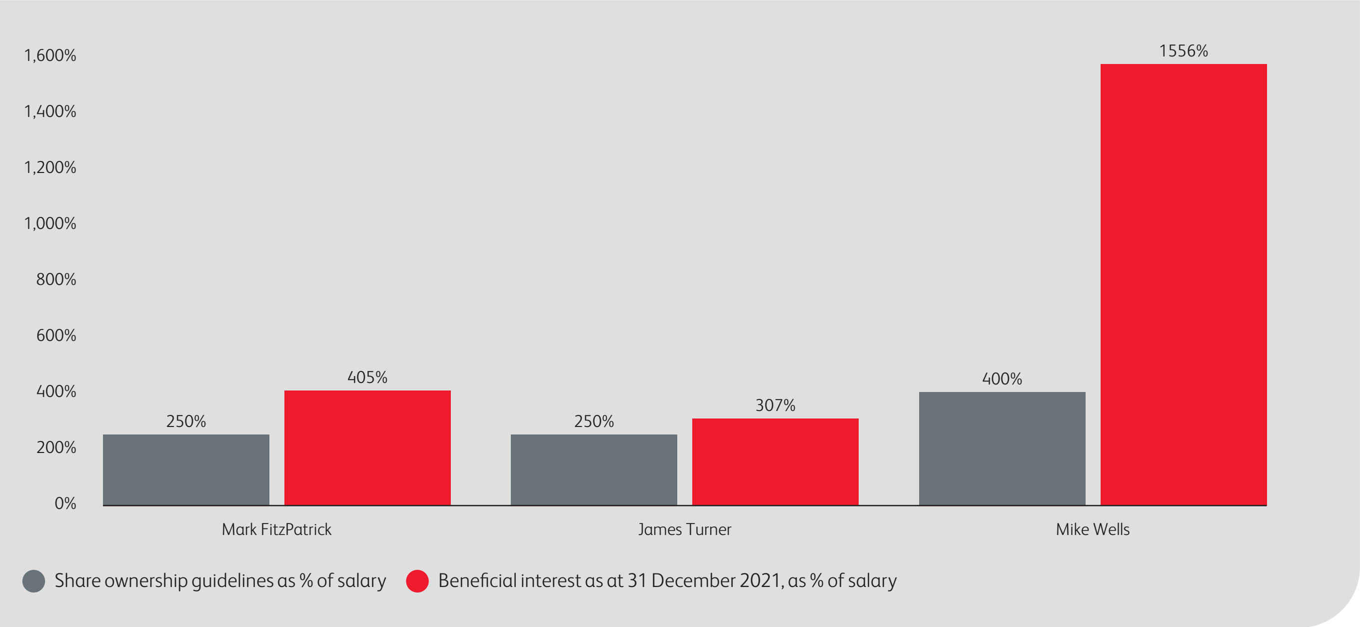
[§] Based on the average closing price for the six months to 31 December 2021 (£14.14).

The Company and its Directors, Chief Executives and shareholders have been granted a partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO). As a result of this exemption, Directors, Chief Executives and shareholders do not have an obligation under the SFO to notify the Company of shareholding interests, and the Company is not required to maintain a register of Directors' and Chief Executives' interests under section 352 of the SFO, nor a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with the Stock Exchange of Hong Kong Limited any disclosure of interests notified to it in the United Kingdom.

Notes

1. For the 1 January 2021 figure, Mike Wells's beneficial interest in shares is made up of 297,320 ADRs (representing 594,640 ordinary shares) and 549,445 ordinary shares. For the 31 December 2021 figure, his beneficial interest in shares is made up of 297,320 ADRs (representing 594,640 ordinary shares) and 669,932 ordinary shares.
2. Chua Sock Koong was appointed to the Board on 12 May 2021.
3. Ming Lu was appointed to the Board on 12 May 2021.
4. Kai Nargolwala stepped down from the Board on 13 May 2021. Total interests in shares is shown at this date.
5. For the 1 January 2021 figure, Alice Schroeder's beneficial interest in shares is made up of 10,000 ADRs (representing 20,000 ordinary shares). For the 31 December 2021 figure, the beneficial interest in shares is made up of 10,000 ADRs (representing 20,000 ordinary shares).
6. For the 1 January 2021 figure, Thomas Watjen's beneficial interest in shares is made up of 5,170 ADRs (representing 10,340 ordinary shares). For the 31 December 2021 figure, the beneficial interest in shares is made up of 5,170 ADRs (representing 10,340 ordinary shares).
7. Fields Wicker-Miurin stepped down from the Board on 31 December 2021. Total interests in shares is shown at this date.
8. Jeanette Wong was appointed to the Board on 12 May 2021.

The bar chart below illustrates the Executive Directors' shareholding as a percentage of base salary relative to the applicable share ownership guideline.



Outstanding share options

The following table sets out the share options held by the Executive Directors in the UK Savings-Related Share Option Scheme (SAYE) as at the end of the period. No other directors participated in any other option scheme.

				Exercise period		Number of options						
	Date of grant	Exercise price (pence)	Market price at 31 Dec 2021 (pence)	Beginning	End	Beginning of period	Granted	Exercised	Cancelled	Forfeited	Lapsed	End of period
Mark FitzPatrick	21 Sep 17	1455	1274.5	01 Dec 22	31 May 23	2,061	–	–	–	–	–	2,061
James Turner	21 Sep 17	1455	1274.5	01 Jan 21	30 Jun 21	1,237	–	1,237	–	–	–	–
Mike Wells	22 Sep 20	964	1274.5	01 Dec 23	31 May 24	1,867	–	–	–	–	–	1,867

Notes

1 No gain was made by Directors in 2021 on the exercise of SAYE options.
2 No price was paid for the award of any option.
3 The highest and lowest closing share prices during 2021 were £15.86 and £11.73 respectively.
4 All exercise prices are shown to the nearest pence.

Directors' terms of employment

Details of the service contracts of each Executive Director are outlined in the table below. The Directors' remuneration policy contains further details of the terms included in Executive Director service contracts.

	Date of contract	Notice period to the Company	Notice period from the Company
Executive Directors			
Mark FitzPatrick	17 May 2017	12 months	12 months
James Turner	1 March 2018	12 months	12 months
Mike Wells	21 May 2015	12 months	12 months

Letters of appointment of the Chair and Non-executive Directors

Details of Non-executive Directors' individual appointments are outlined below. The Directors' remuneration policy contains further details on their letters of appointment. The Chair and Non-executive Directors are not entitled to receive any payments for loss of office.

Chair/Non-executive Director	Appointment by the Board	Notice period	Time on the Board at 2022 AGM
Chair			
Shriti Vadera	1 May 2020 (Chair from 1 January 2021)	12 months	2 years
Non-executive Directors			
Kai Nargolwala[1]	1 January 2012	6 months	n/a
Philip Remnant	1 January 2013	6 months	9 years 4 months
Anthony Nightingale	1 June 2013	6 months	8 years 11 months
Alice Schroeder	10 June 2013	6 months	8 years 11 months
David Law	15 September 2015	6 months	6 years 8 months
Thomas Watjen	11 July 2017	6 months	4 years 10 months
Fields Wicker-Miurin[2]	3 September 2018	6 months	n/a
Amy Yip	2 September 2019	6 months	2 years 8 months
Jeremy Anderson	1 January 2020	6 months	2 years 4 months
Ming Lu	12 May 2021	6 months	1 year
Chua Sock Koong	12 May 2021	6 months	1 year
Jeanette Wong	12 May 2021	6 months	1 year

Note

1 Kai Nargolwala retired from the Board on 13 May 2021.

2 Fields Wicker-Miurin retired from the Board on 31 December 2021.

Payments to past Directors and payments for loss of office

There were no payments to Directors for loss of office in 2021.

As disclosed in the 2019 Directors' remuneration report, a number of Directors stepped down from the Board in 2019. Treatment of their outstanding awards and other remuneration elements was disclosed in 2019. We set out below payments in respect of the awards that vested during 2021.

Nic Nicandrou

Nic (Chief Executive, Asia and Africa) holds a PLTIP award granted in 2019 and as set out in the section 'Remuneration in respect of performance in 2021' the performance condition attached to Nic's 2019 PLTIP awards was partially met and 17.75 per cent of these awards will be released in 2022. The details of the release are set out below.

Award	Number of shares vesting[1]	Value of shares vesting[2]
PLTIP	38,945	$750,076

Notes

1 The number of shares vesting includes accrued dividends.

2 The share price used to calculate the value was the average share price for the three months up to 31 December 2021 being £14.00.

Paul Manduca

The former Chair, Paul Manduca, received benefits of $104,401 in 2021, as the Company paid taxes on certain benefits provided to Mr Manduca during the period of his Board service which ended on 31 December 2021.

Other Directors

A number of former Directors receive retiree medical benefits for themselves and their partner (where applicable). This is consistent with other senior members of staff employed at the same time. A de minimis threshold of £10,000 has been set by the Committee; any payments or benefits provided to a past Director above this amount will be reported.

Statement of voting at general meeting

The Directors' remuneration policy was approved by shareholders at the 2020 Annual General Meeting. At the 2021 Annual General Meeting, shareholders were asked to vote on the 2020 Directors' remuneration report. Each of these resolutions received a significant vote in favour by shareholders and the Committee is grateful for this support and endorsement by our shareholders. The votes received were:

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Total votes cast	Votes withheld
To approve the Directors' remuneration policy (2020 AGM)	1,930,172,979	95.84	83,796,656	4.16	2,013,969,635	1,043,445
To approve the Directors' remuneration report (2021 AGM)	1,881,362,121	94.71	104,979,307	5.29	1,986,341,428	24,844,708

Statement of implementation of remuneration policy in 2022

Base salary

Executive Directors' remuneration packages were reviewed in 2021 with changes effective from 1 January 2022. When the Committee made these decisions, in line with the Director's remuneration policy, several factors were taken into consideration, including the salary increases awarded to other employees in 2021 and the expected increases in 2022, the performance of the Executive Directors, and external market reference points (which were updated following the demerger to increase focus on Asia-led financial services organisations).

After due deliberation, the Committee considered there should be 3 per cent salary increases to the Executive Directors with effect from 1 January 2022. The 2022 salary increase budgets for other employees across the Group's businesses were between 4.5 per cent and 5 per cent. On this basis, 2022 will be the tenth consecutive year in which the increases generally offered to executives have been below or close to the bottom of the range of salary increases budgeted for the broader workforce.

The salaries which were effective from 1 January 2022 are set out below:

- Mark FitzPatrick: £822,000
- James Turner: HK$7,550,000
- Mike Wells: £1,184,000

On 1 April 2022, Mike Wells will step down from his role and Mark FitzPatrick will be appointed as interim Group Chief Executive. During his interim appointment, Mr FitzPatrick's salary will remain unchanged at £822,000, and he will be eligible for a monthly, pensionable cash supplement of £30,167, giving him the same fixed pay for this period as his predecessor. On the same date, James Turner will be appointed as Group Chief Financial Officer. Mr Turner's annual salary will increase to HK$8,460,000. This figure is lower than the salary paid to his predecessor given that Mr Turner is not being appointed as Chief Operating Officer.

Annual bonus

Award levels

Mike Wells will continue to be eligible for a maximum bonus opportunity of 200 per cent of salary, unchanged from prior year. This will be prorated for the period worked (until 31 March 2022). Mark FitzPatrick will be eligible for a maximum bonus opportunity of 175 per cent of salary, unchanged from prior year. Following his appointment as interim Group Chief Executive, his maximum bonus opportunity will increase to 200 per cent of salary, aligned to the current opportunity for the Group Chief Executive role. This increased bonus opportunity will include the monthly cash supplement for the period served as interim Group Chief Executive. James Turner's maximum bonus opportunity will remain unchanged at 175 per cent of salary.

Performance conditions

In 2021 the Group Chief Financial Officer role was designated under the Hong Kong Group-wide supervision regime as a Key Person in a Control Function, and in line with the Hong Kong IA's regulatory requirements for control staff, his 2022 Annual Incentive Plan (AIP) will include a functional component. Therefore, the 2022 AIP for the Group Chief Financial Officer role will be based on the achievement of financial (50 per cent), functional (30 per cent) and personal (20 per cent) performance targets. This structure will apply to Mark FitzPatrick between 1 January 2022 and 31 March 2022 and to James Turner for the remainder of the year. The balance of financial, functional and personal performance targets will remain unchanged for the other Executive Director roles.

As disclosed in the 2020 Annual Report, for 2022 financial AIP measures and weightings will be aligned with those adopted for the Asia business, increasing the focus on NBP. The resulting 2022 financial AIP measures and weightings are as follows:

- Group EEV new business profit – 45 per cent;
- Group adjusted operating profit – 25 per cent;
- Group operating free surplus generated – 20 per cent; and
- Group Holding Company cash flow – 10 per cent.

There was general endorsement of the weighting of the 2022 AIP measures by shareholders during our latest consultation.

2022 share-based long-term incentive awards

Award levels

Mike Wells will not receive a 2022 PLTIP award. No changes have been made to the PLTIP award levels for other Executive Directors for 2022.

Performance conditions

The performance conditions and weightings for the 2022 PLTIP awards for all Executive Directors will be as follows, unchanged from prior year:

- Relative TSR (50 per cent of award);
- A return on embedded value measure (30 per cent of award); and
- Sustainability scorecard of strategic measures (20 per cent of award).

Relative TSR
Under the Group TSR measure, 20 per cent of the award will vest for TSR at the median of the peer group, increasing to full vesting for performance within the upper quartile. TSR is measured on a local currency basis since this has the benefit of simplicity and directness of comparison.

The TSR peer group remains unchanged from 2021 and is set out below:

AIA Group	Allianz	AXA	China Life
China Pacific Insurance (CPIC)	China Taiping Insurance	Great Eastern	Manulife Financial
New China Life (NCI)	Ping An Insurance	Sun Life Financial	Zurich Insurance Group

Return on Embedded Value
20 per cent of the award will vest for achieving the threshold level of performance of 8.0 per cent, increasing to full vesting for reaching the stretch level of at least 10.8 per cent. RoEV will be calculated as the total post-tax EEV operating profit as a percentage of the average EEV basis shareholders' equity. RoEV will be assessed at the Group level.

Sustainability scorecard
The sustainability scorecard has been revised to ensure that reward remains aligned with the strategic priorities and capital allocation framework of the post-separation Group. In particular:

- A new carbon reduction measure replaced ECap in the sustainability scorecard for 2022 PLTIP awards to reflect the Group's evolving ESG strategy and external commitments to reduce the carbon emissions of all shareholder and policyholder assets by 25 per cent by 2025; and
- GWS operating capital generation replaced the LCSM following the Hong Kong Group-wide Supervision framework becoming effective in May 2021.

Under the 2022 sustainability scorecard, performance will be assessed for each of the four measures, at the end of the three-year performance period. Performance will be assessed on a sliding scale. Each of the measures has equal weighting and the 2022 measures are set out below:

Carbon reduction measure:	A reduction in weighted average carbon intensity (WACI) at the end of the performance period (31 December 2024) compared with the baseline as at 31 December 2019. Please see our ESG report for details of our carbon reduction target, our progress to date and the future actions that we plan in order to achieve our ambitions in this area.
Vesting basis:	Performance below threshold results in nil vesting, 20 per cent vesting for achieving threshold of at least 22.5 per cent reduction in WACI (ie 299), increasing to full vesting for performance above stretch level of at least 27.5 per cent reduction in WACI (ie 280). The 2019 baseline has been the subject of limited scope assurance by EY. Please see our ESG report for details.
Capital measure:	Cumulative three-year GWS operating capital generation relative to threshold.
Vesting basis:	Performance below threshold results in nil vesting, 20 per cent vesting for achieving threshold, increasing to full vesting for performance above stretch level. The threshold figure for this metric will be published in the Annual Report for the final year of the performance period.
Conduct measure:	Through strong risk management action, ensure there are no significant conduct/culture/governance issues that result in significant capital add-ons or material fines.
Vesting basis:	Performance below threshold results in nil vesting, 20 per cent vesting for partial achievement of the Group's expectations, increasing to full vesting for achieving the Group's expectations.
Diversity measure:	Percentage of the Executive Council and Leadership Team that are female at the end of 2024.
Vesting basis:	Performance below threshold results in nil vesting, 20 per cent vests for meeting the threshold of at least 34 per cent of our Executive Council and Leadership Team being female at the end of 2024, increasing to full vesting for reaching the stretch level of at least 38 per cent being female at that date.

Mike Wells's leaving arrangements
As announced on 10 February 2022, Mr Wells will remain employed by the Group until 8 February 2023. His salary, pension and certain benefits will continue to be paid or provided, on the same basis as at present, until the end of his employment.

Mr Wells's 2021 bonus will be calculated and paid in the usual way, at the usual time. A 2022 bonus, if any, would be pro-rated for the period worked in 2022.

Mr Wells's outstanding deferred bonus awards will be released on the original timetable, subject to malus and clawback provisions. Outstanding long-term incentive awards will be pro-rated to the end of his employment and will vest in line with the original vesting dates, subject to satisfaction of the performance conditions as well as malus and clawback provisions. No long-term incentive award will be made in 2022.

Mr Wells's shareholding will be subject to the share ownership guideline (400% of his current salary) for a period of two years after stepping down from the Board. During this period he will be required to obtain clearance to deal in the Company's shares. A capped contribution will be made to legal fees, and to the costs of filing UK tax returns for periods for which Mr Wells has Prudential employment income taxable in the UK. Mr Wells will not be eligible for any payments for loss of office.

Further information on these remuneration arrangements, prepared in accordance with section 430(2B) of the Companies Act 2006, is available on the Prudential website at www.prudentialplc.com/en/investors/governance-and-policies/section-430-2B-of-the-companies-act-2006

Chair and Non-executive Directors
Fees for the Chair and Non-executive Directors will remain unchanged from 1 January 2022. The next regular fee level review will be conducted in 2022.

Anthony Nightingale, CMG SBS JP
Chair of the Remuneration Committee

8 March 2022

Shriti Vadera
Chair

8 March 2022

Directors' outstanding long-term incentive awards

Share-based long-term incentive awards

	Plan name	Year of award	Conditional share awards outstanding at 1 Jan 2021 (Number of shares)	Conditional awards in 2021 (Number of shares)	Demerger adjustment in 2021[2]	Market price at date of award (pence)	Dividend equivalents on vested shares[1] (Number of shares released)	Rights exercised in 2021	Rights lapsed in 2021	Conditional share awards outstanding at 31 December 2021 (Number of shares)	Date of end of performance period
Mark FitzPatrick	PLTIP	2018	123,110			1750	7,047	84,638	38,472	–	31 Dec 20
	PLTIP	2019	142,470		4,765	1605.5				147,235	31 Dec 21
	PLTIP	2020	175,115		5,857	1049.5				180,972	31 Dec 22
	PLTIP	2021		126,245	4,222	1495.5				130,467	31 Dec 23
			440,695	**126,245**	**14,844**		**7,047**	**84,638**	**38,472**	**458,674**	
James Turner	PLTIP	2018	103,281			1750	3,651	43,894	59,387	–	31 Dec 20
	PLTIP	2019	119,600		4,000	1605.5				123,600	31 Dec 21
	PLTIP	2020	177,562		5,938	1049.5				183,500	31 Dec 22
	PLTIP	2021		111,215	3,719	1495.5				114,934	31 Dec 23
			400,443	**111,215**	**13,657**		**3,651**	**43,894**	**59,387**	**422,034**	
Mike Wells	PLTIP	2018	297,713			1750	17,043	204,678	93,035	–	31 Dec 20
	PLTIP	2019	344,629		11,526	1605.5				356,155	31 Dec 21
	PLTIP	2020	423,594		14,168	1049.5				437,762	31 Dec 22
	PLTIP	2021		305,382	10,214	1495.5				315,596	31 Dec 23
			1,065,936	**305,382**	**35,908**		**17,043**	**204,678**	**93,035**	**1,109,513**	

Notes

[1] A dividend equivalent was accumulated on these awards.

[2] The table above reflects the adjustments made to outstanding awards at the time of the demerger.

Other share awards

The table below sets out Executive Directors' deferred bonus share awards.

	Year of grant	Conditional share awards outstanding at 1 Jan 2021 (Number of shares)	Conditionally awarded in 2021 (Number of shares)	Dividends accumulated in 2021[1] (Number of shares)	Shares released in 2021 (Number of shares)	Demerger adjustment[2]	Conditional share awards outstanding at 31 December 2021 (Number of shares)	Date of end of restricted period	Date of release	Market price at date of award (pence)	Market price at date of vesting or release (pence)
Mark FitzPatrick											
Deferred 2017 annual incentive award	2018	34,289			34,289		–	31 Dec 20		1750	1495.5
Deferred 2018 annual incentive award	2019	39,295		310		1,321	40,926	31 Dec 21		1605.5	
Deferred 2019 annual incentive award	2020	49,903		393		1,677	51,973	31 Dec 22		1047	
Deferred 2020 annual incentive award	2021		24,570	68		821	25,459	31 Dec 23		1495.5	
		123,487	**24,570**	**771**	**34,289**		**118,358**				
James Turner											
Deferred 2018 annual incentive award	2019	25,125		197		844	26,166	31 Dec 21		1605.5	
Deferred 2019 annual incentive award	2020	43,095		340		1,448	44,883	31 Dec 22		1047	
Deferred 2020 annual incentive award	2021		24,889	68		832	25,789	31 Dec 23		1495.5	
		68,220	**24,889**	**605**	**–**		**96,838**				
Mike Wells											
Deferred 2017 annual incentive award	2018	59,344			59,344		–	31 Dec 20		1750	1495.5
Deferred 2018 annual incentive award	2019	67,551		533		2,270	70,354	31 Dec 21		1605.5	
Deferred 2019 annual incentive award	2020	85,712		676		2,881	89,269	31 Dec 22		1047	
Deferred 2020 annual incentive award	2021		28,074	77		938	29,089	31 Dec 23		1495.50	
		212,607	**28,074**	**1,286**	**59,344**		**188,712**				

Notes

1 A dividend equivalent was accumulated on these awards.

2 The table above reflects the adjustments made to outstanding awards at the time of the demerger.

All-employee share plans

It is important that all employees are offered the opportunity to own shares in Prudential, connecting them both to the success of the Company and to the interests of other shareholders. Executive Directors are invited to participate in these plans on the same basis as other staff in their location.

Save As You Earn (SAYE) schemes

UK-based Executive Directors are normally eligible to participate in the HM Revenue and Customs (HMRC) approved Prudential Savings-Related Share Option Scheme. This scheme allows all eligible employees to save towards the exercise of options over Prudential plc shares with the option price set at the beginning of the savings period at a discount of up to 20 per cent of the market price.

Participants are able to elect to enter into savings contracts of up to £500 per month for a period of three or five years. At the end of this term, participants may exercise their options within six months and purchase shares. If an option is not exercised within six months, participants are entitled to a refund of their cash savings plus interest if applicable under the rules. Shares are issued to satisfy those options which are exercised. No options may be granted under the schemes if the grant would cause the number of shares which have been issued, or which remain issuable pursuant to options granted in the preceding 10 years under the scheme and any other option schemes operated by the Company, or which have been issued under any other share incentive scheme of the Company, to exceed 10 per cent of the Company's ordinary share capital at the proposed date of grant.

Details of Executive Directors' rights under the SAYE scheme are set out in the 'Outstanding share options' table.

Share Incentive Plan (SIP)

UK-based Executive Directors are also eligible to participate in the Company's Share Incentive Plan (SIP). All UK-based employees are able to purchase Prudential plc shares up to a value of £150 per month from their gross salary (partnership shares) through the SIP. For every four partnership shares bought, an additional matching share is awarded which is purchased by Prudential plc on the open market. Dividend shares accumulate while the employee participates in the plan. If the employee withdraws from the plan, or leaves the Group, matching shares may be forfeited.

The table below provides information about shares purchased under the SIP together with matching shares (awarded on a 1:4 basis) and dividend shares.

	Year of initial grant	**Share Incentive Plan awards held in Trust at 1 Jan 2021** (Number of shares)	**Partnership shares accumulated in 2021** (Number of shares)	**Matching shares accumulated in 2021** (Number of shares)	**Dividend shares accumulated in 2021** (Number of shares)	**Share Incentive Plan awards held in Trust at 31 December 2021** (Number of shares)
Mark FitzPatrick	2017	570	125	31	5	731
James Turner	2011	849	–	–	7	856
Mike Wells	2015	925	124	31	8	1,088

Cash-settled long-term incentive awards

There are no outstanding cash settled awards held by Executive Directors.

Dilution

Releases from the Prudential Long Term Incentive Plan and the Prudential Agency Long Term Incentive Plan are satisfied using new issue shares rather than by purchasing shares in the open market. Shares relating to options granted under all-employee share plans are also satisfied by new issue shares. The combined dilution from all outstanding shares and options at 31 December 2021 was 1 per cent of the total share capital at the time. Deferred bonus awards will continue to be satisfied by the purchase of shares in the open market.

Remuneration of the five highest-paid individuals and the remuneration of senior management

In line with the requirements of the Stock Exchange of Hong Kong Limited, the following table sets out, on an aggregate basis, the annual remuneration of i) the five highest-paid employees, and ii) senior management for the year ended 31 December 2021.

Of the five individuals with the highest emoluments in 2021, one was an Executive Director for the full year whose emoluments are disclosed in this report. The aggregate of the emoluments of the other four individuals for 2021 are set out in the table below. Senior management comprised the Executive Directors and members of the Group Executive Committee. The table sets out the aggregate of the emoluments paid to the senior management team:

	Five highest paid		Senior management	
Components of remuneration	HKD000	$000	HKD000	$000
Base salaries, allowances and benefits in kind	25,463	3,276	72,725	9,356
Pension contributions	2,500	322	7,028	904
Performance-related pay	60,441	7,776	118,235	15,211
Payments made on appointment	–	–	–	–
Payments made on separation[1]	244,893	31,506	182,650	23,499
Total	333,297	42,880	380,638	48,970

Note

[1] Further detail on the payments made to Senior Managers can be found in note B2.3 to the IFRS financial statements.

Their emoluments for 2021 were within the following bands:

		Number of employees	
Remuneration band HKD	**Remuneration band USD equivalent**	**Five highest paid**	**Senior management[1]**
4,000,001 – 4,500,000	514,600 – 578,900	0	1
14,000,001 – 14,500,000	1,801,200 – 1,865,500	0	1
25,500,001 – 26,000,000	3,280,700 – 3,345,000	0	1
29,000,001 – 29,500,000	3,731,000 – 3,795,300	0	1
30,000,001 – 30,500,000	3,859,600 – 3,923,900	0	1
41,000,001 – 41,500,000	5,274,800 – 5,339,100	1	1
44,500,001 – 45,000,000	5,725,100 – 5,789,400	1	0
51,000,001 – 51,500,000	6,561,300 – 6,625,700	0	1
63,000,001 – 63,500,000	8,105,200 – 8,169,500	1	0
184,000,001 – 184,500,000	23,672,300 – 23,736,600	1	1

Note

[1] Further detail on the payments made to Senior Managers can be found in note B2.3 to the IFRS financial statements.

Financial statements

Contents

Index to Group IFRS financial statements

Consolidated income statement

	Note	2021 $m	2020* $m
Continuing operations:			
Gross premiums earned		**24,217**	23,495
Outward reinsurance premiums		**(1,844)**	(1,625)
Earned premiums, net of reinsurance	B1.3	**22,373**	21,870
Investment return	B1.3	**3,486**	13,762
Other income	B1.3	**641**	615
Total revenue, net of reinsurance	B1.3	**26,500**	36,247
Benefits and claims	C3.2	**(17,738)**	(34,463)
Reinsurers' share of benefits and claims	C3.2	**(971)**	6,313
Movement in unallocated surplus of with-profits funds	C3.2	**(202)**	(438)
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance	C3.2	**(18,911)**	(28,588)
Acquisition costs and other expenditure	B2	**(4,560)**	(4,651)
Finance costs: interest on core structural borrowings of shareholder-financed businesses		**(328)**	(316)
Loss attaching to corporate transactions	D1.1	**(35)**	(30)
Total charges net of reinsurance		**(23,834)**	(33,585)
Share of profit from joint ventures and associates, net of related tax	D6.3	**352**	517
Profit before tax *(being tax attributable to shareholders' and policyholders' returns)* note (i)		**3,018**	3,179
Tax charge attributable to policyholders' returns		**(342)**	(271)
Profit before tax attributable to shareholders' returns	B1.1	**2,676**	2,908
Total tax charge attributable to shareholders' and policyholders' returns	B3.1	**(804)**	(711)
Remove tax charge attributable to policyholders' returns		**342**	271
Tax charge attributable to shareholders' returns	B3.1	**(462)**	(440)
Profit after tax from continuing operations		**2,214**	2,468
Loss after tax from discontinued US operations note (ii)	D1.2	**(5,027)**	(283)
(Loss) profit for the year		**(2,813)**	2,185
Attributable to:			
Equity holders of the Company:			
From continuing operations		**2,192**	2,458
From discontinued US operations		**(4,234)**	(340)
		(2,042)	2,118
Non-controlling interests:			
From continuing operations		**22**	10
From discontinued US operations		**(793)**	57
		(771)	67
(Loss) profit for the year		**(2,813)**	2,185

Earnings per share (in cents)	Note	2021	2020
Based on profit attributable to equity holders of the Company:	B4		
Basic			
Based on profit from continuing operations		**83.4¢**	94.6¢
Based on loss from discontinued US operations note (ii)		**(161.1)¢**	(13.0)¢
Total		**(77.7)¢**	81.6¢
Diluted			
Based on profit from continuing operations		**83.4¢**	94.6¢
Based on loss from discontinued US operations note (ii)		**(161.1)¢**	(13.0)¢
Total		**(77.7)¢**	81.6¢

* The comparative results have been re-presented from those previously published to reflect the Group's US operations as discontinued in 2021 (see note A1).

Notes

(i) This measure is the formal profit before tax measure under IFRS. It is not the result attributable to shareholders principally because total corporate tax of the Group includes those taxes 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, the IFRS profit before tax measure is not representative of pre-tax profit attributable to shareholders as it is determined after deducting the cost of policyholder benefits and movements in the liability for unallocated surplus of with-profits funds after adjusting for tax borne by policyholders.

(ii) Loss from discontinued operations represents the aggregate of the post-tax results during the year up to demerger and the remeasurement adjustment to the carrying value of the business and recycling of cumulative reserves from other comprehensive income upon demerger (see note D1.2).

Consolidated statement of comprehensive income

	Note	**2021** $m	**2020**[*] $m
Continuing operations:			
Profit for the year		**2,214**	2,468
Other comprehensive income (loss):			
Exchange movements on foreign operations arising during the year		**(180)**	233
Valuation movements on retained interest in Jackson classified as available-for-sale securities		**250**	–
Total items that may be reclassified subsequently to profit or loss		**70**	233
Total comprehensive income from continuing operations		**2,284**	2,701
Discontinued US operations:			
Loss for the year		**(5,027)**	(283)
Valuation movements on available-for-sale debt securities, net of related change in amortisation of deferred acquisition costs and related tax		**(763)**	292
Cumulative valuation movements on available-for-sale debt securities, net of related tax and change in DAC, and net investment hedges recycled through profit or loss at the point of demerger		**(1,278)**	–
Total comprehensive (loss) income from discontinued US operations	D1.2	**(7,068)**	9
Total comprehensive (loss) income for the year		**(4,784)**	2,710
Attributable to:			
Equity holders of the Company:			
From continuing operations		**2,277**	2,697
From discontinued US operations		**(6,283)**	(40)
		(4,006)	2,657
Non-controlling interests:			
From continuing operations		**7**	4
From discontinued US operations		**(785)**	49
		(778)	53
Total comprehensive (loss) income for the year		**(4,784)**	2,710

[*] The comparative results have been re-presented from those previously published to reflect the Group's US operations as discontinued in 2021 (see note A1).

Consolidated statement of changes in equity

	Note	Year ended 31 Dec 2021 $m Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserves	Share-holders' equity	Non-controlling interests	Total equity
Reserves									
Profit for the year		**–**	**–**	**2,192**	**–**	**–**	**2,192**	**22**	**2,214**
Other comprehensive (loss) income from continuing operations:									
Exchange movements on foreign operations		**–**	**–**	**–**	**(165)**	**–**	**(165)**	**(15)**	**(180)**
Valuation movements on retained interest in Jackson classified as available-for-sale securities		**–**	**–**	**–**	**–**	**250**	**250**	**–**	**250**
Total comprehensive income (loss) from continuing operations		**–**	**–**	**2,192**	**(165)**	**250**	**2,277**	**7**	**2,284**
Total comprehensive (loss) income from discontinued US operations	D1.2	**–**	**–**	**(4,234)**	**463**	**(2,512)**	**(6,283)**	**(785)**	**(7,068)**
Total comprehensive (loss) income for the year		**–**	**–**	**(2,042)**	**298**	**(2,262)**	**(4,006)**	**(778)**	**(4,784)**
Demerger dividend in specie of Jackson	B5	**–**	**–**	**(1,735)**	**–**	**–**	**(1,735)**	**–**	**(1,735)**
Other dividends	B5	**–**	**–**	**(421)**	**–**	**–**	**(421)**	**(9)**	**(430)**
Reserve movements in respect of share-based payments		**–**	**–**	**46**	**–**	**–**	**46**	**–**	**46**
Effect of transactions relating to non-controlling interests[†]		**–**	**–**	**(32)**	**–**	**–**	**(32)**	**(278)**	**(310)**
Share capital and share premium									
New share capital subscribed	C8	**9**	**2,373**	**–**	**–**	**–**	**2,382**	**–**	**2,382**
Treasury shares									
Movement in own shares in respect of share-based payment plans		**–**	**–**	**(24)**	**–**	**–**	**(24)**	**–**	**(24)**
Net increase (decrease) in equity		**9**	**2,373**	**(4,208)**	**298**	**(2,262)**	**(3,790)**	**(1,065)**	**(4,855)**
Balance at 1 Jan		**173**	**2,637**	**14,424**	**1,132**	**2,512**	**20,878**	**1,241**	**22,119**
Balance at 31 Dec		**182**	**5,010**	**10,216**	**1,430**	**250**	**17,088**	**176**	**17,264**

	Note	Year ended 31 Dec 2020* $m Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserves	Share-holders' equity	Non-controlling interests	Total equity
Reserves									
Profit for the year		–	–	2,458	–	–	2,458	10	2,468
Other comprehensive income (loss) from continuing operations:									
Exchange movements on foreign operations		–	–	–	239	–	239	(6)	233
Total comprehensive income from continuing operations		–	–	2,458	239	–	2,697	4	2,701
Total comprehensive (loss) income from discontinued US operations	D1.2	–	–	(340)	–	300	(40)	49	9
Total comprehensive income for the year		–	–	2,118	239	300	2,657	53	2,710
Dividends	B5	–	–	(814)	–	–	(814)	(18)	(832)
Reserve movements in respect of share-based payments		–	–	89	–	–	89	–	89
Effect of transactions relating to non-controlling interests[†]		–	–	(484)	–	–	(484)	1,014	530
Share capital and share premium									
New share capital subscribed	C8	1	12	–	–	–	13	–	13
Treasury shares									
Movement in own shares in respect of share-based payment plans		–	–	(60)	–	–	(60)	–	(60)
Net increase in equity		1	12	849	239	300	1,401	1,049	2,450
Balance at 1 Jan		172	2,625	13,575	893	2,212	19,477	192	19,669
Balance at 31 Dec		173	2,637	14,424	1,132	2,512	20,878	1,241	22,119

* The comparative results have been re-presented from those previously published to reflect the Group's US operations as discontinued in 2021 (see note A1).

† The $(278) million in 2021 relates to the derecognition of Athene's non-controlling interest upon the demerger of Jackson. The 2020 amount of $1,014 million related to the equity investment by Athene Life Re Ltd. into the discontinued US operations in July 2020.

Consolidated statement of financial position

	Note	31 Dec 2021 $m	31 Dec 2020 $m note (i)
Assets			
Goodwill	C4.1	**907**	961
Deferred acquisition costs and other intangible assets	C4.2	**6,858**	20,345
Property, plant and equipment	C11	**478**	893
Reinsurers' share of insurance contract liabilities	C3.3	**9,753**	46,595
Deferred tax assets	C7.2	**266**	4,858
Current tax recoverable	C7.1	**20**	444
Accrued investment income	C1(vii)	**1,171**	1,427
Other debtors	C1(vii)	**1,779**	3,171
Investment properties		**38**	23
Investments in joint ventures and associates accounted for using the equity method		**2,183**	1,962
Loans	C1	**2,562**	14,588
Equity securities and holdings in collective investment schemes note (ii)	C1	**61,601**	278,635
Debt securities note (ii)	C1	**99,094**	125,829
Derivative assets	C2.2	**481**	2,599
Other investments	C2.2	**–**	1,867
Deposits		**4,741**	3,882
Cash and cash equivalents	C1(vi)	**7,170**	8,018
Total assets	C1	**199,102**	516,097
Equity			
Shareholders' equity		**17,088**	20,878
Non-controlling interests		**176**	1,241
Total equity	C1	**17,264**	22,119
Liabilities			
Insurance contract liabilities	C3.2	**150,755**	436,787
Investment contract liabilities with discretionary participation features	C3.2	**346**	479
Investment contract liabilities without discretionary participation features	C3.2	**814**	3,980
Unallocated surplus of with-profits funds	C3.2	**5,384**	5,217
Core structural borrowings of shareholder-financed businesses	C5.1	**6,127**	6,633
Operational borrowings	C5.2	**861**	2,444
Obligations under funding, securities lending and sale and repurchase agreements		**223**	9,768
Net asset value attributable to unit holders of consolidated investment funds		**5,664**	5,975
Deferred tax liabilities	C7.2	**2,862**	6,075
Current tax liabilities	C7.1	**185**	280
Accruals, deferred income and other creditors	C1(viii)	**7,983**	15,508
Provisions	C9	**372**	350
Derivative liabilities	C2.2	**262**	482
Total liabilities	C1	**181,838**	493,978
Total equity and liabilities	C1	**199,102**	516,097

Notes

(i) The 31 December 2020 comparative statement of financial position included discontinued US operations.

(ii) Included within equity securities and holdings in collective investment schemes and debt securities as at 31 December 2021 are $854 million of lent securities and assets subject to repurchase agreements (31 December 2020: $895 million from continuing operations; $1,112 million from discontinued US operations).

The Parent Company statement of financial position is presented on page 314.

The consolidated financial statements on pages 237 to 313 were approved by the Board of Directors on 8 March 2022. They were signed on its behalf:

Shriti Vadera

Shriti Vadera
Chair

Mike Wells
Group Chief Executive

Mark FitzPatrick
Group Chief Financial Officer
and Chief Operating Officer

Consolidated statement of cash flows

	Note	**2021** $m	**2020*** $m
Continuing operations:			
Cash flows from operating activities			
Profit before tax *(being tax attributable to shareholders' and policyholders' returns)*		**3,018**	3,179
Adjustments to profit before tax for non-cash movements in operating assets and liabilities:			
Investments		**(14,553)**	(20,978)
Other non-investment and non-cash assets		**2,658**	(7,185)
Policyholder liabilities (including unallocated surplus of with-profits funds)		**9,095**	27,670
Other liabilities (including operational borrowings)		**16**	155
Investment income and interest payments included in profit before tax		**(3,738)**	(2,931)
Operating cash items:			
Interest receipts		**2,328**	1,833
Interest payments		**(11)**	(25)
Dividend receipts		**1,480**	1,305
Tax paid		**(453)**	(551)
Other non-cash items		**438**	301
Net cash flows from operating activities note (i)		**278**	2,773
Cash flows from investing activities			
Purchases of property, plant and equipment		**(36)**	(57)
Proceeds from disposal of property, plant and equipment		**–**	6
Acquisition of business and intangibles note (ii)		**(773)**	(1,142)
Disposal of businesses note (iii)		**83**	–
Net cash flows from investing activities		**(726)**	(1,193)
Cash flows from financing activities			
Structural borrowings of shareholder-financed operations: note (iv)	C5.1		
Issuance of debt, net of costs		**995**	983
Redemption of debt		**(1,250)**	–
Interest paid		**(314)**	(294)
Payment of principal portion of lease liabilities		**(118)**	(128)
Equity capital:			
Issues of ordinary share capital	C8	**2,382**	13
External dividends:			
Dividends paid to the Company's shareholders	B5	**(421)**	(814)
Dividends paid to non-controlling interests		**(9)**	(18)
Net cash flows from financing activities		**1,265**	(258)
Net increase in cash and cash equivalents from continuing operations		**817**	1,322
Net decrease in cash and cash equivalents from discontinued US operations	D1.2	**(1,621)**	(339)
Cash and cash equivalents at 1 Jan		**8,018**	6,965
Effect of exchange rate changes on cash and cash equivalents		**(44)**	70
Cash and cash equivalents at 31 Dec		**7,170**	8,018
Comprising:			
Cash and cash equivalents from continuing operations		**7,170**	6,397
Cash and cash equivalents from discontinued US operations		**–**	1,621

* The comparative results have been re-presented from those previously published to reflect the Group's US operations as discontinued in 2021 (see note A1).

Notes

(i) Included in net cash flows from operating activities are dividends from joint ventures and associates of $175 million (2020: $118 million).

(ii) Cash flows from the acquisition of business and intangibles include amounts paid for distribution rights.

(iii) Disposal of businesses includes sale of subsidiaries, joint ventures and associates and investments that do not form part of the Group's operating activities.

(iv) Structural borrowings of shareholder-financed businesses exclude borrowings to support short-term fixed income securities programmes, non-recourse borrowings of investment subsidiaries of shareholder-financed businesses and other borrowings of shareholder-financed businesses. Cash flows in respect of these borrowings are included within cash flows from operating activities. The changes in the carrying value of the structural borrowings of shareholder-financed businesses for the Group are analysed below:

		Cash movements $m		**Non-cash movements** $m			
	Balance at 1 Jan	**Issuance**	**Redemption**	**Foreign exchange movement**	**Demerger of Jackson**	**Other movements**	**Balance at 31 Dec**
2021	**6,633**	**995**	**(1,250)**	**(13)**	**(250)**	**12**	**6,127**
2020	5,594	983	–	42	–	14	6,633

A Basis of preparation and accounting policies

A1 Basis of preparation and exchange rates

Prudential plc ('the Company') together with its subsidiaries (collectively, 'the Group' or 'Prudential') provides life and health insurance and asset management products in Asia and Africa. The Group is joint-headquartered in London and Hong Kong.

Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS Standards as issued by the IASB and in accordance with UK-adopted international accounting standards. At 31 December 2021, there were no unadopted standards effective for the year ended 31 December 2021 which impact the consolidated financial statements of the Group, and there were no differences between UK-adopted international accounting standards and IFRS Standards as issued by the IASB in terms of their application to the Group.

The Group accounting policies are the same as those applied for the year ended 31 December 2020 with the exception of the adoption of the new and amended IFRS Standards as described in note A2. In 2021, the Group changed its operating segments for financial reporting under IFRS 8 'Operating Segments', as discussed further in note B1.2 and reclassified the US operations as discontinued as discussed further below.

The parent company statement of financial position prepared in accordance with the UK Generally Accepted Accounting Practice (including Financial Reporting Standard 101 'Reduced Disclosure Framework') is presented on page 314.

Going concern basis of accounting

The Directors have made an assessment of going concern covering a period of at least 12 months from the date that these financial statements are approved. In making this assessment, the Directors have considered both the Group's current performance, solvency and liquidity and the Group's business plan taking into account the Group's principal risks and the mitigations available to it which are described in the Risk review report.

The assessment includes consideration of the results of key market risk stress and scenario testing over the assessment period covering the potential impact of up or down interest rate movements, falling equity values, corporate credit spread widening and an elevated level of credit losses. Sales and other scenarios considered include those reflecting the possible impacts of Covid-19 restrictions on new business, including the uncertainty as to the duration of restrictions in individual markets and the length of time for sales to recover to previous levels and different timings of expected regulatory changes. Further details are included in the viability statement within the Risk review report.

Based on the above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue their operations for a period of at least 12 months from the date that these financial statements are approved. No material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern have been identified. The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements for the year ended 31 December 2021.

Discontinued US operations

On 28 January 2021, the Board announced that it had decided to pursue the separation of its US operations (Jackson) from the Group through a demerger, which was completed on 13 September 2021. In accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', the results of the Group's US operations have been classified as discontinued operations in these consolidated financial statements.

In order to present the results of the continuing operations on a comparable basis, and consistent with IFRS 5 requirements, loss after tax attributable to the discontinued US operations in 2021 up to demerger has been shown in a single line in the income statement together with the loss on remeasurement to fair value and the recycling of cumulative reserves from other comprehensive income upon demerger. The loss on remeasurement to fair value has been recognised in accordance with IFRIC 17, 'Distribution of non-cash assets to owners', which requires Jackson to be remeasured to fair value at the point of demerger. Comparatives have been restated accordingly, with further analysis provided in note D1.2. Notes B1 to B4 have also been prepared on this basis.

IFRS 5 does not permit the comparative 31 December 2020 statements of financial position to be re-presented, as the US operations were not classified as discontinued at that point in time. In the related balance sheet notes, prior period balances have been presented to show the amounts from discontinued US operations separately from continuing operations in order to present the results of the continuing operations on a comparable basis. Additionally, in the analysis of movements in Group's assets and liabilities between the beginning and end of the years, the balances of the discontinued US operations are removed from the opening balances to show the underlying movements from continuing operations.

Exchange rates

The exchange rates applied for balances and transactions in currencies other than the presentation currency of the Group, US dollars (USD) were:

	Closing rate at year end		Average rate for the year to date	
USD : local currency	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Chinese yuan (CNY)	**6.37**	6.54	**6.45**	6.90
Hong Kong dollar (HKD)	**7.80**	7.75	**7.77**	7.76
Indian rupee (INR)	**74.34**	73.07	**73.94**	74.12
Indonesian rupiah (IDR)	**14,252.50**	14,050.00	**14,294.88**	14,541.70
Malaysian ringgit (MYR)	**4.17**	4.02	**4.15**	4.20
Singapore dollar (SGD)	**1.35**	1.32	**1.34**	1.38
Taiwan dollar (TWD)	**27.67**	28.10	**27.93**	29.44
Thai baht (THB)	**33.19**	30.02	**32.01**	31.29
UK pound sterling (GBP)	**0.74**	0.73	**0.73**	0.78
Vietnamese dong (VND)	**22,790.00**	23,082.50	**22,934.86**	23,235.84

Foreign exchange translation

In order to present the consolidated financial statements in USD, the results and financial position of entities not using USD as functional currency (ie the currency of the primary economic environment in which the entity operates) must be translated into USD.

All assets and liabilities of entities not operating in USD are converted at closing 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. The impact of these foreign exchange translations into the Group's USD presentation currency is recorded as a separate component in the statement of comprehensive income. Upon the disposal of the entity, the related cumulative foreign exchange translation differences are recycled from other comprehensive income to the income statement as part of the gain or loss on disposal.

The general principle for converting foreign currency transactions to the functional currency of an entity is to translate at the functional currency spot rate prevailing at the date of the transactions. Foreign currency monetary assets and liabilities are translated at the spot exchange rate for the functional currency at the reporting date. Changes resulting from the foreign exchange translations into the functional currency of the entity are recognised in the income statement.

Certain notes to the financial statements present comparative information at constant exchange rates (CER), in addition to the reporting at actual exchange rates (AER) used throughout the consolidated financial statements. AER are actual historical exchange rates for the specific accounting year, being the average rates over the year for the income statement and the closing rates at the balance sheet date for the statement of financial position. CER results are calculated by translating prior year results using the current year foreign exchange rate, ie current year average rates for the income statement and current year closing rates for the statement of financial position.

A2 New accounting pronouncements in 2021

The IASB has issued the following new accounting pronouncements to be effective from 1 January 2021, unless otherwise stated:

- Amendments to IFRS 4 'Extension of temporary IFRS 9 exemption until 1 January 2023' issued in June 2020;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform – phase 2' issued in August 2020; and
- Amendments to IFRS 16 'Covid-19 Related Rent Concession beyond 30 June 2021' issued in March 2021 and effective from 1 April 2021.

The adoption of these pronouncements has had no significant impact on the Group financial statements. The Group has taken advantage of the ability to defer IFRS 9 until 2023 when it adopts IFRS 17 'Insurance Contracts'.

A3 Accounting policies

Note A3.1 presents the critical accounting policies, estimates and judgements applied in preparing the Group's consolidated financial statements. Other accounting policies, where significant, are presented in the relevant individual notes. All accounting policies are applied consistently for the years presented and normally are not subject to changes unless new accounting standards, interpretations or amendments are introduced by the IASB.

A3.1 Critical accounting policies, estimates and judgements

The preparation of these financial statements requires Prudential to make accounting estimates and judgements about the amounts of assets, liabilities, revenues and expenses, which are both recognised and unrecognised (eg contingent liabilities) in the financial statements. Prudential evaluates its critical accounting estimates, including those related to long-term business provisioning and the fair value of assets as required. The notes below set out those critical accounting policies, the application of which requires the Group to make critical estimates and judgements. Also set out are further critical accounting policies affecting the presentation of the Group's results and other items that require the application of critical estimates and judgements.

The accounting policies below relate to the Group's continuing operations. A summary of key accounting policies of the Group's discontinued US operations is set out in note D1.2.

(a) Critical accounting policies with associated critical estimates and judgements

Measurement of policyholder liabilities and unallocated surplus of with-profits	
The measurement basis of policyholder liabilities is dependent upon the classification of the contracts under IFRS 4. Impacts $177.3 billion of policyholder liabilities and unallocated surplus of with-profits funds including those held by joint venture and associates. Policyholder liabilities are estimated based on a number of actuarial assumptions (eg mortality, morbidity, policyholder behaviour and expenses). The Group applies judgement in determining the actuarial assumptions to be applied to estimate the future amounts due to or from the policyholder in the measurement of the policyholder liabilities.	IFRS 4 permits the continued usage of previously applied Generally Accepted Accounting Practices (GAAP) for insurance contracts and investment contracts with discretionary participating features. A modified statutory basis of reporting was adopted by the Group on first time adoption of IFRS Standards in 2005. This was set out in the Statement of Recommended Practice issued by the Association of British Insurers (ABI SORP). The ABI SORP was withdrawn for the accounting periods beginning in or after 2015. As used in these consolidated financial statements, the term 'grandfathered' ABI SORP refers to the requirements of the pronouncements prior to its withdrawal. For investment contracts that do not contain discretionary participating features, IAS 39 is applied and, where the contract includes an investment management element, IFRS 15 'Revenue from Contracts with Customers' applies. The policies applied for the continuing businesses are noted below.
Measurement of investment contract liabilities with discretionary participation features and insurance contract liabilities	The policyholder liabilities for businesses of the continuing insurance operations are generally determined in accordance with methods prescribed by local GAAP, adjusted to comply with the 'grandfathered' ABI SORP where necessary. Refinements to the local reserving methodology are generally treated as changes in estimates, dependent on their nature. The UK-style with-profits funds' liabilities in Hong Kong are valued under the realistic basis in accordance with the requirements of 'grandfathered' FRS 27 'Life Assurance' (issued by the UK Accounting Standards Board in 2004 and withdrawn in 2015). The realistic basis requires the value of liabilities to be calculated as the sum of a with-profits benefits reserve, future policy-related liabilities and the realistic current liabilities of the fund. In Taiwan and India, US GAAP principles are applied. Further details on how liabilities are determined for material product types are set out in note C3.4. This includes the approach to assumption setting including a margin for prudence. The sensitivity of the insurance operations to variations in key economic assumptions, as well as the insurance risks of mortality and morbidity, is discussed in note C6.1.

Measurement of policyholder liabilities and unallocated surplus of with-profits continued

Measurement of unallocated surplus of with-profits funds	Unallocated surplus of with-profits funds represents the excess of assets over policyholder liabilities, determined in accordance with the Group's accounting policies, that have yet to be appropriated between policyholders and shareholders for the Group's with-profits funds in Hong Kong and Malaysia. The unallocated surplus is recorded wholly as a liability with no allocation to equity. The annual excess or shortfall of income over expenditure of the with-profits funds, after declaration and attribution of the cost of bonuses to policyholders and shareholders, is transferred to or from the unallocated surplus each period through a charge or credit to the income statement. In Hong Kong, the unallocated surplus includes the shareholders' share of expected future bonuses, with the expected policyholder share being included in policyholder liabilities. Any excess of assets over liabilities and amounts expected to be paid out by the fund on future bonuses is also included in the unallocated surplus. The balance of the unallocated surplus is determined after full provision for deferred tax on unrealised appreciation or depreciation on investments.
Liability adequacy test	The Group performs adequacy testing on its insurance liabilities to ensure that the carrying amounts (net of related deferred acquisition costs and, where relevant, present value of acquired in-force business) is sufficient to cover current estimates of future cash outflows of the in-force policies over the expected lives. Any deficiency is immediately charged to the income statement. The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and managed together as a single portfolio which may be at an entity or local business unit level, depending on how the business is managed.

(b) Further critical accounting policies affecting the presentation of the Group's results

Presentation of results before tax attributable to shareholders

Profit before tax is a significant IFRS income statement item. The Group has chosen to present a measure of profit before tax attributable to shareholders which distinguishes between tax borne by shareholders and tax attributable to policyholders to support understanding of the performance of the Group. Profit before tax attributable to shareholders is $2,676 million and compares to profit before tax of $3,018 million.	The total tax charge for the Group reflects tax that, in addition to that relating to shareholders' profit, is also attributable to policyholders through the interest in with-profits or unit-linked funds. Further detail is provided in note B3. Reported IFRS profit before the tax measure is therefore not representative of pre-tax profit attributable to shareholders. Accordingly, in order to provide a measure of pre-tax profit attributable to shareholders, the Group has chosen to adopt an income statement presentation of the tax charge and pre-tax results that distinguishes between policyholders' and shareholders' returns.

Segmental analysis of results and earnings attributable to shareholders

The Group uses adjusted operating profit as the segmental measure of its results. Total segmental adjusted operating profit is $4,023 million and is shown in note B1.1.	The basis of calculation of adjusted operating profit is provided in note B1.2. For shareholder-backed business, with the exception of securities which are treated as available-for-sale, and assets classified as loans and receivables at amortised cost, all financial investments and investment properties are designated as assets at fair value through profit or loss. Short-term fluctuations in fair value affect the result for the year and the Group provides additional analysis of results before and after the effects of short-term fluctuations in investment returns, together with other items that are of a short-term, volatile or one-off nature. Short-term fluctuations in investment returns on assets held by with-profits funds in Hong Kong, Malaysia and Singapore do not affect directly reported shareholder results. This is because (i) the unallocated surplus of with-profits funds is accounted for as a liability and (ii) excess or deficit of income and expenditure of the funds over the required surplus for distribution are transferred to or from policyholder liabilities (including the unallocated surplus).

A3 Accounting policies continued

A3.1 Critical accounting policies, estimates and judgements continued

(c) Other items requiring application of critical estimates or judgements

Carrying value of distribution rights intangible assets	
The Group applies judgement to assess whether factors such as the financial performance of the distribution arrangements, changes in relevant legislation and regulatory requirements indicate an impairment of intangible assets representing distribution rights. To determine the impaired value, the Group estimates the discounted future expected cash flows arising from cash generating unit containing the distribution rights. Affects $3.8 billion of assets as shown in note C4.2.	Distribution rights relate to bancassurance partnership arrangements for the distribution of products for the term of the contractual agreement with the bank partner, for which an asset is recognised based on fees paid and fees payable not subject to performance conditions. Distribution rights impairment testing is conducted when there is an indication of impairment. To assess indicators of an impairment, the Group monitors a number of internal and external factors, including indications that the financial performance of the arrangement is likely to be worse than expected and changes in relevant legislation and regulatory requirements that could impact the Group's ability to continue to sell new business through the bancassurance channel, and then applies judgement to assess whether these factors indicate that an impairment has occurred. If an impairment has occurred, a charge is recognised in the income statement 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 or the cash generating unit to which it is allocated.
Deferred acquisition costs (DAC) for insurance contracts	
The Group estimates projected future profits/margins to assess whether adjustments to the carrying value or amortisation profile of DAC asset are necessary. Impacts $2.8 billion of DAC as shown in note C4.2.	Costs of acquiring new insurance business are accounted for in a way that is consistent with the principles of the 'grandfathered' ABI SORP. The Group determines qualifying costs that should be capitalised (ie those costs of acquiring new insurance contracts that meet the criteria under the Group's accounting policy for DAC) shown by an explicit carrying value in the balance sheet. However, in some insurance operations, the deferral is implicit through the reserving basis. DAC is amortised against the profit margins within future revenues on the related insurance policies. For some business units this is approximated by amortising DAC on a straight-line basis over the expected duration of the policies. During the year, following review of the expected duration of policies, Hong Kong extended the life over which acquisition costs in the balance sheet are amortised. This reduced amortisation by circa $40 million in the year. The recoverability of the DAC is measured and the DAC asset is deemed impaired if the projected margins (which are estimated based on a number of assumptions similar to those underlying policyholder liabilities) are less than the carrying value. To the extent that the future margins differ from those anticipated, an adjustment to the carrying value will be necessary either through a charge to the income statement (if the projected margins are lower than carrying value) or through a change in the amortisation profile. For those business units applying US GAAP to insurance assets and liabilities, as permitted by the 'grandfathered' ABI SORP, acquisition costs are deferred and amortised as per the US GAAP requirements under ASC 944 Financial Services – Insurance.

Financial investments – Valuation

Financial investments held at fair value represent $161.8 billion of the Group's total assets.

Financial investments held at amortised cost represent $6.7 billion of the Group's total assets.

The Group estimates the fair value of financial investments that are not actively traded using quotations from independent third parties or internally developed pricing models.

The Group holds the majority of its financial investments at fair value (primarily through profit or loss). Financial investments held at amortised cost primarily comprise loans and deposits.

Determination of fair value

The fair values of the financial instruments for which fair valuation is required under IFRS Standards are determined by the use of current market bid prices for exchange-quoted investments or by using quotations from independent third parties such as brokers and pricing services or by using appropriate valuation techniques.

The estimated fair value of derivative financial instruments reflects the estimated amount the Group would receive or pay in an arm's-length transaction. This amount is determined using quoted prices if exchange listed, quotations from independent third parties or valued internally using standard market practices.

Current market bid prices are used to value investments having quoted prices. Actively traded investments without quoted prices are valued using prices provided by third parties such as brokers or pricing services. Financial investments measured at fair value are classified into a three-level hierarchy as described in note C2.1.

If the market for a financial investment of the Group is not active, the Group establishes fair value 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. 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 the valuation of these items, are presented in note C2.2(ii).

Financial investments – Determining impairment of the 'available-for-sale' retained interest in Jackson

The Group applies judgement to assess whether factors such as the severity and duration of any decline in fair value of the 'available-for-sale' retained interest in Jackson, indicate an impairment in value of the financial investments.

Affects $0.7 billion of assets.

The Group retained a 19.7 per cent economic interest in the equity securities of Jackson immediately following its demerger in September 2021. In December 2021, Jackson repurchased 2,242,516 shares of its Class A common stock from Prudential which reduced Prudential's remaining economic interest in Jackson to 18.4 per cent as of 31 December 2021. The Group intends to monetise, subject to market conditions, a further portion of this investment to support investment in Asia within 12 months of the demerger, such that the Group will own less than 10 per cent at the end of such period (see note D1.2 for further details).

The retained interest in Jackson's equity securities has been classified as 'available-for-sale' under IAS 39 with unrealised gains and losses recognised in other comprehensive income. Upon disposal or impairment, the accumulated unrealised gains and losses are transferred from other comprehensive income to the income statement as realised gains or losses. An available-for-sale equity security is considered to be impaired if there is objective evidence that the cost may not be recovered. The consideration of evidence of impairment for the equity securities of Jackson requires management's judgement to consider if a decline in the fair value is significant or prolonged. There has been no impairment of these securities during 2021.

A3 Accounting policies continued

A3.2 New accounting pronouncements not yet effective

The following standards, interpretations and amendments have been issued by the IASB but are not yet effective in 2021, including those which have not yet been adopted by the UK Endorsement Board. The Group prepares financial statements in accordance with IFRS Standards as issued by the IASB and UK-adopted international accounting standards. This is not intended to be a complete list as only those standards, interpretations and amendments that could have a material impact on the Group's financial statements are discussed.

IFRS 9 'Financial instruments: Classification and measurement'

IFRS 9 became mandatorily effective for the annual periods beginning on or after 1 January 2018, with early application permitted and transitional rules apply.

The Group met the eligibility criteria for temporary exemption under the Amendments to IFRS 4 from applying IFRS 9 and has accordingly deferred the adoption of IFRS 9 until the date when IFRS 17 'Insurance Contracts' is expected to be adopted upon its current mandatory effective date. The Group made a reassessment during the year following the demerger of the US operations in September 2021 and confirmed that it continued to qualify for the temporary exemption. The Group is eligible as its activities are predominantly to issue insurance contracts based on the criteria as set out in the amendments to IFRS 4. The required disclosure of the fair value of the Group's financial assets, showing the amounts for instruments that meet the 'Solely for Payment of Principal and Interest' (SPPI) criteria but do not meet the definition of held for trading and are not managed and evaluated on a fair value basis separately from all other financial assets, is provided below.

When adopted IFRS 9 replaces the existing IAS 39 'Financial Instruments – Recognition and Measurement' and will affect the following three areas:

The classification and the measurement of financial assets and liabilities

IFRS 9 redefines the classification of financial assets. Based on the way in which the assets are managed in order to generate cash flows and their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest'), financial assets are classified into one of the following categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). An option is also available at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces accounting mismatches.

Under IAS 39, 95 per cent of the Group's financial investments are valued at FVTPL and the Group's current expectation is that the vast majority of its investments will continue to be classified as such under IFRS 9.

The existing IAS 39 amortised cost measurement for financial liabilities is largely maintained under IFRS 9. For financial liabilities designated at FVTPL IFRS 9 requires changes in fair value due to changes in the entity's own credit risk to be recognised in other comprehensive income.

The calculation of the impairment charge relevant for financial assets held at amortised cost or FVOCI

A new impairment model based on an expected credit loss approach replaces the existing IAS 39 incurred loss impairment model, resulting in earlier recognition of credit losses compared to IAS 39. This aspect is the most complex area of IFRS 9 to implement and will involve significant judgements and estimation processes. The Group is currently assessing the scope of assets to which these requirements will apply but as noted above it is currently expected that the majority of assets will be held at FVTPL to which these requirements will not apply.

The hedge accounting requirements which are more closely aligned with the risk management activities of the Company

No significant change to the Group's hedge accounting is currently anticipated, but this remains under review.

The Group is assessing the impact of IFRS 9 and implementing this standard in conjunction with IFRS 17 as permitted. Further details on IFRS 17 are provided below.

The parent company and a number of intermediate holding companies in the UK and non-insurance subsidiaries in Asia adopted IFRS 9 in 2018 in their individual or separate financial statements where these statements are prepared in accordance with IFRS, including the UK Financial Reporting Standard 101 'Reduced Disclosure Framework'. The public availability of the financial statements for these entities varies according to the local laws and regulations of each jurisdiction. The results for these entities continue to be accounted for on an IAS 39 basis in these consolidated financial statements.

The fair value of the Group's directly held financial assets at 31 December 2021 and 2020 are shown below. Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) as defined by IFRS 9 are shown separately. This excludes financial assets that meet the definition of held for trading or are managed and evaluated on a fair value basis.

Financial assets, net of derivative liabilities	Financial assets that pass the SPPI test		All other financial assets, net of derivative liabilities	
	Fair value at 31 Dec 2021 $m	Movement in the fair value during 2021 $m	Fair value at 31 Dec 2021 $m	Movement in the fair value during 2021 $m
Accrued investment income	**1,171**	**–**	**–**	**–**
Other debtors	**1,779**	**–**	**–**	**–**
Loans note (i)	**2,126**	**41**	**647**	**(1)**
Equity securities and holdings in collective investment schemes	**–**	**–**	**61,601**	**4,061**
Debt securities	**226**	**–**	**98,868**	**(3,164)**
Derivative assets, net of derivative liabilities	**–**	**–**	**219**	**(943)**
Deposits	**4,741**	**–**	**–**	**–**
Cash and cash equivalents	**7,170**	**–**	**–**	**–**
Total financial assets, net of derivative liabilities	**17,213**	**41**	**161,335**	**(47)**

Financial assets, net of derivative liabilities	Financial assets that pass the SPPI test		All other financial assets, net of derivative liabilities	
	Fair value at 31 Dec 2020 $m	Movement in the fair value during 2020 $m	Fair value at 31 Dec 2020 $m	Movement in the fair value during 2020 $m
Accrued investment income	1,049	–	–	–
Other debtors	2,901	–	–	–
Loans note (i)	1,998	21	450	3
Equity securities and holdings in collective investment schemes	–	–	59,295	3,186
Debt securities	–	–	89,796	6,709
Derivative assets, net of derivative liabilities	–	–	(60)	925
Deposits	3,875	–	–	–
Cash and cash equivalents	6,397	–	–	–
Total continuing operations	16,220	21	149,481	10,823
Discontinued US operations note (ii)	44,649	3,327	229,879	25,793
Total financial assets, net of derivative liabilities	60,869	3,348	379,360	36,616

Notes

(i) The loans that pass the SPPI test in the table above are primarily carried at amortised cost under IAS 39. Further information on these loans is as provided in note C2.2.

(ii) The financial assets that pass the SPPI test held by the discontinued US operations at 31 December 2020 primarily represented debt securities classified as available-for-sale under IAS 39.

The underlying financial assets of the Group's joint ventures and associates accounted for using the equity method are analysed below into those which meet the SPPI condition of IFRS 9, excluding any financial assets that meet the definition of held for trading or are managed and evaluated on a fair value basis, and all other financial assets.

Fair value information of the financial assets held by CITIC-Prudential Life Insurance Company (CPL), the Group's individually material joint venture, is shown in the table below. The amounts disclosed represent 100 per cent of the entity's financial assets and not the Group's share of those amounts and have been prepared on the same basis as the Group's IFRS financial statements.

	Financial assets that pass the SPPI test*		All other financial assets			
CPL (100% of the financial assets of the entity)	Fair value at 31 Dec		Fair value at 31 Dec		Movement in the fair value during	
Financial assets	**2021** $m	**2020** $m	**2021** $m	**2020** $m	**2021** $m	**2020** $m
Accrued investment income	**170**	170	**–**	–	**–**	–
Other debtors	**620**	392	**–**	–	**–**	–
Loans	**656**	502	**–**	–	**–**	–
Equity securities and holdings in collective investment schemes	**–**	–	**12,882**	9,396	**254**	1,142
Debt securities	**–**	–	**11,976**	8,502	**184**	(12)
Deposits	**1,210**	1,176	**–**	–	**–**	–
Cash and cash equivalents	**422**	316	**–**	–	**–**	–
Total financial assets	**3,078**	2,556	**24,858**	17,898	**438**	1,130

* The carrying value approximates fair value for the financial assets in this category with no movement in the fair value during the year.

A3 Accounting policies continued

A3.2 New accounting pronouncements not yet effective continued

Fair value information for the Group's share of financial assets of other joint ventures and associates in aggregate is set out in the table below:

Other JVs and associates (Prudential's share of the financial assets of the entities)	Financial assets that pass the SPPI test*		All other financial assets			
	Fair value at 31 Dec		Fair value at 31 Dec		Movement in the fair value during	
Financial assets	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Accrued investment income	**85**	71	**–**	–	**–**	–
Other debtors	**187**	114	**–**	–	**–**	–
Loans	**26**	18	**–**	–	**–**	–
Equity securities and holdings in collective investment schemes	**–**	–	**3,859**	3,251	**680**	461
Debt securities	**–**	–	**3,674**	3,490	**(121)**	108
Deposits	**203**	189	**–**	–	**–**	–
Cash and cash equivalents	**510**	424	**–**	–	**–**	–
Total financial assets	**1,011**	816	**7,533**	6,741	**559**	569

* The carrying value approximates fair value for the financial assets in this category with no movement in the fair value during the year.

IFRS 17 'Insurance Contracts'

In May 2017, the IASB issued IFRS 17 'Insurance Contracts' to replace the existing IFRS 4 'Insurance Contracts'. In June 2020, the IASB issued amendments to IFRS 17, including delaying the effective date to reporting periods on or after 1 January 2023. In addition, in December 2021, the IASB issued an amendment to IFRS 17 to permit a classification overlay for financial assets presented in comparative periods on initial application of IFRS 17. The standard is subject to endorsement in the UK via the UK Endorsement Board which is expected in April 2022. The Group intends to adopt IFRS 17 on its mandatory effective date, alongside the adoption of IFRS 9.

IFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2005. IFRS 17 replaces this with a new measurement model for all insurance contracts.

IFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is initially set equal and opposite to any day-one gain arising on initial recognition. Losses are recognised directly into the income statement. For measurement purposes, contracts are grouped together into contracts of similar risk, profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under IFRS 17 is represented by the recognition of the services provided to policyholders in the period (release of the CSM), release from non-economic risk (release of risk adjustment) and investment profit. CSM is released in line with Coverage Units that are a measure of the quantity of benefits provided under a contract and the period over which coverage is provided.

The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders), the CSM reflects the variable fee to shareholders (the 'Variable Fee Approach'). For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non-economic assumptions (the 'General Measurement Model'). The Group expects to use both the Variable Fee Approach and the General Measurement model, depending on the specific characteristics of the insurance products.

IFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement.

In order to transition to IFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined. IFRS 17 requires this CSM to be calculated as if the standard had applied retrospectively. However, if this is not practical an entity is required to choose either a modified retrospective approach or to determine the CSM by reference to the fair value of the liabilities at the transition date (1 January 2022). The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profits on in-force business in future reporting periods. The Group expects all three approaches to be applied on transition, depending on the information that is available to be used for the different groups of contracts of the Group.

IFRS 17 implementation programme

IFRS 17 is expected to have a significant impact as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. A reliable estimate of the effect of changes required to the Group's accounting policies as a result of implementing these standards, which is expected to alter the timing of IFRS profit recognition, is not yet available as implementation is under way. The implementation of this standard involves significant enhancements to IT, actuarial and finance systems of the Group.

The Group has a Group-wide implementation programme to implement IFRS 17 and IFRS 9. The programme is responsible for setting Group-wide accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

A Group-wide Steering Committee, chaired by the Group Chief Financial Officer and Chief Operating Officer with participation from the Group Risk function and the Group's and business units' senior finance managers, provides oversight and strategic direction to the implementation programme. A number of sub-committees are also in place to provide governance over the technical interpretation and accounting policies selected, design and delivery of the programme. During 2021, the Group has made significant progress with the build and testing of new actuarial and finance systems. It is not practicable to provide reliable estimates of the quantitative impact on the Group's results and financial position for the 2021 Annual Report.

Other new accounting pronouncements

In addition to the above, the following new accounting pronouncements have also been issued and are not yet effective but the Group is not expecting them to have a significant impact on the Group's financial statements:

- Amendments to IAS 37 'Onerous contracts – Cost of fulfilling a contract' issued in May 2020 and effective from 1 January 2022;
- Annual Improvements to IFRS 2018–2020 issued in May 2020 and effective from 1 January 2022;
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before intended use' issued in May 2020 and effective from 1 January 2022;
- Reference to the Conceptual Framework – Amendments to IFRS 3 'Business combination' issued in May 2020 and effective from 1 January 2022;
- Amendments to IAS 1 'Classification of liabilities as current or non-current' issued in January 2020 and effective from 1 January 2023. An exposure draft was issued in November 2021 proposing for this effective date to be delayed to no earlier than 1 January 2024;
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of accounting policies' issued in February 2021 and effective from 1 January 2023;
- Amendments to IAS 8 'Definition of Accounting Estimates' issued in February 2021 and effective from 1 January 2023; and
- Amendments to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction' issued in May 2021 and effective from 1 January 2023.

B1 Analysis of performance by segment

B1.1 Segment results

		2021 $m	2020* $m		2021 vs 2020 %	
			AER	CER	AER	CER
	Note	note (i)	note (i)	note (i)	note (i)	note (i)
Continuing operations:						
CPL		**343**	251	269	37%	28%
Hong Kong		**975**	891	889	9%	10%
Indonesia		**446**	519	529	(14)%	(16)%
Malaysia		**350**	309	313	13%	12%
Singapore		**663**	574	589	16%	13%
Growth markets and other note (ii)		**932**	835	841	12%	11%
Eastspring		**314**	283	286	11%	10%
Total segment profit		**4,023**	3,662	3,716	10%	8%
Other income and expenditure:						
Investment return and other income		**21**	(15)	(15)	n/a	n/a
Interest payable on core structural borrowings note (iii)		**(328)**	(316)	(316)	(4)%	(4)%
Corporate expenditure note (iv)		**(298)**	(412)	(428)	28%	30%
Total other income and expenditure	B1.4	**(605)**	(743)	(759)	19%	20%
Restructuring and IFRS 17 implementation costs note (v)	B1.4	**(185)**	(162)	(167)	(14)%	(11)%
Adjusted operating profit	B1.2	**3,233**	2,757	2,790	17%	16%
Short-term fluctuations in investment returns on shareholder-backed business note (vi)		**(458)**	(579)	(554)	21%	17%
Amortisation of acquisition accounting adjustments		**(5)**	(5)	(5)	0%	0%
(Loss) gain attaching to corporate transactions	D1.1	**(94)**	735	733	n/a	n/a
Profit before tax attributable to shareholders		**2,676**	2,908	2,964	(8)%	(10)%
Tax charge attributable to shareholders' returns	B3	**(462)**	(440)	(450)	(5)%	(3)%
Profit for the year from continuing operations		**2,214**	2,468	2,514	(10)%	(12)%
Loss from discontinued US operations	D1.2	**(5,027)**	(283)	(283)	n/a	n/a
(Loss) profit for the year		**(2,813)**	2,185	2,231	n/a	n/a
Attributable to:						
Equity holders of the Company						
From continuing operations		**2,192**	2,458	2,504	(11)%	(12)%
From discontinued US operations		**(4,234)**	(340)	(340)	n/a	n/a
		(2,042)	2,118	2,164	n/a	n/a
Non-controlling interests						
From continuing operations		**22**	10	10	n/a	n/a
From discontinued US operations		**(793)**	57	57	n/a	n/a
		(771)	67	67	n/a	n/a
(Loss) profit for the year		**(2,813)**	2,185	2,231	n/a	n/a

Basic earnings per share (in cents)	Note	2021	2020 AER note (i)	2020 CER note (i)	2021 vs 2020 % AER note (i)	2021 vs 2020 % CER note (i)
Based on adjusted operating profit, net of tax and non-controlling interest from continuing operations	B4	**101.5¢**	86.6¢	87.6¢	17%	16%
Based on profit from continuing operations, net of non-controlling interest	B4	**83.4¢**	94.6¢	96.4¢	(12)%	(13)%
Based on loss for the year from discontinued US operations, net of non-controlling interest	B4	**(161.1)¢**	(13.0)¢	(13.1)¢	n/a	n/a

* The comparative results have been re-presented from those previously published to reflect the Group's US operations as discontinued in 2021 (see note A1).

Notes

(i) Segment results are attributed to the shareholders of the Group before deducting the amount attributable to the non-controlling interests. This presentation is applied consistently throughout the document. For definitions of AER and CER refer to note A1.

(ii) For growth markets and other, adjusted operating profit includes other items of $217 million (2020: $119 million) which primarily comprise of taxes for life joint ventures and associates and other non-recurring items, which in 2021 largely included the impact of refinements to the run-off of the allowance of prudence within technical provisions.

(iii) Included in the interest on core structural borrowings charged to the income statement of $(328) million was $(126) million related to the four tranches of debt that were redeemed in December 2021 and January 2022 using the proceeds from the share offer during the year.

(iv) Corporate expenditure as shown above is for head office functions in London and Hong Kong.

(v) Restructuring and IFRS 17 implementation costs include those incurred in continuing insurance and asset management operations of $(101) million (2020: $(97) million).

(vi) In general, the short-term fluctuations reflect the value movements on shareholders' assets and policyholder liabilities (net of reinsurance) arising from market movements in the year. In 2021, rising interest rates across most operations led to unrealised bond losses which more than offset the impact of higher discount rates on policyholder liabilities under the local reserving basis applied and equity gains on shareholder-backed business in the year. This has led to the overall negative short-term investment fluctuations for total insurance and asset management operations.

B1.2 Determining operating segments and performance measure of operating segments

Operating segments

The Group's operating segments for financial reporting purposes are defined and presented in accordance with IFRS 8 'Operating Segments' on the basis of the management reporting structure and its financial management information.

Under the Group's management and reporting structure, its chief operating decision maker is the Group Executive Committee (GEC), chaired by the Group Chief Executive. In the management structure, responsibility is delegated to the Chief Executive, Asia and Africa, for the day-to-day management of the insurance and asset management operations (within the framework set out in the Group Governance Manual). This in turn is delegated to the Chief Executives of Hong Kong, Indonesia, Malaysia, Singapore, Growth markets (comprising Africa and the remaining Asia subsidiary operations) and Eastspring, the Group's Asia asset manager. CPL is managed jointly with CITIC, a Chinese state-owned conglomerate.

In the first quarter of 2021, the Group reviewed its operating segments for financial reporting under IFRS 8 following changes to the business and financial management information provided to the GEC. As a result, performance measures for insurance operations are now analysed by geographical areas for the larger business units of CPL, Hong Kong, Indonesia, Malaysia and Singapore, with Eastspring, the asset management business, also analysed separately. All other Asia and Africa insurance operations are included in the 'Growth markets and other' segment alongside other amounts that are not included in the segment profit of an individual business unit, including tax on life joint ventures and associates and other items that are not representative of the underlying segment trading for the period. The 2020 comparatives have been re-presented to show the new segments for comparison. On 13 September 2021, the Group completed the demerger of the US operations (Jackson Financial Inc.) from the Prudential plc Group. Accordingly, the US operations do not represent an operating segment at the year end. The results of US operations have been reclassified as discontinued in these consolidated financial statements in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', and have therefore been excluded in the analysis of performance measure of operating segments.

Operations which do not form part of any business unit are reported as 'Unallocated to a segment' and comprise head office functions in London and Hong Kong.

Performance measure

The performance measure of operating segments utilised by the Group is IFRS operating profit based on longer-term investment returns (adjusted operating profit), as described below. This measurement basis distinguishes adjusted operating profit from other constituents of total profit or loss for the period as follows:

- Short-term fluctuations in investment returns on shareholder-backed business;
- Amortisation of acquisition accounting adjustments arising on the purchase of business; and
- Gain or loss on corporate transactions, as discussed in note D1.1.

Determination of adjusted operating profit for investment and liability movements

(i) With-profits business

For with-profits business in Hong Kong, Singapore and Malaysia, the adjusted operating profit reflects the shareholders' share in the bonuses declared to policyholders. Value movements in the underlying assets of the with-profits funds only affect the shareholder results through indirect effects of investment performance on declared policyholder bonuses and therefore, do not affect directly the determination of adjusted operating profit.

(ii) Assets and liabilities held within unit-linked funds

The policyholder unit liabilities are directly reflective of the underlying asset value movements. Accordingly, the adjusted operating profit reflects the current year value movements in both the unit liabilities and the backing assets, which offset one another.

B1 Analysis of performance by segment continued

B1.2 Determining operating segments and performance measure of operating segments continued

(iii) Other shareholder-backed long-term insurance business

In the case of other shareholder-financed business, the measurement of adjusted operating profit reflects that, for the long-term insurance business, assets and liabilities are held for the longer term. For this business the Group believes trends in underlying performance are better understood if the effects of short-term fluctuations in market conditions, such as changes in interest rates or equity markets, are excluded. In determining the profit on this basis, the following key elements are applied to the results of the Group's shareholder-financed businesses.

(a) Policyholder liabilities that are sensitive to market conditions

Under IFRS, the degree to which the carrying values of liabilities to policyholders are sensitive to current market conditions varies between business units depending upon the nature of the 'grandfathered' measurement basis. Taiwan and India apply US GAAP, whose policyholder liabilities are not sensitive to market movements as they are locked in at policy inception.

Movements in liabilities for some types of business do require bifurcation between the elements that relate to longer-term market condition and short-term effects to ensure that at the net level (ie after allocated investment return and charge for policyholder benefits) the adjusted operating profit reflects longer-term market returns.

For certain non-participating business, for example in Hong Kong, the economic features are more akin to asset management products with policyholder liabilities reflecting asset shares over the contract term. Consequently, for these products, the charge for policyholder benefits in the adjusted operating profit reflects the asset share feature rather than volatile movements that would otherwise be reflected if the local regulatory basis (as applied for the IFRS balance sheet) was used.

For other types of non-participating business, expected longer-term investment returns and interest rates are used to determine the movement in policyholder liabilities for determining adjusted operating profit. This ensures assets and liabilities are reflected on a consistent basis.

(b) Assets backing other shareholder-backed long-term insurance business

Except in the case of assets backing liabilities which are directly matched (such as unit-linked business) adjusted operating profit for assets backing shareholder-financed business is determined on the basis of expected longer-term investment returns. Longer-term investment returns comprise actual income receivable for the year (interest/dividend income) and longer-term capital returns, determined for debt and equity-type securities on the basis described below. The difference between the actual investment returns in the reporting period and the longer-term investment returns is recognised within short-term fluctuations in investment returns.

Debt securities and loans

As a general principle, for debt securities and loans, the longer-term investment returns comprise the interest receivable for the year and the amortisation of interest-related realised gains and losses to the date when sold securities would have otherwise matured (or a suitable proxy for this period). All unrealised gains and losses are treated as a component of short-term investment fluctuations. Consideration is given to the need to recognise an expected longer-term level of defaults for the securities within the longer-term investment returns, based on past performance and having regard to the credit quality of the portfolio, with any difference with actual credit-related realised losses arising in the year being included in short-term fluctuations. If, under this analysis, realised gains and losses are principally considered to be interest related with no significant credit-related losses based on past performance, then all realised gains and losses to date for these operations are treated as interest related and amortised to adjusted operating profit over the period to the date those securities would otherwise have matured and no separate charge to longer-term investment returns for credit defaults is made.

For Group debt securities at 31 December 2021, the level of interest-related realised gains and losses on previously sold bonds that had yet to be amortised to adjusted operating profit from short-term investment fluctuations was a net gain of $515 million (2020: net gain of $525 million).

Equity-type securities

For equity-type securities, the longer-term rates of return are estimates of the long-term trend investment returns for income and capital having regard to past performance, current trends and future expectations. Different rates apply to different categories of equity-type securities.

For continuing insurance operations, investments in equity-type securities held for non-linked shareholder-backed business amounted to $6,073 million as at 31 December 2021 (31 December 2020: $4,963 million). The longer-term rates of return applied in 2021 ranged from 5.5 per cent to 16.9 per cent (2020: 5.1 per cent to 16.9 per cent) with the rates applied varying by business unit. These rates are broadly stable from year to year but may be different between regions, reflecting, for example, differing expectations of inflation in each local business unit. The assumptions are for the returns expected to apply in equilibrium conditions. The assumed rates of return do not reflect any cyclical variability in economic performance and are not set by reference to prevailing asset valuations. The longer-term investment returns for the insurance joint ventures and associates accounted for using the equity method are determined on a similar basis as the other insurance operations described above.

Derivative value movements

Generally, derivative value movements are excluded from adjusted operating profit. The exception is where the derivative value movements broadly offset changes in the accounting value of other assets and liabilities included in adjusted operating profit.

(iv) Other non-insurance businesses

For these businesses, the determination of adjusted operating profit reflects the underlying economic substance of the arrangements. Generally, realised gains and losses are included in adjusted operating profit with temporary unrealised gains and losses being included in short-term fluctuations. In some instances, realised gains and losses on derivatives and other financial instruments are amortised to adjusted operating profit over a time period that reflects the underlying economic substance of the arrangements.

B1.3 Revenue from continuing operations

Premiums and annuity considerations for conventional and other protection type insurance policies are recognised as revenue when due. Premiums and annuity considerations for linked policies and other investment type policies are recognised as revenue when received or, in the case of unitised or unit-linked policies, when units are issued. These amounts exclude premium taxes and similar duties where Prudential collects and settles taxes borne by the policyholder.

Policy fees charged on linked policies for mortality, morbidity, asset management and policy administration are recognised when related services are provided.

(a) Analysis of total revenue by segment

	2021 $m									
	Insurance operations note (i)									
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Eastspring	Inter-segment elimination	Total segment	Unallocated to a segment	Group total
Gross premiums earned	**10,032**	**1,724**	**1,900**	**6,246**	**4,315**	**–**	**–**	**24,217**	**–**	**24,217**
Outward reinsurance premiums	**(1,557)**	**(43)**	**(47)**	**(137)**	**(60)**	**–**	**–**	**(1,844)**	**–**	**(1,844)**
Earned premiums, net of reinsurance	**8,475**	**1,681**	**1,853**	**6,109**	**4,255**	**–**	**–**	**22,373**	**–**	**22,373**
Other income note (ii)	**52**	**12**	**–**	**22**	**117**	**437**	**–**	**640**	**1**	**641**
Total external revenue note (iii)	**8,527**	**1,693**	**1,853**	**6,131**	**4,372**	**437**	**–**	**23,013**	**1**	**23,014**
Intra-group revenue	**–**	**–**	**–**	**–**	**1**	**217**	**(218)**	**–**	**–**	**–**
Interest income note B1.3b	**934**	**87**	**220**	**707**	**618**	**3**	**–**	**2,569**	**1**	**2,570**
Dividend and other investment income	**679**	**74**	**160**	**506**	**86**	**–**	**–**	**1,505**	**19**	**1,524**
Investment appreciation (depreciation)	**57**	**34**	**(300)**	**(29)**	**(361)**	**8**	**–**	**(591)**	**(17)**	**(608)**
Total revenue, net of reinsurance	**10,197**	**1,888**	**1,933**	**7,315**	**4,716**	**665**	**(218)**	**26,496**	**4**	**26,500**

	2020 $m									
	Insurance operations note (i)									
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Eastspring	Inter-segment elimination	Total segment	Unallocated to a segment	Group total
Gross premiums earned	11,091	1,738	1,783	5,035	3,848	–	–	23,495	–	23,495
Outward reinsurance premiums note (iv)	(1,918)	(62)	(27)	432	(50)	–	–	(1,625)	–	(1,625)
Earned premiums, net of reinsurance	9,173	1,676	1,756	5,467	3,798	–	–	21,870	–	21,870
Other income note (ii)	59	8	–	38	91	417	–	613	2	615
Total external revenue note (iii)	9,232	1,684	1,756	5,505	3,889	417	–	22,483	2	22,485
Intra-group revenue	–	–	–	–	1	164	(165)	–	–	–
Interest income note B1.3b	646	104	210	447	570	5	–	1,982	15	1,997
Dividend and other investment income	646	86	99	364	65	5	–	1,265	32	1,297
Investment appreciation (depreciation)	7,493	(201)	369	2,045	765	21	–	10,492	(24)	10,468
Total revenue, net of reinsurance	18,017	1,673	2,434	8,361	5,290	612	(165)	36,222	25	36,247

Notes

(i) CPL, Prudential's life business in China, is a 50/50 joint venture with CITIC and is accounted for using the equity method under IFRS. The Group's share of its results is presented in a single line within the Group's profit before tax on a net of related tax basis, and therefore not shown in the analysis of revenue line items above. Revenue from external customers of CPL (Prudential's share) in 2021 is $3,052 million (2020: $1,866 million). Further financial information on CPL is provided in note D6.3.

(ii) Other income comprises income from external customers and consists primarily of revenue from the Group's asset management business of $437 million (2020: $417 million). The remaining other income consists primarily of policy fee revenue from external customers and asset management rebate revenue from external fund managers. Also included in other income is fee income on financial instruments that are not held at fair value through profit or loss of $1 million (2020: $1 million).

(iii) Due to the nature of the business of the Group, there is no reliance on any major customers. Of the Group's markets, only Hong Kong and Singapore have external revenue that exceeds 10 per cent of the Group total for all years presented.

(iv) The 2020 outward reinsurance premiums in Singapore included a credit of $542 million for the recapture of previously reinsured business following a change in regulatory requirements.

B1 Analysis of performance by segment continued

B1.3 Revenue from continuing operations continued

(b) Additional analysis of investment return

Investment return included in the income statement principally comprises interest income, dividends, investment appreciation and depreciation (realised and unrealised gains and losses) on investments designated as fair value through profit or loss, and realised gains and losses (including impairment losses) on items held at amortised cost and/or designated as available-for-sale. Movements in unrealised appreciation or depreciation of securities designated as available-for-sale are recorded in other comprehensive income. Interest income is recognised as it accrues. Dividends on equity securities are recognised on the ex-dividend date and rental income is recognised on an accrual basis.

	2021 $m	**2020** $m
Realised and unrealised gains (losses) on securities at fair value through profit or loss note (i)	**624**	9,741
Realised and unrealised (losses) gains on derivatives at fair value through profit or loss note (i)	**(943)**	916
Realised (losses) gains on loans note (i)	**(2)**	–
Interest income note (ii)	**2,570**	1,997
Dividends	**1,496**	1,257
Other investment returns (including foreign exchange gains and losses)	**(259)**	(149)
Investment return from continuing operations	**3,486**	13,762

Notes

(i) Realised gains and losses on the Group's investments from continuing operations for 2021 recognised in the income statement amounted to a net gain of $6.0 billion (2020: a net gain of $4.9 billion).

(ii) Interest income from continuing operations includes $280 million (2020: $257 million) in respect of financial assets not at fair value through profit and loss.

The overall financial strength of Prudential and the results, both current and future, of the insurance business are in part dependent upon the quality and performance of the various investment portfolios. Prudential's insurance investments support a range of businesses operating in many geographic areas. Each of the operations formulates a strategy based on the nature of its underlying liabilities, its level of capital and its local regulatory requirements. Prudential's insurance business's investments, excluding assets to cover linked liabilities and those attributable to external unit holders of consolidated investment funds, are largely held by Prudential's Singapore and Hong Kong operations.

All investments of the Group's continuing operations are carried at fair value in the statement of financial position with fair value movements, which are volatile from period to period, recorded in the income statement, except for loans and receivables, which are generally carried at amortised cost (unless designated at fair value through profit or loss) and the Group's retained interest in Jackson and certain centrally held debt securities, which are designated as available-for-sale and therefore the changes in unrealised fair value are booked in other comprehensive income. Subject to the effect of the exceptions, the period-on-period changes in investment returns primarily reflect the generality of overall market movements for equities and debt securities. In addition, foreign exchange rates affect the US dollar value of the translated income. Consistent with the treatment applied for other items of income and expenditure, investment return for operations not using US dollars as functional currency is translated at average exchange rates. The year-on-year movements in investment return of the Group mainly reflect the cumulative impact from the changes in interest rates on bond asset values and in the performance of the equity markets.

Allocation of investment return between policyholders and shareholders

Investment return is attributable to policyholders and shareholders. A key feature of the accounting policies under IFRS is that the investment return included in the income statement relates to all investment assets of the Group, irrespective of whether the return is attributable to shareholders, policyholders or the unallocated surplus of with-profits funds, the latter two of which have no direct impact on shareholders' profit. The table below provides a breakdown of the investment return attributable to each type of business.

Continuing operations:	**2021** $m	**2020** $m
Policyholder returns		
Assets backing unit-linked liabilities	**516**	1,549
With-profits business	**2,700**	8,384
	3,216	9,933
Shareholder returns	**270**	3,829
Total investment return from continuing operations	**3,486**	13,762

Policyholder returns

Investment returns allocated to policyholders are those from investments in which shareholders have no direct economic interest, namely unit-linked business for which the investment returns are wholly attributable to policyholders and with-profits business in which the shareholders' economic interest (and the basis of recognising IFRS basis profits) is restricted to a share of the actuarially determined surplus for distribution. Except for this surplus, the investment returns of the with-profits funds are attributable to policyholders (through the asset-share liabilities) or the unallocated surplus, which is accounted for as a liability under IFRS 4 as shown in note C3.

Shareholder returns

For shareholder-backed non-with-profits business, the investment returns are not directly attributable to policyholders and, therefore, impact shareholders' profit directly.

B1.4 Profit after tax from continuing operations by segment

	2021 $m	2020 $m
CPL	**278**	394
Hong Kong	**1,068**	994
Indonesia	**362**	409
Malaysia	**265**	256
Singapore	**394**	521
Growth markets and other	**434**	548
Eastspring	**284**	253
Total segment	**3,085**	3,375
Unallocated to a segment (central operations) note	**(871)**	(907)
Group total profit after tax from continuing operations	**2,214**	2,468

Note

Comprising of other income and expenditure of $(605) million (2020: $(743) million) attributable to the head office functions in London and Hong Kong and $(185) million (2020: $(162) million) of restructuring and IFRS 17 implementation costs as shown in note B1.1, $(25) million (2020: $28 million) of short-term fluctuations on investment returns, $(35) million (2020: $(30) million) from corporate transactions as shown in note D1.1 and related tax of $(21) million (2020: nil).

B2 Acquisition costs and other expenditure

	2021 $m	2020 $m
Acquisition costs incurred for insurance policies note (iii)	**(2,089)**	(2,080)
Acquisition costs deferred	**848**	617
Amortisation of acquisition costs note (iii)	**(343)**	(308)
Administration costs and other expenditure (net of other reinsurance commission) notes (i)(ii)(iii)(iv)	**(3,128)**	(2,433)
Movements in amounts attributable to external unit holders of consolidated investment funds	**152**	(447)
Total acquisition costs and other expenditure from continuing operations	**(4,560)**	(4,651)

Notes

(i) Included in total administration costs and other expenditure from continuing operations is depreciation of property, plant and equipment of $(169) million (2020: $(186) million), of which $(123) million (2020: $(134) million) relates to the right-of-use assets recognised under IFRS 16. The 2020 amount also included a credit of $770 million for the commission arising from the reinsurance transaction entered into by the Hong Kong business during the year.

(ii) Administration costs and other expenditure from continuing operations includes fee expenses relating to financial liabilities held at amortised cost and are part of the determination of the effective interest rate.

(iii) Total depreciation and amortisation expense from continuing operations are included in 'Acquisition costs incurred for insurance policies', 'Administration costs and other expenditure' and 'Amortisation of acquisition costs' and relates primarily to amortisation of DAC of insurance contracts and distribution rights intangibles. The segmental analysis of depreciation and amortisation is shown below.

	2021 $m	2020 $m
Hong Kong	**(123)**	(158)
Indonesia	**(51)**	(34)
Malaysia	**(56)**	(37)
Singapore	**(162)**	(144)
Growth markets and other	**(390)**	(301)
Eastspring	**(17)**	(16)
Total segment	**(799)**	(690)
Unallocated to a segment (central operations)	**(31)**	(35)
Total depreciation and amortisation from continuing operations	**(830)**	(725)

(iv) Interest expense is included in 'Administration costs and other expenditure' other than interest on core structural borrowings that is presented separately on the income statement as finance costs. Interest expense of the central operations amounted to $(331) million (2020: $(334) million) comprising $(328) million (2020: $(316) million) of interest on core structural borrowings and $(3) million of interest on lease liabilities (2020: $(4) million) and nil (2020: $(14) million) of interest on other operational borrowings. The interest expense of the other segments of $(10) million (2020: $(13) million) comprises wholly of interest on lease liabilities and is distributed evenly across these segments. Excluding interest on lease liabilities, the interest expense of the continuing operations of $(328) million (2020: $(330) million) relates to interest on financial liabilities that are not at fair value through profit and loss.

B2 Acquisition costs and other expenditure continued

B2.1 Staff and employment costs

The average number of staff employed by the Group, for both continuing and discontinued operations, during the years shown was:

	2021	2020
Asia and Africa operations note (i)	**13,237**	12,949
Head office function note (ii)	**600**	657
Total continuing operations	**13,837**	13,606
Discontinued US operations note (iii)	**3,306**	3,650
Total Group	**17,143**	17,256

Notes

(i) The Asia and Africa operations staff numbers above exclude 440 (2020: 502) commission-based sales staff who have an employment contract with the Company.

(ii) The 'Head office function' staff numbers include staff based in London and Hong Kong.

(iii) Average staff numbers of the discontinued US operations were for the period up to the demerger in September 2021.

The costs of employment, for both continuing and discontinued operations, were:

	2021 $m			2020 $m		
	Continuing	Discontinued*	Group total	Continuing	Discontinued	Group total
Wages and salaries	**973**	**511**	**1,484**	917	619	1,536
Social security costs	**42**	**22**	**64**	41	26	67
Defined contribution schemes	**42**	**29**	**71**	42	34	76
Total Group*	**1,057**	**562**	**1,619**	1,000	679	1,679

* Total costs of employment in the table above include staff costs of the discontinued US operations for the period up to the demerger in September 2021.

B2.2 Share-based payment

The Group offers discretionary share awards to certain key employees and all-employee share plans in the UK and a number of Asia locations. The compensation expense charged to the income statement is primarily based upon the fair value of the awards granted, the vesting period and the vesting conditions. The Company has established trusts to facilitate the delivery of Prudential plc shares under some of these plans. The cost to the Company of acquiring these newly issued shares held in trusts is shown as a deduction from shareholders' equity.

(a) Description of the plans

The Group operates a number of share award plans that provides Prudential plc shares, or ADRs, to participants upon vesting. The plans in operation include the Prudential Long Term Incentive Plan, the Prudential Annual Incentive Plan, savings-related share option schemes, share purchase plans and deferred bonus plans. Where Executive Directors participate in these plans, details about those schemes are provided in the Directors' remuneration report. The following information is provided about plans in which the Executive Directors do not participate:

Share scheme	*Description*
Prudential Corporation Asia Long-Term Incentive Plan (PCA LTIP)	The PCA LTIP provides eligible employees with conditional awards. Awards are discretionary and vest after three years subject to the employee being in employment. Vesting of awards may also be subject to performance conditions. All awards are generally made in Prudential shares. In countries where share awards are not feasible for reasons including securities and/or tax considerations, awards will be replaced by the cash value of the shares that would otherwise have vested.
Prudential Agency Long-Term Incentive Plan (LTIP)	Certain agents are eligible to be granted awards in Prudential shares under the Prudential Agency LTIP. These awards are structured in a similar way to the PCA LTIP described above.
Restricted Share Plan (RSP)	The Company operates the RSP for certain employees. Awards under this plan are discretionary, and the vesting of awards may be subject to performance conditions. All awards are made in Prudential shares.
Deferred bonus plans	The Company operates a number of deferred bonus plans including the Group Deferred Bonus Plan (GDBP) and the Prudential Corporation Asia Deferred Bonus Plan (PCA DBP). There are no performance conditions attached to deferred share awards made under these arrangements.
Savings-related share option schemes [note]	Employees and eligible agents in a number of geographies are eligible for plans similar to the HMRC-approved Save As You Earn (SAYE) share option scheme in the UK. During the year ended 31 December 2021, eligible agents based in certain business units can participate in the International Savings-Related Share Option Scheme for Non-Employees.
Share purchase plans	Eligible employees outside the UK are invited to participate in arrangements similar to the Company's HMRC-approved UK SIP, which allows the purchase of Prudential plc shares. Staff based in Asia are eligible to participate in the Prudential Corporation Asia All Employee Share Purchase Plan.

Note

The total numbers of securities available for issue under the scheme is disclosed in note I(vii) in additional unaudited financial information.

(b) Outstanding options and awards

The following table shows the movement in outstanding options and awards under the Group's share-based compensation plans:

	Options outstanding under SAYE schemes				**Awards outstanding under incentive plans**	
	2021		**2020**		**2021**	**2020**
	Number of options millions	**Weighted average exercise price** £	**Number of options** millions	**Weighted average exercise price** £	**Number of awards** millions	
Balance at beginning of year:	**2.3**	**11.86**	3.8	12.38	**40.6**	33.0
Granted	**0.4**	**11.90**	0.4	9.64	**5.2**	20.2
Modification	**0.1**	**11.77**	–	–	**0.7**	–
Exercised	**(0.7)**	**12.58**	(0.9)	11.44	**(8.6)**	(10.3)
Forfeited	**–**	**11.11**	–	14.27	**(3.1)**	(1.5)
Cancelled	**(0.1)**	**11.51**	(0.1)	12.55	**(0.1)**	(0.1)
Lapsed/Expired	**–**	**12.88**	(0.9)	13.28	**(0.6)**	(0.7)
Jackson awards derecognised on demerger	**–**	**–**	–	–	**(9.5)**	–
Balance at end of year	**2.0**	**11.61**	2.3	11.86	**24.6**	40.6
Options immediately exercisable at end of year	**0.2**	**12.26**	0.5	12.64		

On demerger of Jackson from the Prudential Group, outstanding share awards for Prudential plc participants were adjusted to receive the demerger dividend in the form of additional Prudential plc shares, to be released on the same timetable and to the same extent as their original share awards. In the case of the International Savings-Related Share Option Scheme for Non Employees the adjustments to outstanding options were confirmed as being fair and reasonable by an independent financial adviser in accordance with the rules of that plan and the Hong Kong Stock Exchange Listing Rules.

Employees of Jackson were granted replacement awards over Jackson shares, in exchange for existing Group awards outstanding under incentive plans. As designated replacement awards were granted, no cancellation was recognised in respect of the original awards. As the replacement awards are an obligation of Jackson these awards were derecognised by the Group on demerger.

The weighted average share price of Prudential plc for 2021 was £14.31 (2020: £11.64).

B2 Acquisition costs and other expenditure continued

B2.2 Share-based payment continued

The following table provides a summary of the range of exercise prices for Prudential plc options outstanding at 31 December:

	Outstanding						Exercisable			
	Number outstanding millions		Weighted average remaining contractual life years		Weighted average exercise prices £		Number exercisable millions		Weighted average exercise prices £	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Between £9 and £10	**0.4**	0.4	**3.2**	4.2	**9.64**	9.64	**–**	–	**–**	–
Between £11 and £12	**1.2**	1.2	**2.7**	2.2	**11.38**	11.11	**0.1**	0.3	**11.04**	11.11
Between £13 and £14	**0.2**	0.3	**1.6**	2.2	**13.94**	13.94	**0.1**	–	**13.94**	–
Between £14 and £15	**0.2**	0.4	**1.4**	1.3	**14.55**	14.55	**–**	0.2	**–**	14.55
Weighted average	**2.0**	2.3	**2.6**	2.4	**11.61**	11.86	**0.2**	0.5	**12.26**	12.64

The years shown above for weighted average remaining contractual life include the time period from end of vesting period to expiration of contract.

(c) Fair value of options and awards

The fair value amounts estimated on the date of grant relating to all options and awards were determined by using the following assumptions:

	2021			2020		
	Prudential LTIP (TSR)	SAYE options	Other awards	Prudential LTIP (TSR)	SAYE options	Other awards
Dividend yield (%)	**–**	**0.81**	**–**	–	3.45	–
Expected volatility (%)	**26.69**	**22.31**	**–**	41.08	27.55	–
Risk-free interest rate (%)	**0.36**	**1.18**	**–**	0.39	0.27	–
Expected option life (years)	**–**	**4.50**	**–**	–	3.92	–
Weighted average exercise price (£)	**–**	**14.76**	**–**	–	10.74	–
Weighted average share price at grant date (£)	**15.11**	**11.90**	**–**	10.49	9.64	–
Weighted average fair value at grant date (£)	**7.70**	**4.13**	**14.79**	4.93	1.95	10.54

The compensation costs for all awards and options are recognised in net income over the plans' respective vesting periods. The Group uses the Black-Scholes model to value all options, and financial equivalence to value all awards other than those which have TSR performance conditions attached (some Prudential LTIP and RSP awards) for which the Group uses a Monte Carlo model in order to allow for the impact of these conditions. These models are used to calculate fair values for share options and awards at the grant date based on the quoted market price of the stock at the measurement date, the amount, if any, that the employees are required to pay, the dividend yield, expected volatility, risk-free interest rates and exercise prices.

For all options and awards, the expected volatility is based on the market implied volatilities as quoted on Bloomberg. The Prudential specific at-the-money implied volatilities are adjusted to allow for the different terms and discounted exercise price on SAYE options by using information on the volatility surface of the FTSE 100.

Risk-free interest rates are taken from swap spot rates with projection terms matching the corresponding vesting periods. For awards with a TSR condition, volatilities and correlations between Prudential and a basket of 12 competitor companies is required. For grants in 2021, the average volatility for the basket of competitors was 23.62 per cent (2020: 41.40 per cent). Correlations for the basket are calculated for each pairing from the log of daily TSR returns for the three years prior to the valuation date. Market implied volatilities are used for both Prudential and the basket of competitors. Changes to the subjective input assumptions could materially affect the fair value estimate.

Other awards, without market performance conditions or exercise price, are valued based on grant date share price.

(d) Share-based payment expense charged to the income statement

The total expense for continuing operations recognised in 2021 in the consolidated financial statements relating to share-based compensation is $100 million (2020: $103 million), of which $94 million (2020: $97 million) is accounted for as equity-settled.

The Group had $32 million of liabilities at 31 December 2021 (31 December 2020: $32 million) relating to share-based payment awards accounted for as cash-settled.

B2.3 Key management remuneration

Key management constitutes the Directors of Prudential plc, as they have authority and responsibility for planning, directing and controlling the activities of the Group, and other non-director members of the Group Executive Committee.

Total key management remuneration is analysed in the following table:

	2021 $m	**2020** $m
Salaries and short-term benefits	**29.3**	20.0
Post-employment benefits	**1.4**	1.2
Share-based payments	**14.0**	14.6
Payments on separation	**23.5**	–
	68.2	35.8

The share-based payments charge comprises $7.5 million (2020: $10.7 million), which is determined in accordance with IFRS 2 'Share-based Payment' (see note B2.2) and $6.5 million (2020: $3.9 million) of deferred share awards.

B2.4 Fees payable to the auditor

	2021 $m	**2020** $m
Audit of the Company's annual accounts	**2.4**	2.3
Audit of subsidiaries pursuant to legislation	**5.9**	9.2
Audit fees payable to the auditor	**8.3**	11.5
Audit-related assurance services note (i)	**4.5**	3.5
Other assurance services	**1.1**	0.7
Services relating to corporate finance transactions	**1.6**	0.3
Non-audit fees payable to the auditor	**7.2**	4.5
Total fees payable to the auditor	**15.5**	16.0
Analysed into:		
Fees payable to the auditor attributable to continuing operations		
One-off non-audit services associated with demerger and public offering note (ii)	**1.9**	0.4
Other audit and non-audit services	**11.3**	9.5
	13.2	9.9
Fees payable to the auditor attributable to discontinued US operations	**2.3**	6.1
	15.5	16.0

Notes

(i) Of the audit-related assurance service fees of $4.5 million in 2021 (2020: $3.5 million), $0.6 million (2020: $0.7 million) relates to services that are required by law and regulation.

(ii) Of the $1.9 million one-off non-audit services fees associated with the demerger of the US operations and the public offering in Hong Kong in 2021, $0.1 million was for audit-related assurance and $0.1 million for other assurance services required by law and regulation.

B3 Tax charge from continuing operations

Prudential is subject to tax in numerous jurisdictions and the calculation of the total tax charge inherently involves a degree of estimation and judgement. 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. 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, provisions are established based on 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 outcomes.

The total tax charge includes tax expense attributable to both policyholders and shareholders. The tax expense attributable to policyholders comprises the tax on the income of the consolidated with-profits and unit-linked funds. In certain jurisdictions, life insurance companies are taxed on both their shareholders' profits and on their policyholders' insurance and 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.

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 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 are substantively enacted at the end of the reporting period.

B3 Tax charge from continuing operations continued

B3.1 Total tax charge by nature

The total tax charge from continuing operations in the income statement is as follows:

Tax charge	**2021** $m	**2020** $m
Attributable to shareholders:		
Hong Kong	**(40)**	(15)
Indonesia	**(74)**	(125)
Malaysia	**(71)**	(58)
Singapore	**(67)**	(87)
Growth markets and other	**(159)**	(125)
Eastspring	**(30)**	(30)
Total segment	**(441)**	(440)
Unallocated to a segment (central operations)	**(21)**	–
Tax charge attributable to shareholders	**(462)**	(440)
Attributable to policyholders:		
Hong Kong	**(79)**	(60)
Indonesia	**4**	(3)
Malaysia	**(2)**	(34)
Singapore	**(261)**	(170)
Growth markets and other	**(4)**	(4)
Tax charge attributable to policyholders	**(342)**	(271)
Total tax charge from continuing operations	**(804)**	(711)

Profit before tax includes Prudential's share of profit after tax from the joint ventures and associates that are equity-accounted for. Therefore, the actual tax charge in the income statement does not include tax arising from the results of joint ventures and associates including CPL.

The reconciliation of the expected to actual tax charge attributable to shareholders is provided in B3.2 below. The tax charge attributable to policyholders of $(342) million (2020: $(271) million) above is equal to the profit before tax attributable to policyholders. This is the result of accounting for policyholder income after the deduction of expenses and movement on unallocated surpluses on an after-tax basis.

The total tax (charge) credit from continuing operations comprises:

	2021 $m	**2020** $m
Current tax expense:		
Corporation tax	**(405)**	(376)
Adjustments in respect of prior years	**6**	(7)
Total current tax charge	**(399)**	(383)
Deferred tax arising from:		
Origination and reversal of temporary differences	**(388)**	(306)
Impact of changes in local statutory tax rates	**–**	(1)
Credit in respect of a previously unrecognised tax loss, tax credit or temporary difference from a prior period	**(17)**	(21)
Total deferred tax charge	**(405)**	(328)
Total tax charge from continuing operations	**(804)**	(711)

B3.2 Reconciliation of shareholder effective tax rate

In the reconciliation below, the expected tax rate reflects the corporation tax rates that are expected to apply to the taxable profit or loss of the continuing operations. It reflects the corporation tax rates of each jurisdiction weighted by reference to the amount of profit or loss contributing to the aggregate result from continuing operations.

	2021		2020	
	Tax attributable to shareholders $m	**Percentage impact on ETR** %	**Tax attributable to shareholders** $m	**Percentage impact on ETR** %
Continuing operations:				
Adjusted operating profit	**3,233**		2,757	
Non-operating (loss) profit note (i)	**(557)**		151	
Profit before tax	**2,676**		2,908	
Tax charge at the expected rate	**(539)**	**20%**	(602)	21%
Effects of recurring tax reconciliation items:				
Income not taxable or taxable at concessionary rates note (ii)	**63**	**(2)%**	102	(4)%
Deductions not allowable for tax purposes	**(92)**	**3%**	(32)	1%
Items related to taxation of life insurance businesses note (iii)	**177**	**(7)%**	152	(5)%
Deferred tax adjustments including unrecognised tax losses note (iv)	**(111)**	**4%**	(172)	6%
Effect of results of joint ventures and associates note (v)	**80**	**(3)%**	129	(4)%
Irrecoverable withholding taxes note (vi)	**(60)**	**2%**	(35)	1%
Other	**(8)**	**1%**	17	(1)%
Total credit	**49**	**(2)%**	161	(6)%
Effects of non-recurring tax reconciliation items:				
Adjustments to tax charge in relation to prior years	**(11)**	**0%**	(25)	1%
Movements in provisions for open tax matters note (vii)	**47**	**(2)%**	33	(1)%
Impact of changes in local statutory tax rates	**6**	**0%**	(1)	0%
Adjustments in relation to business disposals and corporate transactions	**(14)**	**1%**	(6)	0%
Total credit	**28**	**(1)%**	1	0%
Total actual tax charge	**(462)**	**17%**	(440)	15%
Analysed into:				
Tax charge on adjusted operating profit	**(548)**		(497)	
Tax credit on non-operating result note (i)	**86**		57	
Actual tax rate on:				
Adjusted operating profit:				
Including non-recurring tax reconciling items note (viii)	**17%**		18%	
Excluding non-recurring tax reconciling items	**18%**		18%	
Total profit note (viii)	**17%**		15%	

B3 Tax charge from continuing operations continued

B3.2 Reconciliation of shareholder effective tax rate continued

Notes

(i) 'Non-operating (loss) profit' is used to refer to items excluded from adjusted operating profit and includes short-term investment fluctuations in investment returns on shareholder-backed business, corporate transactions and amortisation of acquisition accounting adjustments.

(ii) Income not taxable or taxable at concessionary rates primarily relates to non-taxable investment income in Singapore and Malaysia.

(iii) Items related to taxation of life insurance businesses primarily relates to Hong Kong where the taxable profit is computed as 5 per cent of net insurance premiums.

(iv) The unrecognised tax losses reconciling amount reflects losses arising where it is unlikely that relief for the losses will be available in future periods.

(v) Profit before tax includes Prudential's share of profit after tax from the joint ventures and associates. Therefore, the actual tax charge does not include tax arising from profit or loss of joint ventures and associates and is reflected as a reconciling item.

(vi) The Group incurs withholding tax on remittances received from certain jurisdictions and on certain investment income. Where these withholding taxes cannot be offset against corporate income tax or otherwise recovered, they represent a cost to the Group. Irrecoverable withholding tax on remittances is included in Other operations and is not allocated to any segment. Irrecoverable withholding tax on investment income is included in the relevant segment where the investment income is reflected.

(vii) The statement of financial position contains the following provisions in relation to open tax matters:

	2021 $m
Balance at 1 Jan	**113**
Removal of discontinued US operations	**(3)**
Movements in the current year included in tax charge attributable to shareholders	**(47)**
Provisions utilised in the year	**(4)**
Other movements (including interest arising on open tax matters and amounts included in the Group's share of profits from joint ventures and associates, net of related tax)	**(17)**
Balance at 31 Dec	**42**

(viii) The actual tax rates of the relevant business operations are shown below:

	2021 %							
	Hong Kong	**Indonesia**	**Malaysia**	**Singapore**	**Growth markets and other**	**Eastspring**	**Other operations**	**Total attributable to shareholders**
Tax rate on adjusted operating profit	**5%**	**17%**	**21%**	**15%**	**22%**	**10%**	**(3)%**	**17%**
Tax rate on profit before tax	**4%**	**17%**	**21%**	**15%**	**27%**	**10%**	**(2)%**	**17%**

	2020 %							
	Hong Kong	**Indonesia**	**Malaysia**	**Singapore**	**Growth markets and other**	**Eastspring**	**Other operations**	**Total attributable to shareholders**
Tax rate on adjusted operating profit	3%	24%	18%	14%	22%	11%	0%	18%
Tax rate on profit before tax	1%	23%	18%	14%	19%	11%	0%	15%

B4 Earnings per share

	Note	2021 Before tax $m	Tax $m	Non-controlling interests $m	Net of tax and non-controlling interests $m	Basic earnings per share cents	Diluted earnings per share cents
Based on adjusted operating profit		**3,233**	**(548)**	**(17)**	**2,668**	**101.5¢**	**101.5¢**
Short-term fluctuations in investment returns on shareholder-backed business		**(458)**	**81**	**(5)**	**(382)**	**(14.5)¢**	**(14.5)¢**
Amortisation of acquisition accounting adjustments		**(5)**	**–**	**–**	**(5)**	**(0.2)¢**	**(0.2)¢**
Loss attaching to corporate transactions	D1.1	**(94)**	**5**	**–**	**(89)**	**(3.4)¢**	**(3.4)¢**
Based on profit from continuing operations		**2,676**	**(462)**	**(22)**	**2,192**	**83.4¢**	**83.4¢**
Based on loss from discontinued US operations	D1.2				**(4,234)**	**(161.1)¢**	**(161.1)¢**
Based on loss for the year					**(2,042)**	**(77.7)¢**	**(77.7)¢**

	Note	2020 Before tax $m	Tax $m	Non-controlling interests $m	Net of tax and non-controlling interests $m	Basic earnings per share cents	Diluted earnings per share cents
Based on adjusted operating profit		2,757	(497)	(10)	2,250	86.6¢	86.6¢
Short-term fluctuations in investment returns on shareholder-backed business		(579)	49	–	(530)	(20.4)¢	(20.4)¢
Amortisation of acquisition accounting adjustments		(5)	–	–	(5)	(0.2)¢	(0.2)¢
Gain attaching to corporate transactions	D1.1	735	8	–	743	28.6¢	28.6¢
Based on profit from continuing operations		2,908	(440)	(10)	2,458	94.6¢	94.6¢
Based on loss from discontinued US operations	D1.2				(340)	(13.0)¢	(13.0)¢
Based on profit for the year					2,118	81.6¢	81.6¢

Basic earnings per share are calculated based on earnings attributable to ordinary shareholders, after related tax and non-controlling interests, divided by the weighted average number of ordinary shares outstanding during the year, excluding those held in employee share trusts, which are treated as cancelled. For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's only class of potentially dilutive ordinary shares are those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. No adjustment is made if the impact is anti-dilutive overall.

The weighted average number of shares for calculating basic and diluted earnings per share, which excludes those held in employee share trusts, is set out as below:

Number of shares (in millions)	**2021**	**2020**
Weighted average number of shares for calculation of basic earnings per share	**2,628**	2,597
Shares under option at end of year	**2**	2
Shares that would have been issued at fair value on assumed option price at end of year	**(2)**	(2)
Weighted average number of shares for calculation of diluted earnings per share	**2,628**	2,597

B5 Dividends

Demerger dividends from discontinued operations
On 13 September 2021, following approval by the Group's shareholders, Prudential plc demerged Jackson, its US operations, via a dividend in specie. At the point of the demerger, the Group retained a non-controlling holding of 19.7 per cent economic interest (19.9 per cent voting interest) in the total common stock of Jackson. As required by IFRIC 17 'Distributions of Non-Cash Assets to Owners', the dividend has been recorded at $1,735 million, being the fair value of those shares distributed to shareholders at the date of the demerger of Jackson.

Other dividends

	2021		2020	
	Cents per share	$m	Cents per share	$m
Dividends relating to reporting year:				
First interim ordinary dividend	**5.37¢**	**140**	5.37¢	140
Second interim ordinary dividend	**11.86¢**	**326**	10.73¢	280
Total	**17.23¢**	**466**	16.10¢	420
Dividends paid in reporting year:				
Current year first interim ordinary dividend	**5.37¢**	**138**	5.37¢	140
Second interim ordinary dividend for prior year	**10.73¢**	**283**	25.97¢	674
Total	**16.10¢**	**421**	31.34¢	814

First and second interim dividends are recorded in the period in which they are paid.

Dividend per share
The 2021 first interim dividend of 5.37 cents per ordinary share was paid to eligible shareholders on 28 September 2021.

On 13 May 2022, Prudential will pay a second interim dividend of 11.86 cents per ordinary share for the year ended 31 December 2021. The second interim dividend will be paid to shareholders included on the UK register at 6.00pm BST and to shareholders on the HK register at 4.30pm Hong Kong time on 25 March 2022 (Record Date), and also to the Holders of US American Depositary Receipts (ADRs) as at 25 March 2022. The second interim dividend will be paid on or about 20 May 2022 to shareholders with shares standing to the credit of their securities accounts with The Central Depository (Pte) Limited (CDP) at 5.00pm Singapore time on the Record Date.

Shareholders holding shares on the UK or Hong Kong share registers will continue to receive their dividend payments in either GBP or HKD respectively, unless they elect otherwise. Shareholders holding shares on the UK or Hong Kong registers may elect to receive dividend payments in USD. Elections must be made through the relevant UK or Hong Kong share registrar on or before 21 April 2022. The corresponding amount per share in GBP and HKD is expected to be announced on or about 28 April 2022. The USD to GBP and HKD conversion rates will be determined by the actual rates achieved by Prudential buying those currencies prior to the subsequent announcement.

Holders of ADRs will continue to receive their dividend payments in USD. Shareholders holding an interest in Prudential shares through CDP in Singapore will continue to receive their dividend payments in SGD at an exchange rate determined by CDP.

Shareholders on the UK register are eligible to participate in a Dividend Reinvestment Plan.

C1 Group assets and liabilities by business type

The analysis below is structured to show the investments and other assets and liabilities of the Group by reference to the differing degrees of policyholder and shareholder economic interest of the different types of business.

Debt securities are analysed below according to the issuing government for sovereign debt and to credit ratings for the rest of the securities. The Group uses the middle of the Standard & Poor's, Moody's and Fitch ratings, where available. Where ratings are not available from these rating agencies, local external rating agencies' ratings and lastly internal ratings have been used. Securities with none of the ratings listed above are classified as unrated and included under the 'below BBB- and unrated' category. The total securities from continuing operations (excluding sovereign debt) that were unrated at 31 December 2021 were $1,130 million (31 December 2020: $780 million). Additionally, government debt is shown separately from the rating breakdowns in order to provide a more focused view of the credit portfolio.

In the table below, 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-.

C1 Group assets and liabilities by business type continued

	31 Dec 2021 $m								
	Asia and Africa								
	Insurance								
	With-profits note (i)	Unit-linked note (i)	Other note (i)	Eastspring	Eliminations	Total	Unallocated to a segment	Elimination of intra-group debtors and creditors	Group total
Debt securities notes (ii)(iv)									
Sovereign debt									
Indonesia	414	598	609	11	–	1,632	–	–	1,632
Singapore	3,684	550	1,068	126	–	5,428	–	–	5,428
Thailand	–	–	1,577	3	–	1,580	–	–	1,580
United Kingdom	–	7	–	–	–	7	226	–	233
United States	28,552	47	3,525	–	–	32,124	–	–	32,124
Vietnam	–	20	3,022	–	–	3,042	–	–	3,042
Other (predominantly Asia)	2,030	720	4,001	21	–	6,772	–	–	6,772
Subtotal	34,680	1,942	13,802	161	–	50,585	226	–	50,811
Other government bonds									
AAA	1,472	86	246	–	–	1,804	–	–	1,804
AA+ to AA-	45	2	12	–	–	59	–	–	59
A+ to A-	667	119	304	–	–	1,090	–	–	1,090
BBB+ to BBB-	121	16	116	–	–	253	–	–	253
Below BBB- and unrated	204	15	450	–	–	669	–	–	669
Subtotal	2,509	238	1,128	–	–	3,875	–	–	3,875
Corporate bonds									
AAA	1,222	236	411	–	–	1,869	–	–	1,869
AA+ to AA-	2,203	359	1,858	–	–	4,420	–	–	4,420
A+ to A-	9,046	675	5,294	–	–	15,015	–	–	15,015
BBB+ to BBB-	9,523	1,711	5,105	–	–	16,339	–	–	16,339
Below BBB- and unrated	4,009	678	1,827	–	–	6,514	–	–	6,514
Subtotal	26,003	3,659	14,495	–	–	44,157	–	–	44,157
Asset-backed securities									
AAA	88	6	74	–	–	168	–	–	168
AA+ to AA-	6	1	4	–	–	11	–	–	11
A+ to A-	26	–	17	–	–	43	–	–	43
BBB+ to BBB-	15	–	9	–	–	24	–	–	24
Below BBB- and unrated	2	2	1	–	–	5	–	–	5
Subtotal	137	9	105	–	–	251	–	–	251
Total debt securities	63,329	5,848	29,530	161	–	98,868	226	–	99,094
Loans									
Mortgage loans	–	–	150	–	–	150	–	–	150
Policy loans	1,365	–	368	–	–	1,733	–	–	1,733
Other loans	668	–	11	–	–	679	–	–	679
Total loans	2,033	–	529	–	–	2,562	–	–	2,562
Equity securities and holdings in collective investment schemes									
Direct equities	10,290	12,812	2,286	84	–	25,472	683	–	26,155
Collective investment schemes	23,950	7,704	3,787	3	–	35,444	2	–	35,446
Total equity securities and holdings in collective investment schemes	34,240	20,516	6,073	87	–	60,916	685	–	61,601
Other financial investments note (iii)	1,561	149	2,318	106	–	4,134	1,088	–	5,222
Total financial investments note (v)	101,163	26,513	38,450	354	–	166,480	1,999	–	168,479
Investment properties	–	–	38	–	–	38	–	–	38
Investments in joint ventures and associates accounted for using the equity method	–	–	1,878	305	–	2,183	–	–	2,183
Cash and cash equivalents note (vi)	905	911	1,444	181	–	3,441	3,729	–	7,170
Reinsurers' share of insurance contract liabilities note C3.3	225	–	9,528	–	–	9,753	–	–	9,753
Other assets note (vii)	1,184	166	9,191	759	(51)	11,249	3,608	(3,378)	11,479
Total assets	103,477	27,590	60,529	1,599	(51)	193,144	9,336	(3,378)	199,102
Shareholders' equity	–	–	14,289	1,120	–	15,409	1,679	–	17,088
Non-controlling interests	–	–	45	131	–	176	–	–	176
Total equity	–	–	14,334	1,251	–	15,585	1,679	–	17,264
Contract liabilities and unallocated surplus of with-profits funds	94,002	25,651	37,646	–	–	157,299	–	–	157,299
Core structural borrowings	–	–	–	–	–	–	6,127	–	6,127
Operational borrowings	142	–	106	18	–	266	595	–	861
Other liabilities note (viii)	9,333	1,939	8,443	330	(51)	19,994	935	(3,378)	17,551
Total liabilities	103,477	27,590	46,195	348	(51)	177,559	7,657	(3,378)	181,838
Total equity and liabilities	103,477	27,590	60,529	1,599	(51)	193,144	9,336	(3,378)	199,102

	31 Dec 2020 $m									
	Asia and Africa									
	Insurance									
	With-profits note (i)	Unit-linked note (i)	Other note (i)	Eastspring	Eliminations	Total	US discont'd	Unallocated to a segment	Elimination of intra-group debtors and creditors	Group total
Debt securities notes (ii)(iv)										
Sovereign debt										
Indonesia	385	658	564	12	–	1,619	–	–	–	1,619
Singapore	3,939	551	979	117	–	5,586	–	–	–	5,586
Thailand	–	–	1,999	11	–	2,010	–	–	–	2,010
United Kingdom	–	7	–	–	–	7	–	–	–	7
United States	24,396	21	2,551	–	–	26,968	5,126	–	–	32,094
Vietnam	–	11	2,881	–	–	2,892	–	–	–	2,892
Other (predominantly Asia)	1,322	700	3,681	19	–	5,722	30	–	–	5,752
Subtotal	30,042	1,948	12,655	159	–	44,804	5,156	–	–	49,960
Other government bonds										
AAA	1,420	96	405	–	–	1,921	377	–	–	2,298
AA+ to AA-	129	2	28	–	–	159	522	–	–	681
A+ to A-	811	131	339	–	–	1,281	188	–	–	1,469
BBB+ to BBB-	452	16	196	–	–	664	3	–	–	667
Below BBB- and unrated	631	9	451	–	–	1,091	–	–	–	1,091
Subtotal	3,443	254	1,419	–	–	5,116	1,090	–	–	6,206
Corporate bonds										
AAA	1,228	221	540	–	–	1,989	265	–	–	2,254
AA+ to AA-	1,943	476	1,871	–	–	4,290	869	–	–	5,159
A+ to A-	7,289	695	5,194	1	–	13,179	10,759	–	–	23,938
BBB+ to BBB-	9,005	1,299	4,785	–	–	15,089	12,686	–	–	27,775
Below BBB- and unrated	2,814	849	1,483	2	–	5,148	1,975	–	–	7,123
Subtotal	22,279	3,540	13,873	3	–	39,695	26,554	–	–	66,249
Asset-backed securities										
AAA	74	9	24	–	–	107	2,110	–	–	2,217
AA+ to AA-	2	1	–	–	–	3	171	–	–	174
A+ to A-	15	–	16	–	–	31	741	–	–	772
BBB+ to BBB-	12	–	9	–	–	21	163	–	–	184
Below BBB- and unrated	9	2	8	–	–	19	48	–	–	67
Subtotal	112	12	57	–	–	181	3,233	–	–	3,414
Total debt securities	55,876	5,754	28,004	162	–	89,796	36,033	–	–	125,829
Loans										
Mortgage loans	–	–	158	–	–	158	7,833	–	–	7,991
Policy loans	1,231	–	351	–	–	1,582	4,507	–	–	6,089
Other loans	492	–	16	–	–	508	–	–	–	508
Total loans	1,723	–	525	–	–	2,248	12,340	–	–	14,588
Equity securities and holdings in collective investment schemes										
Direct equities	15,668	13,064	3,325	71	–	32,128	253	–	–	32,381
Collective investment schemes	18,125	7,392	1,638	10	–	27,165	25	2	–	27,192
US separate account assets	–	–	–	–	–	–	219,062	–	–	219,062
Total equity securities and holdings in collective investment schemes	33,793	20,456	4,963	81	–	59,293	219,340	2	–	278,635
Other financial investments note (iii)	1,566	405	2,173	97	–	4,241	4,094	13	–	8,348
Total financial investments note (v)	92,958	26,615	35,665	340	–	155,578	271,807	15	–	427,400
Investment properties	–	–	16	–	–	16	7	–	–	23
Investments in joint ventures and associates accounted for using the equity method	–	–	1,689	273	–	1,962	–	–	–	1,962
Cash and cash equivalents note (vi)	1,049	587	1,354	156	–	3,146	1,621	3,251	–	8,018
Reinsurers' share of insurance contract liabilities note C3.3	257	–	11,106	–	–	11,363	35,232	–	–	46,595
Other assets note (vii)	1,538	252	9,418	839	(62)	11,985	19,813	3,624	(3,323)	32,099
Total assets	95,802	27,454	59,248	1,608	(62)	184,050	328,480	6,890	(3,323)	516,097
Shareholders' equity	–	–	12,861	1,102	–	13,963	8,511	(1,596)	–	20,878
Non-controlling interests	–	–	34	144	–	178	1,063	–	–	1,241
Total equity	–	–	12,895	1,246	–	14,141	9,574	(1,596)	–	22,119
Contract liabilities and unallocated surplus of with-profits funds	86,410	25,433	38,107	–	–	149,950	296,513	–	–	446,463
Core structural borrowings	–	–	–	–	–	–	250	6,383	–	6,633
Operational borrowings	194	–	105	23	–	322	1,498	624	–	2,444
Other liabilities note (viii)	9,198	2,021	8,141	339	(62)	19,637	20,645	1,479	(3,323)	38,438
Total liabilities	95,802	27,454	46,353	362	(62)	169,909	318,906	8,486	(3,323)	493,978
Total equity and liabilities	95,802	27,454	59,248	1,608	(62)	184,050	328,480	6,890	(3,323)	516,097

C1 Group assets and liabilities by business type continued

Notes

(i) 'With-profits' comprises the with-profits assets and liabilities of the Hong Kong, Malaysia and Singapore operations. 'Other' includes assets and liabilities of other participating business and other non-linked shareholder-backed business. 'Unit-linked' comprises the assets and liabilities held in the unit-linked funds.

(ii) Of the Group's debt securities, the following amounts were held by the consolidated investment funds from continuing operations.

	31 Dec 2021 $m	**31 Dec 2020** $m
	Total	**Total**
Debt securities held by consolidated investment funds from continuing operations	**15,076**	15,928

(iii) Other financial investments comprise derivative assets and deposits. For the discontinued US operations, other financial investments in 2020 also included private equity investments in limited partnerships.

(iv) 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.

(v) Of the total financial investments from continuing operations of $168,479 million as at 31 December 2021 (31 December 2020: $155,593 million), $71,524 million (31 December 2020: $66,138 million) are expected to be recovered within one year, including equity securities and holdings in collective investment schemes.

(vi) Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition and are analysed as follows:

	31 Dec 2021 $m	**31 Dec 2020** $m
Continuing operations:*		
Cash	**1,902**	2,087
Cash equivalents	**5,268**	4,310
	7,170	6,397
Discontinued US operations		1,621
Total cash and cash equivalents	**7,170**	8,018
Analysed as:		
Continuing operations:		
Held by the Group's holding and non-regulated entities and available for general use	**3,729**	3,250
Other funds not available for general use by the Group, including funds held for the benefit of policyholders	**3,441**	3,147
	7,170	6,397
Discontinued US operations		1,621
Total cash and cash equivalents	**7,170**	8,018

* The Group's cash and cash equivalents from continuing operations are held in the following currencies as at 31 December 2021: USD 46 per cent, GBP 20 per cent, HKD 3 per cent, SGD 3 per cent, MYR 9 per cent and other currencies 19 per cent (31 December 2020: USD 48 per cent, GBP 19 per cent, HKD 4 per cent, SGD 4 per cent, MYR 10 per cent and other currencies 15 per cent).

(vii) Of total 'Other assets' from continuing operations, there are:
– Property, plant and equipment (PPE) of $478 million at 31 December 2021 (31 December 2020: $584 million). Movements in the PPE including right-of-use assets are provided in note C11; and
– Accrued investment income and other debtors, which are analysed as follows:

	31 Dec 2021 $m	31 Dec 2020 $m
Continuing operations:		
Interest receivable	**872**	639
Other accrued income	**299**	410
Total accrued investment income	**1,171**	1,049
Amounts receivable due from:		
Policyholders	**686**	757
Intermediaries	**4**	2
Reinsurers	**226**	920
Other sundry debtors	**863**	1,237
Total other debtors	**1,779**	2,916
Discontinued US operations		633
Total accrued investment income and other debtors	**2,950**	4,598
Analysed as:		
Continuing operations:		
Expected to be settled within one year	**2,761**	3,730
Expected to be settled beyond one year	**189**	235
	2,950	3,965
Discontinued US operations		633
	2,950	4,598

(viii) Within 'Other liabilities' from continuing operations are accruals, deferred income and other liabilities of $7,983 million (31 December 2020: $8,445 million), which are analysed as follows (detailed maturity analysis is provided in note C2.3):

	31 Dec 2021 $m	31 Dec 2020 $m
Continuing operations:		
Accruals and deferred income	**565**	616
Creditors arising from direct insurance and reinsurance operations	**1,120**	1,284
Interest payable	**77**	74
Funds withheld under reinsurance agreements	**1,545**	1,019
Other creditors	**4,676**	5,452
	7,983	8,445
Discontinued US operations		7,063
Total accruals, deferred income and other creditors	**7,983**	15,508

C2 Fair value measurement

The Group holds financial investments in accordance with IAS 39, whereby subject to specific criteria, financial instruments are required to be accounted for under one of the following categories:

- *Financial assets and liabilities at fair value through profit or loss – this comprises assets and liabilities designated by management as fair value through profit or loss on inception and derivatives. This includes instruments that are managed and the performance evaluated on a fair value basis, including liabilities related to net assets attributable to unit holders of consolidated investment funds and policyholder liabilities for investment contracts without discretionary participation features. All investments within this category are measured at fair value with all changes thereon being recognised in investment return in the income statement.*
- *Financial investments on an available-for-sale basis – this comprises assets that are designated by management as available-for-sale and/or do not fall into any of the other categories. These assets are initially recognised at fair value plus attributable transaction costs and are subsequently measured at fair value. Interest and/or dividend income is recognised in the income statement. Unrealised gains and losses are recognised in other comprehensive income. Upon disposal or impairment, accumulated unrealised gains and losses are transferred from other comprehensive income to the income statement as realised gains or losses. Up until the demerger of Jackson in 2021, the majority of the debt securities held by Jackson were designated as 'available-for-sale' in the Group's financial statement. Subsequent to the demerger, the Group has designated its retained interest in Jackson (as described in note D1.2) as 'available-for-sale' equity securities.*
- *Loans and receivables – except for those designated as fair value through profit or loss or available-for-sale, these instruments comprise non-quoted investments that have fixed or determinable payments. These instruments include loans collateralised by mortgages, deposits, loans to policyholders and other unsecured loans and receivables. These investments are initially recognised at fair value plus transaction costs. Subsequently, these instruments are carried at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When assets held at amortised cost are subject to impairment testing, estimated future cash flows are compared to the carrying value of the asset. The estimated future cash flows are discounted using the financial asset's original or variable effective interest rate and exclude credit losses that have not yet been incurred. If, in subsequent periods, an impaired loan or receivable recovers in value (in part or in full) and this recovery can be objectively related to an event occurring after the impairment, then any amount determined to have been recovered is reversed through the income statement.*

The Group uses the trade date method to account for regular purchases and sales of financial assets.

C2.1 Determination of fair value

The fair values of the financial instruments for which fair valuation is required under IFRS Standards are determined by the use of current market bid prices for exchange-quoted investments, or by using quotations from independent third parties, such as brokers and pricing services or by using appropriate valuation techniques.

The estimated fair value of derivative financial instruments reflects the estimated amount the Group would receive or pay in an arm's-length transaction. This amount is determined using quoted prices if exchange listed, quotations from independent third parties or valued internally using standard market practices.

Other than the loans which have been designated at fair value through profit or loss, the carrying value of loans and receivables is presented net of provisions for impairment. The fair value of loans is estimated from discounted cash flows expected to be received. The discount rate used is updated for the market rate of interest where applicable.

The fair value of the subordinated and senior debt issued by the parent company is determined using quoted prices from independent third parties.

The fair value of financial liabilities (other than subordinated debt, senior debt and derivative financial instruments) is determined using discounted cash flows of the amounts expected to be paid.

Valuation approach for level 2 fair valued assets and liabilities

A significant proportion of the Group's level 2 assets are corporate bonds, structured securities and other non-national government debt securities. These assets, in line with market practice, are generally valued using a designated independent pricing service or quote from third-party brokers. These valuations are subject to a number of monitoring controls, such as comparison to multiple pricing sources where available, monthly price variances, stale price reviews and variance analysis on prices achieved on subsequent trades.

When prices are not available from pricing services, quotes are sourced directly from brokers. Prudential seeks to obtain a number of quotes from different brokers so as to obtain the most comprehensive information available on their executability. The selected quote is the one which best represents an executable quote for the security at the measurement date.

Generally, no adjustment is made to the prices obtained from independent third parties. Adjustments are made in only limited circumstances, 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). Securities valued in such manner are classified as level 3 where these significant inputs are not based on observable market data.

Valuation approach for level 3 fair valued assets and liabilities

Investments valued using valuation techniques include financial investments which by their 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 Group's valuation policies, procedures and analyses for instruments categorised as level 3 are overseen by Business Unit 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 addition, the Group has minimum standards for independent price verification to ensure valuation accuracy is regularly independently verified. Adherence to this policy is monitored across the business units.

C2.2 Fair value measurement hierarchy of Group assets and liabilities

(a) Assets and liabilities carried at fair value on the statement of financial position

The table below shows the assets and liabilities carried at fair value analysed by level of the IFRS 13 'Fair Value Measurement' defined fair value hierarchy. This hierarchy is based on the inputs to the fair value measurement and reflects the lowest level input that is significant to that measurement.

All assets and liabilities held at fair value are classified as fair value through profit or loss, except for $909 million of financial assets classified as available-for-sale at 31 December 2021 (31 December 2020: nil for continuing operations), of which $683 million related to the Group's retained interest in Jackson's equity securities. All assets and liabilities held at fair value are measured on a recurring basis. As of 31 December 2021, the Group did not have any financial instruments that are measured at fair value on a non-recurring basis.

Financial instruments at fair value

	31 Dec 2021 $m			
	Level 1	**Level 2**	**Level 3**	
Continuing operations	**Quoted prices (unadjusted) in active markets**	**Valuation based on significant observable market inputs** note (i)	**Valuation based on significant unobservable market inputs** note (ii)	**Total**
Loans	**–**	**616**	**5**	**621**
Equity securities and holdings in collective investment schemes	**54,107**	**6,917**	**577**	**61,601**
Debt securities	**76,049**	**22,987**	**58**	**99,094**
Other investments (including derivative assets)	**359**	**122**	**–**	**481**
Derivative liabilities	**(146)**	**(116)**	**–**	**(262)**
Total financial investments, net of derivative liabilities	**130,369**	**30,526**	**640**	**161,535**
Investment contract liabilities without discretionary participation features	**–**	**(814)**	**–**	**(814)**
Net asset value attributable to unit holders of consolidated investment funds	**(5,618)**	**(46)**	**–**	**(5,664)**
Total financial instruments at fair value for continuing operations	**124,751**	**29,666**	**640**	**155,057**
Percentage of total (%)	**81%**	**19%**	**0%**	**100%**
Analysed by business type:				
Financial investments, net of derivative liabilities at fair value				
With-profits	**82,489**	**15,438**	**506**	**98,433**
Unit-linked	**24,024**	**2,343**	**5**	**26,372**
Non-linked shareholder-backed business	**23,856**	**12,745**	**129**	**36,730**
Total financial investments net of derivative liabilities, at fair value	**130,369**	**30,526**	**640**	**161,535**
Percentage of total continuing operations (%)	**81%**	**19%**	**0%**	**100%**
Total financial investments, net of derivative liabilities at fair value	**130,369**	**30,526**	**640**	**161,535**
Other financial liabilities at fair value	**(5,618)**	**(860)**	**–**	**(6,478)**
Group total financial instruments at fair value	**124,751**	**29,666**	**640**	**155,057**

C2 Fair value measurement continued

C2.2 Fair value measurement hierarchy of Group assets and liabilities continued

	31 Dec 2020 $m			
	Level 1	**Level 2**	**Level 3**	
	Quoted prices (unadjusted) in active markets	**Valuation based on significant observable market inputs** note (i)	**Valuation based on significant unobservable market inputs** note (ii)	**Total**
Loans	–	416	3,461	3,877
Equity securities and holdings in collective investment schemes	272,863	5,224	548	278,635
Debt securities	75,998	49,769	62	125,829
Other investments (including derivative assets)	123	2,477	1,866	4,466
Derivative liabilities	(298)	(184)	–	(482)
Total financial investments, net of derivative liabilities	348,686	57,702	5,937	412,325
Investment contract liabilities without discretionary participation features	–	(792)	–	(792)
Net asset value attributable to unit holders of consolidated investment funds	(5,464)	(17)	(494)	(5,975)
Other financial liabilities held at fair value	–	–	(3,589)	(3,589)
Total financial instruments at fair value	343,222	56,893	1,854	401,969
Percentage of total (%)	86%	14%	0%	100%
Analysed by business type:				
Financial investments, net of derivative liabilities at fair value, from continuing operations:				
With-profits	78,203	11,481	395	90,079
Unit-linked	25,144	1,075	–	26,219
Non-linked shareholder-backed business	20,999	12,068	89	33,156
Total financial investments, net of derivative liabilities at fair value	124,346	24,624	484	149,454
Other financial liabilities at fair value	(5,464)	(809)	–	(6,273)
Total financial instruments, net of derivative liabilities, at fair value from continuing operations	118,882	23,815	484	143,181
Percentage of total continuing operations (%)	83%	17%	0%	100%
Total financial instruments, net of derivative liabilities, at fair value from discontinued US operations	224,340	33,078	1,370	258,788
Group total financial instruments at fair value	343,222	56,893	1,854	401,969

Notes

(i) For continuing operations, of the total level 2 debt securities of $22,987 million at 31 December 2021 (31 December 2020: $18,868 million), $24 million (31 December 2020: $140 million) are valued internally.

(ii) At 31 December 2021, the Group held $640 million (31 December 2020: $484 million) of net financial instruments at fair value within level 3 from continuing operations. This represents less than 0.5 per cent of the total fair valued financial assets, net of financial liabilities, for both years.

Of this amount, equity securities from continuing operations of $1 million (31 December 2020: $2 million) are internally valued, representing less than 0.1 per cent of the total fair valued financial assets net of financial liabilities for both years. Internal valuations are inherently more subjective than external valuations. The $640 million from continuing operations (31 December 2020: $484 million) referred to above includes the following items:

- Equity securities and holdings in collective investment schemes of $577 million (31 December 2020: $445 million) consisting primarily of property and infrastructure funds held by the participating funds, which are externally valued using the net asset value of the invested entities; and
- Other sundry individual financial instruments of a net asset of $63 million (31 December 2020: net asset of $39 million).

Of the net assets from continuing operations of $640 million (31 December 2020: $484 million) referred to above:

- A net asset of $506 million (31 December 2020: $395 million) is held by the participating funds and therefore shareholders' profit and equity are not impacted by movements in the valuation of these financial instruments; and
- A net asset of $129 million (31 December 2020: $89 million) is held to support non-linked shareholder-backed business, of which $112 million (31 December 2020: $89 million) are externally valued and are therefore inherently less subjective than internal valuations. If the value of all these level 3 financial instruments decreased by 20 per cent, the change in valuation would be $(26) million (31 December 2020: $(18) million), which would reduce shareholders' equity by this amount before tax. All of this amount would pass through the income statement substantially as part of short-term fluctuations in investment returns outside of adjusted operating profit.

(b) Transfers into and out of levels

The Group's policy is to recognise transfers into and out of levels as of the end of each 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.

During 2021, the transfers between levels within the Group's portfolio, were primarily transfers from level 1 to level 2 of $3,789 million (31 December 2020: $3,927 million) and transfers from level 2 to level 1 of $1,742 million (31 December 2020: $1,631 million). These transfers which relate to equity securities and debt securities arose to reflect the change in the observed valuation inputs and in certain cases, the change in the level of trading activities of the securities. There were transfers out of level 3 of $12 million (31 December 2020: nil) and into level 3 of $30 million (31 December 2020: $32 million) in the year.

Reconciliation of movements in level 3 assets and liabilities measured at fair value

The following table reconciles the value of level 3 fair valued assets and liabilities at 1 January 2021 to that presented at 31 December 2021.

Total investment return recorded in the income statement represents interest and dividend income, realised gains and losses, unrealised gains and losses on the assets classified at fair value through profit and loss and foreign exchange movements on an individual entity's overseas investments. Total gains (losses) recorded in other comprehensive income largely comprises the translation of investments into the Group's presentational currency of US dollars.

	2021 $m				
Reconciliation of movements in level 3 assets and liabilities measured at fair value	**Loans**	**Equity securities and holdings in collective investment schemes**	**Debt securities**	**US (discont'd)**	**Group total**
Balance at 1 Jan	**6**	**445**	**33**	**1,370**	**1,854**
Removal of discontinued US operations	**–**	**–**	**–**	**(1,370)**	**(1,370)**
Total (losses) gains in income statement[note]	**(1)**	**(6)**	**(3)**	**–**	**2**
Total losses recorded in other comprehensive income	**–**	**(5)**	**(2)**	**–**	**(7)**
Purchases and other additions	**–**	**143**	**–**	**–**	**143**
Transfers (out of) into level 3	**–**	**(12)**	**30**	**–**	**18**
Balance at 31 Dec	**5**	**577**	**58**	**–**	**640**

	2020 $m					
Reconciliation of movements in level 3 assets and liabilities measured at fair value	**Loans**	**Equity securities and holdings in collective investment schemes**	**Debt securities**	**Net asset value attributable to unit holders of consolidated investment funds**	**US (discont'd)**	**Group total**
Balance at 1 Jan	–	264	6	(2)	1,140	1,408
Total gains (losses) in income statement[note]	–	49	(5)	2	(72)	(26)
Total gains (losses) recorded in other comprehensive income	–	9	–	–	(2)	7
Purchases	–	255	–	–	363	618
Sales	–	(132)	–	–	(123)	(255)
Issues	6	–	–	–	(204)	(198)
Settlements	–	–	–	–	247	247
Transfers into level 3	–	–	32	–	21	53
Balance at 31 Dec	6	445	33	–	1,370	1,854

Note

Of the total net gain in the income statement of $2 million from continuing operations in 2021 (2020: $46 million), $2 million (2020: $12 million) relates to net unrealised gains and losses of financial instruments still held at the end of the year, which can be analysed as follows:

	2021 $m	**2020 $m**
Loans	**(1)**	–
Equity securities and holdings in collective investment schemes	**6**	11
Debt securities	**(3)**	1
Total continuing operations	**2**	12

C2 Fair value measurement continued

C2.2 Fair value measurement hierarchy of Group assets and liabilities continued

(c) Assets and liabilities at amortised cost and their fair value

The table below shows the financial assets and liabilities carried at amortised cost on the statement of financial position and their fair value. Cash deposits, accrued income, other debtors, accruals, deferred income and other liabilities are excluded from the analysis below, as these are carried at amortised cost which approximates fair value.

	31 Dec 2021 $m				**31 Dec 2020** $m			
	Level 2 Valuation based on significant observable market inputs	**Level 3 Valuation based on significant unobservable market inputs**	**Fair value**	**Carrying value**	**Level 2 Valuation based on significant observable market inputs**	**Level 3 Valuation based on significant unobservable market inputs**	**Fair value**	**Carrying value**
Assets								
Loans	**2,152**	**–**	**2,152**	**1,941**	2,026	–	2,026	1,826
Liabilities					–	–	–	–
Core structural borrowings of shareholder-financed businesses	**(6,565)**	**–**	**(6,565)**	**(6,127)**	(7,178)	–	(7,178)	(6,383)
Operational borrowings (excluding lease liabilities)	**(514)**	**–**	**(514)**	**(514)**	(501)	–	(501)	(501)
Obligations under funding, securities lending and sale and repurchase agreements	**(223)**	**–**	**(223)**	**(223)**	(231)	–	(231)	(271)
Total continuing operations	**(5,150)**	**–**	**(5,150)**	**(4,923)**	(5,884)	–	(5,884)	(5,329)
Discontinued US operations					(2,899)	(2,617)	(5,516)	(5,497)
Total Group					(8,783)	(2,617)	(11,400)	(10,826)

The fair value of the assets and liabilities in the table above, with the exception of the subordinated and senior debt issued by the parent company, has been estimated from the discounted cash flows expected to be received or paid. Where appropriate, the observable market interest rate has been used and the assets and liabilities are classified within level 2. Otherwise, they are included as level 3 assets or liabilities. The fair value of the subordinated and senior debt issued by the parent company is determined using quoted prices from independent third parties.

C2.3 Additional information on financial instruments

(a) Financial risk

Liquidity analysis

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 and investment contracts that are separately presented. The financial liabilities are included in the column relating to the contractual maturities of the undiscounted cash flows (including contractual interest payments) based on the earliest period in which the Group can be required to pay assuming conditions are consistent with those of year end.

	31 Dec 2021 $m								
		Contractual maturity profile for financial liabilities							
Financial liabilities	**Total carrying value**	**1 year or less**	**After 1 year to 5 years**	**After 5 years to 10 years**	**After 10 years to 15 years**	**After 15 years to 20 years**	**Over 20 years**	**No stated maturity**	**Total undiscounted cash flows**
Core structural borrowings of shareholder-financed businesses*, note C5.1	**6,127**	**1,872**	**1,253**	**1,817**	**1,642**	**–**	**–**	**750**	**7,334**
Lease liabilities under IFRS 16	**347**	**110**	**216**	**45**	**11**	**–**	**–**	**–**	**382**
Other operational borrowings	**514**	**514**	**–**	**–**	**–**	**–**	**–**	**–**	**514**
Obligations under funding, securities lending and sale and repurchase agreements	**223**	**223**	**–**	**–**	**–**	**–**	**–**	**–**	**223**
Accruals, deferred income and other liabilities	**7,983**	**5,972**	**–**	**–**	**–**	**–**	**–**	**2,011**	**7,983**
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	**5,664**	**5,664**	**–**	**–**	**–**	**–**	**–**	**–**	**5,664**
Total	**20,858**	**14,355**	**1,469**	**1,862**	**1,653**	**–**	**–**	**2,761**	**22,100**

* On 20 January 2022, US$1,725 million of notes in core structural borrowings of shareholder-financed businesses were redeemed. As of 31 December 2021, these amounts have been included as having a contractual maturity of 1 year or less in the table above.

	31 Dec 2020 $m								
		Contractual maturity profile for financial liabilities							
Financial liabilities	**Total carrying value**	**1 year or less**	**After 1 year to 5 years**	**After 5 years to 10 years**	**After 10 years to 15 years**	**After 15 years to 20 years**	**Over 20 years**	**No stated maturity**	**Total undis-counted cash flows**
Core structural borrowings of shareholder-financed businesses note C5.1	6,383	119	1,179	1,726	631	–	–	3,725	7,380
Lease liabilities under IFRS 16	445	132	285	68	20	–	–	–	505
Operational borrowings	501	501	–	–	–	–	–	–	501
Obligations under funding, securities lending and sale and repurchase agreements	271	271	–	–	–	–	–	–	271
Accruals, deferred income and other liabilities	8,445	6,845	183	–	–	–	–	1,504	8,532
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	5,481	5,481	–	–	–	–	–	–	5,481
Total continuing operations	21,526	13,349	1,647	1,794	651	–	–	5,229	22,670
Discontinued US operations	18,802	7,676	4,790	2,563	1,056	–	1	3,583	19,669
Total Group	40,328	21,025	6,437	4,357	1,707	–	1	8,812	42,339

Maturity analysis of derivatives

The following table shows the carrying value of the gross and net derivative positions from continuing operations.

	Carrying value of net derivatives $m		
	Derivative assets	**Derivative liabilities**	**Net derivative position**
31 Dec 2021	**481**	**(262)**	**219**
31 Dec 2020	379	(439)	(60)

All net derivatives have been included at fair value due within one year or less, representing the basis on which they are managed (ie to manage principally asset or liability value exposures). The Group has no cash flow hedges and, in general, contractual maturities are not considered essential for an understanding of the timing of the cash flows for these instruments.

Maturity analysis of investment contracts

The table below shows the maturity profile for investment contracts based on undiscounted cash flow projections of expected benefit payments from continuing operations.

		Maturity profile for investment contracts $m						
	Total carrying value	**1 year or less**	**After 1 year to 5 years**	**After 5 years to 10 years**	**After 10 years to 15 years**	**After 15 years to 20 years**	**Over 20 years**	**Total undis-counted cash flows**
31 Dec 2021	**459**	**14**	**442**	**63**	**16**	**6**	**2**	**543**
31 Dec 2020	470	14	490	2	1	–	–	507

The undiscounted cash flows in the maturity profile shown above excludes contracts which have no stated maturity but which are repayable on demand.

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 these are unlikely to be exercised in practice and the more useful information is to present information on expected payment.

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. Much of the Group's investment portfolios are in marketable securities, which can therefore be converted quickly to liquid assets.

For the reasons provided above, an analysis of the Group's assets by contractual maturity is not considered meaningful to evaluate the nature and extent of the Group's liquidity risk.

C2 Fair value measurement continued

C2.3 Additional information on financial instruments continued

Credit risk

The Group's maximum exposure to credit risk of financial instruments before any allowance for collateral or allocation of losses to policyholders is represented by the carrying value of financial instruments on the balance sheet that have exposures to credit risk comprising cash and cash equivalents, deposits, debt securities, loans and derivative assets, accrued investment income and other debtors. The collateral in place in relation to derivatives is described in note (c) below. The Group's exposure to credit risk is further discussed in the Risk review report.

Of the total loans and receivables from continuing operations held at 31 December 2021, $7 million (31 December 2020: $8 million) are past their due date but are not impaired, of which $2 million are less than one year past their due date (31 December 2020: $1 million). The Group expects full recovery of these loans and receivables.

There are no financial assets that would have been past due or impaired had the terms not been renegotiated in both years.

In addition, the Group did not take possession of any other collateral held as security in both years.

Further details of collateral in place in relation to derivatives, securities lending, repurchase agreements and other transactions are provided in note (c) below.

Foreign exchange risk

As at 31 December 2021, the Group held 26 per cent (31 December 2020: 24 per cent) of its financial assets and 63 per cent (31 December 2020: 57 per cent) of its financial liabilities from continuing operations in currencies mainly USD, other than the functional currency of the relevant business units or the currency to which the functional currency is pegged (eg financial assets and liabilities of USD denominated business in Hong Kong). The exchange risks inherent in these exposures are mitigated through the use of derivatives, mainly forward currency contracts and currency swaps as described in note (b) below.

The amount of exchange loss recognised in the income statement from continuing operations in 2021, except for those arising on financial instruments measured at fair value through profit or loss, is $132 million (2020: $33 million).

(b) Derivatives and hedging

Derivative financial instruments are used to reduce or manage investment, interest rate and currency exposures, to facilitate efficient portfolio management and for investment purposes.

The Group does not regularly seek to apply fair value or cash flow hedging treatment under IAS 39. The Group has no net investment, fair value or cash flow hedges under IAS 39 at 31 December 2021 and 2020. All derivatives that are not designated as hedging instruments are carried at fair value, with movements in fair value being recorded in the income statement.

Embedded derivatives are embedded within other non-derivative host financial instruments and insurance contracts to create hybrid instruments. Embedded derivatives meeting the definition of an insurance contract are accounted for under IFRS 4. Where economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value with the changes in fair value recognised in the income statement, the embedded derivative is required to be bifurcated and carried at fair value as a derivative measured in accordance with IAS 39.

In addition, the Group applies the option under IFRS 4 to not separate and fair value surrender options embedded in host contracts and with-profits investment contracts whose strike price is either a fixed amount or a fixed amount plus interest.

Derivatives held and their purpose

The Group enters into a variety of exchange traded and over-the-counter derivative financial instruments, including futures, options, forward contracts, swaps and swaptions.

All over-the-counter derivative transactions are conducted under standardised ISDA (International Swaps and Derivatives Association Inc) master agreements and collateral agreements are in place between the individual entities and relevant counterparties under each of these market master agreements.

Derivatives are used for efficient portfolio management to obtain cost effective and management of exposure to various markets in accordance with the Group's investment strategies and to manage exposure to interest rate, currency, credit and other business risks. The Group also uses interest rate derivatives to reduce exposure to interest rate volatility.

(c) Derecognition, collateral and offsetting

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.

The Group derecognises financial liabilities only when the obligation specified in the contract is discharged, cancelled or has expired.

Reverse repurchase agreements

The Group is 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 in the statement of financial position but the right to receive the cash paid is recognised as deposits.

The Group has entered into reverse repurchase transactions under which it purchased securities and had taken on the obligation to resell the securities. At 31 December 2021, the fair value of the collateral held in respect of these transactions, which is represented by the purchased securities, was $2,149 million (31 December 2020: $602 million from continuing operations; $1 million from discontinued operations).

Securities lending and repurchase agreements

The Group is also party to various securities lending agreements (including repurchase agreements) under which securities are loaned to third parties on a short-term basis. The loaned securities are not derecognised; rather, they continue to be recognised within the appropriate investment classification. To the extent cash collateral is received it is recognised on the statement of financial position with the obligation to repay the cash paid recognised as a liability. Other collateral is not recognised.

At 31 December 2021, the Group had $854 million (31 December 2020: $895 million from continuing operations; $1,112 million from discontinued operations) of lent securities and assets subject to repurchase agreements. The cash and securities collateral held or pledged under such agreements were $913 million (31 December 2020: $934 million from continuing operations; $1,113 million from discontinued operations).

Collateral and pledges under derivative transactions

At 31 December 2021, the Group had pledged $99 million (31 December 2020: $85 million from continuing operations; $2,337 million from discontinued operations) for liabilities and held collateral of $50 million (31 December 2020: $181 million from continuing operations; $2,125 million from discontinued operations) in respect of over-the-counter derivative transactions. These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard securities lending and repurchase agreements.

The Group has entered into collateral arrangements in relation to over-the-counter derivative transactions, which permit sale or re-pledging of underlying collateral. The Group has not sold any collateral held or re-pledged any collateral.

All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association (ISDA) master agreements. The collateral management for these transactions is conducted under the usual and customary terms and conditions set out in the Credit Support Annex to the ISDA master agreement.

Other collateral

At 31 December 2021, the Group had no pledged collateral (31 December 2020: $2,614 million from discontinued operations) in respect of other transactions. The 2020 amount principally arose from Jackson's membership of the Federal Home Loan Bank of Indianapolis (FHLBI) that required Jackson to purchase and hold a minimum amount of FHLBI capital stock, plus additional stock based on outstanding advances in the form of either short-term or long-term notes or funding agreements issued to FHLBI.

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 within the consolidated balance sheets.

C2 Fair value measurement continued

C2.3 Additional information on financial instruments continued

The following tables present the gross and net information about the Group's financial instruments subject to master netting arrangements:

	31 Dec 2021 $m				
		Related amounts not offset in the balance sheet			
	Gross amount included in the balance sheet note (i)	**Financial instruments** note (ii)	**Cash collateral**	**Securities collateral** note (iii)	**Net amount** note (iv)
Financial assets:					
Derivative assets	**170**	**(94)**	**(31)**	**(1)**	**44**
Reverse repurchase agreements	**2,135**	**–**	**–**	**(2,134)**	**1**
Total financial assets	**2,305**	**(94)**	**(31)**	**(2,135)**	**45**
Financial liabilities:					
Derivative liabilities	**(165)**	**94**	**63**	**–**	**(8)**
Securities lending and repurchase agreements	**(222)**	**–**	**153**	**69**	**–**
Total financial liabilities	**(387)**	**94**	**216**	**69**	**(8)**

	31 Dec 2020 $m				
		Related amounts not offset in the balance sheet			
	Gross amount included in the balance sheet note (i)	**Financial instruments** note (ii)	**Cash collateral**	**Securities collateral** note (iii)	**Net amount** note (iv)
Financial assets:					
Derivative assets	304	(87)	(151)	–	66
Reverse repurchase agreements	587	–	–	(587)	–
Continuing operations	891	(87)	(151)	(587)	66
Discontinued US operations	2,220	(35)	(1,098)	(891)	196
Total financial assets	3,111	(122)	(1,249)	(1,478)	262
Financial liabilities:					
Derivative liabilities	(160)	87	69	–	(4)
Securities lending and repurchase agreements	(271)	–	231	40	–
Continuing operations	(431)	87	300	40	(4)
Discontinued US operations	(1,156)	35	13	1,100	(8)
Total financial liabilities	(1,587)	122	313	1,140	(12)

Notes

(i) The Group has not offset any of the amounts included in the balance sheet.

(ii) Represents the amount that could be offset under master netting or similar arrangements where the Group does not satisfy the full criteria to offset in the balance sheet.

(iii) Excludes initial margin amounts for exchange-traded derivatives.

(iv) In the tables above, the amounts of assets or liabilities included in the balance sheet 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 amounts presented in the tables.

C3 Policyholder liabilities and unallocated surplus

C3.1 Policyholder liabilities and unallocated surplus by business type from continuing operations

(a) Movement in policyholder liabilities and unallocated surplus of with-profits funds

The items below represent the amount attributable to changes in policyholder liabilities and unallocated surplus of with-profits funds as a result of each of the components listed for the continuing operations of the Group. The policyholder liabilities shown include investment contracts without discretionary participation features (as defined in IFRS 4) and their full movement in the year. The items are shown gross of external reinsurance.

		Shareholder-backed business		
	With-profits business $m	Unit-linked liabilities $m	Other business $m	Total continuing operations $m
At 1 Jan 2020	70,308	28,850	33,598	132,756
Comprising:				
– Policyholder liabilities on the balance sheet (excludes $269,549 million from discontinued US operations)	65,558	23,571	27,000	116,129
– Unallocated surplus of with-profits funds on the balance sheet notes (viii)	4,750	–	–	4,750
– Group's share of policyholder liabilities relating to joint ventures and associates note (i)	–	5,279	6,598	11,877
Premiums: note (ii)				
New business	1,338	1,851	2,063	5,252
In-force	8,393	2,358	4,757	15,508
	9,731	4,209	6,820	20,760
Surrenders notes (ii)(iii)	(797)	(2,982)	(951)	(4,730)
Maturities/deaths/other claim events	(1,595)	(196)	(774)	(2,565)
Net flows	7,339	1,031	5,095	13,465
Shareholders' transfers post-tax	(116)	–	–	(116)
Investment-related items and other movements notes (iv)(vii)	8,127	2,107	7,108	17,342
Foreign exchange translation differences note (v)	752	518	838	2,108
At 31 Dec 2020/1 Jan 2021	**86,410**	**32,506**	**46,639**	**165,555**
Comprising:				
– Policyholder liabilities on the balance sheet (excludes $296,513 million from discontinued US operations)	**81,193**	**25,433**	**38,107**	**144,733**
– Unallocated surplus of with-profits funds on the balance sheet notes (viii)	**5,217**	**–**	**–**	**5,217**
– Group's share of policyholder liabilities relating to joint ventures and associates note (i)	**–**	**7,073**	**8,532**	**15,605**
Premiums: note (ii)				
New business	**1,990**	**3,038**	**2,172**	**7,200**
In-force	**7,096**	**2,406**	**5,286**	**14,788**
	9,086	**5,444**	**7,458**	**21,988**
Surrenders notes (ii)(iii)	**(844)**	**(3,326)**	**(734)**	**(4,904)**
Maturities/deaths/other claim events	**(2,116)**	**(215)**	**(1,123)**	**(3,454)**
Net flows	**6,126**	**1,903**	**5,601**	**13,630**
Shareholders' transfers post tax	**(134)**	**–**	**–**	**(134)**
Investment-related items and other movements note (iv)	**2,499**	**897**	**(3,505)**	**(109)**
Foreign exchange translation differences note (v)	**(899)**	**(550)**	**(239)**	**(1,688)**
At 31 Dec 2021	**94,002**	**34,756**	**48,496**	**177,254**
Comprising:				
– Policyholder liabilities on the balance sheet	**88,618**	**25,651**	**37,646**	**151,915**
– Unallocated surplus of with-profits funds on the balance sheet notes (viii)	**5,384**	**–**	**–**	**5,384**
– Group's share of policyholder liabilities relating to joint ventures and associates note (i)	**–**	**9,105**	**10,850**	**19,955**
Average policyholder liability balances note (vi)				
2021	**84,905**	**33,631**	**47,568**	**166,104**
2020	73,375	30,678	40,119	144,172

Notes

(i) The Group's investments in joint ventures and associates are accounted for on an equity method and the Group's share of the policyholder liabilities as shown above relate to the life business of CPL, India and the Takaful business in Malaysia.

(ii) The analysis includes the impact of premiums, claims and investment movements on policyholders' liabilities. The impact does not represent premiums, claims and investment movements as reported in the income statement. For example, premiums shown above exclude any deductions for fees/charges; claims (surrenders, maturities, deaths and other claim events) shown above represent the policyholder liabilities provision released rather than the claims amount paid to the policyholder. The analysis also includes net flows of the Group's insurance joint ventures and associate.

(iii) The rate of surrenders for shareholder-backed business (expressed as a percentage of opening policyholder liabilities) is 5.1 per cent in 2021 (2020: 6.3 per cent).

(iv) Investment-related items and other movements in 2021 primarily represents the effect of higher interest rates on the discount rates applied in the measurement of the policyholder liabilities for other shareholder-backed business and unrealised losses on fixed income assets, partially offset by a higher level of investment return from equities mainly within with-profits and unit-linked funds.

(v) Movements in the year have been translated at the average exchange rates for the year. The closing balance has been translated at the closing spot rates as at 31 December. Differences upon retranslation are included in foreign exchange translation differences.

(vi) Average policyholder liabilities have been based on opening and closing balances, adjusted for any acquisitions, disposals and other relevant corporate transactions arising in the year, and exclude unallocated surplus of with-profits funds.

(vii) The total movement on Africa policyholder liabilities in 2020 included within other business, apart from foreign exchange movements, was included within investment-related items and other movements.

(viii) Unallocated surplus of with-profits funds represents the excess of assets over policyholder liabilities, determined in accordance with the Group's accounting policies, that have yet to be appropriated between policyholders and shareholders for the Group's with-profits funds in Hong Kong and Malaysia. In Hong Kong, the unallocated surplus includes the shareholders' share of expected future bonuses, with the expected policyholder share being included in policyholder liabilities. Any excess of assets over liabilities and amounts expected to be paid out by the fund on future bonuses is also included in the unallocated surplus.

C3 Policyholder liabilities and unallocated surplus continued

C3.1 Policyholder liabilities and unallocated surplus by business type from continuing operations continued

(b) Duration of policyholder liabilities

The table below shows the carrying value of policyholder liabilities from continuing operations and the maturity profile of the cash flows on a discounted basis, taking account of expected future premiums and investment returns:

	31 Dec 2021 $m	31 Dec 2020 $m
Policyholder liabilities	**151,915**	144,733

Expected maturity:	31 Dec 2021 %	31 Dec 2020 %
0 to 5 years	**20**	20
5 to 10 years	**18**	19
10 to 15 years	**15**	15
15 to 20 years	**12**	12
20 to 25 years	**10**	10
Over 25 years	**25**	24

(c) Policyholder liabilities and unallocated surplus by operating segment

The table below shows the policyholder liabilities and unallocated surplus from continuing operations, excluding joint ventures and associates and net of external reinsurance, by segment:

	31 Dec 2021 $m	31 Dec 2020 $m
Hong Kong	**79,363**	73,338
Indonesia	**4,257**	4,617
Malaysia	**8,660**	8,756
Singapore	**34,361**	32,264
Growth markets and other	**20,905**	19,612
Total segment	**147,546**	138,587

C3.2 Reconciliation of gross and reinsurers' share of policyholder liabilities and unallocated surplus

Claims paid include maturities, annuities, surrenders, deaths and other claim events. Maturity claims are recorded as charges on the policy maturity date. Annuity claims are recorded when each annuity instalment becomes due for payment. Surrenders are charged to the income statement when paid. Death and other claims are generally recorded when notified with additional contract liabilities held, where appropriate, for 'incurred but not reported' (IBNR) claims.

Further analysis of the movement in the year of the Group's gross contract liabilities, reinsurers' share of insurance contract liabilities and unallocated surplus of with-profits funds (excluding those held by joint ventures and associates) is provided below:

	Gross insurance contract liabilities $m	Reinsurers' share of insurance contract liabilities $m	Investment contract liabilities $m	Unallocated surplus of with-profits funds $m
At 1 Jan 2020	(380,143)	13,856	(5,535)	(4,750)
Income and expense included in the income statement note (i)				
From continuing operations	(27,367)	5,885	135	(438)
From discontinued US operations	(27,667)	26,838	214	–
	(55,034)	32,723	349	(438)
Other movements note (ii)				
From continuing operations	–	–	276	–
From discontinued US operations	–	–	489	–
	–	–	765	–
Foreign exchange translation differences	(1,610)	16	(38)	(29)
Balance at 31 Dec 2020/1 Jan 2021	**(436,787)**	**46,595**	**(4,459)**	**(5,217)**
Removal of discontinued US operations	**293,325**	**(35,232)**	**3,188**	**–**
Income and expense included in the income statement notes (i)(iii)	**(9,082)**	**(1,552)**	**189**	**(202)**
Other movements note (ii)	**–**	**–**	**(75)**	**–**
Foreign exchange translation differences	**1,789**	**(58)**	**(3)**	**35**
At 31 Dec 2021	**(150,755)**	**9,753**	**(1,160)**	**(5,384)**

Notes

(i) The total charge for benefits and claims from continuing operations shown in the income statement comprises the amounts shown as 'income and expense included in the income statement' in the table above together with claims paid of $(8,845) million in the year (2020: $(7,231) million) and claim amounts attributable to reinsurers of $581 million (2020: $428 million).

(ii) Other movements include premiums received and claims paid on investment contracts without discretionary participating features, which are taken directly to the statement of financial position in accordance with IAS 39.

(iii) The movement in the gross contract liabilities included the impact of a change in 2021 to allow for illiquidity premium in the calculation of the valuation interest rate (VIR) used to value long-term insurance liabilities in Thailand. The VIR, after allowing for the illiquidity premium, is more reflective of the product characteristics and the effect of the change was such that the accounting mismatch between the valuation of the assets and insurance liabilities is reduced. The change reduced policyholder liabilities of Thailand's shareholder-backed business by $160 million at 31 December 2021 and is included within short-term fluctuations in investment returns in the Group's supplementary analysis of profit. It also includes the impact of refinement to the run-off of the allowance for prudence within technical provisions to better reflect the current expectations of the run-off of insurance risk.

(iv) The segmental analysis of the total charge for benefit and claims and movement in unallocated surplus, net of reinsurance in the income statement is shown below. The CPL segment is a joint venture accounted for using the equity method under IFRS, with the Group's share of its results net of related tax presented in a single line within the Group's profit before tax, and therefore not shown in the analysis of benefit and claims items below.

	2021 $m					
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Total segment
Claims incurred, net of reinsurance	**(1,687)**	**(1,184)**	**(1,015)**	**(3,037)**	**(1,590)**	**(8,513)**
(Increase) decrease in policyholder liabilities, net of reinsurance	**(6,088)**	**167**	**(260)**	**(2,856)**	**(1,159)**	**(10,196)**
Movement in unallocated surplus of with-profits funds	**(250)**	**–**	**48**	**–**	**–**	**(202)**
Benefits and claims and movement in unallocated surplus, net of reinsurance	**(8,025)**	**(1,017)**	**(1,227)**	**(5,893)**	**(2,749)**	**(18,911)**

	2020 $m					
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Total segment
Claims incurred, net of reinsurance	(1,735)	(942)	(867)	(2,334)	(1,199)	(7,077)
(Increase) decrease in policyholder liabilities, net of reinsurance	(14,168)	260	(773)	(4,284)	(2,108)	(21,073)
Movement in unallocated surplus of with-profits funds	(338)	–	(100)	–	–	(438)
Benefits and claims and movement in unallocated surplus, net of reinsurance	(16,241)	(682)	(1,740)	(6,618)	(3,307)	(28,588)

C3 Policyholder liabilities and unallocated surplus continued

C3.3 Reinsurers' share of insurance contract liabilities

The measurement of reinsurance assets is consistent with the measurement of the underlying direct insurance contracts. The treatment of any gains or losses arising on the purchase of reinsurance contracts is dependent on the underlying accounting basis of the entity concerned.

	31 Dec 2021 $m	**31 Dec 2020** $m		
	Group total	**Asia and Africa**	**Discontinued US operations**	**Group total**
Insurance contract liabilities	**9,550**	11,187	33,881	45,068
Claims outstanding	**203**	176	1,351	1,527
Total operations	**9,753**	11,363	35,232	46,595

The Group cedes certain business to other insurance companies. Although the ceding of insurance does not relieve the Group from its liability to its policyholders, the Group participates in such agreements largely for the purpose of managing its loss exposure. The Group evaluates the financial condition of its reinsurers and monitors concentration of credit risk from similar geographic regions, activities or economic characteristics of the reinsurers to minimise its exposure from reinsurer insolvencies.

Of the reinsurers' share of insurance contract liabilities balance of $9,753 million at 31 December 2021 (31 December 2020: $46,595 million), 99 per cent (31 December 2020: 99 per cent) was from reinsurers with rating A- and above by Standard & Poor's or other external rating agencies.

The reinsurers' share of insurance contract liabilities for Asia primarily relates to protection business written in Hong Kong. The Group's Hong Kong business cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined blocks of business, on a co-insurance, surplus, quota share, or catastrophe excess of loss basis. The amount of each risk retained depends on the evaluation of the specific risk, subject to certain circumstances, to maximum limits based on characteristics of coverage.

For the continuing operations, net commissions received during 2021 on ceded business totalled $285 million (2020: $1,005 million) and claims incurred ceded to external reinsurers totalled $604 million (2020: $432 million). There was $3 million (2020: $1 million) of deferred gains in the year.

C3.4 Products and determining contract liabilities

IFRS 4 requires contracts written by insurers to be classified as either 'insurance' contracts or 'investment' contracts. The classification of the contract determines its accounting.

Contracts that transfer significant insurance risk to the Group are classified as insurance contracts. This judgement is applied in considering whether the material features of a contract gives rise to the transfer of significant insurance risk, which is made at the point of contract inception and not revisited. For the majority of the Group's contracts, classification is based on a readily identifiable scenario that demonstrates a significant difference in cash flows if the covered event occurs (as opposed to does not occur) reducing the level of judgement involved.

Contracts that transfer financial risk to the Group but not significant insurance risk are classified as investment contracts. Insurance contracts and investment contracts with discretionary participation features are accounted for under IFRS 4. Investment contracts without such discretionary participation features are accounted for as financial instruments under IAS 39.

Investment contracts without discretionary participation features are measured in accordance with IAS 39 to reflect the deposit nature of the arrangement, with premiums and claims reflected as deposits and withdrawals, and taken directly to the statement of financial position as movements in the financial liability balance.

Investment contracts without fixed and guaranteed terms are classified as financial instruments and designated as fair value through profit or loss because the resulting liabilities are managed and their performance is evaluated on a fair value basis. Where the contract includes a surrender option, its carrying value is subject to a minimum carrying value equal to its surrender value.

Other investment contracts are measured at amortised cost.

In the Group's continuing insurance business operations, the table below gives a list of products that fall into each category:

Insurance contracts and investment contracts with discretionary participation features	**Investment contracts without discretionary participation features**
– With-profits contracts – Unit-linked policies – Health and protection policies – Non-participating term contracts – Whole life contracts	– Minor amounts for a number of small categories of business

The table below provides description of material feature of each of the products listed above for continuing operations, together with how their contract liabilities are determined.

Contract type	*Description and material features*	*Determination of liabilities*
With-profits and participating contracts	Provides savings and/or protection where the basic sum assured can be enhanced by a profit share (or bonus) from the underlying fund as determined at the discretion of the local business unit. Participating products often offer a guaranteed maturity or surrender value. Declared regular bonuses are guaranteed once vested. Future bonus rates and cash dividends are not guaranteed. Market value adjustments and surrender penalties are used for certain products where the law permits such adjustments. Guarantees are predominantly supported by the segregated funds and their estates.	As explained in note A3.1, with-profits contracts are predominantly sold in Hong Kong, Malaysia and Singapore. The total value of the with-profits funds is driven by the underlying asset valuation with movements reflected principally in the accounting value of policyholder liabilities and unallocated surplus. In Hong Kong, the unallocated surplus includes the shareholders' share of expected future bonuses, with the expected policyholder share being included in policyholder liabilities. Any excess of assets over liabilities and amounts expected to be paid out by the fund on future bonuses is also included in the unallocated surplus.
Unit-linked	Combines savings with protection, the cash value of the policy primarily depends on the value of the underlying unitised funds.	The attaching liabilities largely reflect the unit value obligation driven by the value of the investments of the unit fund. Additional contract liabilities are held for guaranteed benefits beyond the unit fund value, generally using a gross premium valuation method, as discussed below for health and protection business. These additional provisions are recognised as a component of other business liabilities.

C3 Policyholder liabilities and unallocated surplus continued

C3.4 Products and determining contract liabilities continued

Contract type	*Description and material features*	*Determination of liabilities*
Health and protection	Health and protection features are offered as supplements to the products listed above or sold as standalone products. Protection covers mortality and/or morbidity benefits including health, disability, critical illness and accident coverage.	The approach to determine the contract liabilities is generally driven by the local solvency basis. The discount rates used to determine the contract liabilities are derived in line with the measurement basis applied in each local business unit and are generally based on the risk-free rates applicable to the underlying contacts, including appropriate margins. A gross premium valuation (GPV) method is typically used in those local businesses where a risk-based capital framework is adopted for local solvency. Under the GPV method, all cash flows are valued explicitly using best estimate assumptions with a suitable margin for prudence. This is achieved either through adding an explicit allowance above best estimate to the assumptions, or by applying an overlay constraint such that on day one no negative reserves (ie where future premium inflows are expected to exceed future claims and outflows) are derived at an individual policyholder level, or at a product/fund level, or a combination of both. The margin for prudence is released to profit over the life of the contract. Best estimate assumptions are reviewed annually with reference to experience and expectations around the short-term nature of any change (for example increases or decreases in claims levels as a result of Covid-19). Any changes made to best estimate impact the prudence mechanisms described above and, as a consequence, IFRS profit tends to be relatively insensitive to assumption changes made in any given year. The Hong Kong business unit applies a net premium valuation method (NPV) to determine the future policyholder benefit provisions, subject to minimum floors at the policyholder's asset share or guaranteed cash surrender value as appropriate. For India and Taiwan, US GAAP is applied for measuring insurance liabilities. For these businesses, the future policyholder benefit provisions for non-linked business are determined using the net level premium method, with an allowance for surrenders, maintenance and claims expenses. In Vietnam, an estimation basis to determine the contract liabilities is aligned substantially to that used by the local business units applying the GPV method.
Non-participating term contracts, whole life and endowment assurance	Non-participating savings and/or protection where the benefits are guaranteed, determined by a set of defined market-related parameters, or determined at the discretion of the local business unit. These products often offer a guaranteed maturity and/or surrender value. It is common in Asia for regulations or market-driven demand and competition to provide some form of capital value protection and minimum crediting interest rate guarantees. This is reflected within the guaranteed maturity and surrender values. Guarantees are supported by shareholders.	The approach to determining the contract liabilities is generally driven by the local solvency basis, as discussed for health and protection business above.

C4 Intangible assets

C4.1 Goodwill

Business combination

Business acquisitions are accounted for by applying the purchase method of accounting, which adjusts the net assets of the acquired company to fair value at the date of purchase. The excess of the acquisition consideration over the fair value of the assets and liabilities of the acquired business is recorded as goodwill. The Group chooses the full goodwill method or the partial goodwill method to calculate goodwill on an acquisition by acquisition basis. Expenses related to acquiring new subsidiaries are charged to the income statement in the period in which they are incurred and not included in goodwill. Income and expenses of acquired businesses are included in the income statement from the date of acquisition.

Where the Group writes a put option, which if exercised triggers the purchase of non-controlling interests as part of its business acquisition, the put option is recognised as a financial liability at the acquisition date. Where risks and rewards remain with the non-controlling interests, a corresponding amount is deducted from equity. Any subsequent changes to the carrying amount of the put option liability are also recognised within equity.

Goodwill

Goodwill is capitalised and carried on the Group consolidated statement of financial position as an intangible asset at initial value less any accumulated impairment losses. Goodwill impairment testing is conducted annually and when there is an indication of impairment.

Goodwill shown on the consolidated statement of financial position at 31 December 2021 represents amounts allocated to businesses in Asia and Africa in respect of both acquired asset management and life businesses. There has been no impairment as at 31 December 2021 and 2020.

	2021 $m	**2020** $m
Carrying value at 1 Jan	**961**	969
Exchange differences	**(54)**	(8)
Carrying value at 31 Dec	**907**	961

Impairment testing

Goodwill does not generate cash flows independently of other groups of assets and thus is assigned to cash-generating units for the purposes of impairment testing. These cash-generating units (CGUs) are based upon how management monitors the business and represent the lowest level to which goodwill can be allocated on a reasonable basis. Of the carrying value at 31 December 2021, $465 million (31 December 2020: $513 million) relates to asset management business in Thailand and $233 million (31 December 2020: $238 million) relates to the acquisition of UOB Life in Singapore. Other goodwill amounts are allocated across CGUs in Asia and Africa operations, which are not individually material.

Goodwill is tested for impairment by comparing the CGU's carrying amount, including any goodwill, with its recoverable amount. The Group's methodology of assessing whether goodwill may be impaired for acquired life and asset management operations is discussed below.

For acquired life businesses, the Group routinely compares the aggregate of net asset value and acquired goodwill on an IFRS basis of the acquired life business with the value of the current in-force business as determined using the EEV methodology. Any excess of IFRS value over EEV carrying value is then compared with EEV basis value of current and projected future new business to determine whether there is any indication that the goodwill in the IFRS statement of financial position may be impaired. The methodology and assumptions underpinning the Group's EEV basis of reporting are included in the EEV basis supplementary information in this Annual Report.

The goodwill in respect of asset management businesses comprises mainly the goodwill arising from the acquisition of Thanachart Fund Management Co., Ltd in 2019 and TMB Asset Management Co., Ltd in Thailand in 2018. The goodwill impairment testing for these businesses is prepared as a single CGU reflecting that these businesses are managed together. The recoverable amount of these businesses has been determined by calculating the value in use of combined business calculated using a discounted cash flow valuation.

For the combined Thailand asset management business, the valuation is based on a number of key assumptions as follows:

- Cash flow projections based on the latest five-year business plan/forecast;
- A constant growth rate of 2.3 per cent on forecast cash flows beyond the terminal year of the cash flow projection period (31 December 2020: 2.3 per cent);
- The risk discount rate applied in accordance with the nature of the businesses. The pre-tax discount rate applied is 9.0 per cent (31 December 2020: 9.0 per cent); and
- The continuation of asset management contracts on similar terms.

Management believes that any reasonable change in the key assumptions would not cause the recoverable amount of the asset management businesses acquired to fall below its carrying amount.

C4 Intangible assets continued

C4.2 Deferred acquisition costs and other intangible assets

Intangible assets acquired on the purchase of a subsidiary or portfolio of contracts are measured at fair value on acquisition. DAC are accounted for as described in note A3.1(c). Other intangible assets, such as distribution rights and software, are valued initially at the price paid to acquire them and are subsequently carried at cost less amortisation and any accumulated impairment losses. For intangibles other than DAC, amortisation follows the pattern in which the future economic benefits are expected to be consumed. If the pattern cannot be determined reliably, a straight-line method is applied. For software, the amortisation generally represents the licence period of the software acquired. Amortisation of intangible assets is charged to the 'acquisition costs and other expenditure' line in the consolidated income statement. Impairment testing is conducted when there is an indication of impairment.

	31 Dec 2021 $m	**31 Dec 2020** $m
Deferred acquisition costs and other intangible assets attributable to shareholders note (a)	**6,809**	20,275
Other intangible assets, including computer software, attributable to with-profits funds	**49**	70
Total of deferred acquisition costs and other intangible assets	**6,858**	20,345
Analysed as:		
Deferred acquisition costs and other intangible assets from continuing operations		
Attributable to shareholder-backed business note	**6,809**	6,394
Attributable to with-profits business	**49**	70
Deferred acquisition costs and other intangible assets from discontinued US operations	**–**	13,881
Total of deferred acquisition costs and other intangible assets	**6,858**	20,345

Note

The deferred acquisition costs (DAC) and other intangible assets attributable to shareholders from continuing operations comprise:

	31 Dec 2021 $m	**31 Dec 2020** $m
DAC related to insurance contracts as classified under IFRS 4	**2,776**	2,319
DAC related to investment management contracts, including life assurance contracts classified as financial instruments and investment management contracts under IFRS 4	**39**	34
DAC related to insurance and investment contracts	**2,815**	2,353
Distribution rights	**3,782**	3,851
Present value of acquired in-force policies for insurance contracts as classified under IFRS 4	**28**	34
Other intangibles	**184**	156
Present value of acquired in-force policies (PVIF) and other intangibles attributable to shareholders	**3,994**	4,041
Total of DAC and other intangible assets	**6,809**	6,394

(a) Movement in DAC and other intangible assets attributable to shareholders

	2021 $m			**2020** $m
	DAC note (b)	**PVIF and other intangibles** note (c)	**Total**	**Total**
Balance at 1 Jan	**16,216**	**4,059**	**20,275**	17,409
Removal of discontinued US operations	**(13,863)**	**(18)**	**(13,881)**	–
Additions	**848**	**337**	**1,185**	2,471
Amortisation to the income statement:				
From continuing operations	**(343)**	**(308)**	**(651)**	(518)
From discontinued US operations	**–**	**–**	**–**	374
	(343)	**(308)**	**(651)**	(144)
Amortisation of DAC related to the discontinued US operations recognised within other comprehensive income	**–**	**–**	**–**	494
Disposals and transfers	**–**	**(7)**	**(7)**	(12)
Exchange differences and other movements	**(43)**	**(69)**	**(112)**	57
Balance at 31 Dec	**2,815**	**3,994**	**6,809**	20,275

(b) Movement in DAC related to insurance and investment contracts

	2021 $m		2020 $m	
	Insurance contracts	Investment contracts note	Insurance contracts	Investment contracts note
Balance at 1 Jan	**16,182**	**34**	14,206	33
Removal of discontinued US operations	**(13,863)**	**–**	–	–
Additions	**841**	**7**	1,354	3
Amortisation	**(339)**	**(4)**	85	(4)
Exchange differences and other movements	**(45)**	**2**	43	2
Change in shadow DAC related to the discontinued US operations	**–**	**–**	494	–
Balance at 31 Dec	**2,776**	**39**	16,182	34

Note

The carrying amount of the DAC balance relating to investment contracts comprises the following gross and accumulated amortisation amounts:

	31 Dec 2021 $m	31 Dec 2020 $m
Gross amount	**55**	39
Accumulated amortisation	**(16)**	(5)
Carrying amount	**39**	34

(c) Movement in PVIF and other intangibles attributable to shareholders

	2021 $m				2020 $m			
	PVIF note (i)	Distribution rights note (ii)	Other intangibles (including software) note (iii)	Total	PVIF note (i)	Distribution rights note (ii)	Other intangibles (including software) note (iii)	Total
Balance at 1 Jan								
Cost	**177**	**4,845**	**424**	**5,446**	175	3,783	379	4,337
Accumulated amortisation	**(143)**	**(994)**	**(250)**	**(1,387)**	(137)	(812)	(218)	(1,167)
	34	**3,851**	**174**	**4,059**	38	2,971	161	3,170
Removal of discontinued US operations	**–**	**–**	**(18)**	**(18)**	–	–	–	–
Additions	**–**	**260**	**77**	**337**	–	1,047	67	1,114
Amortisation charge	**(5)**	**(268)**	**(35)**	**(308)**	(5)	(180)	(45)	(230)
Disposals and transfers	**–**	**–**	**(7)**	**(7)**	–	–	(12)	(12)
Exchange differences and other movements	**(1)**	**(61)**	**(7)**	**(69)**	1	13	3	17
Balance at 31 Dec	**28**	**3,782**	**184**	**3,994**	34	3,851	174	4,059
Comprising:								
Cost	**140**	**5,037**	**313**	**5,490**	177	4,845	424	5,446
Accumulated amortisation	**(112)**	**(1,255)**	**(129)**	**(1,496)**	(143)	(994)	(250)	(1,387)
	28	**3,782**	**184**	**3,994**	34	3,851	174	4,059

Notes

(i) All of the net PVIF balances relate to insurance contracts. The PVIF attaching to investment contracts have been fully amortised.

(ii) Distribution rights relate to amounts that have been paid or have become unconditionally due for payment as a result of past events in respect of the bancassurance partnership arrangements for the bank distribution of Prudential's insurance products for a fixed period of time. The distribution rights amounts 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.

(iii) Software rights from continuing operations include additions of $61 million, amortisation of $(24) million, disposals of $(2) million, foreign exchange of $(5) million and closing balance at 31 December 2021 of $114 million (31 December 2020: $84 million).

C5 Borrowings

Although initially recognised at fair value (net of transaction costs), borrowings 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 of the borrowing and the initial proceeds (net of related issue costs) is amortised through the income statement to the date of maturity or for hybrid debt, over the expected life of the instrument.

C5.1 Core structural borrowings of shareholder-financed businesses

	31 Dec 2021 $m	31 Dec 2020 $m
Continuing operations:		
Subordinated debt:		
US$250m 6.75% Notes note (i)	**–**	250
US$300m 6.5% Notes note (i)	**–**	300
US$700m 5.25% Notes note (i)	**–**	700
US$1,000m 5.25% Notes note (i)	**1,000**	999
US$725m 4.375% Notes note (iii)	**725**	723
US$750m 4.875% Notes	**748**	746
€20m Medium Term Notes 2023	**23**	24
£435m 6.125% Notes 2031	**584**	590
US$1,000m 2.95% Notes 2033 note (ii)	**995**	–
Senior debt: note (iv)		
£300m 6.875% Notes 2023	**404**	406
£250m 5.875% Notes 2029	**313**	312
$1,000m 3.125% Notes 2030	**985**	983
Bank loans:		
$350m Loan 2024	**350**	350
Total continuing operations	**6,127**	6,383
Discontinued US operations: Jackson US$250m 8.15% Surplus Notes 2027		250
Total core structural borrowings of shareholder-financed businesses		6,633

Notes

(i) The US$250 million, US$300 million, US$700 million notes were redeemed on 23 December 2021 and the US$1,000 million notes were redeemed on 20 January 2022 using the proceeds from the issuance of ordinary shares during the year as discussed in note C8.

(ii) In November 2021, the Company issued US$1,000 million 2.95 per cent subordinated debt maturing on 3 November 2033 with proceeds, net of costs, of $995 million.

(iii) The US$725 million note was redeemed on 20 January 2022 using the proceeds from the US$1,000 million subordinated debt issued in November 2021.

(iv) The senior debt ranks above subordinated debt in the event of liquidation.

C5.2 Operational borrowings

	31 Dec 2021 $m	31 Dec 2020 $m
Shareholder-financed business:		
Borrowings in respect of short-term fixed income securities programmes – commercial paper	**500**	501
Lease liabilities under IFRS 16	**209**	251
Other borrowings	**10**	–
Operational borrowings from continuing operations	**719**	752
Discontinued US operations note		1,498
Group total operational borrowings attributable to shareholder-financed businesses		2,250
With-profits business:		
Lease liabilities under IFRS 16	**138**	194
Other borrowings	**4**	–
Group total operational borrowings	**861**	2,444

Note

Operational borrowings from discontinued US operations can be analysed as follows:

	31 Dec 2020 $m
Non-recourse borrowings of consolidated investment funds	994
Lease liabilities under IFRS 16	51
Senior debt issued through the Federal Home Loan Bank of Indianapolis (FHLB)	453
Operational borrowings from discontinued US operations	1,498

C6 Risk and sensitivity analysis

Group overview

The Group's risk framework and the management of risks attaching to the Group's financial statements including financial assets, financial liabilities and insurance liabilities, together with the inter-relationship with the management of capital, have been included in the audited sections of the Risk review report.

The financial and insurance assets and liabilities on the Group's statement of financial position are, to varying degrees, subject to market and insurance risk and other changes of experience assumptions that may have a material effect on IFRS basis profit or loss and shareholders' equity. The market and insurance risks and also ESG-related risks, including how they affect Group's operations and how these are managed are discussed in the Risk review report referred to above. The ESG-related risks discussed in the Risk review report include in particular the potential long-term impact of environmental risks associated with climate change (including physical and transition risks) on the Group's investments and liabilities. The ESG Report included in this Annual Report sets out three commonly used scenarios of plausible global responses to climate change. Each scenario is translated into potential sensitivities to economic factors, using third party calibrated inputs, which have then been applied during the year to the Group's starting assets and liabilities to quantify possible future impacts thereon. Though the Group remains exposed to financial impact from plausible global responses addressing climate change, the results for each scenario are not outside observed market volatility experienced and therefore do not indicate the need for explicit allowance for climate change within the current valuations. In addition, given the nature of the business, the impact of climate change does not directly alter the Group's assumptions for claims and lapses for its insurance business based on the annual review of experience. If experience or exposure changes, for example due to a step change in long-term morbidity and/or mortality expectations in a particular region due to climate events, the financial impacts from climate-related risks on our insurance liabilities could be more significant and would be allowed for as part of the regular review.

The most significant items that the IFRS shareholders' profit or loss and shareholders' equity for the Group's life assurance business are sensitive to, are shown in the following tables. The distinction between direct and indirect exposure is not intended to indicate the relative size of the sensitivity.

Type of business	*Market and credit risk*	*Insurance and lapse risk*
All insurance business		Mortality and/or morbidity risk Persistency risk
With-profits business	Net neutral direct exposure (indirect exposure to investment performance, which is subject to smoothing through declared bonuses)	
Unit-linked business	Net neutral direct exposure (indirect exposure to investment performance, through asset management fees)	
Non-participating business	Asset/liability mismatch risk which results in sensitivity to interest rates and credit spreads, particularly for operations where the insurance liability basis is sensitive to current market movements Profit and shareholders' equity are also sensitive to the impact of current market movements on assets held in excess of non-participating policyholder liabilities Indirect exposure to investment performance through policyholder charges and guarantees in some cases	

Sensitivity analyses of IFRS shareholders' equity to key market and other risks for the continuing insurance operations are provided in section C6.1 below. The sensitivity analyses provided show the effect on shareholders' equity to changes in the relevant risk variables, all of which are considered to be reasonably possible at the relevant balance sheet date.

The sensitivities reflect all consequential impacts from market movements at the valuation date.

The sensitivity of the Group's Eastspring and central operations to market risks is discussed in section C6.2.

The Group benefits from diversification benefits achieved through the geographical spread of the Group's operations and, within those operations, through a broad mix of product types. These benefits are not reflected in the simplified sensitivities below.

Relevant correlation factors include:

- Correlation across geographic regions for both financial and non-financial risk factors; and
- Correlation across risk factors for mortality and morbidity, expenses, persistency and other risks.

The geographical diversity of the Group's business means that it has some exposure to the risk of foreign exchange rate fluctuations. The Group has no exposure to currency fluctuation from business units that operate in USD, or currencies pegged to the USD (such as HKD), and reduced exposure to currencies partially managed to the USD within a basket of currencies (such as SGD). Sensitivities to exchange rate movements in the Group's key markets are therefore expected to be limited.

C6 Risk and sensitivity analysis continued

C6.1 Continuing insurance operations

(a) Sensitivity to key market risks

The table below shows the sensitivity of shareholders' equity as at 31 December 2021 and 2020 for continuing insurance operations to the following market risks:

- 1 per cent increase and 0.5 per cent decrease in interest rates (based on local government bond yields at the valuation date) in isolation and subject to a floor of zero; and
- Instantaneous 10 per cent rise and 20 per cent fall in the market value of equity and property assets. The equity risk sensitivity analysis assumes that all equity indices fall by the same percentage.

The sensitivities below only allow for limited management actions such as changes to policyholder bonuses, where applicable. If the economic conditions set out in the sensitivities persisted, the financial impacts may differ to the instantaneous impacts shown below. Given the continuous risk management processes in place, management could take additional actions to help mitigate the impact of these stresses, including (but not limited to) rebalancing investment portfolios, increased use of reinsurance, repricing of in-force benefits, changes to new business pricing and the mix of new business being sold. The sensitivities reflect all consequential impacts from market movements at the valuation date. Where liabilities are directly valued using short-term historic average rates, the average interest rates in the sensitivities are adjusted accordingly and reflected in the impact on these liabilities. These sensitivities do not include credit risk sensitivities, such as movements in credit spreads, and hence the valuation of debt securities and policyholder liabilities. A one-letter credit downgrade in isolation (ie ignoring any consequential change in valuation) would not have a material impact on IFRS profit or shareholders' equity.

Net effect on shareholders' equity from continuing insurance operations	**31 Dec 2021** $m	**31 Dec 2020** $m
Shareholders' equity from continuing insurance operations	**14,289**	12,861
Sensitivity to key market risks*:		
Interest rates and consequential effects – 1% increase	**(796)**	(318)
Interest rates and consequential effects – 0.5% decrease	**137**	(1,274)
Equity/property market values – 10% rise	**372**	410
Equity/property market values – 20% fall	**(787)**	(848)

* The effect from the changes in interest rates or equity and property prices above, if they arose, would impact profit after tax for the continuing insurance operations and would mostly be recorded within short-term fluctuations in investment returns. The impact on profit after tax would be the same as the net effect on shareholders' equity. In the context of the Group, the results of the Africa insurance operations are not materially impacted by interest rate or equity rate changes.

The degree of sensitivity of the results of the non-linked shareholder-backed business of the continuing insurance operations to movements in interest rates depends upon the degree to which the liabilities under the 'grandfathered' IFRS 4 measurement basis reflects market interest rates from period to period. This varies by business unit.

For example:

- Certain businesses (Taiwan and India) apply US GAAP, for which the results can be more sensitive as the effect of interest rate movements on the backing investments may not be offset by liability movements;
- The level of options and guarantees in the products written in a particular business unit will affect the degree of sensitivity to interest rate movements; and
- The degree of sensitivity of the results is dependent on the interest rate level at that point of time.

The sensitivity of the insurance operations presented as a whole at a given point in time will also be affected by a change in the relative size of the individual businesses.

The 'increase of 1%' sensitivities reflects that, at the current level of interest rates, for many operations the impact of interest rate movements on the value of government and corporate bond investments dominates, namely bonds are expected to decrease in value as interest rates increase to a greater extent than the offsetting decrease in liabilities from a corresponding change in discount rates. This arises because the discount rate in some operations does not fluctuate in line with interest rate movements together with the fact that, for operations where the discount rate does fluctuate in line with interest rate movements, at higher levels of interest rates, liabilities of these operations become less sensitive to interest rate movements and the effects on assets becomes more dominant. While interest rates have been rising steadily and may rise further in response to increasing inflationary pressures, the Group believes the 'increase of 1%' sensitivities continues to reflect the effect of a reasonably possible change at 31 December 2021 based on the latest market expectation of interest rate changes.

The 'decrease of 0.5%' sensitivities at 31 December 2020, when rates were historically low reflected that some business units' liabilities become more sensitive at a further decrease in interest rates and the increase in liabilities as rates decrease begin to exceed asset gains. The prudent nature of some of the regulatory regimes of the Group's markets can lead to duration of liabilities that are longer than would be expected on a more economic basis and hence results in a mismatch with the assets that are managed on a more realistic basis. As noted above, the results only allow for limited management actions, and if a lower interest scenario persisted for a longer period management could take additional actions to manage the impact of these stresses, including (but not limited to) rebalancing investment portfolios, increased use of reinsurance, changes to new business pricing and the mix of new business being sold.

Following increases in interest rates over 2021, under a 0.5% decrease of interest rate scenario for most operations asset gains exceed the increases in liabilities resulting in an overall small positive impact of an instantaneous decrease of rates.

Generally, changes in equity and property investment values are not directly offset by movements in non-linked policyholder liabilities. Movements in equities backing with-profits and unit-linked business have been excluded as they are generally matched by an equal movement in insurance liabilities (including unallocated surplus of with-profits funds). The impact on changes to future profitability as a result of changes to the asset values within unit-linked or with-profits funds have not been included in the instantaneous sensitivity above. The estimated sensitivities shown above include equity and property investments held by the Group's joint venture and associate businesses.

(b) Sensitivity to insurance risk

For insurance operations, adverse persistency experience can impact the IFRS profitability of certain types of business written in the region. This risk is managed at a local business unit level through regular monitoring of experience and the implementation of management actions as necessary. These actions could include product enhancements, increased management focus on premium collection, as well as other customer retention efforts. The potential financial impact of lapses is often mitigated through the specific features of the products, eg surrender charges, or through the availability of premium holiday or partial withdrawal policy features. The reserving basis, as discussed in note A3.1(a) and C3.4, is generally such that a change in lapse assumptions has an immaterial effect on immediate profitability.

Many of the business units are exposed to mortality and morbidity risk and a provision is made within policyholder liabilities to cover the potential exposure. If all these assumptions were strengthened by 5 per cent then it is estimated that post-tax profit and shareholders' equity would decrease by approximately $108 million (2020: $77 million). Weakening these assumptions by 5 per cent would have a similar opposite impact.

C6. 2 Eastspring and central operations

The profit for the year of Eastspring is sensitive to the level of assets under management, as this significantly affects the value of management fees earned by the business in the current and future periods. Assets under management will rise and fall as market conditions change, with a consequential impact on profitability.

Eastspring and central operations do not hold significant financial investments. At 31 December 2020, the financial investments of the central operations were principally short-term treasury bills and money market funds held by the Group's treasury function for liquidity purposes and so there is limited sensitivity to interest rate movements. At 31 December 2021, in addition to these financial investments, the central operations also held the 18.4 per cent economic interest in the equity securities of Jackson. These equity securities are listed on the New York Stock Exchange and classified as 'available-for-sale' with a fair value of $683 million at 31 December 2021. If the value of these securities decreased by 20 per cent, the change in valuation would be $(137) million, which would reduce shareholders' equity by this amount before tax, all of which would pass through other comprehensive income outside of the profit or loss.

C7 Tax assets and liabilities

Accounting policies on deferred tax are included in note B3.

C7.1 Current tax

At 31 December 2021, of the $20 million (31 December 2020: $11 million) current tax recoverable from continuing operations, the majority is expected to be recovered more than 12 months after the reporting period.

At 31 December 2021, the current tax liability from continuing operations of $185 million (31 December 2020: $270 million) includes $42 million (31 December 2020: $110 million) of provisions for uncertain tax matters. Further detail is provided in note B3.2.

C7.2 Deferred tax

The statement of financial position contains the following deferred tax assets and liabilities in relation to:

	2021 $m				
	Balance at 1 Jan	**Removal of discontinued US operations**	**Movement in income statement**	**Other movements including foreign exchange movements**	**Balance at 31 Dec**
Deferred tax assets					
Unrealised losses or gains on investments	**–**	**–**	**3**	**–**	**3**
Balances relating to investment and insurance contracts	**87**	**–**	**(16)**	**(37)**	**34**
Short-term temporary differences	**4,662**	**(4,513)**	**15**	**(2)**	**162**
Unused tax losses	**109**	**(29)**	**(14)**	**1**	**67**
Total	**4,858**	**(4,542)**	**(12)**	**(38)**	**266**
Deferred tax liabilities					
Unrealised losses or gains on investments	**(1,063)**	**691**	**127**	**3**	**(242)**
Balances relating to investment and insurance contracts	**(1,765)**	**–**	**(433)**	**73**	**(2,125)**
Short-term temporary differences	**(3,247)**	**2,832**	**(87)**	**7**	**(495)**
Total	**(6,075)**	**3,523**	**(393)**	**83**	**(2,862)**

	2020 $m				
	Balance at 1 Jan	**Movement in income statement**	**Movement through other comprehensive income**	**Other movements including foreign exchange movements**	**Balance at 31 Dec**
Deferred tax assets					
Unrealised losses or gains on investments	–	–	–	–	–
Balances relating to investment and insurance contracts	32	55	–	–	87
Short-term temporary differences	133	14	–	2	149
Unused tax losses	106	(31)	–	5	80
Total continuing operations	271	38	–	7	316
Discontinued US operations	3,804	732	–	6	4,542
Group total	4,075	770	–	13	4,858
Deferred tax liabilities					
Unrealised losses or gains on investments	(289)	(78)	–	(5)	(372)
Balances relating to investment and insurance contracts	(1,507)	(235)	–	(23)	(1,765)
Short-term temporary differences	(350)	(53)	–	(12)	(415)
Total continuing operations	(2,146)	(366)	–	(40)	(2,552)
Discontinued US operations	(3,091)	(324)	(102)	(6)	(3,523)
Group total	(5,237)	(690)	(102)	(46)	(6,075)

At 31 December 2021, no deferred tax asset has been recognised in respect of unused tax losses and temporary deductible differences of $1,382 million (31 December 2020: $991 million from continuing operations) which have a potential tax benefit of $264 million (31 December 2020: $191 million). Of the potential tax benefit, $23 million relates to unused tax losses that will expire within the next ten years, and the remainder ($241 million) has no expiry date.

Some of the Group's businesses are located in jurisdictions in which a withholding tax charge is incurred upon the distribution of earnings. At 31 December 2021, deferred tax liabilities from continuing operations of $330 million (31 December 2020: $323 million) have not been recognised in respect of such withholding taxes as the Group is able to control the timing of the distributions and it is probable that the timing differences will not reverse in the foreseeable future.

C8 Share capital, share premium and own shares

Shares are classified as equity when their terms do not create an obligation to transfer assets. Amounts recorded in share capital represent the nominal value of the shares issued. The difference between the proceeds received on issue of the shares, net of share issue costs, and the nominal value of the shares issued, is credited to share premium. Where the Company purchases shares for the purposes of employee incentive plans, the consideration paid, net of issue costs, is deducted from retained earnings. Upon issue or sale any consideration received is credited to retained earnings net of related costs.

	2021			2020		
Issued shares of 5p each fully paid	**Number of ordinary shares**	**Share capital $m**	**Share premium $m**	**Number of ordinary shares**	**Share capital $m**	**Share premium $m**
Balance at 1 Jan	**2,609,489,702**	**173**	**2,637**	2,601,159,949	172	2,625
Shares issued under share-based schemes	**6,142,213**	**–**	**8**	8,329,753	1	12
Shares issued under Hong Kong public offer and international placing in 2021 (see below)	**130,780,350**	**9**	**2,365**	–	–	–
Balance at 31 Dec	**2,746,412,265**	**182**	**5,010**	2,609,489,702	173	2,637

Options outstanding under save as you earn schemes to subscribe for shares at each year end shown below are as follows:

	Number of shares to subscribe for	**Share price range**		**Exercisable by year**
		from	**to**	
31 Dec 2021	**2,022,535**	**964p**	**1,455p**	**2027**
31 Dec 2020	2,320,320	964p	1,455p	2026

Transactions by Prudential plc and its subsidiaries in Prudential plc shares

The Group buys and sells Prudential plc shares ('own shares') in relation to its employee share schemes. The cost of own shares of $267 million at 31 December 2021 (31 December 2020: $243 million) is deducted from retained earnings. The Company has established trusts to facilitate the delivery of shares under employee incentive plans. At 31 December 2021, 11.7 million (31 December 2020: 11.2 million) Prudential plc shares with a market value of $201 million (31 December 2020: $205 million) were held in such trusts, all of which are for employee incentive plans. The maximum number of shares held during the year was 15.1 million which was in March 2021.

Within the trusts, shares are notionally allocated by business unit reflecting the employees to which the awards were made.

The Company purchased the following number of shares in respect of employee incentive plans:

	2021				2020			
	Number of shares	**Share price Low £**	**Share price High £**	**Cost $**	**Number of shares**	**Share price Low £**	**Share price High £**	**Cost $**
January	**74,817**	**14.12**	**14.48**	**1,443,158**	62,395	14.42	14.68	1,195,275
February	**69,865**	**12.42**	**12.96**	**1,251,067**	62,680	14.57	14.60	1,183,717
March	**55,545**	**14.91**	**15.49**	**1,189,784**	79,057	11.18	11.40	1,110,374
April	**2,438,884**	**15.45**	**15.55**	**52,512,098**	5,363,563	10.21	10.48	68,010,967
May	**52,989**	**15.82**	**15.96**	**1,183,836**	81,377	11.16	11.30	1,117,783
June	**121,472**	**14.62**	**14.89**	**2,508,974**	167,724	11.86	12.67	2,540,749
July	**60,473**	**13.62**	**13.78**	**1,145,078**	87,239	12.30	12.51	1,365,109
August	**57,004**	**14.20**	**14.37**	**1,128,450**	72,287	12.21	12.33	1,167,008
September	**312,226**	**14.89**	**15.24**	**7,961,098**	75,368	11.61	11.68	1,138,447
October	**436,771**	**14.48**	**14.99**	**8,410,274**	116,802	11.49	11.71	1,764,694
November	**53,867**	**14.77**	**14.83**	**1,072,374**	74,178	10.62	12.76	1,233,127
December	**76,926**	**13.20**	**13.24**	**1,355,942**	70,814	12.78	12.83	1,217,842
Total	**3,810,839**			**81,162,133**	6,313,484			83,045,092

The cost in USD shown has been calculated from the share prices in pounds sterling using the monthly average exchange rate for the month in which those shares were purchased.

The share transactions in respect of employee incentive plans as shown in the table above were made on an exchange other than the Stock Exchange of Hong Kong. In the future, the Company intends to make share purchases on the Stock Exchange of Hong Kong for the purpose of the employee incentive plans.

C8 Share capital, share premium and own shares continued

On 4 October 2021, Prudential completed the issuance of 130.8 million new ordinary shares on the Hong Kong Stock Exchange through a concurrent public offer to Hong Kong retail investors (including eligible employees and agents of Prudential) and international placing to global investors (together, the 'Share Offer'). Approximately 6.5 million shares were allocated to the public offer and approximately 124.2 million shares were allocated to the international placing. The final offer price was set at HK$143.80 per share and the net proceeds from the Share Offer, after deduction of the underwriting fees and other estimated expenses payable in connection with the Share Offer of US$41 million, was approximately HK$18.5 billion or US$2.4 billion (equating to US$18.34 per share). On 25 September 2021, the day the final offer price was announced, the latest available market price of the issued shares was HK$147.70 per share. The final offer price of HK$143.80 per share, equivalent to £13.51, represented a 2.9 per cent discount to the last London closing price of £13.92 on 24 September 2021. This discount does not take into account the US$41 million of underwriting fees and estimated expenses payable in connection with the Share Offer.

The new shares have also been listed on the Singapore Stock Exchange and the London Stock Exchange. In the three-year period preceding the Share Offer, the percentage increase in issued share capital due to non pre-emptive issuances (excluding employee and agency share schemes) for cash was 5 per cent. The majority of the net proceeds (approximately HK$17.5 billion or US$2.3 billion) from the Share Offer have been utilised to redeem four existing high coupon debt in December 2021 and January 2022 as shown in note C5.1, with the remaining net proceeds expected to contribute to Prudential's central stock of liquidity, in order to further increase Prudential's financial flexibility. The above use of proceeds is consistent with the intended use of proceeds previously disclosed in Prudential's prospectus for this Share Offer.

C9 Provisions

	31 Dec 2021 $m	**31 Dec 2020** $m
Staff benefits provisions note (i)	**355**	328
Other provisions	**17**	22
Total provisions note (ii)	**372**	350

Notes

(i) Provisions for staff benefits are generally expected to be paid out within the next three years.

(ii) Analysis of movement in total provisions is shown below:

	2021 $m	**2020** $m
Balance at 1 Jan	**350**	466
Removal of discontinued US operations	**(14)**	–
Charged (credited) to income statement:		
Additional provisions	**263**	128
Unused amounts released	**(15)**	(13)
Utilisation during the year	**(204)**	(241)
Exchange differences	**(8)**	10
Balance at 31 Dec	**372**	350

C10 Capital

C10.1 Group objectives, policies and processes for managing capital

(a) Capital measure

The Group manages its Group GWS capital resources as its measure of capital. At 31 December 2021, estimated Group shareholder GWS capital resources from continuing operations is $16.9 billion (31 December 2020: $12.8 billion). The 31 December 2020 capital resources have been restated from those previously disclosed on a LCSM basis to reflect the treatment of grandfathered debt instruments under the GWS Framework, which increased eligible group capital resources by $1.6 billion compared to the LCSM basis. The 31 December 2020 Group GWS capital results are presented on a Group excluding Jackson basis before including the value of the Group's retained interest in Jackson Financial Inc.

(b) External capital requirements

Prudential plc is subject to the Group-wide Supervision (GWS) Framework issued by the Hong Kong Insurance Authority (IA). The GWS Framework became effective for Prudential upon designation by the Hong Kong IA on 14 May 2021 and replaced the local capital summation method (LCSM) which was used for determination of the 31 December 2020 Group capital position as agreed with the Hong Kong IA.

The GWS methodology is largely consistent with that previously applied under LCSM with the exception of the treatment of debt instruments which are subject to transitional arrangements under the GWS Framework. Under the GWS Framework, all debt instruments (senior and subordinated) issued by Prudential plc at the 31 December 2021 are included as GWS eligible group capital resources. This includes debt issued at the date of designation which met the transitional conditions set by the Hong Kong IA and have not since been redeemed and debt issued since the date of designation which met the qualifying conditions as set out in the Insurance (Group Capital) Rules. Under the LCSM, only specific bonds (being those subordinated debt instruments issued by Prudential plc at the date of demerger of M&G plc) were included as eligible group capital resources.

Prudential applies the Insurance (Group Capital) Rules set out in the GWS Framework to determine group regulatory capital requirements (both minimum and prescribed levels). The summation of local statutory capital requirements across the Group is used to determine group regulatory capital requirements, with no allowance for diversification between business operations. The GWS eligible group capital resources are determined by the summation of capital resources across local solvency regimes for regulated entities and IFRS shareholders' equity, with adjustments where applicable, for non-regulated entities.

More details on Group capital are given in section I(i) in the Additional unaudited financial information section.

(c) Meeting of capital management objectives

The GWS group capital adequacy requirements have been met since the GWS Framework became effective for Prudential upon designation. This includes maintaining total eligible group capital resources in excess of the group prescribed capital requirement of the supervised group and maintaining Tier 1 group capital resources in excess of the group minimum capital requirement of the supervised group.

As well as holding sufficient capital to meet GWS requirements at Group level, the Group also closely manages the cash it holds within its central holding companies so that it can:

- Fund new opportunities;
- Maintain flexibility and absorb shock events;
- Cover central costs; and
- Fund dividends.

More details on holding company cash flows and balances are given in section I(v) in the Additional unaudited financial information section.

Reserve adequacy testing under a range of scenarios and dynamic solvency testing is carried out, including under certain scenarios mandated by the local regulators.

The Group monitors regulatory capital, economic capital and rating agency capital metrics and manages the business within its risk appetite by remaining within its economic and regulatory capital limits.

The Group's capital management framework focuses on achieving sustainable, profitable growth and retaining a resilient balance sheet, with a disciplined approach to active capital allocation.

The sensitivity of liabilities and other components of total capital vary depending upon the type of business concerned and this conditions the approach to asset/liability management.

C10.2 Local capital regulations

(a) Insurance operations

The local valuation basis for the assets, liabilities and capital requirements of significant insurance operations are:

CPL

A risk-based capital, risk management and governance framework, known as the China Risk Oriented Solvency System (C-ROSS), applies in China. Under C-ROSS, insurers are required to maintain a core solvency ratio (core capital over minimum capital) and a comprehensive solvency ratio (capital resources over minimum capital) of not lower than 50 per cent and 100 per cent, respectively.

The actual capital is the difference between the admitted assets and admitted liabilities with trading and available-for-sale assets marked-to-market and other assets at book value. Policyholder liabilities are based on a gross premium valuation method using best estimate assumptions with a separate risk margin.

The CBIRC has released the final regulations of C-ROSS Phase II which becomes effective in the first quarter of 2022. The main updates to the local regulation are to introduce explicit tiering and admissibility rule of negative reserves in the capital resources and further updates to the risk calibrations used in calculating capital requirements.

Hong Kong

The capital requirements set out in the regulations vary by underlying risk type and duration of liabilities but are generally determined as a percentage of mathematical reserves and capital at risk.

Mathematical reserves are based on a net premium valuation method using assumptions which include a suitable margin for prudence. The valuation interest rate used to value long-term liabilities reflects a blend between the prudent assessment of the portfolio yield and the reinvestment yield subject to a maximum of the prudent portfolio yield. The approach used to determine the reinvestment yield for reserving allows for average yields thus the impact of movements in interest rates are reflected in the valuation interest rate over time. The basis of calculation was updated in 2020 in line with a circular issued by the Hong Kong IA. The capital resources are based on assets that are marked-to-market. The nature of the current regulatory regime means that the duration of statutory liabilities is longer than would be expected on an economic basis and hence there is an inherent mismatch with the assets that are managed on a more realistic basis.

The Hong Kong IA has developed a risk-based capital framework which values technical provisions on a best estimate basis together with a margin over current estimates and the capital requirements are risk-based. In February 2022 Prudential Hong Kong Limited submitted an application to the Hong Kong IA to early adopt this new risk-based capital framework for local statutory reporting.

Indonesia

Solvency capital is determined using a risk-based capital approach. The capital resources are based on assets that are marked-to-market, with policyholder liabilities based on a gross premium valuation method using best estimate assumptions with a suitable margin for prudence. Liabilities are zeroised at a policy level (ie negative liabilities are not permitted at a policy level). For unit-linked policies an unearned premium reserve is established.

C10 Capital continued

C10.2 Local capital regulations continued

(a) Insurance operations continued

Malaysia

A risk-based capital framework applies in Malaysia. The local regulator, Bank Negara Malaysia (BNM), has set a Supervisory Target Capital Level of 130 per cent below which supervisory actions of increasing intensity will be taken. Each insurer is also required to set its own Individual Target Capital Level to reflect its own risk profile and this is expected to be higher than the Supervisory Target Capital Level.

The capital resources are based on assets that are marked-to-market, with policyholder liabilities based on a gross premium valuation method using best estimate assumptions with a suitable margin for prudence. Liabilities are zeroised at a fund level (ie negative liabilities are not permitted at a fund level). The BNM has initiated a review of its RBC framework. A discussion paper on the design of the updated RBC framework was issued on 30 June 2021 with industry feedback provided by 30 September 2021. The BNM have yet to issue their final technical specification and the exact timing of implementation of potential revisions remains uncertain, these would need to be subject to quantitative impact studies and parallel run prior to introduction.

Market liberalisation measures were introduced by BNM in April 2009, which increases the limit from 49 per cent to 70 per cent on foreign equity ownership for insurance companies and Takaful operators in Malaysia. A higher foreign equity limit beyond 70 per cent for insurance companies will be considered by BNM on a case by case basis, for example, for companies who support expansion of providing insurance coverage to the most vulnerable in Malaysian society.

Singapore

A risk-based capital framework applies in Singapore. The regulator also has the authority to direct that the insurer satisfies additional capital adequacy requirements in addition to those set forth under the Singapore Insurance Act if it considers such additional requirements appropriate. The capital resources are based on assets that are marked-to-market, with policyholder liabilities based on a gross premium valuation method using best estimate assumptions with a suitable margin for prudence. The updated risk-based capital framework (RBC2) came into effect on 31 March 2020 and this permits the recognition of a prudent allowance for negative reserves in the capital resources.

(b) Asset management operations – regulatory and other surplus

Certain asset management subsidiaries of the Group are subject to local regulatory requirements. The movement in the year of the estimated surplus regulatory capital position of those subsidiaries, combined with the movement in the IFRS basis shareholders' equity for unregulated asset management operations from continuing operations, is as follows:

	2021 $m	**2020** $m
Balance at 1 Jan	**459**	376
Gains during the year	**266**	223
Movement in capital requirement	**3**	48
Capital injection	**6**	65
Distributions made to the parent company	**(201)**	(204)
Exchange and other movements	**(5)**	(49)
Balance at 31 Dec	**528**	459

C10.3 Transferability of capital resources

The amounts retained within the insurance companies are at levels that provide an appropriate level of capital strength in excess of the local regulatory minimum. The businesses may, in general, remit dividends to parent entities, provided the statutory insurance fund meets the local regulatory solvency requirements and there are sufficient statutory accounting profits. For with-profits funds, the excess of assets over liabilities is retained within the funds, with distribution to shareholders tied to the shareholders' share of declared bonuses.

Capital resources of the non-insurance business units is transferable after taking account of an appropriate level of operating capital, based on local regulatory solvency requirements, where relevant.

C11 Property, plant and equipment

Property, plant and equipment comprise Group occupied properties and tangible assets. Property, plant and equipment also includes right-of-use assets for operating leases of properties occupied by the Group and leases of equipment and other tangible assets. All property, plant and equipment, including the right-of-use assets under operating leases, are held at cost less cumulative depreciation, calculated using the straight-line method, and impairment charge.

A reconciliation of the carrying amount of the Group's property, plant and equipment from the beginning to the end of the years shown is as follows:

	2021 $m				**2020 $m**			
	Group occupied property	**Tangible assets**	**Right-of-use assets**	**Total**	**Group occupied property**	**Tangible assets**	**Right-of-use assets**	**Total**
Balance at 1 Jan								
Cost	**355**	**707**	**710**	**1,772**	351	687	734	1,772
Accumulated depreciation	**(88)**	**(523)**	**(268)**	**(879)**	(76)	(490)	(141)	(707)
Opening net book amount	**267**	**184**	**442**	**893**	275	197	593	1,065
Removal of discontinued US operations	**(242)**	**(32)**	**(35)**	**(309)**	–	–	–	–
Additions	**–**	**36**	**59**	**95**	3	56	21	80
Depreciation and impairment charge	**(1)**	**(45)**	**(123)**	**(169)**	(9)	(64)	(145)	(218)
Disposals, transfers and lease modifications	**–**	**–**	**(22)**	**(22)**	(3)	(13)	(25)	(41)
Effect of movements in exchange rates	**(1)**	**(3)**	**(6)**	**(10)**	1	8	(2)	7
Balance at 31 Dec	**23**	**140**	**315**	**478**	267	184	442	893
Representing:								
Cost	**33**	**489**	**678**	**1,200**	355	707	710	1,772
Accumulated depreciation	**(10)**	**(349)**	**(363)**	**(722)**	(88)	(523)	(268)	(879)
Closing net book amount	**23**	**140**	**315**	**478**	267	184	442	893

The Group does not have any right-of-use assets that would meet the definition of investment property. As at 31 December 2021, total right-of-use assets comprised $311 million (31 December 2020: $402 million from continuing operations; $27 million from discontinued operations) of property and $4 million (31 December 2020: $5 million from continuing operations; $8 million from discontinued operations) of non-property assets. Of the $315 million (31 December 2020: $407 million from continuing operations; $35 million from discontinued operations) total right-of-use assets, $128 million (31 December 2020: $182 million from continuing operations) were held by the Group's with-profits businesses.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. The Group assesses at lease commencement whether it is reasonably certain to exercise the option. This assertion is revisited if there is a material change in circumstances. As at 31 December 2021, the undiscounted value of lease payments beyond the break period not recognised in the lease liabilities from continuing operations is $201 million (31 December 2020: $179 million).

The Group has non-cancellable property subleases which have been classified as operating leases under IFRS 16. The sublease rental income received in 2021 for the leases is $6 million (2020: $6 million from continuing operations).

C11 Property, plant and equipment continued

Tangible assets
At 31 December 2021, of the $140 million (31 December 2020: $152 million from continuing operations; $32 million from discontinued operations) tangible assets, $63 million (31 December 2020: $72 million from continuing operations) were held by the Group's with-profits businesses.

Capital expenditure: property, plant and equipment by segment
The capital expenditure on property, plant and equipment from continuing operations in 2021 of $36 million (2020: $57 million) arose as follows:

	2021 $m	**2020** $m
Hong Kong	**9**	10
Indonesia	**1**	1
Malaysia	**2**	3
Singapore	**1**	5
Growth markets and other	**19**	14
Eastspring	**3**	2
Total segment	**35**	35
Unallocated to a segment (central operations)	**1**	22
Total capital expenditure on property, plant and equipment from continuing operations	**36**	57

D1 Corporate transactions

D1.1 (Loss) gain attaching to corporate transactions

Where there is a disposal, income and expenses of entities sold during the year are included in the 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 income statement under IAS 21.

	2021 $m	**2020** $m
Loss attaching to corporate transactions as shown separately on the consolidated income statement note	**(35)**	(30)
(Loss) gain arising on reinsurance transaction undertaken by the Hong Kong business	**(59)**	765
Total (loss) gain attaching to corporate transactions from continuing operations note B1.1	**(94)**	735

Note

The loss attaching to corporate transactions includes $(30) million incurred by Prudential plc during the year (2020: $(20) million) of costs associated with the separation of Jackson. Additionally, the 2021 amount includes $(28) million of payment for the termination of loss of office made to the former chief executive of Jackson as discussed further in note D4. These charges are partially offset by a gain of $23 million on the repurchase by Jackson of a portion of the Group's retained interest in the company in December 2021, as described further in note D1.2.

D1.2 Discontinued US operations

On 13 September 2021, the Group completed the separation of its US operations (Jackson) through a demerger, whereby shares in Jackson, representing 70.1 per cent voting interest (69.2 per cent economic interest) were distributed to Prudential shareholders. In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the US operations have been classified as discontinued within these consolidated financial statements. The 2021 income statement includes the results of Jackson up to 13 September 2021, the date of demerger.

At the point of demerger, Prudential plc retained a 19.9 per cent non-controlling voting interest (19.7 per cent economic interest) in Jackson, which is reported within the consolidated financial position as a financial investment at fair value and is included in 'Unallocated to a segment (central operations)' for segmental analysis. This investment has been classified as available-for-sale under IAS 39. On 13 December 2021, Jackson announced, as part of its previously disclosed $300 million share repurchase program, the repurchase of 2,242,516 shares of its Class A common stock from Prudential. With this repurchase activity, Prudential's remaining economic interest in Jackson was 18.4 per cent as of 31 December 2021 (18.5 per cent voting interest). Subject to market conditions, the Group intends to monetise a further portion of this investment to support its investment in Asia within 12 months of the demerger, such that the Group will own less than 10 per cent at the end of such period.

In accordance with IFRIC 17, 'Distribution of non-cash assets to owners', at the point of demerger, Jackson was remeasured to fair value and a loss on remeasurement to fair value has been recognised of $(8,259) million within the results of discontinued operations. $(7,341) million of this remeasurement relates to the Group's 88.9 per cent economic interest in Jackson, with the remaining $(918) million attributable to non-controlling interests. The fair value has been determined with reference to the opening quoted price of Jackson shares on the New York Stock Exchange as at the date of demerger on 13 September 2021.

Accordingly, the value of the dividend in specie representing a 70.1 per cent voting interest (69.2 per cent economic interest) of Jackson distributed to shareholders was $(1,735) million. At the point of demerger, Athene Life Re Ltd. retained its existing 9.9 per cent voting interest (11.1 per cent economic interest) in Jackson.

The results for the discontinued US operations presented in the consolidated financial statements for the period up to the demerger in September 2021 are analysed below.

Critical accounting policies applied for the discontinued US operations

The policyholder liabilities for Jackson's conventional protection-type policies were determined under US GAAP principles with locked in assumptions for mortality, interest, policy lapses and expenses along with provisions for adverse deviations. For other policies, the policyholder liabilities included the policyholder account balance. For those investment contracts with fixed and guaranteed terms, Jackson used the amortised cost model to measure the liability.

Jackson applied FASB ASU 2010-26 on 'Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts' and capitalised only those incremental costs directly relating to successfully acquiring a contract. Under US GAAP, most of Jackson's products were accounted for under Accounting Standards Codification Topic 944, Financial Services – Insurance of the Financial Accounting Standards Board (ASC 944) whereby deferred acquisition costs are amortised in line with expected gross profits. The majority of Jackson's DAC relates to its variable annuities business. For variable annuity business, a key assumption is the long-term investment return from the separate accounts. Jackson made certain adjustments to the DAC assets which were recognised directly in other comprehensive income ('shadow accounting') to match the recognition of unrealised gains or losses on available-for-sale securities causing the adjustments.

Debt securities of Jackson were designated as available-for-sale with value movements, unless impaired, being recorded as movements within other comprehensive income. Impairments were recorded in the income statement. For these securities, the consideration of evidence of impairment requires management's judgement. In making this determination, a range of market and industry indicators were considered including the severity and duration of the decline in fair value and the financial condition and prospects of the issuer. The factors reviewed include economic conditions, credit loss experience, other issuer-specific developments and future cash flows.

D1 Corporate transactions continued

D1.2 Discontinued US operations continued

(a) Income statement

	2021 $m	**2020** $m
Gross premiums earned	**14,047**	19,026
Outward reinsurance premiums note (i)	**(274)**	(30,584)
Earned premiums, net of reinsurance	**13,773**	(11,558)
Investment return and other income	**32,199**	31,321
Total revenue, net of reinsurance	**45,972**	19,763
Benefits and claims, net of reinsurance	**(41,350)**	(19,617)
Acquisition costs and other expenditure	**(2,305)**	(906)
Total charge, net of reinsurance	**(43,655)**	(20,523)
Profit (loss) before tax	**2,317**	(760)
Tax (charge) credit	**(363)**	477
Profit (loss) after tax	**1,954**	(283)
Remeasurement to fair value on demerger note (iii)	**(8,259)**	–
Cumulative valuation movements on available-for-sale debt securities, net of related tax and change in DAC, and net investment hedges recycled from other comprehensive income note (ii)	**1,278**	–
Loss for the year	**(5,027)**	(283)
Attributable to:		
Equity holders of the Company	**(4,234)**	(340)
Non-controlling interests	**(793)**	57
Loss for the year	**(5,027)**	(283)

Notes

(i) In 2020, outward reinsurance premiums included $(30.2) billion paid during the period in respect of the reinsurance of substantially all of Jackson's in-force fixed and fixed indexed annuity liabilities to Athene Life Re Ltd.

(ii) In accordance with IFRS, as a result of the demerger of Jackson, accumulated balances previously recognised through other comprehensive income relating to financial instruments held by Jackson classified as available-for-sale and historical net investment hedges have been recycled from other comprehensive income to the results of discontinued operations in the consolidated income statement. Total shareholders' equity is unchanged as a result of this recycling.

(iii) The loss on remeasurement to fair value on demerger is recognised in accordance with IFRIC 17, 'Distribution of non-cash assets to owners' as described above.

(b) Total comprehensive income

	2021 $m	**2020** $m
Loss for the year	**(5,027)**	(283)
Other comprehensive (loss) income		
Valuation movements in the year on available-for-sale debt securities	**(1,053)**	(100)
Related change in amortisation of DAC	**80**	494
Related tax	**210**	(102)
	(763)	292
Cumulative valuation movements on available-for-sale debt securities, net of related tax and change in DAC, and net investment hedges recycled through profit or loss at the point of demerger	**(1,278)**	–
Other comprehensive (loss) income for the year	**(2,041)**	292
Total comprehensive (loss) income for the year	**(7,068)**	9
Attributable to:		
Equity holders of the Company	**(6,283)**	(40)
Non-controlling interests	**(785)**	49
Total comprehensive (loss) income for the year	**(7,068)**	9

(c) Cash flows

	2021 $m	**2020** $m
Net cash flows from operating activities	**(423)**	(807)
Net cash flows from investing activities	**–**	(2)
Net cash flows from financing activities[note]	**2,329**	470
Cash divested upon demerger	**(3,527)**	–
Net decrease in cash and cash equivalents	**(1,621)**	(339)
Cash and cash equivalents at 1 Jan	**1,621**	1,960
Cash and cash equivalents at 31 Dec	**–**	1,621

Note
Financing activities largely reflect issuance of debt of $2,350 million in 2021 and the investment by Athene in 2020. No dividends were paid by Jackson during 2020 or in 2021 prior to demerger.

Effect on the Group statement of financial position

	13 September 2021 $m
Deferred acquisition costs and other intangible assets	**14,018**
Reinsurers' share of insurance contract liabilities	**34,014**
Financial investments	**293,562**
Cash and cash equivalents	**3,527**
Policyholder liabilities	**(316,495)**
Net other assets and liabilities	**(17,861)**
Net assets and liabilities of discontinued US operations at demerger before remeasurement to fair value	**10,765**
Adjustment for remeasurement of the carrying value of the business to fair value on demerger	**(8,259)**
Net assets and liabilities of discontinued US operations at demerger after remeasurement to fair value	**2,506**
Attributable to:	
Equity holders of the Company	**2,228**
Non-controlling interests	**278**
	2,506

D2 Contingencies and related obligations

Litigation and regulatory matters

The Group is involved in various litigation and regulatory proceedings. While the outcome of such litigation and regulatory issues cannot be predicted with certainty, the Group believes that their ultimate outcome will not have a material adverse effect on the Group's financial condition, results of operations, or cash flows.

Guarantees

The Group has provided guarantees to third-parties entered into in the normal course of business but the Group does not consider that the amounts involved are significant.

Intra-group capital support arrangements

Prudential has put in place intra-group arrangements to formalise undertakings by Prudential to the regulators of the Hong Kong subsidiaries regarding their solvency levels. Other intra-group transactions are discussed in note D4 below.

D3 Post balance sheet events

Dividends

The 2021 second interim ordinary dividend approved by the Board of Directors after 31 December 2021 is as described in note B5.

Debt redemption

On 20 January 2022 the Company redeemed subordinated debt instruments of $1,725 million, as described in note C5.1.

D4 Related party transactions

Transactions between the Company and its subsidiaries or intra-group transactions are eliminated on consolidation. Intra-group transactions of the Group mainly related to a limited number of loans, guarantees or services provided by the Company to or from other business units, or between local business units, including investment management services provided by the Group's asset managers to the insurance operations businesses as shown in note B1.3. All intra-group transactions are subject to the same internal approval framework as external transactions. As the Group's business units operate independently, overall there is limited interconnectedness across the Group. The Group reviews its recovery plan (that also covers intra-group transactions and the level of the Group's interconnectivity risk) on an annual basis and details the remedial actions that could be used to restore financial strength and viability if the Group were to come under severe stress.

The Company has transactions and outstanding balances with collective investment schemes and similar entities that are not consolidated and where a Group company acts as manager, which are regarded as related parties for the purposes of IAS 24. The balances are included in the Group's statement of financial position at fair value or amortised cost in accordance with IAS 39 classifications with the corresponding amounts included in the income statement. The transactions include amounts paid on issue of shares or units, amounts received on cancellation of shares or units and amounts paid in respect of the periodic charge and administration fee.

In addition, there are no material transactions between the Group's joint ventures and associates, which are accounted for on an equity method basis, and other Group companies.

Key management personnel of the Company, as described in note B2.3, may from time to time purchase insurance, asset management or annuity products marketed by 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.

On 5 April 2021, pursuant to a separation agreement, Jackson National Life agreed to pay circa $23.5 million to Michael Falcon, the former chief executive officer of Jackson, as a series of cash lump sum payments for termination of loss of office, and agreed that Mr Falcon will retain 98,311 Prudential ADRs that had been previously deferred under the Deferred Annual Incentive Plan. Prudential agreed to reimburse Jackson National Life for such payments and settled this obligation prior to the demerger. On completion of the demerger, the Prudential ADRs were translated into Jackson Shares with an equivalent value. They will be released on the original timeline, ie in 2022 and 2023, and will remain subject to the original malus and clawback provisions.

In 2021 and 2020, other transactions with key management personnel were not deemed to be significant both by virtue of their size and in the context of the individuals' financial positions. All of these transactions were on terms broadly equivalent to those that prevailed in arm's-length transactions.

Additional details on the Directors' interests in shares, transactions or arrangements are given in the Directors' remuneration report. Key management remuneration is disclosed in note B2.3.

D5 Commitments

The Group has provided, from time to time, certain commitments to third parties.

At 31 December 2021, the Group had $2,878 million unfunded commitments (31 December 2020: $1,913 million from continuing operations) primarily related to investments in infrastructure funds and alternative investment funds in Asia. At 31 December 2020, the discontinued US operations had unfunded commitments of $1,016 million related to investments in limited partnerships, commercial mortgage loans and other fixed income securities. These commitments were entered into in the normal course of business and a material adverse impact on the operations is not expected to arise from them.

D6 Investments in subsidiary undertakings, joint ventures and associates

D6.1 Basis of consolidation

The Group consolidates those investees it is deemed to control. The Group has control over an investee if all three of the following are met: (1) it has power over an investee; (2) it is exposed to, or has rights to, variable returns from its involvement with the investee; and (3) it has ability to use its power over the investee to affect its own returns.

(a) Subsidiaries

Subsidiaries are those investees that the Group controls. The majority of the Group's subsidiaries are corporate entities.

The Group performs a re-assessment of consolidation whenever there is a change in the substance of the relationship between the Group and an investee. Where the Group is deemed to control an entity it is treated as a subsidiary and its results, assets and liabilities are consolidated. Where the Group holds a minority share in an entity, with no control over the entity, the investments are carried at fair value within financial investments in the consolidated statement of financial position.

(b) 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 a number of these arrangements, the Group's share of the underlying net assets may be less than 50 per cent but the terms of the relevant agreement make it clear that control is jointly exercised between the Group and the third party. Associates are entities over which the Group has significant influence, but it does not control. Generally it is presumed that the Group has significant influence if it holds between 20 per cent and 50 per cent voting rights of the entity.

With the exception of those referred to below, the Group accounts for its investments in joint ventures and associates by using the equity method of accounting. 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. The equity method of accounting does not apply to investments in associates and joint ventures held by the Group's insurance or investment funds. This includes collective investment schemes and which, as allowed by IAS 28 'Investments in Associates and Joint Ventures', are carried at fair value through profit or loss.

(c) 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 both consolidated and unconsolidated structured entities including investment vehicles such as:

- Collective investment schemes;
- Collateralised debt obligations;
- Mortgage-backed securities; and
- Similar asset-backed securities.

Up until the demerger of Jackson in September 2021, structured entities of the Group also include the investment vehicles within separate accounts offered through variable annuities written by Jackson.

Collective investment schemes

The Group invests in collective investment schemes, which invest mainly in equities, bonds, cash and cash equivalents, and properties. In assessing control under IFRS 10 'Consolidated Financial Statements', the Group determines whether it is acting as principal or agent and the variable returns from its involvement with these entities. The Group's percentage ownership in these entities can fluctuate on a daily basis according to the participation of the Group and other investors in them.

- Where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity exceeds 50 per cent, the Group is judged to have control over the entity;
- Where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity is between 20 per cent and 50 per cent, 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 entity is managed by a Group asset manager, and the Group's ownership holding in the entity is less than 20 per cent, the Group is judged to not have control over the entity; and
- Where the entity is managed by an asset manager outside the Group, an assessment is made of whether the Group has existing rights that gives 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.

Where the Group is deemed to control these entities, they are treated as a subsidiary and are consolidated, with the interests of investors other than the Group being classified as liabilities, and presented within 'Net asset value attributable to unit holders of consolidated investment funds'.

Where the Group does not control these entities (as it is deemed to be acting as an agent under IFRS 10) and they do not meet the definition of associates, they are carried at fair value through profit or loss within financial investments in the consolidated statement of financial position.

Where the Group's asset manager sets up investment funds as part of its asset management operations, unless the Group also participates in the ownership holding of the entities, the Group's interest is limited to the fees charged to manage the assets of such entities. With no participation in ownership holding of these entities, the Group does not retain risks associated with investment funds. For these investment funds, the Group is not deemed to control the entities but to be acting as an agent.

The Group generates returns and retains the ownership risks in these investment vehicles commensurate to its participation and does not have any further exposure to the residual risks of these investment vehicles.

D6 Investments in subsidiary undertakings, joint ventures and associates continued

D6.1 Basis of consolidation continued

Other structured entities

The Group holds investments in mortgage-backed securities, collateralised debt obligations and similar asset-backed securities, the majority of which are actively traded in a liquid market.

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.

The majority of such vehicles are not consolidated. In these cases, the Group is not the sponsor of the vehicles in which it holds investments and has no administrative rights over the vehicles' activities. The Group generates returns and retains the ownership risks commensurate to its holding and its exposure to the investments and does not have any further exposure to the residual risks or losses of the investments or the vehicles in which it holds investments. Accordingly, the Group does not have power over the relevant activities of such vehicles and all are carried at fair value through profit or loss within financial investments in the consolidated statement of financial position.

The table below provides aggregate carrying amounts of the investments in unconsolidated structured entities for continuing operations reported in the Group's statement of financial position:

	31 Dec 2021 $m		31 Dec 2020 $m	
Statement of financial position line items	**Investment funds**	**Other structured entities**	**Investment funds**	**Other structured entities**
Equity securities and holdings in collective investment schemes	**35,446**	**–**	27,167	–
Debt securities	**–**	**251**	–	181
Total continuing operations	**35,446**	**251**	27,167	181

The Group's maximum exposure to loss related to the interest in unconsolidated structured entities is limited to the carrying value in the statement of financial position and the unfunded investment commitments provided by the Group (see note D5).

During the reporting period, the Group receives dividend and interest income from its investments in these unconsolidated structured entities. Where the Group's asset manager manages these entities such as the collective investment schemes, the Group also receives asset management fees from these entities.

As at 31 December 2021 and 2020, the Group does not have an agreement, contractual or otherwise, or intention to provide financial support to structured entities (both consolidated and unconsolidated) that could expose the Group to a loss.

D6.2 Dividend restrictions and minimum capital requirements

Certain Group subsidiaries and joint ventures are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to the parent company.

Under UK company law, UK companies can only declare dividends if they have sufficient distributable reserves.

The Group's subsidiaries, joint ventures and associates may remit dividends to the Group, in general, provided the statutory insurance fund meets the capital adequacy standard required under local statutory regulations and has sufficient distributable reserves. Further details on local capital regulations in certain Asia operations please refer to note C10.2.

D6.3 Investments in joint ventures and associates

Joint ventures represent arrangements where the controlling parties through contractual or other agreement have the rights to the net assets of the arrangements. The Group has shareholder-backed joint venture insurance and asset management businesses in China with CITIC Group and a joint venture asset management business in India with ICICI Bank. In addition, there is an asset management joint venture in Hong Kong with Bank of China International Holdings Limited (BOCI) and Takaful insurance joint venture in Malaysia. For the Group's joint ventures that are accounted for by using the equity method, the net of tax results of these operations are included in the Group's profit before tax.

The Group's associates, which are also accounted for under the equity method, include the Indian insurance entity (with the majority shareholder being ICICI Bank).

In addition, the Group has investments in collective investment schemes, funds holding collateralised debt obligations and property funds where the Group has significant influence. As allowed under IAS 28, these investments are accounted for on a fair value through profit or loss basis. The aggregate fair value of associates accounted for at fair value through profit or loss, where there are published price quotations, is approximately $0.6 billion at 31 December 2021 (31 December 2020: $0.7 billion).

For joint ventures and associates accounted for using the equity method, the 12 months financial information of these investments for the years ended 31 December 2021 and 2020 (covering the same period as that of the Group) has been used in these consolidated financial statements.

The Group's share of the profits for shareholder-backed business (including short-term fluctuations in investment returns), net of related tax, in joint ventures and associates, which are equity accounted as shown in the consolidated income statement, is allocated across segments as follows:

	2021 $m	**2020** $m
CPL	**278**	394
Hong Kong	**9**	3
Malaysia	**28**	30
Growth markets and other[note]	**(110)**	(27)
Insurance operations	**205**	400
Eastspring	**147**	117
Total segment and Group total	**352**	517

Note
For growth markets and other, as well as the segment results for associates and joint ventures within the segment, the amount shown includes other items of $(38) million (2020: $(103) million) which primarily comprise of taxes for all life joint ventures and associates together with other non-recurring items.

There is no other comprehensive income in the joint ventures and associates other than the foreign exchange differences that arise from translating the associates and joint ventures into the Group's presentational currency. There has been no unrecognised share of losses of a joint venture or associate that the Group has stopped recognising in total comprehensive income.

The Group's interest in joint ventures and associates gives rise to no contingent liabilities or capital commitments that are material to the Group.

CITIC-Prudential Life Insurance Company is the Group's joint venture with the CITIC Group in which the Group owns a 50 per cent interest. The joint venture is incorporated in China and is principally engaged in underwriting insurance and investment contracts. The summarised financial information for CITIC-Prudential Life Insurance Company, which is considered to be a material joint venture to the Group, is set out below. The financial information represents the entity's financial statements prepared in accordance with Group's IFRS accounting policies, on a 100 per cent basis, for the years shown:

Statement of financial position:	**31 Dec 2021** $m	**31 Dec 2020** $m
Total assets	**29,237**	21,602
Total liabilities (including non-controlling interest)	**26,523**	19,336
Shareholders' equity	**2,714**	2,266
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**422**	316
Financial liabilities (excluding trade and other payables and provisions)	**938**	714

Income statement:	**2021** $m	**2020** $m
Revenue	**7,374**	5,492
Profit for the year after tax	**453**	599
The above profit for the year includes the following:		
Depreciation and amortisation	**(86)**	(81)
Interest income	**465**	378
Interest expense	**(2)**	(2)
Income tax expense	**(84)**	(166)

The summarised financial information above is reconciled to the carrying amount of the Group's interest in the joint venture recognised in the consolidated financial statements as follows:

	31 Dec 2021 $m	**31 Dec 2020** $m
Net assets of CITIC-Prudential Life as shown above	**2,714**	2,266
Proportion owned by the joint venture partner (50%)	**1,357**	1,133
Carrying amount of the Group's interest in the joint venture (50%)	**1,357**	1,133

The Group has received dividends of $57 million (2020: $38 million) from CITIC-Prudential Life Insurance Company.

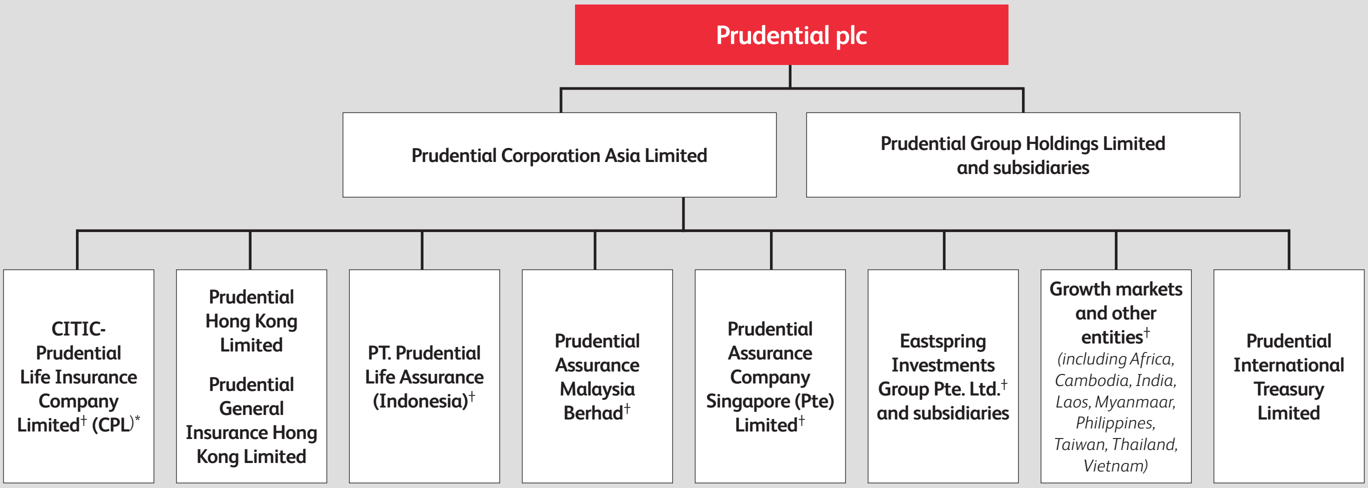
D6 Investments in subsidiary undertakings, joint ventures and associates continued

D6.4 Related undertakings

In accordance with Section 409 of the Companies Act 2006, a list of Prudential Group's subsidiaries, joint ventures, associates and significant holdings (being holdings of more than 20 per cent) is disclosed below, along with the classes of shares held, the registered office address and the effective percentage of equity owned at 31 December 2021.

The definitions of a subsidiary undertaking, joint venture and associate in accordance with the Companies Act 2006 are different from the definition under IFRS Standards. As a result, the related undertakings included within the list below may not be the same as the undertakings consolidated in the Group IFRS financial statements. The Group's consolidation policy is described in note D6.1. The Group also operates through branches, none of which are significant.

Simplified corporate structure as at 31 December 2021



[*] CPL is a 50/50 joint venture with CITIC, a leading state owned conglomerate.

[†] Indirectly held by Prudential Corporation Asia Limited.

Direct subsidiary undertakings of the parent company, Prudential plc (shares held directly or via nominees)

Name of entity	Classes of shares held	Proportion held	Registered office address
Prudential Corporation Asia Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential Group Holdings Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom

Other subsidiaries, joint ventures, associates and significant holdings of the Group – no shares held directly by the parent company (Prudential plc) or its nominees

Name of entity	Classes of shares held	Proportion held	Registered office address
Aberdeen Standard Cash Creation Fund	U	28.74%	28th Floor Bangkok City Tower, 179 South Sathorn Road, Thungmahamek, Sathorn, Bangkok 10120, Thailand
Aberdeen Standard Global Opportunities Fund	U	33.13%	21 Church Street, #01-01, Capital Square Two, Singapore 049480
Aberdeen Standard Singapore Equity - SGD class	U	60.26%	
AC Financial Partners Limited Partnership	OS	100.00%	65 Haymarket Terrace, Edinburgh, EH12 5HD
Allianz Global Investors Greater China Fund	U	21.67%	5th Floor, No.378, Fu Xing N. Rd. Taipei, Taiwan
Alternatives North America Ltd.	U	100.00%	PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands
BOCHK Aggressive Growth Fund	U	43.21%	27th Floor, Bank of China Tower, 1 Garden Road, Hong Kong
BOCHK Balanced Growth Fund	U	38.14%	
BOCHK China Equity Fund	U	55.78%	
BOCHK Conservative Growth Fund	U	41.65%	
BOCHK US Dollar Money Market Fund	U	23.54%	
BOCI-Prudential Asset Management Limited	OS	36.00%	
BOCI-Prudential Trustee Limited	OS	36.00%	Suites 1501-1507 & 1513-1516, 15th Floor, 1111 King's Road, Taikoo Shing, Hong Kong
Capital Asian Bond Fund	U	39.57%	15th Floor, No.69, Sec. 2, Dunhua South. Rd. Da-an District, Taiwan

Key to share classes:

LBG	Limited by Guarantee
MI	Membership Interest
OS	Ordinary Shares
PI	Partnership Interest
PS	Preference Shares
U	Units

Name of entity	Classes of shares held	Proportion held	Registered office address
Cathay High Yield ex China Cash pay 1-5 Year 2% Issuer Capped ETF	U	47.10%	Cathay Securities Inv Trust Co Ltd, 8F, No. 296, Sec. 4, Ren Ai Road, Taipei 10633, Taiwan
CITIC-CP Asset Management Co., Ltd.	MI	26.95%	Room 101-2, No.128 North Zhangjiabang Road, Pudong District, Shanghai, China
CITIC-Prudential Fund Management Company Limited	MI	49.00%	Level 9, HSBC Building, Shanghai IFC, 8 Century Avenue, Pudong, Shanghai, China
CITIC-Prudential Life Insurance Company Limited	MI	50.00%	0507-0510, 1601-1616, East Tower, World Financial Centre, No.1 East Third Ring Middle Road, Chaoyang District, Beijing, 100020, China
Eastspring Al-Wara' Investments Berhad	OS	100.00%	Level 25, Menara Hong Leong, No. 6 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia
Eastspring Asset Management Korea Co. Ltd.	OS	100.00%	22nd Floor (Seoul International Finance Center, Yeouido dong), 10 Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul, Republic of Korea 07326
Eastspring Infrastructure Debt Fund L.P.	PI	90.55%	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Eastspring Investment K-Short Term Bond Alpha Securities Investment Trust(Bond Balanced)	U	21.57%	22nd Floor One IFC, 10 Gukjegeumyung-ro, Youngdungpo-gu, Seoul 07326, Korea
Eastspring Investment Management (Shanghai) Company Limited	MI	100.00%	Unit 306-308, 3rd Floor, Azia Center, 1233 Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone, China
Eastspring Investments - Asia Opportunities Equity Fund	U	100.00%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments - European Investment Grade Bond Fund	U	99.29%	
Eastspring Investments - Global Growth Equity Fund	U	66.74%	
Eastspring Investments - Global Low Volatility Equity Fund	U	99.32%	
Eastspring Investments - Global Technology Fund	U	81.53%	
Eastspring Investments - Greater China Equity Fund	U	93.60%	
Eastspring Investments - Pan European Fund	U	60.47%	
Eastspring Investments - US High Investment Grade Bond Fund	U	92.67%	
Eastspring Investments - US High Yield Bond Fund	U	46.24%	
Eastspring Investments - US Investment Grade Bond Fund	U	65.18%	
Eastspring Investments - World Value Equity Fund	U	95.30%	
Eastspring Investments (Hong Kong) Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Eastspring Investments (Luxembourg) S.A.	OS	100.00%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments (Singapore) Limited	OS	100.00%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Singapore 018983
Eastspring Investments Asia Oceania U&I Bond Fund	U	69.74%	Eastspring Investments Limited, Marunouchi Park Bldg., 2-6-1 Marunochi, Chiyoda-ku, Tokyo, Japan 100-6905
Eastspring Investments Asia Pacific Equity Fund	U	99.99%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Asia Real Estate Multi Asset Income Fund	U	63.78%	
Eastspring Investments Asia Sustainable Bond Fund	U	99.06%	
Eastspring Investments Asian Bond Fund	U	46.83%	
Eastspring Investments Asian Dynamic Fund	U	94.59%	
Eastspring Investments Asian Equity Fund	U	99.37%	
Eastspring Investments Asian Equity Income Fund	U	84.85%	
Eastspring Investments Asian High Yield Bond Fund	U	33.17%	
Eastspring Investments Asian High Yield Bond MY Fund	U	42.33%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Asian Infrastructure Equity Fund	U	71.86%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Asian Investment Grade Bond Fund	U	89.95%	
Eastspring Investments Asian Low Volatility Equity Fund	U	99.50%	
Eastspring Investments Asian Multi Factor Equity Fund	U	67.61%	
Eastspring Investments Asian Property Securities Fund	U	98.74%	
Eastspring Investments Berhad	OS	100.00%	Level 25, Menara Hong Leong, No. 6 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia
Eastspring Investments China A Shares Growth Fund	U	71.38%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Dragon Peacock Fund	U	94.37%	
Eastspring Investments Emerging Markets Star Players	U	33.14%	Eastspring Investments Limited, Marunouchi Park Bldg., 2-6-1 Marunochi, Chiyoda-ku, Tokyo, Japan 100-6905
Eastspring Investments Equity Income Fund	U	33.22%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Fund Management Limited Liability Company	MI	100.00%	23rd Floor, Saigon Trade Center, 37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam
Eastspring Investments Funds - Monthly Income Plan	U	31.62%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Global Emerging Markets Bond Fund	U	99.35%	
Eastspring Investments Global Emerging Markets ex-China Dynamic Fund	U	100.00%	
Eastspring Investments Global Equity Fund	U	96.64%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Global Equity Navigator Fund	U	95.74%	26, Boulevard Royal, L-2449, Luxembourg

D6 Investments in subsidiary undertakings, joint ventures and associates continued

D6.4 Related undertakings continued

Direct subsidiary undertakings of the parent company, Prudential plc (shares held directly or via nominees) continued

Name of entity	Classes of shares held	Proportion held	Registered office address
Eastspring Investments Global Growth Fund	U	24.78%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Global Market Navigator Fund	U	99.81%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Global Multi Asset Income Plus Growth Fund	U	99.99%	
Eastspring Investments Group Pte. Ltd.	OS	100.00%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Singapore 018983
Eastspring Investments Incorporated	OS	100.00%	874 Walker Road, Suite C, City of Dover, County of Kent, State of Delaware, 19904, USA
Eastspring Investments India Consumer Equity Open Limited	OS	100.00%	3rd Floor, 355 NEX, Rue du Savoir, Cybercity Ebene, 72201, Mauritius
Eastspring Investments India Equity Fund	U	80.90%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments India Equity Open Limited	OS	100.00%	3rd Floor, 355 NEX, Rue du Savoir, Cybercity Ebene, 72201, Mauritius
Eastspring Investments India Infrastructure Equity Open Limited	OS	100.00%	
Eastspring Investments Japan Dynamic MY Fund	U	33.87%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Limited	OS	100.00%	Marunouchi Park Building, 6-1 Marunouchi 2-chome, Chiyoda-Ku, Tokyo, Japan
Eastspring Investments MY Focus Fund	U	28.48%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Services Pte. Ltd.	OS	100.00%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Singapore 018983
Eastspring Investments SICAV-FIS - Alternative Investments Fund	U	100.00%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments SICAV-FIS - Asia Pacific Loan Fund	U	74.23%	
Eastspring Investments Unit Trusts - Asian Balanced Fund	U	95.36%	
Eastspring Investments Unit Trusts - Asian Infrastructure Equity Fund	U	98.42%	
Eastspring Investments Unit Trusts - Dragon Peacock Fund	U	97.67%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Singapore 018983
Eastspring Investments Unit Trusts - Global Technology Fund	U	86.75%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Unit Trusts - Pan European Fund	U	64.86%	
Eastspring Investments Unit Trusts - Singapore ASEAN Equity Fund	U	99.33%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Singapore 018983
Eastspring Investments Unit Trusts - Singapore Select Bond Fund	U	66.03%	
Eastspring Investments US Corporate Bond Fund	U	51.25%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Vietnam Navigator Fund	U	77.02%	23rd Floor, Saigon Trade Center Building, 37 Ton Duc Thang Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
Eastspring Overseas Investment Fund Management (Shanghai) Company Limited	MI	100.00%	Unit 306-308, 3rd Floor, 1233 Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone, China
Eastspring Real Assets Partners	OS	100.00%	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Eastspring Securities Investment Trust Co., Ltd.	OS	99.54%	4th Floor, No.1 Songzhi Road, Taipei 110, Taiwan
First Sentier Global Property Securities Fund	U	55.74%	38 Beach Road, #06-11 South Beach Tower, Singapore 189767
First State China Focus Fund	U	70.17%	70 Sir John Rogerson's Quay, Dublin 2, D02 R296, Ireland
Fubon 1-5 Years US High Yield Bond Ex China	U	51.79%	Fubon Securities Investment Trust Co, 8F, Sec 1, Tun Hwa South Road, Taipei, Taiwan
Fubon Global Investment Grade Bond Fund	U	46.17%	8th Floor, No.108, Sec.1, Dunhua South. Rd. Taipei, Taiwan
Fuh Hwa 1-5 Yr High Yield ETF	U	41.17%	Fuh-Hwa Securities Invt Trust Co Ltd , 8F, Section 2, 308 Ba De Road, Taipei, Taiwan
Fuh Hwa Emerging Market RMB Fixed Income Fund	U	32.17%	8-9th Floor., No.308, Sec. 2, Bade Rd., Da-an District
Furnival Insurance Company PCC Limited	OS	100.00%	PO Box 155, Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey
GIS Total Return Bond Fund	U	26.15%	78 Sir John Rogerson's Quay, Dublin, D02 HD32, Ireland
GS Twenty Two Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
HSBC Senior Global Infrastructure Debt Fund	U	100.00%	8 Canada Square, London, E14 5HQ, United Kingdom
ICICI Prudential Asset Management Company Limited	OS	49.00%	12th Floor, Narain Manzil, 23, Barakhamba Road, New Delhi 110001, India
ICICI Prudential Life Insurance Company Limited	OS	22.09%	ICICI PruLife Towers, 1089 Appasaheb Marathe Marg, Prabhadevi, Mumbai 400025, India
ICICI Prudential Pension Funds Management Company Limited	OS	22.09%	
ICICI Prudential Trust Limited	OS	49.00%	12th Floor, Narain Manzil, 23, Barakhamba Road, New Delhi 110001, India
India Innovation High Growth EQ QII	U	100.00%	Eastspring Investments Limited, Marunouchi Park Bldg., 2-6-1 Marunochi, Chiyoda-ku, Tokyo, Japan 100-6905
Invesco Fixed Maturity Selective Emerging Market Bonds 2024	U	99.49%	8th Floor, No 122, Tung Hua N. Rd. Taipei, Taiwan
Invesco Select 6 Year Maturity Global Bond Fund	U	99.43%	
iShares Australian Equity ETFs	U	21.52%	Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067
iShares Core MSCI Asia	U	78.02%	16th Floor Champion Tower, 3 Garden Road, Central, Hong Kong
iShares Core MSCI Europe UCITS ETF EUR (Acc)	U	27.70%	1 North Wall Quay, Dublin 1

Key to share classes:

LBG	Limited by Guarantee
MI	Membership Interest
OS	Ordinary Shares
PI	Partnership Interest
PS	Preference Shares
U	Units

Name of entity	Classes of shares held	Proportion held	Registered office address
iShares Edge MSCI USA Minimum volatility ESG UCITS ETF	U	86.82%	J.P. Morgan 200 Capital 79 Sir John Rogerson's Quay Dublin 2 D02 RK57 Ireland
iShares Fallen Angels High Yield Corporate Bond UCITS ETF Wing	U	54.90%	79 Sir John Rogerson's Quay, Dublin 2, D02 RK 57, Ireland
iShares MSCI USA Momentum Factor ESG UCITS ETF USD (Acc)	U	99.33%	
iShares STOXX Europe 600 Telecommunications UCITS ETF	U	26.50%	Unter den Linden 42, 10117 Berlin
iShares US Value ESG USD A	U	98.90%	J.P. Morgan 200 Capital 79 Sir John Rogerson's Quay Dublin 2 D02 RK57 Ireland
KKP Active Equity Fund	U	30.10%	19th Floor Muang Thai-Phatra Complex, Building Tower, A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310, Thailand
Krungsri Greater China Equity Hedged Dividend Fund	U	29.29%	12th, 18th Zone B Floor, Ploenchit Tower 898 Ploenchit Road, Lumpini Pathumwan, Bangkok 10330, Thailand
Lasalle Property Securities SICAV-FIS	U	99.61%	11-13 Bouldevard de la Foire, L-1528 Luxembourg
M&G Asia Property TS Trust	U	99.94%	8 Marina Boulevard, #05-02 Marina Bay, Financial Centre Tower 1, Singapore, 018981
M&G Luxembourg European Strategic Value Fund	U	29.27%	49 Avenue J.F. Kennedy, L-1855, Luxembourg
M&G Real Estate Asia Holding Company Pte. Ltd.	OS	33.00%	138 Market Street, #35-01 CapitaGreen, Singapore 048946
Manulife Asia Pacific Bond Fund	U	56.16%	9th Floor, No 89 Son Ren Road, Taipei, Taiwan
Manulife Asia Pacific Mid and Small Capital Fund	U	31.40%	
Manulife China Dim Sum High Yield Bond Fund	U	59.75%	
Manulife China Offshore Bond Fund	U	73.13%	
Manulife Taiwan Dynamic Fund-I	U	24.36%	
Manulife USD High Yield Bond Fund	U	35.95%	
Nomura Six Years Fixed Maturity Asia Pacific Emerging Market Bond Fund	U	99.75%	101 Tower, 30th Floor, No. 7 Sec. 5, Xinyi Rd., Xinyi Dist., Taipei, Taiwan
Nomura Six Years Fixed Maturity Emerging Market Bond Fund	U	40.58%	
Nomura Six Years Ladder Maturity Asia Pacific Emerging Market Bond Fund	U	99.90%	
North Sathorn Holdings Company Limited	OS	100.00%	No. 63, Athenee Tower, 34th Floor, Wireless Road, Lumpini Subdistrict Pathumwan District, Bangkok Metropolis, Thailand
PCA IP Services Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
PCA Life Assurance Co. Ltd.	OS	99.79%	8th Floor, No.1 Songzhi Road, Taipei City, 11047, Taiwan
PCA Reinsurance Co. Ltd.	OS	100.00%	Unit Level 13(A), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia
Prenetics Group Limited	PS	11.18%	P.O. Box 902, Second Floor, Century Yard, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands
Pru Life Insurance Corporation of U.K.	OS	100.00%	9th Floor, Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City, Metro Manila, Philippines
Pru Life UK Asset Management and Trust Corporation	OS	100.00%	
Prudence Foundation	LBG	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential (Cambodia) Life Assurance Plc	OS	100.00%	Phnom Penh Tower, 20F, #445, Monivong Blvd., Boeung, Prolit, 7 Makara, Phnom Penh, Cambodia
Prudential (US Holdco 1) Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Africa Holdings Limited	OS	100.00%	
Prudential Africa Services Limited	OS	100.00%	3rd Floor One Africa Place LR. No. 1870/X/45 , P.O. Box 25093-00100, Nairobi, Kenya
Prudential Assurance Company Singapore (Pte) Limited	OS	100.00%	30 Cecil Street, #30-01 Prudential Tower, Singapore 049712
Prudential Assurance Malaysia Berhad[*]	OS	51.00%	Level 20, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Prudential Assurance Uganda Limited	OS	100.00%	Zebra Plaza, Plot 23, Kampala Road, P.O. Box 2660, Kampala, Uganda
Prudential BeGeneral Insurance S.A.	OS	51.00%	Immeuble Woodin Center 1st Floor, Avenue Nogues, Plateaux, Abidjan, Cote d'Ivoire
Prudential Belife Insurance S.A.	OS	50.93%	
Prudential Beneficial General Insurance Cameroon S.A.	OS	50.04%	1944 Blvd de la République, BP 2328, Douala, Cameroon
Prudential Beneficial Life Insurance Cameroon S.A.	OS	51.00%	
Prudential Beneficial Life Insurance Togo S.A.	OS	50.99%	2963 Rue De La Chance Agbalepedogan, P.B. 1115, Lome, Togo
Prudential BSN Takaful Berhad[†]	OS	49.00%	Level 13, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Prudential Corporation Asia Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential Corporation Holdings Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Financial Partners (Asia) Limited	OS	100.00%	
Prudential Financial Partners HK Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential General Insurance Hong Kong Limited	OS	100.00%	59th Floor, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong
Prudential Group Holdings Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Group Secretarial Services HK Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential Group Secretarial Services Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Holdings Limited	OS	100.00%	4th Floor, Saltire Court, 20, Castle Terrace, Edinburgh, EH1 2EN, United Kingdom
Prudential Hong Kong Limited	OS	100.00%	59th Floor, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong
Prudential International Treasury Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

D6 Investments in subsidiary undertakings, joint ventures and associates continued

D6.4 Related undertakings continued

Direct subsidiary undertakings of the parent company, Prudential plc (shares held directly or via nominees) continued

Name of entity	Classes of shares held	Proportion held	Registered office address
Prudential IP Services Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Life Assurance (Lao) Company Limited	OS	100.00%	5th Floor, Lao international Business and Tourist Center Project (Vientiane Center), Khouvieng Road, Nongchan Village, Sisattanak District, Vientiane Capital, Lao PDR
Prudential Life Assurance (Thailand) Public Company Limited	OS	99.93%	944 Mitrtown Office Tower, 10th, 29th-31st Floor, Rama 4 Road, Wangmai, Pathumwan, Bangkok, 10330, Thailand
Prudential Life Assurance Kenya Limited	OS	100.00%	Vienna Court, Ground Floor, State House Road-Crescent Road, P.O. Box 25093-00100, Nairobi, Kenya
Prudential Life Assurance Zambia Limited	OS	100.00%	Prudential House, Plot No. 32256, Thabo Mbeki Road, P.O. Box 31357, Lusaka, Zambia
Prudential Life Insurance Ghana Limited	OS	100.00%	35 North Street, Tesano, Accra, Accra - North, PO Box AN11549, Ghana
Prudential Life Vault Limited	OS	100.00%	98 Awolowo Road, South-West Ikoyi, Lagos, Nigeria
Prudential Mauritius Holdings Limited	OS	100.00%	3rd Floor, 355 NEX, Rue du Savoir, Cybercity Ebene, 72201, Mauritius
Prudential Myanmar Life Insurance Limited	OS	100.00%	#15-01, 15th Floor, Sule Square, 221 Sule Pagoda Road, Kyauktada Township, Yangon, Myanmar
Prudential Pensions Management Zambia Limited	OS	49.00%	Prudential House, Plot No. 32256, Thabo Mbeki Road, P.O. Box 31357, Lusaka, Zambia
Prudential Services Asia Sdn. Bhd.	OS	100.00%	Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No. 1 Leboh Ampang, 50100 Kuala Lumpur, Malaysia
	PS	100.00%	
Prudential Services Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Services Singapore Pte. Ltd.	OS	100.00%	1 Wallich Street, #19-01 Guoco Tower, Singapore 078881
Prudential Singapore Holdings Pte. Limited	OS	100.00%	30 Cecil Street, #30-01 Prudential Tower, Singapore 049712
Prudential Technology and Services India Private Limited	OS	100.00%	CoWrks NXT, EPIP Industrial Area, Whitefield Road, K.R Puram, Near SAP Labs, Hubli, Bangalore, Karnataka, 560066, India
Prudential Vietnam Assurance Private Limited	OS	100.00%	25th Floor, Saigon Trade Centre, 37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam
Prudential Zenith Life Insurance Limited	OS	51.00%	13th Floor, Civic Towers, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, Nigeria
PRUInvest PH Equity Index Tracker Fund	U	99.23%	9th Floor Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City, Metro Manila, Philippines
PT Prudential Sharia Life Assurance	OS	94.62%	Prudential Tower, 2nd Floor, Jl. Jend. Sudirman Kav. 79, Jakarta 12910, Indonesia
PT. Eastspring Investments Indonesia	OS	100.00%	Prudential Tower, 23rd Floor, Jl. Jend. Sudirman Kav.79, Jakarta 12910, Indonesia
PT. Prudential Life Assurance	OS	94.62%	Prudential Tower, Jl. Jend. Sudirman Kav. 79, Jakarta 12910, Indonesia
Pulse Ecosystems Pte. Ltd.	OS	100.00%	1 Wallich Street, #19-01 Guoco Tower, Singapore 078881
Pulse Wealth Limited	OS	100.00%	59th Floor One Island East, Quarry Bay, Hong Kong
PVFC Financial Limited (in liquidation)	OS	100.00%	Suite 509, 5th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Reksa Dana Eastspring IDR Fixed Income Fund	U	98.86%	Prudential Tower, 23rd Floor, Jl. Jend. Sudirman Kav.79, Jakarta 12910, Indonesia
Reksa Dana Eastspring Investments Alpha Navigator Fund	U	79.24%	
Reksa Dana Eastspring Investments Cash Reserve	U	98.25%	
Reksa Dana Eastspring Investments IDR High Grade	U	35.51%	
Reksa Dana Eastspring Investments Value Discovery	U	81.12%	
Reksa Dana Syariah Eastspring Syariah Equity Islamic Asia Pacific USD	U	81.64%	
Reksa Dana Syariah Eastspring Syariah Fixed Income Amanah	U	48.79%	
Reksa Dana Syariah Eastspring Syariah Money Market Khazanah	U	96.38%	
Reksa Dana Syariah Penyertaan Terbatas Bahana Syariah BUMN Fund	U	99.01%	Graha CIMB Niaga 21st Floor. Jl Jend Sudirman Kav 58, Jakarta – 12190, Indonesia
Rhodium Investment Fund	U	99.90%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre Tower 2, Singapore 018983
SCB Global Income Fund	U	22.59%	7-8th Floor, SCB Park Plaza 1, 18 Ratchadapisek Road, Chatuchak, Bangkok 10900, Thailand
SCB Set Banking Sector Fund	U	21.65%	
Schroder Asian Investment Grade Credit	U	33.32%	138 Market Street, #23-01 CapitaGreen, Singapore 048946
Schroder Emerging Markets Fund	U	63.00%	
Schroder Multi-Asset Revolution	U	52.22%	
Schroder US Dollar Money Fund	U	37.00%	
Scotts Spazio Pte. Ltd.	OS	45.00%	316 Tanglin Road, #01-01,Singapore, 247978
Shenzhen Prudential Technology Limited	MI	100.00%	Unit 5, 8th Floor, China Resources Tower, No.2666 Keyuan South Road, Yuehai Street, Nanshan District, Shenzhen 518054, China
Sinopac RMB Money Market Fund	U	29.62%	14th Floor, No.17,Po Ai Rd., Taipei, Taiwan
Sri Han Suria Sdn. Bhd.	OS	51.00%	Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No. 1 Leboh Ampang, 50100 Kuala Lumpur, Malaysia

Key to share classes:

LBG	Limited by Guarantee
MI	Membership Interest
OS	Ordinary Shares
PI	Partnership Interest
PS	Preference Shares
U	Units

Name of entity	Classes of shares held	Proportion held	Registered office address
Staple Limited	OS	100.00%	No. 63, Athenee Tower, 34th Floor, Wireless Road, Lumpini Subdistrict Pathumwan District, Bangkok Metropolis, Thailand
Templeton Asian Growth Fund	U	30.35%	8A, Rue Albert Borschette, L-1246 Luxembourg
Thanachart Fund Management Co., Ltd.	OS	50.10%	Units 902-908, 9th Floor, Mitrtown Office Tower 944, Rama 4 Road, Wangmai, Patumwan, Bangkok 10330, Thailand
TMB Asset Management Co., Ltd.	OS	65.00%	9th Floor, Mitrtown Office Tower, 944 Rama 4 Road, Wangmai,Pathumwan, Bangkok 10330, Thailand
UOB Smart Global Healthcare	U	37.96%	23A, 25th Floor, Asia Centre Building, 173/27-30, 32-33 South Sathorn Road, Thungmahamek, Sathorn, Bangkok 10120, Thailand
UOB Smart Japan Small and Mid Cap Fund	U	24.21%	
UOB Smart Millennium Growth Fund	U	34.13%	
USD Investment Grade Infrastructure Debt Fund SCSp	U	21.78%	35a, Avenue J.F. Kennedy, L-1855, Luxembourg, Grand Duchy of Luxembourg

* Prudential Assurance Malaysia Berhad is consolidated at 100 per cent in the Group's financial statements reflecting the economic interest to the Group.

† Prudential BSN Takaful Berhad is a joint venture that is accounted for using the equity method, for which the Group has an economic interest of 70 per cent for all business sold up to 23 December 2016 and of 49 per cent for new business sold subsequent to this date.

Statement of financial position of the parent company

	Note	31 Dec 2021 $m	31 Dec 2020 $m
Non-current assets			
Investments in subsidiary undertakings	5	**13,114**	12,682
Current assets			
Amounts owed by subsidiary undertakings		**7,013**	6,722
Equity securities - fair value through other comprehensive income	6	**683**	–
Other debtors		**9**	5
Cash at bank and in hand		**1,711**	5
		9,416	6,732
Liabilities: amounts falling due within one year			
Subordinated liabilities		**(1,725)**	–
Commercial paper	7	**(500)**	(501)
Amounts owed to subsidiary undertakings		**(161)**	(149)
Tax payable		**(7)**	(16)
Accruals and deferred income		**(85)**	(79)
		(2,478)	(745)
Net current assets		**6,938**	5,987
Total assets less current liabilities		**20,052**	18,669
Liabilities: amounts falling due after more than one year	7		
Subordinated liabilities		**(2,350)**	(4,332)
Debenture loans		**(1,702)**	(1,701)
Other borrowings		**(350)**	(350)
		(4,402)	(6,383)
Total net assets		**15,650**	12,286
Capital and reserves	8		
Share capital		**182**	173
Share premium		**5,010**	2,637
Profit and loss account		**10,458**	9,476
Shareholders' funds		**15,650**	12,286

	2021 $m	2020 $m
Profit/(loss) for the year	**2,648**	(85)

The financial statements of the parent company on pages 314 to 320 were approved by the Board of Directors on 8 March 2022 and signed on its behalf.

Shriti Vadera Chair	**Mike Wells** Group Chief Executive	**Mark FitzPatrick** Group Chief Financial Officer and Chief Operating Officer

Statement of changes in equity of the parent company

	Share capital $m	Share premium $m	Profit and loss account $m	Total shareholders' funds $m
Balance at 1 Jan 2020	172	2,625	10,376	13,173
Total comprehensive loss for the year	–	–	(85)	(85)
Transactions with owners, recorded directly in equity				
New share capital subscribed	1	12	–	13
Share based payment transactions	–	–	(1)	(1)
Dividends	–	–	(814)	(814)
Total contributions by and distributions to owners	1	12	(815)	(802)
Balance at 31 Dec 2020 / 1 Jan 2021	**173**	**2,637**	**9,476**	**12,286**
Profit for the year	**–**	**–**	**2,648**	**2,648**
Valuation movements on retained interest in Jackson measured at fair value through other comprehensive income	**–**	**–**	**273**	**273**
Total comprehensive income for the year	**–**	**–**	**2,921**	**2,921**
Transactions with owners, recorded directly in equity				
New share capital subscribed	**9**	**2,373**	**–**	**2,382**
Demerger dividend in specie of Jackson	**–**	**–**	**(1,735)**	**(1,735)**
Share based payment transactions	**–**	**–**	**217**	**217**
Other dividends	**–**	**–**	**(421)**	**(421)**
Total contributions by and distributions to owners	**9**	**2,373**	**(1,939)**	**443**
Balance at 31 Dec 2021	**182**	**5,010**	**10,458**	**15,650**

1 Nature of operations

Prudential plc ('the Company') together with its subsidiaries (collectively, 'the Group' or 'Prudential') is an international financial services group. Prudential provides life and health insurance and asset management services in Asia and Africa. The Group helps individuals to get the most out of life by making healthcare accessible and affordable by promoting financial inclusion. The Group is joint-headquartered in London and Hong Kong. On 28 January 2021, the Company announced its intention to demerge its subsidiary Jackson Financial Inc. (Jackson), which following approval of the demerger by shareholder vote on 27 August 2021, took effect on 13 September 2021.

2 Basis of preparation

The financial statements of the Company, which comprise the statement of financial position, statement of changes in equity and related notes, are 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 in accordance with IFRS Standards as issued by the IASB and the 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 Company has also taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Disclosures in respect of transactions with wholly-owned subsidiaries within the Prudential Group;
- Disclosure in respect of capital management; and
- The effects of new but not yet effective IFRS.

As the consolidated financial statements of the Group include the equivalent disclosures, the Company has also applied the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 2 'Share Based Payments' in respect of Group-settled share-based payments;
- Disclosure required by IFRS 7 'Financial Instrument Disclosures' and IFRS 13 'Fair Value Measurement', except for the consequential amendments to IFRS 7 related to IFRS 9 which have not been adopted by the Group; and
- IFRS 15, 'Revenue from Contracts with Customers' in respect of revenue recognition.

The accounting policies set out in note 3 below have, unless otherwise stated, been applied consistently to both years presented in these financial statements.

The Company and Group manages its cash resources, remittances and financing primarily in US dollars. Accordingly, the functional currency of the Company is US dollars.

3 Significant accounting policies

Investments in subsidiary undertakings

Investments in subsidiary undertakings are shown at cost, less impairment. Investments are assessed for impairment by comparing the net assets of the subsidiary undertakings with the carrying value of the investment.

Amounts owed by subsidiary undertakings

Amounts owed by subsidiary undertakings are shown at cost, less provisions. Provisions are determined using the expected credit loss approach under IFRS 9.

Financial Instruments

Under IFRS 9, except for derivative instruments (where applicable) that are mandatorily classified as fair value through profit or loss and the Company's financial investment in Jackson's equity securities, which are classified as fair value through other comprehensive income (as discussed below), all of the financial assets and liabilities of the Company are held at amortised cost. The Company assesses impairment on its loans and receivables using the expected credit loss approach. The expected credit loss on the Company's loans and receivables, the majority of which represent loans to its subsidiaries, have been assessed by taking into account the probability of default on those loans. In all cases, the subsidiaries are expected to have sufficient resources to repay the loan either now or over time based on projected earnings. For loans recallable on demand, the expected credit loss has been limited to the impact of discounting the value of the loan between the balance sheet date and the anticipated recovery date. For loans with a fixed maturity date the expected credit loss has been determined with reference to the historic experience of loans with equivalent credit characteristics.

Upon the demerger of Jackson, the Company has made the election under IFRS 9 to measure its retained interest in Jackson's equity securities at 'fair value through other comprehensive income'. Under this designation, only dividend income from this retained interest is recognised in the profit or loss of the Company. Unrealised gains and losses are recognised in other comprehensive income and there is no recycling to the profit or loss on derecognition.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs, and subsequently accounted for on an amortised cost basis using the effective interest method. Under the effective interest method, the difference between the redemption value of the borrowing and the initial proceeds, net of transaction costs, is amortised through the profit and loss account to the date of maturity or, for subordinated debt, over the expected life of the instrument. Where modifications to borrowings do not result in a substantial difference to the terms of the instrument, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining expected life of the modified instrument. Where modifications to borrowings do result in a substantial difference to the terms of the instrument, the instrument is treated as if it had been extinguished and replaced by a new instrument which is initially recognised at fair value and subsequently accounted for on an amortised cost basis using the effective interest method. Any costs or fees arising from such a modification are recognised as an expense when incurred.

Dividends

Interim dividends are recorded in the period in which they are paid.

Share premium

The difference between the proceeds received on issue of shares and the nominal value of the shares issued is credited to the share premium account.

Foreign currency translation

Transactions not denominated in the Company's functional currency, US dollars, are initially recorded at the functional rate of currency prevailing on the date of the transaction. Monetary assets and liabilities not denominated in the Company's functional currency are translated to the Company's functional currency at year end spot rates. The impact of these currency translations is recorded within the profit and loss account for the year.

Tax

Current tax expense is charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable amounts for the current year. To the extent that losses of an individual UK company are not offset, they can be carried back for one year or carried forward indefinitely to be offset, subject to restrictions based on future taxable profits, against profits arising from the same company or other companies in the same UK tax group.

Deferred tax assets and liabilities are recognised in accordance with the provisions of IAS 12 'Income Taxes'. Deferred tax assets are recognised to the extent that it is regarded as 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 be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Share-based payments

The Group offers share award and option plans for certain key employees and a Save As You Earn ('SAYE') plan for all UK and certain overseas employees. The share-based payment plans operated by the Group are mainly equity-settled.

Under IFRS 2 'Share-based payment', where the Company, as the parent company, has the obligation to settle the options or awards of its equity instruments to employees of its subsidiary undertakings, and such share-based payments are accounted for as equity-settled in the Group financial statements, the Company records an increase in the investment in subsidiary undertakings for the value of the share options and awards granted with a corresponding credit entry recognised directly in equity. The value of the share options and awards granted is based upon the fair value of the options and awards at the grant date, the vesting period and the vesting conditions. Cash receipts from business units in respect of newly issued share schemes are treated as returns of capital within investments in subsidiaries.

4 Reconciliation from the FRS 101 parent company results to the IFRS Group results

The parent company financial statements are prepared in accordance with FRS 101 and the Group financial statements are prepared in accordance with IFRS Standards as issued by the IASB and international financial reporting standards adopted for use in the UK.

The tables below provide a reconciliation between the FRS 101 parent company results and the IFRS Group results.

	2021 $m	**2020** $m
Profit after tax		
Profit (loss) for the financial year of the Company in accordance with FRS 101 note (i)	**2,648**	(85)
Accounting policy difference note (ii)	**28**	(18)
Share in the IFRS result of the Group, net of distributions to the Company note (iii)	**(4,718)**	2,221
(Loss) profit after tax of the Group attributable to equity holders in accordance with IFRS	**(2,042)**	2,118

	31 Dec 2021 $m	**31 Dec 2020** $m
Shareholders' equity		
Shareholders' funds of the Company in accordance with FRS 101	**15,650**	12,286
Accounting policy difference note (ii)	**19**	15
Share in the IFRS net equity of the Group note (iii)	**1,419**	8,577
Shareholders' equity of the Group in accordance with IFRS	**17,088**	20,878

Notes

(i) The Company's profit (loss) for the financial year includes distributions to the Company from subsidiaries.

(ii) Accounting policy difference represents the difference in accounting policy for expected credit losses on loan assets, and the difference in treatment of realised gains and losses on investments classified as fair value through other comprehensive income, as the Company has adopted IFRS 9 while the Group applies IAS 39.

(iii) The 'share in the IFRS result and net equity of the Group' lines represent the parent company's equity in the earnings and net assets of its subsidiaries and associates.

The profit for the year of the Company in accordance with IFRS includes dividends received from subsidiary undertakings of $3,597 million for the year ended 31 December 2021 (2020: $406 million).

5 Investments in subsidiary undertakings

	2021 $m	**2020** $m
At 1 Jan	**12,682**	10,444
Capital injections note (i)	**430**	–
Exchange of non-current debt instruments for equity shares note (ii)	**–**	2,000
Equity shares issued in exchange for assuming bank loan liability note (iii)	**–**	350
Other note (iv)	**2**	(112)
At 31 Dec	**13,114**	12,682

Notes

(i) On 15 December 2021, an intercompany loan of $430 million owed to the Company was settled in exchange for the issue of equity instruments from Prudential Group Holdings Limited, an immediate subsidiary of the Company.

(ii) On 16 June 2020, the non-current debt instrument of $2,000 million received by the Company was settled in exchange for the issue of equity instruments from Prudential Corporation Asia Limited, an immediate subsidiary of the Company.

(iii) On 20 June 2020, Prudential Corporation Asia Limited issued equity shares to the Company, in exchange for the Company assuming a bank loan liability of $350 million (see note 7).

(iv) Other includes net amounts in respect of share-based payments settled by the Company for employees of its subsidiary undertakings.

See note 6 below for details of the transfer and distribution of shares in Jackson Financial Inc. during the year.

Investments in subsidiaries held at 31 December 2021 have been assessed for impairment and no impairment was identified.

Subsidiary undertakings of the Company at 31 December 2021 are listed in note D6 of the Group IFRS financial statements.

6 Equity securities – fair value through other comprehensive income

On 8 September 2021, Prudential Corporation Asia Limited, a subsidiary of the Company, transferred the Group's holding in Jackson to the Company as a dividend in specie. This holding was classified as an asset held for distribution and was measured at fair value less costs to distribute at date of transfer. On 13 September 2021, the Company distributed shares in Jackson with value of $1,735 million to its shareholders (further details are provided in note D1.2 of the Group IFRS financial statements). In accordance with IFRIC 17 the value of dividend in-specie recognised as distribution within the statement of changes in equity was the fair value of Jackson Financial Inc. at the date of distribution. As also required by IFRIC 17, the difference between the fair value of Jackson Financial Inc. on distribution and the previous carrying value of the Company's investment in Jackson Financial Inc. of $439 million is recognised as a loss within profit for the year. Immediately after the distribution, the Company retained a 19.7 per cent economic interest (19.9 per cent voting interest) in Jackson's equity securities, which was recognised as a financial investment at 'fair value through other comprehensive income'. On 13 December 2021, Jackson announced, as part of previously disclosed $300 million share repurchase program, the repurchase of 2,242,516 shares of its Class A common stock from the Company. With this repurchase activity, the Company's remaining economic interest in Jackson was 18.4 per cent as of 31 December 2021 (18.5 per cent voting interest).

The fair value of the Company's holding in the equity securities of Jackson is determined by the use of current market bid prices, and is categorised as Level 1: Quoted prices (unadjusted in active markets) of the IFRS 13 'Fair Value Measurement' defined fair value hierarchy. Following initial recognition on 13 September 2021, a gain of $273 million has been recognised in other comprehensive income for the year in respect of these instruments.

7 Borrowings

	Core structural borrowings		Other borrowings		Total	
	31 Dec 2021 $m	31 Dec 2020 $m	31 Dec 2021 $m	31 Dec 2020 $m	31 Dec 2021 $m	31 Dec 2020 $m
Core structural borrowings note (i)						
Subordinated liabilities note (ii)	**4,075**	4,332	**–**	–	**4,075**	4,332
Debenture loans	**1,702**	1,701	**–**	–	**1,702**	1,701
Bank loan	**350**	350	**–**	–	**350**	350
	6,127	6,383	**–**	–	**6,127**	6,383
Commercial paper note (iii)	**–**	–	**500**	501	**500**	501
Total borrowings	**6,127**	6,383	**500**	501	**6,627**	6,884
Borrowings are repayable as follows:						
Within 1 year	**1,725**	–	**500**	501	**2,225**	501
Between 1 and 5 years	**778**	780	**–**	–	**778**	780
After 5 years	**3,624**	5,603	**–**	–	**3,624**	5,603
	6,127	6,383	**500**	501	**6,627**	6,884

Notes

(i) Further details on the core structural borrowings of the Company are provided in note C5.1 of the Group IFRS financial statements.

(ii) The interests of the holders of the subordinated liabilities are subordinate to the entitlements of other creditors of the Company.

(iii) These borrowings support a short-term fixed income securities programme.

(iv) Borrowings are classified in line with contractual maturity dates unless the Company has established its intention to redeem at an earlier date.

8 Capital and reserves

Share capital and share premium

On 4 October 2021, the Company completed the issuance of 130,780,350 new ordinary shares on the Stock Exchange of Hong Kong through a concurrent Hong Kong public offer and international placing. Further details on this issuance together with a summary of the ordinary shares in issue and the options outstanding to subscribe for the Company's shares at 31 December 2021 is set out in note C8 of the Group IFRS financial statements.

Retained profit of the Company

Retained profit at 31 December 2021 amounted to $10,458 million (31 December 2020: $9,476 million). The retained profit includes distributable reserves of $4,734 million (31 December 2020: $3,838 million) and non-distributable reserves of $5,724 million (31 December 2020: $5,638 million). The non-distributable reserves of the Company relate to gains on intra-group transactions, in which qualifying consideration was not received, and share-based payment reserves.

Under UK company law, Prudential may pay dividends only if sufficient distributable reserves of the Company are available for the purpose and if the amount of its net assets is greater than the aggregate of its called up share capital and non-distributable reserves (such as the share premium account) and the payment of the dividend does not reduce the amount of its net assets to less than that aggregate.

The retained profit of the Company is substantially generated from dividend income received from subsidiaries. The Group segmental analysis illustrates the generation of profit across the Group (see note B1 of the Group IFRS financial statements). The Group and its subsidiaries are subject to local regulatory minimum capital requirements, as set out in note C10 of the Group IFRS financial statements. A number of the principal risks set out in the Risk Report could impact the generation of profit in the Group's subsidiaries in the future and hence impact their ability to pay dividends in the future.

In determining the dividend payment in any year, the directors follow the Group dividend policy described in the Financial Review section of this Annual Report. The directors consider the Company's ability to pay current and future dividends twice a year by reference to the Company's business plan and certain stressed scenarios.

9 Other information

a Information on key management remuneration is given in note B2.3 of the Group IFRS financial statements. Additional information on directors' remuneration is given in the directors' remuneration report section of this Annual Report.
b Information on transactions of the directors with the Group is given in note D4 of the Group IFRS financial statements.
c The Company employs no staff.
d Fees payable to the Company's auditor for the audit of the Company's annual accounts were $0.1 million (2020: $0.1 million) and for other services were $0.1 million (2020: $0.1 million).
e In certain instances, the Company has guaranteed that its subsidiaries will meet their obligations when they fall due for payment.

10 Post balance sheet events

Dividends

The second interim ordinary dividend for the year ended 31 December 2021, which was approved by the Board of Directors after 31 December 2021, is described in note B5 of the Group IFRS financial statements.

Debt redemption

On 20 January 2022 the Company redeemed subordinated debt instruments of $1,725 million, as described in note C5.1 of the Group IFRS financial statements.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the 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 parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

The directors of Prudential plc, whose names and positions are set out on pages 150 to 155 confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

1. Our opinion is unmodified

We have audited the financial statements of Prudential plc ("the Company") for the year ended 31 December 2021 which comprise;

- the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position and consolidated statement of cash flows, and the related notes, including accounting policies in note 3.1; and
- the parent company statements of financial position and of changes in equity, and the related notes, including the significant accounting policies in note 3.

In our opinion:

- 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 2021 and of the Group's loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The parent company financial statements have been properly prepared in accordance with UK Accounting Standards including FRS 101 Reduced Disclosure Framework; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders in October 1999. The period of total uninterrupted engagement is for the 23 financial years ended 31 December 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the Financial Reporting Council ('FRC') Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of insurance contract liabilities and investment contract liabilities with discretionary participation features (2021: $151,101 million, 2020: $437,266 million).

The risk compared to the prior year has remained unchanged.

Refer to page 175 (Audit Committee report), page 242 (accounting policy) and pages 281 to 286 (financial disclosures)

The risk

The Group has significant insurance contract liabilities and investment contract liabilities with discretionary participation features (policyholder liabilities) representing 83 per cent (2020: 88 per cent) of the Group's total liabilities.

Subjective valuation

This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of these long term policyholder liabilities, and we consider the risk to have remained unchanged in the current year in light of the continued business and economic disruption caused by the Coronavirus pandemic's (COVID-19) potential impact on policyholder behaviour in respect of decisions such as lapses, making historical experience less reliable in setting operating assumptions.

Significant judgement is required to assess whether the directors' overall estimate, taking into account key economic assumptions, including investment return and associated discount rates, and operating assumptions including mortality, morbidity, expenses and persistency, which are the key inputs used to estimate these long term liabilities, falls within an acceptable range, in addition to the appropriate design and calibration of complex reserving models.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of policyholder liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements note C6 discloses the sensitivities estimated by the Group.

Our response

We used our own actuarial specialists to assist us in performing our procedures in this area.

Our procedures included:

Methodology choice

We assessed the methodology for selecting assumptions and calculating the policyholder liabilities. This included:

- Assessing the methodology adopted for selecting assumptions by applying our industry knowledge and experience and comparing the methodology used against industry standard actuarial practice;
- Assessing the methodology adopted for calculating the policyholder liabilities by reference to the requirements of the accounting standard and actuarial market practice, and assessing the impact of current year changes in methodology on the calculation of policyholder liabilities;
- Comparing changes in methodology to our expectations derived from market experience; and
- Evaluating the analysis of the movements in policyholder liabilities during the year, including consideration of whether the movements were in line with the methodology and assumptions adopted.

Control operation

We used our own IT specialists to assist us in performing our procedures in this area which included testing of the design, implementation and operating effectiveness of key controls over the valuation process. Controls testing in respect of the valuation process included assessment and approval of the methods and assumptions adopted over the calculation of policyholder liabilities as well as appropriate access and change management controls over the actuarial models.

Our procedures also included:

Historical comparison

- Evaluating the experience analysis in respect of the mortality, morbidity, persistency, and expense assumptions by reference to actual experience, taking into account the potential impact of COVID-19 on reported claims, in order to assess whether this supported the year-end assumptions adopted.

Benchmarking assumptions and sector experience

- Using our sector experience and market knowledge to inform our challenge of the assumptions in the areas noted above.

Model evaluation

- Assessing the reserving models by considering the accuracy of the cash flow projections including by reference to the inclusion of relevant product features. We have also assessed the impact of modelling and assumption changes by inspecting pre and post change model runs and comparing the outcomes of the changes to our expectations.

Assessing transparency

We assessed whether the disclosures in relation to the assumptions used in the valuation of policyholder liabilities are compliant with the relevant accounting requirements.

Our result

We found the valuation and disclosures of policyholder liabilities to be acceptable (2020: acceptable).

Valuation of certain level 2 and level 3 investments held at fair value (2021: $31,282 million, 2020: $63,823 million).

The risk compared to the prior year has remained unchanged.

Refer to page 175 (Audit Committee report), page 242 (accounting policy) and pages 272 to 280 (financial disclosures)

The risk

The Group's investments portfolio represents 85 per cent (2020: 83 per cent) of the Group's total assets.

Subjective valuation
The area that involved significant audit effort and judgement in 2021 was the valuation of certain level 2 and level 3 positions within the portfolio of financial investments held at fair value. This is comprised of unlisted debt securities and unlisted funds that are valued by reference to their Net Asset Value ('NAV funds'). For these positions a reliable third-party price was not readily available and therefore involved the application of expert judgement in the valuations adopted.

Auditor judgement is required in determining the appropriate valuation methodology where external pricing sources are either not readily available or are unreliable. Further judgement is required to assess whether the directors' overall estimate, based on their judgement depending on the observability and significance of the inputs into the valuation and the consequent impact on the classification of those investments, falls within an acceptable range.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of certain level 2 and 3 investments held at fair value has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.

The financial statements note C6 disclose the sensitivities estimated by the Group.

Our response

We used our own valuation specialists in order to assist us in performing our procedures in this area.

Our procedures included:
Methodology choice
We assessed the appropriateness of the pricing methodologies with reference to relevant accounting standards as well as industry practice.

Control operation
We tested the design, implementation and operating effectiveness of key controls over the valuation process, including the Group's review and approval of the estimates and assumptions used for the valuation including key authorisation and data input controls.

Tests of details
For a sample of securities, we used our valuation specialists to assess the Group's classification of assets within Level 2 or Level 3 by evaluating the observability of the inputs used in valuing these securities.

For a sample of unlisted debt securities we compared the price adopted to our independently derived price, using our valuation specialists. For a sample of unlisted funds, we agreed the valuations for the NAV funds to the most recent NAV statements. To assess reliability of these statements we compared to audited financial statements of the funds, where available, or performed a retrospective test over the NAV valuations for each fund to assess if the fund valuations reported in the audited financial statements in the prior year were materially consistent with the most recent NAV valuation statements available at the time.

Assessing transparency
We assessed whether the disclosures in relation to the valuation of level 2 and 3 investments held at fair value are compliant with the relevant accounting requirements.

Our result
We found the valuation and disclosures of level 2 and 3 investments held at fair value to be acceptable (2020: acceptable).

Recoverability of parent company's investment in subsidiaries – (2021: $13,114 million, 2020: $12,682 million)

The risk compared to the prior year is unchanged. The risk relates to the parent company financial statements.

Refer to page 175 (Audit Committee report), Refer to page 242 (accounting policy) and page 318 (financial disclosures)

The risk	Our response
Low risk, high value The carrying amount of the parent company's investments in subsidiaries represents 58 per cent (2020: 65 per cent) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	***Our procedures included:*** **Tests of details** Comparing the carrying amount of 100% of the investments in subsidiaries with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. We performed the test above rather than seeking to rely on the parent company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedure described. **Assessing subsidiary audits** Assessing the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work on those subsidiaries' profits and net assets. **Our result** We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2020: acceptable).

Following the demerger of the US business from the Group on 13 September 2021, we no longer consider the following to be a key audit matter for 2021:

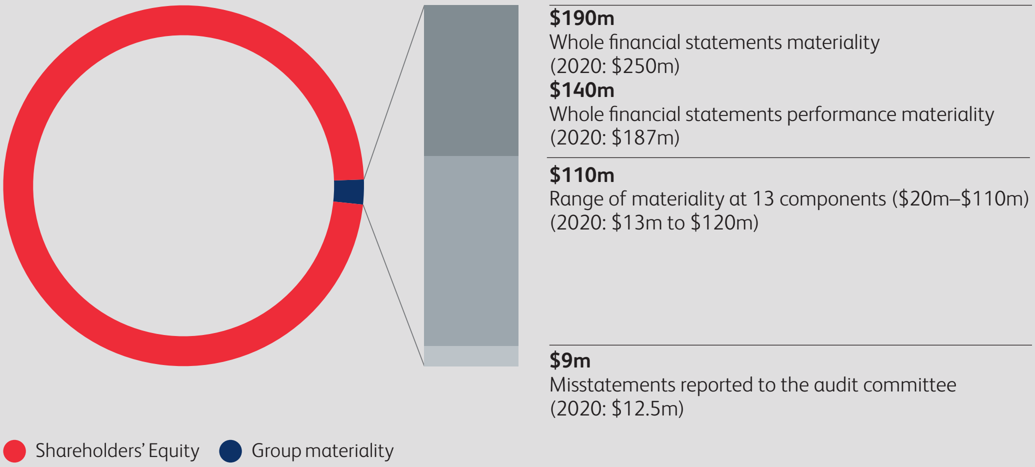
> Amortisation of US deferred acquisition costs, valuation of policyholder liabilities (US) and valuation of certain level 2 and level 3 investments (US): As a result of the demerger, the US business has been classed as discontinued operations in the group financial statements and the consolidated balance sheet does not include any deferred acquisition costs, policyholder liabilities or level 2 and 3 investments in respect of the US business.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at $190 million (2020: $250 million) determined with reference to a benchmark of IFRS shareholders' equity (of which it represents 1.1 per cent (2020: 1.2 per cent)); the reduction in materiality from 2020 reflects the lower IFRS shareholders' equity due to the impact of the demerger of the US operations from the Group. We consider IFRS shareholders' equity to be the most appropriate benchmark as it represents the residual interest that can be ascribed to shareholders after policyholder assets and corresponding liabilities have been accounted for; we consider that this is the most appropriate measure for the size of the business and that it provides a stable measure year on year. We compared our materiality against other relevant benchmarks (total assets, total revenue and profit before tax from continuing operations) to ensure the materiality selected was appropriate for our audit. We set out below the materiality thresholds that are key to the audit.

IFRS Shareholders' Equity
$17,088m (2020: $20,878m)

Group Materiality
$190m (2020: $250m)



$190m
Whole financial statements materiality
(2020: $250m)

$140m
Whole financial statements performance materiality
(2020: $187m)

$110m
Range of materiality at 13 components ($20m–$110m)
(2020: $13m to $120m)

$9m
Misstatements reported to the audit committee
(2020: $12.5m)

Materiality for the parent company financial statements as a whole was set at $53 million (2020: $60 million), determined with reference to a benchmark of parent company's net assets, of which it represents 0.4 per cent (2020: 0.5 per cent). The component materiality, as determined by the Group audit team, applied to the audit of the parent company financial statements as a whole is lower than the materiality we would otherwise have determined by reference to its net assets.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that detected and undetected immaterial misstatements in individual account balances aggregate up to a material amount across the financial statements as a whole.

Performance materiality for both the group and parent company was set at 75 per cent (2020: 75 per cent) of materiality for the financial statements as a whole, which equates to $140 million (2020: $187 million) and $33.75 million (2020: $45 million), respectively. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk across the financial statements as a whole.

We agreed to report to the Group audit committee any corrected or uncorrected identified misstatements exceeding $9 million (2020: $12.5 million) in addition to other identified misstatements that warrant reporting on qualitative grounds.

We subjected the Group's operations to audits for group reporting purposes as follows:

Of the 13 (2020: 14) reporting components scoped in for the Group audit, we subjected 7 (2020: 8) to full scope audits for group reporting purposes, 5 (2020: 4) to an audit of account balances, 1 to specified risk-focused audit procedures over cash and debt securities (2020: 1 to specified risk-focused audit procedures over cash and debt securities and 1 to specified risk-focused audit procedures over operational and other borrowings). The components for which we performed work other than full scope audits for group reporting purposes were not individually significant but were included in the scope of our group reporting work as they did present specific individual audit risks that needed to be addressed or in order to provide further coverage over the Group's results.

The components subjected to full scope audits consisted of the parent company and the insurance operations in the US, Hong Kong, Indonesia, Singapore, Malaysia and China.

The components subjected to an audit of account balances included the insurance operations in Vietnam, Thailand, Taiwan and the Philippines, and the fund management operations of Eastspring Singapore. The account balances audited for Vietnam and Taiwan were policyholder liabilities, investments, deferred acquisition costs, cash, premiums and claims; the account balances audited for Thailand were policyholder liabilities, investments, intangible assets, cash, premiums and claims; the account balances audited for Eastspring Singapore were other income and expenses; the account balances audited for the Philippines were policyholder liabilities, investments and cash. The component for which we performed specified audit risk-focused procedures over cash and debt securities was the Group's treasury operations.

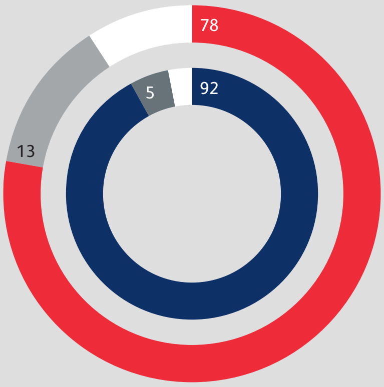
For the remaining operations, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these operations.

These components accounted for the following percentages of the Group's results:

Group revenue from continuing operations

91%

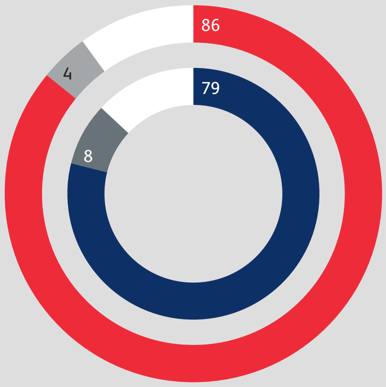
(2020: 97%)



Group profit before tax[1]

90%

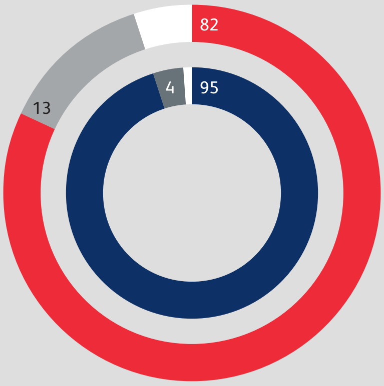
(2020: 87%)



Group total assets

95%

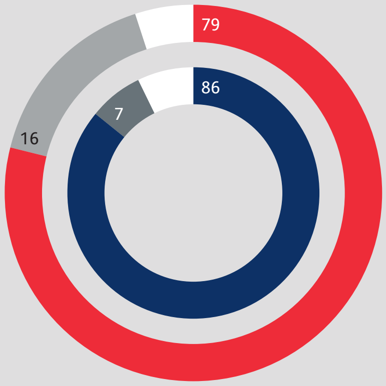
(2020: 99%)



Group shareholders' equity

95%

(2020: 93%)



- ● Full scope for Group audit purposes 2021
- ● Audit of account balances and specified risk focused audit procedures 2021
- ● Full scope for Group audit purposes 2020
- ● Audit of account balances and specified risk focused audit procedures 2020
- ○ Residual components

Note

[1] These percentages represent the total profits and losses that made up group profit before tax

The Group audit team held a global planning conference with component auditors to identify audit risks and decide how each component team should address the identified audit risks. The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported. The Group audit team approved the component materialities, which ranged from $20 million to $110 million (2020: $13 million to $120 million) across the components, having regard to the size and risk profile of the Group across the components. The work on 11 components (2020: 12 components) was performed by component auditors and work on the remaining two components, which included the parent company, was performed by the Group audit team.

Whilst it would be conventional practice to visit component teams, the impact of the Coronavirus restrictions on travel has required an alternative approach similar to last year, which required more extensive use of video and telephone conference meetings with all component auditors. During these video and telephone conference meetings, an assessment was made of audit risk and strategy, the findings reported to the Group audit team were discussed in more detail, key working papers were inspected and any further work required by the Group audit team was then performed by the component auditor.

The Group team also routinely reviews the audit documentation of all component audits. Except as noted below, the Group audit team conducted remote file reviews, performed, by experienced members of the audit team, to evaluate whether work performed by all component audit teams over significant risk and other relevant audit areas was sufficient. In addition, the Group audit team maintained clear oversight of the work of component auditors and attended local final audit closing meetings via conference/video call.

Due to regulatory restrictions, a remote file review was not possible for the Chinese component, as such a review needs to be performed from within Mainland China and due to movement restrictions and quarantine requirements relating to the COVID-19 pandemic we were not able to travel to perform this review. To compensate for this situation the Group audit team held increased and more detailed planning and progress calls, obtained extended reporting and held an expanded closing meeting with the Chinese component audit team to understand, assess and challenge the audit approach and findings.

The Senior Statutory Auditor, in conjunction with other senior staff in the Group and component audit teams, also regularly attended Business Unit audit committee meetings and participated in meetings with local components to obtain additional understanding, first hand, of the key risks and audit issues at a component level which may affect the Group financial statements.

We were able to rely upon the Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

4. The impact of climate change on our audit

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group has set out its commitments to decarbonise its portfolio of assets held on behalf of its insurance companies with a new goal of becoming "net zero" by 2050. Further information is provided in the Group's Environment, Social and Governance report.

Climate change risk could have a significant impact on the Group's business as the operations and strategy of the Group are adapted to address the potential financial and non-financial risks which could arise from both the physical and transition risks associated with climate change. Climate change initiatives and commitments could impact the financial statements of the Group in a variety of ways including in the determination of fair value for assets and potential for increased claims experience which could impact the valuation of liabilities. Greater narrative and disclosure of the impact of climate change risk is also incorporated into the annual report.

As a part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. We have performed a risk assessment of how the impact of the scenario analysis performed by the Group in respect of climate change may affect the financial statements and our audit, this involved a discussion with our own climate risk subject matter professionals to challenge our risk assessment. There was no impact of this on our key audit matters.

We have assessed how the Group considers the impact of climate change risk on the valuation of the policyholder liabilities taking into account the nature of the insurance contracts that the group enters into and the associated valuation methodology. This has not had a significant impact on the related key audit matter. We have also incorporated a consideration of the climate change impact on the audit of the valuation of certain level 2 and level 3 positions within the portfolio of financial investments held at fair value, taking into account the nature of the investments and the associated valuation approach. This has not had a significant impact on the related key audit matter. We have read the disclosure of climate related information in the front half of the annual report and considered consistency with the financial statements and our audit knowledge.

We have not been engaged to provide assurance over the accuracy of the climate risk disclosures set out on pages 82 to 95 in the Annual Report.

5. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group and Company, its industry, and the general economic environment in which it operates to identify the inherent risks to its business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Adverse impacts arising from fluctuations or negative trends in the economic environment which affect the valuations of the Group's investments, wider credit spreads and defaults and valuation of policyholder liabilities due to the impact of these market movements;
- The impact on regulatory capital solvency margins from movements in interest rates; and
- Severely adverse policyholder lapse or claims experience.

We also considered less predictable but realistic second order impacts, such as failure of some of the Group's counterparties (such as banks and reinsurers) to meet commitments, which could give rise to a negative impact on the Group's financial position and liquidity, and wider economic factors such as the Coronavirus pandemic's impact on economic volatility and market uncertainty in the period, and other such macroeconomic events.

We considered whether these risks could plausibly affect the liquidity or solvency in the going concern period by assessing the Directors' sensitivities over the level of available financial resources indicated by the Group's and Company's cash flow forecasts taking account of severe but plausible adverse effects that could arise from these risks individually and collectively.

We considered whether the going concern disclosure in note A1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for the going concern period.
- we have nothing material to add or draw attention to in relation to the Directors' statement in note A1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note A1 to be acceptable; and
- the related statement under the Listing Rules set out on page 191 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and the Company will continue in operation.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit, group security, and inspecting key papers provided to those charged with governance as to the high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing" and process for engaging local management to identify fraud risks specific to their business units, as well as whether they have knowledge of any actual, suspected, or alleged fraud.
- Reading board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for directors.
- Consulting with our own professionals with forensic knowledge to assist us in identifying fraud risks based on discussions of the circumstances of the Group and Company.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group team to all component audit teams in scope of relevant fraud risks identified at the Group level and requests to these audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risks of management override of controls, in particular the risk that group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. Accordingly, we identified fraud risks related to the valuation of insurance contract liabilities given the direct impact on the Group's profit, the opportunity for management to manipulate assumptions due to the subjectivity involved and given the long-term nature of these assumptions which are more difficult to corroborate, and potential incentives for the group to manipulate the profitability of the Asia businesses given the separation of the US business.

On this audit we do not consider there is a fraud risk related to revenue recognition as there is limited management judgement involved in the determination of all material revenue streams as the amounts are contractually derived.

In determining the audit procedures to address the identified fraud risks, we took into account the results of our evaluation and testing of the operating effectiveness of the group-wide anti-fraud risk controls. In order to address the risk of fraud specifically as it relates to the valuation of insurance contract liabilities, we involved actuarial specialists to assist in our challenge of management. We challenged management in relation to the selection of assumptions and the appropriateness of the rationale for any changes, the consistency of the selected assumptions across different aspects of the financial reporting process and comparison to our understanding of the product portfolio, trends in experience, policyholder behaviour and economic conditions and also by reference to market practice. Further detail in respect of these is set out in the audit response to the risks associated with this key audit matter in section 2 of this report.

To address the pervasive risk as it relates to management override, we also performed procedures including:

- Identifying journal entries to test for all in-scope components, other than those only in scope for specified risk-based audit procedures, based on risk criteria and comparing the identified entries to supporting documentation. These include unusual journal entries posted to either cash or borrowings.
- Evaluating the business purpose of non-recurring transactions.
- Assessing significant accounting estimates and judgements for bias.

We discussed with the audit committee matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors, and from inspection of the Group's regulatory and legal correspondence. We discussed with the directors and other management the policies and procedures regarding compliance with laws and regulation.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to all in-scope component audit teams, with the exception of those scoped in only for specified risk-based audit procedures, of relevant laws and regulations identified at the group level, and a request for these teams to report to the group any instances of non-compliance with said laws and regulations, or any identified local laws and regulations, that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the regulations governing capital requirements most likely to have such an effect recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge. Based on those procedures, we have nothing material to add or draw attention to in relation to:

- The directors' confirmation within the viability statement on page 64, that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- The emerging and principal risks disclosures on pages 52 to 63 describing these risks and explaining how they are being managed and mitigated; and
- The directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 64, under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how those issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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
- 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; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 321, the directors are responsible for the preparation of the financial statements including being satisfied that they give a true and fair view. They 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; assessing the Group and 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 they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Smart

Philip Smart (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Public Interest Entity Auditor recognised in accordance with the Hong Kong Financial Reporting Council Ordinance

Chartered Accountants
London

8 March 2022

European Embedded Value (EEV) basis results

Contents

Index to European Embedded Value (EEV) basis results

Notes on the EEV basis results

Description of EEV basis reporting

The EEV basis results have been prepared in accordance with the EEV Principles issued by the European Insurance CFO Forum in 2016. All results are stated net of tax and converted using actual exchange rates (AER) unless otherwise stated. AER are actual historical exchange rates for the relevant accounting period. Constant exchange rate (CER) results are calculated by translating prior period results using current period foreign currency exchange rates, ie current period average rates for the income statement and current period closing rates for the balance sheet. Where appropriate, the EEV basis results include the effects of adoption of IFRS Standards.

The Directors are responsible for the preparation of the supplementary information in accordance with the EEV Principles. In preparing the EEV basis supplementary information, the Directors have satisfied themselves that the Group remains a going concern. Further information is provided in note A1 of the IFRS financial statements.

European Embedded Value (EEV) basis results

Basis of preparation

IFRS profit for long-term business broadly reflects the aggregate of results on a traditional accounting basis. By contrast, EEV is a way of measuring the value of the in-force life insurance business. The value of future new business is excluded from the embedded value. The EEV Principles provide consistent definitions of the components of EEV, a framework for setting assumptions and an approach to the underlying methodology and disclosures. The EEV principles were designed to provide guidance and common principles that could be understood by both users and preparers alongside prescribing a minimum level of disclosures to enable users to understand an entity's methodology, assumptions and key judgments as well as the sensitivity of an entity's EEV to key assumptions. Results prepared under the EEV Principles represent the present value of the shareholders' interest in the post-tax future profits (on a local statutory basis) expected to arise from the current book of long-term business, after sufficient allowance has been made for the aggregate risks in the business. The shareholders' interest in the Group's long-term business is the sum of the shareholders' total net worth and the value of in-force business. The Group's EEV has been prepared in accordance with the relevant regulatory regimes in place at 31 December 2021. It does not anticipate proposed future changes to these regimes.

For the purposes of preparing EEV basis results, insurance joint ventures and associates are included at the Group's proportionate share of their embedded value and not at their market value. Asset management and other non-insurance subsidiaries, joint ventures and associates are included in the EEV basis results at the Group's proportionate share of IFRS basis shareholders' equity, with central Group debt shown on a market value basis.

Key features of the Group's EEV methodology include:

- *Economic assumptions:* The projected post-tax profits assume a level of future investment return and are discounted using a risk discount rate. Both the risk discount rate and the investment return assumptions are updated at each valuation date to reflect current market risk-free rates, such that changes in market risk-free rates impact all projected future cash flows. Risk-free rates, and hence investment return assumptions, are based on observable market data, with current market risk-free rates assumed to remain constant throughout the projection, with no trending or mean reversion to longer-term assumptions. Different products will be sensitive to different assumptions, for example, participating products or products with guarantees are likely to benefit disproportionately from higher assumed investment returns.
- *Time value of financial options and guarantees*: Explicit quantified allowances are made for the time value of financial options and guarantees (TVOG). The TVOG is determined by weighting the probability of outcomes across a large number of different economic scenarios and is typically less applicable to health and protection business that generally contains more limited financial options or guarantees. At 31 December 2021, the TVOG for continuing operations is $(784) million (31 December 2020: $(1,912) million). The magnitude of the TVOG at 31 December 2021 would be approximately equivalent to a 10 basis point (2020: 30 basis point) increase in the weighted average risk discount rate which has increased 70 basis points since 31 December 2020.
- *Allowance for risk in the risk discount rates:* Risk discount rates are set equal to the risk-free rate at the valuation date plus product-specific allowances for market and non-market risks. Risks that are explicitly captured elsewhere, such as via the TVOG, are not included in the risk discount rates. The allowance for market risk is based on a product-by-product assessment of the sensitivity of shareholder cash flows to varying market returns. This approach reflects the inherent market risk in each product group and results in lower risk discount rates for products where the majority of shareholder profit is uncorrelated to market risk and appropriately higher risk discount rates for products where there is greater market exposure for shareholders. For example, for health and protection products, which represent about 61 per cent of the value of in-force business and 54 per cent of new business profit, the major sources of shareholder profits are underwriting profits or fixed shareholder charges which have very low market risk sensitivity. The construct of UK-style with-profits funds in some business units (representing 19 per cent of the value of in-force and 15 per cent of new business profit) reduce the market volatility of both policyholder and shareholder cash flows due to smoothed bonus declarations and for some markets the presence of an estate. Accordingly, 80 per cent of the value of in-force is products with low market risk sensitivity and this is reflected in the overall risk discount rate. For unit-linked products where fund management charges fluctuate with the investment return a portion of the profits will typically be more sensitive to market risk due to the higher proportion of equity-type assets in the investment portfolio resulting in a higher risk discount rate, this business represents 17 per cent of the value of in-force and 15 per cent of the value of new business profit which limits the impact on the overall risk discount rate. The remaining parts of the business (3 per cent of the value in-force and 16 per cent of the value of new business) relate to non-participating products not covered by the above. The allowance for non-market risk comprises a base Group-wide allowance of 50 basis points plus additional allowances for emerging market risk where appropriate. At 31 December 2021, the total allowance for non-market risk is equivalent to a $(3.7) billion (2020: $(3.2) billion) reduction, or around (8) per cent (2020: (7) per cent) of the embedded value.

Post the demerger of the Group's US operations, Jackson Financial Inc. (Jackson), in September 2021, the Group's retained interest in Jackson has been included at its fair value within other (central) operations. This is equivalent to its value within the Group's IFRS financial statements. Further information is contained in note 5.

EEV results highlights for continuing operations

	2021	2020			
		AER		CER	
	$m note (ii)	$m note (i)	% change	$m note (i)	% change
New business profit note (v)	**2,526**	2,201	15%	2,240	13%
Annual premium equivalent (APE) note (v)	**4,194**	3,808*	10%	3,890*	8%
New business margin (APE) (%)	**60%**	58%	+2pp	58%	+2pp
Present value of new business premiums (PVNBP)	**24,153**	21,587	12%	22,041	10%
Operating free surplus generated notes (iii)(v)	**2,071**	1,888*	10%	1,928*	7%
EEV operating profit notes (iv)(v)	**3,543**	3,401	4%	3,444	3%
EEV operating profit, net of non-controlling interests	**3,515**	3,391	4%	3,434	2%
Operating return on average EEV shareholders' equity, net of non-controlling interests (%)	**8%**	8%			
Closing EEV shareholders' equity, net of non-controlling interests	**47,355**	41,926	13%	41,350	15%
Closing EEV shareholders' equity, net of non-controlling interests per share (in cents)	**1,725¢**	1,607¢	7%	1,585¢	9%

* Re-presented to include amounts relating to Africa.

Notes

(i) The results above are for the Group's continuing operations only, excluding results from the discontinued US operations which were demerged in September 2021.

(ii) The Group has changed its operating segments from 2021, as discussed in note B1.3 of the IFRS financial statements, with Africa operations included in long-term business. New business profit for full year 2020 exclude contributions from Africa.

(iii) Operating free surplus generated is for long-term and asset management businesses only, before restructuring and IFRS 17 implementation costs, centrally incurred costs and eliminations.

(iv) Group EEV operating profit is stated after restructuring and IFRS 17 implementation costs, centrally incurred costs and eliminations.

(v) Presented before deducting the amounts attributable to non-controlling interests. This presentation is applied consistently throughout this document, unless stated otherwise.

The supplementary information on pages 335 to 355 were approved by the Board of Directors on 8 March 2022. They were signed on its behalf by:

Shriti Vadera

Shriti Vadera
Chair

Mike Wells
Group Chief Executive

Mark FitzPatrick
Group Chief Financial Officer
and Chief Operating Officer

Movement in Group EEV shareholders' equity

		2021 $m				2020 $m
	Note	Insurance and asset management operations	Other (central) operations	Discontinued US operations note (i)	Group total	Group total note (i)
Continuing operations:						
New business profit	1	**2,526**	**–**	**–**	**2,526**	2,201
Profit from in-force long-term business	2	**1,630**	**–**	**–**	**1,630**	1,926
Long-term business		**4,156**	**–**	**–**	**4,156**	4,127
Asset management		**284**	**–**	**–**	**284**	253
Operating profit from long-term and asset management businesses		**4,440**	**–**	**–**	**4,440**	4,380
Other income and expenditure	5	**–**	**(723)**	**–**	**(723)**	(826)
Operating profit (loss) before restructuring and IFRS 17 implementation costs		**4,440**	**(723)**	**–**	**3,717**	3,554
Restructuring and IFRS 17 implementation costs		**(90)**	**(84)**	**–**	**(174)**	(153)
Operating profit (loss) for the year		**4,350**	**(807)**	**–**	**3,543**	3,401
Short-term fluctuations in investment returns	2	**(1,015)**	**(25)**	**–**	**(1,040)**	1,937
Effect of changes in economic assumptions	2	**412**	**–**	**–**	**412**	(996)
Loss attaching to corporate transactions		**–**	**(35)**	**–**	**(35)**	(121)
Mark-to-market value movements on core structural borrowings	6	**–**	**357**	**–**	**357**	(247)
Non-operating profit (loss)		**(603)**	**297**	**–**	**(306)**	573
Profit (loss) for the year from continuing operations		**3,747**	**(510)**	**–**	**3,237**	3,974
Loss for the year from discontinued US operations note (i)		**–**	**–**	**(10,852)**	**(10,852)**	(3,941)
(Loss) profit for the year		**3,747**	**(510)**	**(10,852)**	**(7,615)**	33
Non-controlling interests share of profit from continuing operations		**(40)**	**–**	**–**	**(40)**	(10)
Non-controlling interests share of loss from discontinued US operations		**–**	**–**	**1,205**	**1,205**	130
(Loss) profit for the year attributable to equity holders of the Company		**3,707**	**(510)**	**(9,647)**	**(6,450)**	153
Equity items from continuing operations:						
Foreign exchange movements on operations		**(513)**	**53**	**–**	**(460)**	563
Intra-group dividends and investment in operations note (ii)		**(1,312)**	**1,312**	**–**	**–**	–
Demerger dividend in specie from Jackson	5	**–**	**493**	**(2,228)**	**(1,735)**	–
Other external dividends		**–**	**(421)**	**–**	**(421)**	(814)
New share capital subscribed note (iii)		**–**	**2,382**	**–**	**2,382**	13
Other movements note (iv)		**(85)**	**323**	**–**	**238**	(169)
Equity items from discontinued US operations net of non-controlling interest note (v)		**–**	**–**	**(206)**	**(206)**	(450)
Net (decrease) increase in shareholders' equity		**1,797**	**3,632**	**(12,081)**	**(6,652)**	(704)
Shareholders' equity at beginning of year		**44,317**	**(2,391)**	**12,081**	**54,007**	54,711
Shareholders' equity at end of year		**46,114**	**1,241**	**–**	**47,355**	54,007
Contribution to Group EEV:						
At end of year:						
Continuing operations:						
Long-term business	2	**44,646**	**–**	**–**	**44,646**	42,861
Asset management and other	5	**690**	**1,241**	**–**	**1,931**	(1,756)
Shareholders' equity, excluding goodwill attributable to equity holders		**45,336**	**1,241**	**–**	**46,577**	41,105
Goodwill attributable to equity holders		**778**	**–**	**–**	**778**	821
Total continuing operations		**46,114**	**1,241**	**–**	**47,355**	41,926
Discontinued US operations		**–**	**–**	**–**	**–**	12,081
Shareholders' equity at end of year	7	**46,114**	**1,241**	**–**	**47,355**	54,007
At beginning of year:						
Continuing operations:						
Long-term business	2	**42,861**	**–**	**–**	**42,861**	37,902
Asset management and other	5	**635**	**(2,391)**	**–**	**(1,756)**	(355)
Shareholders' equity, excluding goodwill attributable to equity holders		**43,496**	**(2,391)**	**–**	**41,105**	37,547
Goodwill attributable to equity holders		**821**	**–**	**–**	**821**	822
Total continuing operations		**44,317**	**(2,391)**	**–**	**41,926**	38,369
Discontinued US operations		**–**	**–**	**12,081**	**12,081**	16,342
Shareholders' equity at beginning of year	7	**44,317**	**(2,391)**	**12,081**	**54,007**	54,711

Movement in Group EEV shareholders' equity continued

EEV shareholders' equity per share (in cents) note (vi)	**2021**				**2020**
	Insurance and asset management operations	**Other (central) operations**	**Discontinued US operations** note (i)	**Group total**	**Group total** note (i)
At end of year:					
Continuing operations:					
Based on shareholders' equity, net of goodwill attributable to equity holders	**1,651¢**	**45¢**	**–**	**1,696¢**	1,576¢
Based on shareholders' equity at end of year	**1,680¢**	**45¢**	**–**	**1,725¢**	1,607¢
Discontinued US operations	**–**	**–**	**–**	**–**	463¢
Group total	**1,680¢**	**45¢**	**–**	**1,725¢**	2,070¢
At beginning of year:					
Continuing operations:					
Based on shareholders' equity, net of goodwill attributable to equity holders	**1,668¢**	**(92)¢**	**–**	**1,576¢**	1,444¢
Based on shareholders' equity at beginning of year	**1,699¢**	**(92)¢**	**–**	**1,607¢**	1,475¢
Discontinued US operations	**–**	**–**	**463¢**	**463¢**	628¢
Group total	**1,699¢**	**(92)¢**	**463¢**	**2,070¢**	2,103¢

	2021			**2020**
EEV basis basic earnings per share in cents note (vii)	**Before non-controlling interests** $m	**After non-controlling interests** $m	**Basic earnings per share** cents	**Basic earnings per share** cents
Based on operating profit from continuing operations after non-controlling interests	**3,543**	**3,515**	**133.8¢**	130.6¢
Based on profit for the year attributable to equity holders of the Company:				
From continuing operations	**3,237**	**3,197**	**121.7¢**	152.6¢
From discontinued US operations	**(10,852)**	**(9,647)**	**(367.1)¢**	(146.7)¢
Group total	**(7,615)**	**(6,450)**	**(245.4)¢**	5.9¢

Notes

(i) Discontinued operations represent the Group's US business, Jackson, which was demerged in September 2021. The 2020 comparative results have been re-presented to show these operations as discontinued accordingly. The retained interest in Jackson is measured for EEV purposes at fair value, consistent with IFRS, and is included in other (central) operations post the demerger. Further information is provided in note 5.

(ii) Intra-group dividends represent dividends that have been declared in the year. Investment in operations reflects movements in share capital.

(iii) New share capital subscribed primarily represents the issuance of new ordinary shares on the Hong Kong Stock Exchange in October 2021 as described in note C8 of the IFRS financial statements.

(iv) Other movements include reserve movements in respect of valuation movements on the retained interest in Jackson, share-based payments, treasury shares and intra-group transfers between operations that have no overall effect on the Group's shareholders' equity.

(v) Equity items from discontinued US operations include mark-to-market value movements on assets backing net worth of $(206) million for 2021 (2020: $552 million). In addition, 2020 included a charge of $(1,112) million relating to the day one impact of the equity investment by Athene into the US business in July 2020.

(vi) Based on the number of issued shares at 31 December 2021 of 2,746 million shares (31 December 2020: 2,609 million shares).

(vii) Based on weighted average number of issued shares of 2,628 million shares in 2021 (2020: 2,597 million shares).

Movement in Group free surplus

Operating free surplus generation is the financial metric we use to measure the internal cash generation of our business operations and for our life operations is generally based on (with adjustments) the capital regimes that apply locally in the various jurisdictions in which the Group operates. It represents amounts emerging from the in-force business during the year, net of amounts reinvested in writing new business. For asset management businesses, it equates to post-tax adjusted operating profit for the year.

For long-term business, free surplus is generally based on (with adjustments) the excess of the regulatory basis net assets for EEV reporting purposes (total net worth) over the capital required to support the covered business. In general, assets deemed to be inadmissible on a local regulatory basis are included in total net worth where considered recognisable on an EEV basis. For asset management and other non-insurance operations (including the Group's central operations), free surplus is taken to be IFRS basis shareholders' equity, net of goodwill attributable to shareholders, with central Group debt recorded as free surplus to the extent that it is classified as capital resources under the Group's capital regime. Following the application of the Group-wide Supervision (GWS) Framework, both subordinated and senior debt are treated as capital for the purposes of free surplus at 31 December 2021.

A reconciliation of EEV free surplus to the GWS shareholder capital surplus over group minimum capital requirements is set out in note I(i) of the additional financial information. Further information is provided in note 5 and note 6.

		2021 $m				**2020** $m
	Note	**Insurance and asset management operations**	**Other (central) operations**	**Discontinued US operations** note (i)	**Group total**	**Group total** note (i)
Continuing operations:						
Expected transfer from in-force business		**2,340**	**–**	**–**	**2,340**	1,878
Expected return on existing free surplus		**157**	**–**	**–**	**157**	101
Changes in operating assumptions and experience variances		**(173)**	**–**	**–**	**(173)**	215
Operating free surplus generated from in-force long-term business	2	**2,324**	**–**	**–**	**2,324**	2,194
Investment in new business note (ii)	2	**(537)**	**–**	**–**	**(537)**	(559)
Long-term business		**1,787**	**–**	**–**	**1,787**	1,635
Asset management		**284**	**–**	**–**	**284**	253
Operating free surplus generated from long-term and asset management businesses		**2,071**	**–**	**–**	**2,071**	1,888
Other income and expenditure	5	**–**	**(723)**	**–**	**(723)**	(826)
Operating free surplus generated before restructuring and IFRS 17 implementation costs		**2,071**	**(723)**	**–**	**1,348**	1,062
Restructuring and IFRS 17 implementation costs		**(85)**	**(84)**	**–**	**(169)**	(147)
Operating free surplus generated		**1,986**	**(807)**	**–**	**1,179**	915
Non-operating free surplus generated note (iii)		**142**	**(60)**	**–**	**82**	316
Free surplus generated from continuing operations		**2,128**	**(867)**	**–**	**1,261**	1,231
Free surplus generated from discontinued US operations note (i)		**–**	**–**	**770**	**770**	(998)
Free surplus generated for the year		**2,128**	**(867)**	**770**	**2,031**	233
Equity items from continuing operations:						
Net cash flows paid to parent company note (iv)		**(1,451)**	**1,451**	**–**	**–**	–
Demerger dividend in specie from Jackson	5	**–**	**493**	**(2,228)**	**(1,735)**	–
Other external dividends		**–**	**(421)**	**–**	**(421)**	(814)
Foreign exchange movements on operations		**(43)**	**53**	**–**	**10**	136
New share capital subscribed note (v)		**–**	**2,382**	**–**	**2,382**	13
Other movements and timing differences		**54**	**184**	**–**	**238**	(171)
Treatment of grandfathered debt instruments under the GWS Framework	5	**–**	**1,995**	**–**	**1,995**	–
Net subordinated debt issuance/redemption	5	**–**	**(232)**	**–**	**(232)**	–
Equity items from discontinued US operations note (vi)		**–**	**–**	**(206)**	**(206)**	751
Net movement in free surplus before amounts attributable to non-controlling interests		**688**	**5,038**	**(1,664)**	**4,062**	148
Change in amounts attributable to non-controlling interests		**(21)**	**–**	**(85)**	**(106)**	209
Balance at beginning of year		**5,983**	**2,361**	**1,749**	**10,093**	9,736
Balance at end of year note (vii)		**6,650**	**7,399**	**–**	**14,049**	10,093
Representing:						
Free surplus excluding distribution rights and other intangibles		**5,651**	**4,432**	**–**	**10,083**	6,068
Distribution rights and other intangibles		**999**	**2,967**	**–**	**3,966**	4,025
Balance at end of year		**6,650**	**7,399**	**–**	**14,049**	10,093

Movement in Group free surplus continued

		2021 $m				2020 $m
Contribution to Group free surplus:	Note	**Insurance and asset management operations**	**Other (central) operations**	**Discontinued US operations** note (i)	**Group total**	**Group total** note (i)
At end of year:						
Continuing operations:						
Long-term business	2	**5,960**	**–**	**–**	**5,960**	5,348
Asset management and other	5	**690**	**7,399**	**–**	**8,089**	2,996
Total continuing operations		**6,650**	**7,399**	**–**	**14,049**	8,344
Discontinued US operations		**–**	**–**	**–**	**–**	1,749
Free surplus at end of year		**6,650**	**7,399**	**–**	**14,049**	10,093
At beginning of year:						
Long-term business	2	**5,348**	**–**	**–**	**5,348**	3,683
Asset management and other	5	**635**	**2,361**	**–**	**2,996**	4,276
Total continuing operations		**5,983**	**2,361**	**–**	**8,344**	7,959
Discontinued US operations		**–**	**–**	**1,749**	**1,749**	1,777
Free surplus at beginning of year		**5,983**	**2,361**	**1,749**	**10,093**	9,736

Notes

(i) Discontinued operations represent the Group's US business, Jackson, which was demerged in September 2021. The free surplus generated of $770 million in 2021 represents the net effect of the result for the year up to demerger and the adjustment to reflect the fair value at the demerger date. It is not representative of the capital generation in the period for the US operations. The 2020 comparative results have been re-presented to show these operations as discontinued accordingly. The retained interest in Jackson is measured for EEV purposes at fair value, consistent with IFRS, and is included in other (central) operations post the demerger. Further information is provided in note 5.

(ii) Free surplus invested in new business primarily represents acquisition costs and amounts set aside for required capital.

(iii) Non-operating free surplus generation in 2020 included a reinsurance commission of $770 million received as part of a reinsurance transaction undertaken by our business in Hong Kong. During 2021, the treaty resulted in $(59) million being due to the reinsurer under the contract, which is included within non-operating free surplus generation. The surplus generated from the underlying in-force reinsured policies continued to be recognised as operating free surplus generated. Non-operating free surplus generated for other operations represents the post-tax IFRS basis short-term fluctuations in investment returns and gain or loss on corporate transactions for other entities.

(iv) Net cash flows to parent company reflect the cash remittances as included in the holding company cash flow at transaction rates. The difference to the intra-group dividends and investment in operations in the movement in EEV shareholders' equity primarily relates to intra-group loans, foreign exchange and other non-cash items.

(v) New share capital subscribed primarily represents the issuance of new ordinary shares on the Hong Kong Stock Exchange in October 2021 as described in note C8 of the IFRS financial statements.

(vi) Equity items from discontinued US operations include the mark-to-market value movements on assets backing net worth of $(206) million for 2021 (2020: $552 million). In addition, 2020 included a credit of $63 million relating to the day-one impact of the equity investment by Athene into the US business in July 2020.

(vii) Free surplus at 31 December 2021 was utilised to redeem $1,725 million of debt in January 2022 as planned.

1 Analysis of new business profit and EEV for long-term business operations

	2021					
	New business profit (NBP) note $m	Annual premium equivalent (APE) $m	Present value of new business premiums (PVNBP) $m	New business margin (APE) %	New business margin (PVNBP) %	Closing EEV shareholders' equity, excluding goodwill $m
CPL	**352**	**776**	**3,761**	**45%**	**9%**	**3,114**
Hong Kong	**736**	**550**	**4,847**	**134%**	**15%**	**21,460**
Indonesia	**125**	**252**	**1,067**	**50%**	**12%**	**2,237**
Malaysia	**232**	**461**	**2,137**	**50%**	**11%**	**3,841**
Singapore	**523**	**743**	**6,214**	**70%**	**8%**	**7,732**
Growth markets and other	**558**	**1,412**	**6,127**	**40%**	**9%**	**6,262**
Total continuing long-term operations	**2,526**	**4,194**	**24,153**	**60%**	**10%**	**44,646**

	2020 (AER)					
	New business profit (NBP) note $m	Annual premium equivalent (APE) $m	Present value of new business premiums (PVNBP) $m	New business margin (APE) %	New business margin (PVNBP) %	Closing EEV shareholders' equity, excluding goodwill $m
CPL	269	582	2,705	46%	10%	2,798
Hong Kong	787	758	5,095	104%	15%	20,156
Indonesia	155	267	1,154	58%	13%	2,630
Malaysia	209	346	2,023	60%	10%	4,142
Singapore	341	610	5,354	56%	6%	8,160
Growth markets and other	440	1,245*	5,256	35%	8%	4,975*
Total continuing long-term operations	2,201	3,808	21,587	58%	10%	42,861

* Re-presented to include amounts relating to Africa.

	2020 (CER)					
	New business profit (NBP) note $m	Annual premium equivalent (APE) $m	Present value of new business premiums (PVNBP) $m	New business margin (APE) %	New business margin (PVNBP) %	Closing EEV shareholders' equity, excluding goodwill $m
CPL	288	623	2,894	46%	10%	2,871
Hong Kong	786	757	5,083	104%	15%	20,046
Indonesia	158	271	1,174	58%	13%	2,592
Malaysia	212	351	2,051	60%	10%	3,999
Singapore	350	626	5,495	56%	6%	8,000
Growth markets and other	446	1,262*	5,344	35%	8%	4,852*
Total continuing long-term operations	2,240	3,890	22,041	58%	10%	42,360

* Re-presented to include amounts relating to Africa.

Note

The movement in new business profit from continuing long-term operations is analysed as follows:

	$m
2020 new business profit	2,201
Foreign exchange movement	**39**
Sales volume	**175**
Effect of changes in interest rates and other economic assumptions	**(59)**
Business mix, product mix and other items	**170**
2021 new business profit	**2,526**

EEV new business profit reflects the value of expected future profits from the new business sold in the year, and demonstrates the business written in the year is expected to be profitable. Information on the Group's operating experience variances on the in-force business is shown in note 2.

2 Analysis of movement in net worth and value of in-force business for long-term business operations

	2021 $m					2020 $m
Continuing operations:	**Free surplus**	**Required capital**	**Net worth**	**Value of in-force business**	**Embedded value** note (i)	**Embedded value** note (i)
Balance at beginning of year	**5,348**	**3,445**	**8,793**	**34,068**	**42,861**	37,902
New business contribution	**(537)**	**163**	**(374)**	**2,900**	**2,526**	2,201
Existing business – transfer to net worth	**2,340**	**(224)**	**2,116**	**(2,116)**	**–**	–
Expected return on existing business note (ii)	**157**	**79**	**236**	**1,525**	**1,761**	1,401
Changes in operating assumptions, experience variances and other items note (iii)	**(173)**	**(6)**	**(179)**	**48**	**(131)**	525
Operating profit before restructuring and IFRS 17 implementation costs	**1,787**	**12**	**1,799**	**2,357**	**4,156**	4,127
Restructuring and IFRS 17 implementation costs	**(77)**	**–**	**(77)**	**(5)**	**(82)**	(69)
Operating profit	**1,710**	**12**	**1,722**	**2,352**	**4,074**	4,058
Non-operating profit (loss) note (iv)	**142**	**(179)**	**(37)**	**(566)**	**(603)**	822
Profit (loss) for the year	**1,852**	**(167)**	**1,685**	**1,786**	**3,471**	4,880
Non-controlling interests share of (profit) loss	**(11)**	**–**	**(11)**	**(19)**	**(30)**	1
Profit (loss) for the year attributable to equity holders of the Company	**1,841**	**(167)**	**1,674**	**1,767**	**3,441**	4,881
Foreign exchange movements	**(30)**	**(48)**	**(78)**	**(379)**	**(457)**	542
Intra-group dividends and investment in operations	**(1,115)**	**–**	**(1,115)**	**–**	**(1,115)**	(567)
Other movements note (v)	**(84)**	**–**	**(84)**	**–**	**(84)**	103
Balance at end of year note (i)	**5,960**	**3,230**	**9,190**	**35,456**	**44,646**	42,861

Notes

(i) The total embedded value for continuing long-term business operations at the end of each year show below, excluding goodwill attributable to equity holders, can be analysed further as follows:

	31 Dec 2021 $m	**31 Dec 2020** $m
Value of in-force business before deduction of cost of capital and time value of options and guarantees	**36,965**	36,729
Cost of capital	**(725)**	(749)
Time value of options and guarantees*	**(784)**	(1,912)
Net value of in-force business	**35,456**	34,068
Free surplus	**5,960**	5,348
Required capital	**3,230**	3,445
Net worth	**9,190**	8,793
Embedded value from continuing operations	**44,646**	42,861

* The time value of options and guarantees (TVOG) arises from the variability of economic outcomes in the future and is, where appropriate, calculated as the difference between an average outcome across a range of economic scenarios, calibrated around a central scenario, and the outcome from the central economic scenario, as described in note 8(i)(d). At 31 December 2021, the TVOG for continuing operations is $(784) million, with the substantial majority arising in Hong Kong. The TVOG has decreased since 31 December 2020 reflecting the generally higher government bond yields at 31 December 2021 which mean guarantees are less likely to be in-the-money. The TVOG reflects the variability of guaranteed benefit pay-outs across the range of economic scenarios around interest rates at the valuation date and represents some of the market risk for the key products in Hong Kong. As this market risk is explicitly allowed for via the TVOG, no further adjustment is made for this within the EEV risk discount rate, as described in note 8(i)(h). The magnitude of the TVOG at 31 December 2021 would be approximately equivalent to a 10 basis point (2020: 30 basis point) increase in the weighted average risk discount rate which has increased 70 basis points since 31 December 2020.

(ii) The expected return on existing business reflects the effect of changes in economic and operating assumptions in the current year, as described in note 8(ii)(c). The movement in this amount compared to the prior year is analysed as follows:

	$m
2020 expected return on existing business	1,401
Foreign exchange movement	**22**
Effect of changes in interest rates and other economic assumptions	**253**
Growth in opening value of in-force business and other items	**85**
2021 expected return on existing business	**1,761**

(iii) The effect of changes in operating assumptions of $118 million in 2021 (2020: $390 million) principally reflects the outcome of the regular review of persistency, claims and expenses. Experience variances and other items of $(249) million (2020: $135 million) has been driven primarily by short-term persistency and claims impacts linked to Covid-19. There have been higher Covid-19-related claims in Indonesia and India, with high Covid-19 cases recorded in mid to late 2021. 2021 also began to see a more normalised level of medical reimbursement claims compared to 2020, when claims were more significantly reduced by customers either not seeking or deferring insured treatments.

(iv) The EEV non-operating profit (loss) from continuing long-term operations can be summarised as follows:

	2021 $m	2020 $m
Short-term fluctuations in investment returns note (a)	**(1,015)**	1,909
Effect of change in economic assumptions note (b)	**412**	(996)
Loss attaching to corporate transactions note (c)	**–**	(91)
Non-operating profit (loss) from continuing operations	**(603)**	822

(a) The charge of $(1,015) million in short-term fluctuations in investment returns mainly reflects lower than expected bond returns, following the rise in interest rates in many markets in the year, partially offset by better than expected equity returns.

(b) The credit of $412 million for the effect of change in economic assumptions primarily arises from increases in long-term interest rates, resulting in higher assumed fund earned rates that impact projected future cash flows, partially offset by the effect of higher risk discount rates.

(c) In 2020, the loss attaching to corporate transactions of $(91) million arose on the reinsurance transaction undertaken by the Hong Kong business as described in movement in Group free surplus.

(v) Other movements include reserve movements in respect of share-based payments, treasury shares, intra-group loans and other intra-group transfers between operations that have no overall effect on the Group's shareholders' equity.

3 Sensitivity of results for long-term business operations to alternative economic assumptions

(i) Sensitivity analysis – economic assumptions

The tables below show the sensitivity of the embedded value and the new business profit for continuing long-term business operations to:

- 1 per cent and 2 per cent increases in interest rates and 0.5 per cent decrease in interest rates. This allows for consequential changes in the assumed investment returns for all asset classes, market values of fixed interest assets, local statutory reserves, capital requirements and risk discount rates (but excludes changes in the allowance for market risk);
- 1 per cent rise in equity and property yields;
- 1 per cent and 2 per cent increases in the risk discount rates. The main driver for changes in the risk discount rates from period to period is changes in interest rates, the impact of which is expected to be partially offset by a corresponding change in assumed investment returns, the effect of which is not included in the risk discount rate sensitivities. The impact of higher investment returns can be approximated as the difference between the sensitivity to increases in interest rates and the sensitivity to increases in risk discount rates;
- 20 per cent fall in the market value of equity and property assets (embedded value only); and
- Holding the group minimum capital requirements under the GWS Framework in contrast to EEV basis required capital (embedded value only). This reduces the level of capital and therefore the level of charge deducted from the embedded value for the cost of locked-in required capital. This has the effect of increasing EEV.

The sensitivities shown below are for the impact of instantaneous and permanent changes (with no trending or mean reversion) on the embedded value of long-term business operations and include the combined effect on the value of in-force business and net assets (including derivatives) held at the valuation dates indicated. The results only allow for limited management actions, such as changes to future policyholder bonuses, where applicable. If such economic conditions persisted, the financial impacts may differ to the instantaneous impacts shown below. In this case, management could also take additional actions to help mitigate the impact of these stresses. No change in the mix of the asset portfolio held at the valuation date is assumed when calculating sensitivities, while changes in the market value of those assets are recognised. The sensitivity impacts are expected to be non-linear. To aid understanding of this non-linearity, impacts of both a 1 per cent and 2 per cent increase to interest rates and risk discount rates are shown.

If the changes in assumptions shown in the sensitivities were to occur, the effects shown below would be recorded within two components of the profit analysis for the following period, namely the effect of changes in economic assumptions and short-term fluctuations in investment returns. In addition to the sensitivity effects shown below, the other components of the profit for the following period would be calculated by reference to the altered assumptions, for example new business profit and expected return on existing business.

New business profit from continuing long-term business

	2021* $m	2020 $m
New business profit	**2,526**	2,201
Interest rates and consequential effects – 2% increase	**88**	107
Interest rates and consequential effects – 1% increase	**70**	78
Interest rates and consequential effects – 0.5% decrease	**(64)**	(98)
Equity/property yields – 1% rise	**155**	140
Risk discount rates – 2% increase	**(653)**	(626)
Risk discount rates – 1% increase	**(380)**	(372)

* 2021 new business profit includes Africa operations following the change in the Group's operating segments in 2021. In the context of the Group, Africa's results are not materially impacted by the above sensitivities.

3 Sensitivity of results for long-term business operations to alternative economic assumptions
continued

Embedded value of continuing long-term business

	31 Dec 2021[*] $m	**31 Dec 2020** $m
Embedded value	**44,646**	42,861
Interest rates and consequential effects – 2% increase	**(4,782)**	(3,589)
Interest rates and consequential effects – 1% increase	**(2,228)**	(1,429)
Interest rates and consequential effects – 0.5% decrease	**223**	177
Equity/property yields – 1% rise	**1,909**	1,949
Equity/property market values – 20% fall	**(1,959)**	(1,912)
Risk discount rates – 2% increase	**(9,717)**	(9,225)
Risk discount rates – 1% increase	**(5,443)**	(5,286)
Group minimum capital requirements	**136**	150

[*] Embedded value includes Africa operations following the change in the Group's operating segments in 2021. In the context of the Group, Africa's results are not materially impacted by the above sensitivities.

Overall, the new business profit sensitivities at 31 December 2021 are in line with those at 31 December 2020.

For a 1 per cent increase in assumed interest rates, the $(2,228) million negative effect comprises a $(5,443) million negative impact of increasing the risk discount rate by 1 per cent, partially offset by a $3,215 million benefit from assuming 1 per cent higher investment returns. Similarly, for a 2 per cent increase in assumed interest rates the $(4,782) million negative effect comprises a $(9,717) million negative impact of increasing the risk discount rates by 2 per cent, partially offset by a $4,935 million benefit from higher assumed investment returns. Finally, for a 0.5 per cent decrease in assumed interest rates, there would be a $223 million positive effect reflecting the benefit of a 0.5 per cent reduction in risk discount rates being partially offset by lower assumed investment returns. These offsetting impacts are sensitive to economics and the net impact can therefore change from period to period depending on the current level of interest rates. At the current and higher interest rates at 31 December 2021, there is a reduced benefit from further increases in investment returns compared to 31 December 2020, as guarantees written to policyholders are less likely to be in-the-money at current levels. This contrasts with the adverse effect of higher risk discount rates which tends to be more stable from period to period, all other things being equal.

In order to illustrate the impact of varying specific economic assumptions, all other assumptions are held constant in the sensitivities above and therefore, the actual changes in embedded value were these economic effects to materialise may differ from the sensitivities shown. For example, market risk allowances would likely be increased within the risk discount rate if interest rates increased by 1 per cent, leading to a reduction of $(2,583) million (compared with the $(2,228) million impact shown above). However, if interest rates actually decreased by 0.5 per cent, it would lead to a $409 million increase (compared with the $223 million increase shown above).

(ii) Sensitivity analysis – non-economic assumptions

The tables below show the sensitivity of the embedded value and the new business profit for continuing long-term business operations to:

- 10 per cent proportionate decrease in maintenance expenses (for example, a 10 per cent sensitivity on a base assumption of $10 per annum would represent an expense assumption of $9 per annum);
- 10 per cent proportionate decrease in lapse rates (for example, a 10 per cent sensitivity on a base assumption of 5.0 per cent would represent a lapse rate of 4.5 per cent per annum); and
- 5 per cent proportionate decrease in base mortality (ie increased longevity) and morbidity rates.

New business profit from long-term business

	2021[*] $m	**2020** $m
New business profit	**2,526**	2,201
Maintenance expenses – 10% decrease	**60**	47
Lapse rates – 10% decrease	**190**	156
Mortality and morbidity – 5% decrease	**143**	106

[*] 2021 new business profit includes Africa operations following the change in the Group's operating segments in 2021. In the context of the Group, Africa's results are not materially impacted by the above sensitivities.

Embedded value of long-term business

	31 Dec 2021* $m	31 Dec 2020 $m
Embedded value	**44,646**	42,861
Maintenance expenses – 10% decrease	**455**	476
Lapse rates – 10% decrease	**1,901**	1,774
Mortality and morbidity – 5% decrease	**1,596**	1,689

* Embedded value includes Africa operations following the change in the Group's operating segments in 2021. In the context of the Group, Africa's results are not materially impacted by the above sensitivities.

4 Expected transfer of value of in-force business and required capital to free surplus for long-term business operations on a discounted basis

The table below shows how the value of in-force business (VIF) and the associated required capital for long-term business operations are projected as emerging into free surplus over future years. Cash flows are projected on a deterministic basis and are discounted at the appropriate risk discount rate. The modelled cash flows use the same methodology underpinning the Group's EEV reporting and so are subject to the same assumptions and sensitivities. The projected emergence of VIF and required capital into free surplus in 2021 will be the starting point for expected free surplus generation next year, after updating for operating and economic assumption changes. See note I(vi) of the additional financial information for further detail.

	Total expected emergence	Expected period of conversion of future post-tax distributable earnings and required capital flows to free surplus at 31 Dec					
		1-5 years	6-10 years	11-15 years	16-20 years	21-40 years	40+ years
2021 ($m)	**38,922**	**9,520**	**6,824**	**5,160**	**4,190**	**9,588**	**3,640**
(%)	**100%**	**24%**	**18%**	**13%**	**11%**	**25%**	**9%**
2020 ($m)	38,594	9,112	6,932	5,511	4,234	9,193	3,612
(%)	100%	24%	18%	14%	11%	24%	9%

The required capital and value of in-force business for long-term business operations can be reconciled to the total discounted emergence of future free surplus shown above as follows:

	31 Dec 2021* $m	31 Dec 2020 $m
Required capital note 2	**3,230**	3,445
Value of in-force business (VIF) note 2	**35,456**	34,068
Other items**	**236**	1,081
Continuing long-term business operations	**38,922**	38,594

* 2021 amounts include Africa operations following the change in the Group's operating segments in 2021.

**'Other items' represent the impact of the TVOG and amounts incorporated into VIF where there is no definitive time frame for when the payments will be made or receipts received. These items are excluded from the expected free surplus generation profile above.

5 EEV basis results for other operations

EEV basis other income and expenditure represents the post-tax IFRS basis results for other operations (before restructuring and IFRS 17 implementation costs), together with an adjustment to deduct the unwind of expected margins on the internal management of the assets of the continuing covered business, as shown in the table below. It mainly includes interest costs on core structural borrowings and corporate expenditure for head office functions in London and Hong Kong that are not recharged/allocated to the insurance operations.

In line with the EEV Principles, the allowance for the future costs of internal asset management services within the EEV basis results for long-term insurance operations excludes the projected future profits or losses generated by any non-insurance entities within the Group in providing those services (ie the EEV for long-term insurance operations assumes that the cost of internal asset management services will be that incurred by the Group as a whole, not the cost that will be borne by the insurance business). The results of the Group's asset management operations include the current period profit from the management of both internal and external funds, consistent with their presentation within the Group's IFRS basis reporting. An adjustment is accordingly made to Group EEV operating profit, within the EEV basis results for other operations, to deduct the expected profit anticipated to arise in the current period in the opening value of in-force business from internal asset management services, such that Group EEV operating profit includes the actual profit earned in respect of the management of these assets.

Any costs incurred within the head office functions in London and Hong Kong that are deemed attributable to the long-term insurance (covered) business are recharged/allocated to the insurance operations and recorded within the results for those operations. The assumed future expenses within the value of in-force business for long-term insurance operations allow for amounts expected to be recharged/allocated by the head office functions. Other costs that are not recharged/allocated to the insurance operations are shown as part of other income and expenditure for the current period, and are not included within the projection of future expenses for in-force insurance business.

	2021 $m	**2020** $m
IFRS basis other income and expenditure (as recorded in note B1.1 of the IFRS financial statements)	**(605)**	(743)
Tax effects on IFRS basis results	**(37)**	(15)
Less: unwind of expected profit on internal management of the assets of continuing long-term business	**(81)**	(68)
EEV basis other income and expenditure	**(723)**	(826)

The EEV basis shareholders' equity for other operations is taken to be IFRS basis shareholders' equity, with central Group debt shown on a market value basis. Free surplus for other operations is taken to be IFRS basis shareholders' equity, net of goodwill attributable to equity holders, with central Group debt recorded as free surplus to the extent that it is classified as capital resources under the Group's capital regime. Under the GWS Framework, all debt instruments issued by Prudential plc at the 31 December 2021 are included as capital resources.

Shareholders' equity for other operations can be compared across metrics as shown in the table below.

	2021 $m	**2020** $m
IFRS basis shareholders' equity (as recorded in note C1 of the IFRS financial statements)	**1,679**	(1,596)
Mark-to-market value adjustment on central borrowings note 6	**(438)**	(795)
EEV basis shareholders' equity	**1,241**	(2,391)
Debt instruments treated as capital resources	**6,158**	4,752
Free surplus of other (central) operations	**7,399**	2,361

Treatment of discontinued US operations following the demerger

On completion of the demerger of the Group's US operations (Jackson) in September 2021, the Group's pre-demerger interest in Jackson was remeasured to its observable fair value at that date, with any remeasurement gain or loss recognised in the results of discontinued operations. At the same time, the fair value of the interest in Jackson distributed to the Group's shareholders was recognised directly as a reduction in Group equity. The Group retained a 19.7 per cent economic interest (19.9 per cent voting interest) of Jackson immediately following the demerger, which was valued at $493 million at that time. In December 2021, Jackson repurchased 2,242,516 shares of its Class A common stock from Prudential which reduced Prudential's economic interest to 18.4 per cent as at 31 December 2021 (18.5 per cent voting interest) and realised a gain of $23 million which is included in corporate transactions. The remaining 18.4 per cent economic interest is measured at fair value within the EEV results at 31 December 2021. Unrealised changes in fair value since the date of demerger have been included in other movements in equity items from continuing operations as part of the EEV basis results for other operations. This treatment is consistent with the approach adopted for IFRS as discussed in note D1.2 of the IFRS financial statements.

6 Net core structural borrowings of shareholder-financed businesses

	31 Dec 2021 $m			31 Dec 2020 $m		
	IFRS basis note (ii)	Mark-to-market value adjustment note (iii)	EEV basis at market value	IFRS basis note (ii)	Mark-to-market value adjustment note (iii)	EEV basis at market value
Holding company cash and short-term investments note (i)	**(3,572)**	**–**	**(3,572)**	(1,463)	–	(1,463)
Central borrowings:						
Subordinated debt	**4,075**	**196**	**4,271**	4,332	420	4,752
Senior debt	**1,702**	**242**	**1,944**	1,701	375	2,076
Bank loan	**350**	**–**	**350**	350	–	350
Total central borrowings	**6,127**	**438**	**6,565**	6,383	795	7,178
Total net central funds from continuing operations	**2,555**	**438**	**2,993**	4,920	795	5,715
Discontinued US operations (Jackson Surplus Notes)				250	90	340
Net core structural borrowings of shareholder-financed businesses				5,170	885	6,055

Notes

(i) Holding company includes centrally managed group holding companies. $1,725 million of the cash held at the year-end was used in January 2022 to complete the planned debt redemptions.

(ii) As recorded in note C5.1 of the IFRS financial statements.

(iii) The movement in the value of core structural borrowings includes foreign exchange effects for pounds sterling denominated debts. The movement in the mark-to-market value adjustment from continuing operations can be analysed as follows:

	2021 $m	2020 $m
Balance at beginning of year	**795**	548
(Credit) charge included in the income statement from continuing operations	**(357)**	247
Balance at end of year	**438**	795

The movement in the value of the Jackson Surplus Notes is included in the results of the discontinued US operations.

7 Comparison of EEV basis shareholders' equity with IFRS basis shareholders' equity

	31 Dec 2021 $m	**31 Dec 2020** $m
Assets less liabilities before deduction of insurance funds	**164,810**	421,987
Less insurance funds (including liabilities in respect of insurance products classified as investment contracts under IFRS 4):		
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds note (i)	**(147,546)**	(399,868)
Shareholders' accrued interest in the long-term business	**30,267**	33,129
	(117,279)	(366,739)
Less non-controlling interests	**(176)**	(1,241)
Total net assets attributable to equity holders of the Company	**47,355**	54,007
Share capital	**182**	173
Share premium	**5,010**	2,637
IFRS basis shareholders' reserves	**11,896**	18,068
IFRS basis shareholders' equity, net of non-controlling interests	**17,088**	20,878
Shareholders' accrued interest in the long-term business	**30,267**	33,129
EEV basis shareholders' equity, net of non-controlling interests note (ii)	**47,355**	54,007
Analysed as:		
Continuing operations		41,926
Discontinued US operations		12,081
EEV basis shareholders' equity, net of non-controlling interests		54,007

Notes

(i) The 2020 "policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds" included amounts relating to the discontinued US operations.

(ii) The 31 December 2021 amount includes the Group's retained 18.4 per cent economic interest (18.5 per cent voting interest) in Jackson post demerger at fair value.

8 Methodology and accounting presentation

The methodology and accounting presentation below are stated for the Group's continuing business operations only. Following Jackson's demerger, the Group's US operations are no longer included in covered business with comparatives being re-presented. Methodology applied for the discontinued US operations in the comparative results is provided in note 8 of the Group's EEV financial statements for the year ended 31 December 2020.

(i) Methodology

(a) Covered business

The EEV basis results for the Group's continuing operations are prepared for 'covered business' as defined by the EEV Principles. Covered business represents the Group's long-term insurance business (including the Group's investments in joint venture and associate insurance operations), for which the value of new and in-force contracts is attributable to shareholders. The definition of long-term insurance business comprises those contracts falling under the definition for regulatory purposes. Africa operations are included within the covered business from 2021 following the change in the Group's operating segments. Further details on the Group's segments are provided in note B1.2 of the IFRS basis results. The amounts are shown within the continuing insurance segment for all periods.

The EEV basis results for the Group's covered business are then combined with the post-tax IFRS basis results of the Group's asset management and other operations (including interest costs on core structural borrowings and corporate expenditure for head office functions in London and Hong Kong that is not recharged/allocated to the insurance operations), with an adjustment to deduct the unwind of expected margins on the internal management of the assets of the covered business. Under the EEV Principles, the results for covered business incorporate the projected margins of attaching internal asset management, as described in note (g) below.

(b) Valuation of in-force and new business

The EEV basis results are prepared incorporating best estimate assumptions about all relevant factors including levels of future investment returns, persistency, mortality, morbidity and expenses, as described in note 9(iii). These assumptions are used to project future cash flows. The present value of the projected future cash flows is then calculated using a discount rate, as shown in note 9(i), which reflects both the time value of money and all other non-diversifiable risks associated with the cash flows that are not otherwise allowed for.

The total profit that emerges over the lifetime of an individual contract as calculated under the EEV basis is the same as that calculated under the IFRS basis. Since the EEV basis reflects discounted future cash flows, under the EEV methodology the profit emergence is advanced, thus more closely aligning the timing of the recognition of profit with the efforts and risks of current management actions, particularly with regard to business sold during the period.

New business

In determining the EEV basis value of new business, premiums are included in projected cash flows on the same basis of distinguishing regular and single premium business as set out in the Group's new business sales reporting.

New business premiums reflect those premiums attaching to the covered business, including premiums for contracts classified as investment contracts under IFRS 4. New business premiums for regular premium products are shown on an annualised basis.

New business profit represents profit determined by applying operating and economic assumptions as at the end of the period. New business profitability is a key metric for the Group's management of the development of the business. In addition, new business margins are shown by reference to annual premium equivalent (APE) and the present value of new business premiums (PVNBP). These margins are calculated as the percentage of the value of new business profit to APE and PVNBP. APE is calculated as the aggregate of regular premiums on new business written in the period and one-tenth of single premiums. PVNBP is calculated as the aggregate of single premiums and the present value of expected future premiums from regular premium new business, allowing for lapses and the other assumptions made in determining the EEV new business profit.

Valuation movements on investments

Investment gains and losses during the period (to the extent that changes in capital values do not directly match changes in liabilities) are included directly in the profit or loss for the period and shareholders' equity as they arise.

The results for the covered business conceptually reflect the aggregate of the post-tax IFRS basis results and the movements in the additional shareholders' interest recognised on an EEV basis. Therefore, the starting point for the calculation of the EEV basis results reflects the market value movements recognised on an IFRS basis.

8 Methodology and accounting presentation continued

(i) Methodology continued

(c) Cost of capital

A charge is deducted from the embedded value for the cost of locked-in required capital supporting the Group's long-term business. The cost is the difference between the nominal value of the capital held and the discounted value of the projected releases of this capital, allowing for post-tax investment earnings on the capital.

The EEV results are affected by the movement in this cost from period to period, which comprises a charge against new business profit and generally a release in respect of the reduction in capital requirements for business in force as this runs off.

Where required capital is held within a with-profits long-term fund, the value placed on surplus assets within the fund is already adjusted to reflect its expected release over time and so no further adjustment to the shareholder position is necessary.

(d) Financial options and guarantees

Nature of financial options and guarantees

Participating products, principally written in Hong Kong, Singapore and Malaysia, have both guaranteed and non-guaranteed elements. These products provide returns to policyholders through bonuses that are smoothed. There are two types of bonuses: regular and final. Regular bonuses are declared once a year and, once credited, are guaranteed in accordance with the terms of the particular products. Final bonuses are guaranteed only until the next bonus declaration.

There are also various non-participating long-term products with guarantees. The principal guarantees are those for whole-of-life contracts with floor levels of policyholder benefits that typically accrue at rates set at inception and do not vary subsequently with market conditions. Similar to participating products, the policyholder charges incorporate an allowance for the cost of providing these guarantees, which, for certain whole-of-life products in Hong Kong, remains constant throughout varying economic conditions, rather than reducing as the economic environment improves and vice versa.

Time value

The value of financial options and guarantees comprises the intrinsic value (arising from a deterministic valuation on best estimate assumptions) and the time value (arising from the variability of economic outcomes in the future).

Where appropriate, a full stochastic valuation has been undertaken to determine the time value of financial options and guarantees. The economic assumptions used for the stochastic calculations are consistent with those used for the deterministic calculations. Assumptions specific to the stochastic calculations reflect local market conditions and are based on a combination of actual market data, historic market data and an assessment of long-term economic conditions. Common principles have been adopted across the Group for the stochastic asset models, such as separate modelling of individual asset classes with an allowance for correlations between various asset classes. Details of the key characteristics of each model are given in note 9(ii).

In deriving the time value of financial options and guarantees, management actions in response to emerging investment and fund solvency conditions have been modelled. Management actions encompass, but are not confined to, investment allocation decisions, levels of regular and final bonuses and credited rates. Bonus rates are projected from current levels and varied in accordance with assumed management actions applying in the emerging investment and fund solvency conditions. In all instances, the modelled actions are in accordance with approved local practice and therefore reflect the options available to management.

(e) Level of required capital

In adopting the EEV Principles, Prudential has based required capital on the applicable local statutory regulations, including any amounts considered to be required above the local statutory minimum requirements to satisfy regulatory constraints.

For shareholder-backed businesses, the level of required capital has generally been set to an amount at least equal to local statutory notification requirements.

For CPL life operations, the level of required capital follows the approach for embedded value reporting issued by the China Association of Actuaries (CAA) reflecting the C-ROSS regime. For Singapore life operations, the level of net worth and required capital is based on the Tier 1 Capital position under the risk-based capital framework (RBC2), which removes certain negative reserves permitted to be recognised in the full RBC2 regulatory position applicable to the Group's GWS capital position, in order to better reflect free surplus and its generation.

(f) With-profits business and the treatment of the estate

For the Group's relevant operations, the proportion of surplus allocated to shareholders from the with-profits funds has been based on the applicable profit distribution between shareholders and policyholders. The EEV methodology includes the value attributed to the shareholders' interest in the residual estate of the in-force with-profits business. In any scenarios where the total assets of the life fund are insufficient to meet policyholder claims in full, the excess cost is fully attributed to shareholders. As required, adjustments are also made to reflect any capital requirements for with-profits business in excess of the capital resources of the with-profits funds.

(g) Internal asset management

In line with the EEV Principles, the in-force and new business results from long-term business include the projected future profit or loss from asset management and service companies that support the Group's covered insurance businesses. The results of the Group's asset management operations include the current period profit from the management of both internal and external funds. EEV basis shareholders' other income and expenditure is adjusted to deduct the expected profit anticipated to arise in the current period in the opening VIF from internal asset management and other services. This deduction is on a basis consistent with that used for projecting the results for covered insurance business. Accordingly, Group operating profit includes the actual profit earned in respect of the management of these assets.

(h) Allowance for risk and risk discount rates

Overview

Under the EEV Principles, discount rates used to determine the present value of expected future cash flows are set by reference to risk-free rates plus a risk margin.

The risk-free rates are largely based on local government bond yields at the valuation date and are assumed to remain constant throughout the projection, with no trending or mean reversion to longer-term assumptions that cannot be observed in the current market.

The risk margin reflects any non-diversifiable risk associated with the emergence of distributable earnings that is not allowed for elsewhere in the valuation. In order to better reflect differences in relative market risk volatility inherent in each product group, Prudential sets the risk discount rates to reflect the expected volatility associated with the expected future shareholder cash flows for each product group in the embedded value model, rather than at a Group level.

Since financial options and guarantees are explicitly valued under the EEV methodology, risk discount rates exclude the effect of these product features.

The risk margin represents the aggregate of the allowance for market risk and allowance for non-diversifiable non-market risk. No allowance is required for non-market risks where these are assumed to be fully diversifiable.

Market risk allowance

The allowance for market risk represents the beta multiplied by the equity risk premium.

The beta of a portfolio or product measures its relative market risk. The risk discount rates reflect the market risk inherent in each product group and hence the volatility of product-specific cash flows. These are determined by considering how the profit from each product is affected by changes in expected returns across asset classes. By converting this into a relative rate of return, it is possible to derive a product-specific beta. This approach contrasts with a top-down approach to market risk where the risks associated with each product are not directly reflected in the valuation basis.

The Group's methodology allows for credit risk in determining the best estimate returns and through the market risk allowance, which covers expected long-term defaults, a credit risk premium (to reflect the volatility in downgrade and default levels) and short-term downgrades and defaults.

Allowance for non-diversifiable non-market risks

The majority of non-market and non-credit risks are considered to be diversifiable. An allowance for non-diversifiable non-market risks is estimated as set out below.

A base level allowance of 50 basis points is applied to cover the non-diversifiable non-market risks associated with the Group's covered business. For the Group's businesses in less mature markets (such as the Philippines, Thailand and Africa) additional allowances of 250 basis points are applied. The level and application of these allowances are reviewed and updated based on an assessment of the Group's exposure and experience in the markets. For the Group's business in more mature markets, no additional allowance is necessary. At 31 December 2021, the total allowance for non-diversifiable non-market risk is equivalent to a $(3.7) billion (or (8) per cent) reduction to the embedded value of continuing long-term business operations.

(i) Foreign currency translation

Foreign currency profits and losses have been translated at average exchange rates for the period. Foreign currency transactions are translated at the spot rate prevailing at the date of the transactions. Foreign currency assets and liabilities have been translated at closing exchange rates. The principal exchange rates are shown in note A1 of the Group IFRS financial statements.

(j) Taxation

In determining the post-tax profit for the period for covered business, the overall tax rate includes the impact of tax effects determined on a local regulatory basis. Tax payments and receipts included in the projected future cash flows to determine the value of in-force business are calculated using tax rates that have been announced and substantively enacted by the end of the reporting period.

8 Methodology and accounting presentation continued

(ii) Accounting presentation

(a) Analysis of post-tax profit

To the extent applicable, the presentation of the EEV basis profit or loss for the period from continuing operations is consistent with the classification between operating and non-operating results that the Group applies for the analysis of IFRS basis results. Operating results are determined as described in note (b) below and incorporate the following:

- New business profit, as defined in note (i)(b) above;
- Expected return on existing business, as described in note (c) below;
- The impact of routine changes of estimates relating to operating assumptions, as described in note (d) below; and
- Operating experience variances, as described in note (e) below.

In addition, operating results include the effect of changes in tax legislation, unless these changes are one-off and structural in nature, or primarily affect the level of projected investment returns, in which case they are reflected as a non-operating result.

Non-operating results comprise:

- Short-term fluctuations in investment returns;
- Mark-to-market value movements on core structural borrowings;
- Effect of changes in economic assumptions; and
- The impact of corporate transactions, if any, undertaken in the year.

Total profit or loss in the period attributable to shareholders and basic earnings per share include these items, together with actual investment returns. The Group believes that operating profit, as adjusted for these items, better reflects underlying performance.

(b) Investment returns included in operating profit

For the investment element of the assets covering the total net worth of long-term insurance business, investment returns are recognised in operating results at the expected long-term rates of return. These expected returns are calculated by reference to the asset mix of the portfolio.

(c) Expected return on existing business

Expected return on existing business comprises the expected unwind of discounting effects on the opening value of in-force business and required capital and the expected return on existing free surplus. The unwind of discount and the expected return on existing free surplus are determined after adjusting for the effect of changes in economic and operating assumptions in the current period on the embedded value at the beginning of the period, for example the unwind of discount on the value of in-force business and required capital is determined after adjusting both the opening value and the risk discount rates for the effect of changes in economic and operating assumptions in the current period.

(d) Effect of changes in operating assumptions

Operating profit includes the effect of changes to operating assumptions on the value of in-force business at the end of the reporting period. For presentational purposes the effect of changes is delineated to show the effect on the opening value of in-force business as operating assumption changes, with the experience variances subsequently being determined by reference to the assumptions at the end of the reporting period, as discussed below.

(e) Operating experience variances

Operating profit includes the effect of experience variances on operating assumptions, such as persistency, mortality, morbidity, expenses and other factors, which are calculated with reference to the assumptions at the end of the reporting period.

(f) Effect of changes in economic assumptions

Movements in the value of in-force business at the beginning of the period caused by changes in economic assumptions, net of the related changes in the time value of financial options and guarantees, are recorded in non-operating results.

9 Assumptions

(i) Principal economic assumptions

The EEV basis results for the Group's covered business are determined using economic assumptions where both the risk discount rates and long-term expected rates of return on investments are set with reference to risk-free rates of return at the end of the reporting period. Both the risk discount rate and expected rates of return are updated at each valuation date to reflect current market risk-free rates, with the effect that changes in market risk-free rates impact all projected future cash flows. The risk-free rates of return are largely based on local government bond yields and are assumed to remain constant throughout the projection, with no trending or mean reversion to longer-term assumptions that cannot be observed in the current market. The risk-free rates of return are shown below for each of the Group's insurance operations. Expected returns on equity and property assets and corporate bonds are derived by adding a risk premium to the risk-free rate based on the Group's long-term view.

As described in note 8(i)(h), risk discount rates are set equal to the risk-free rate at the valuation date plus allowances for market risk and non-diversifiable non-market risks appropriate to the features and risks of the underlying products and markets. Risks that are explicitly allowed for elsewhere in the EEV basis, such as via the cost of capital and the time value of options and guarantees, as set out in note 2(i), are not included in the risk discount rates.

	Risk discount rate %				10-year government bond yield %		Equity return (geometric) %	
	New business		In-force business					
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
CPL	**7.3**	7.7	**7.3**	7.7	**2.8**	3.2	**6.8**	7.2
Hong Kong note (a)	**2.5**	2.0	**2.8**	2.1	**1.5**	0.9	**5.0**	4.4
Indonesia	**9.9**	8.9	**10.5**	10.0	**7.0**	6.5	**11.3**	10.8
Malaysia	**5.7**	4.4	**6.1**	4.9	**3.7**	2.6	**7.2**	6.1
Philippines	**12.0**	10.3	**12.0**	10.3	**4.8**	3.1	**9.0**	7.3
Singapore	**3.4**	2.3	**3.8**	2.9	**1.7**	0.9	**5.2**	4.4
Taiwan	**3.5**	3.0	**3.1**	2.5	**0.7**	0.3	**4.7**	4.3
Thailand	**9.3**	8.5	**9.3**	8.5	**2.0**	1.3	**6.3**	5.5
Vietnam	**4.0**	4.3	**4.1**	4.5	**2.2**	2.6	**6.4**	6.8
Total weighted average (new business) note (b)	**5.0**	4.1	**n/a**	n/a	**2.7**	2.1	**6.1**	5.8
Total weighted average (in-force business) note (b)	**n/a**	n/a	**4.3**	3.6	**2.3**	1.7	**5.8**	5.3

Notes

(a) For Hong Kong, the assumptions shown are for US dollar denominated business. For other businesses, the assumptions shown are for local currency denominated business.

(b) Total weighted average assumptions have been determined by weighting each business's assumptions by reference to the EEV basis new business profit and the closing net value of in-force business. The 2021 weighted average assumptions include Africa operations following the change in the Group's operating segments in 2021. The changes in the risk discount rates for individual businesses reflect the movements in the local government bond yields, changes in the allowance for market risk (including as a result of changes in asset mix) and changes in product mix.

(c) Expected long-term inflation assumptions range from 1.5 per cent to 5.5 per cent (31 December 2020: 1.5 per cent to 5.5 per cent).

(ii) Stochastic assumptions

Details are given below of the key characteristics of the models used to determine the time value of financial options and guarantees as referred to in note 8(i)(d).

- The stochastic cost of guarantees is primarily of significance for the Hong Kong, Malaysia, Singapore, Taiwan and Vietnam businesses;
- The principal asset classes are government bonds, corporate bonds and equity;
- Interest rates are projected using a stochastic interest rate model calibrated to the current market yields;
- Equity returns are assumed to follow a log-normal distribution;
- The corporate bond return is calculated based on a risk-free return plus a mean-reverting spread;
- The volatility of equity returns ranges from 18 per cent to 35 per cent for both years; and
- The volatility of government bond yields ranges from 1.1 per cent to 2.0 per cent for both years.

9 Assumptions continued

(iii) Operating assumptions

Best estimate assumptions are used for projecting future cash flows, where best estimate is defined as the mean of the distribution of future possible outcomes. The assumptions are reviewed actively and changes are made when evidence exists that material changes in future experience are reasonably certain.

Assumptions required in the calculation of the time value of financial options and guarantees, for example relating to volatilities and correlations, or dynamic algorithms linking liabilities to assets, have been set equal to the best estimates and, wherever material and practical, reflect any dynamic relationships between the assumptions and the stochastic variables.

Demographic assumptions

Persistency, mortality and morbidity assumptions are based on an analysis of recent experience, and reflect expected future experience. When projecting future cash flows for medical reimbursement business that is repriced annually, explicit allowance is made for expected future premium inflation and separately for future medical claims inflation.

Expense assumptions

Expense levels, including those of the service companies that support the Group's long-term business, are based on internal expense analysis and are appropriately allocated to acquisition of new business and renewal of in-force business. For mature business, it is Prudential's policy not to take credit for future cost reduction programmes until the actions to achieve the savings have been delivered. Expense overruns are reported where these are expected to be short-lived, including businesses that are growing rapidly or are sub-scale.

Expenses comprise costs borne directly and costs recharged/allocated from the Group head office functions in London and Hong Kong that are attributable to the long-term insurance (covered) business. The assumed future expenses for the long-term insurance business allow for amounts expected to be recharged/allocated by the head office functions. Development expenses are allocated to covered business and are charged as incurred.

Corporate expenditure, which is included in other income and expenditure, comprises expenditure of the Group head office functions in London and Hong Kong that is not recharged/allocated to the long-term insurance or asset management operations, primarily for corporate related activities that are charged as incurred, together with restructuring and IFRS 17 implementation costs incurred across the Group.

Tax rates

The assumed long-term effective tax rates for operations reflect the expected incidence of taxable profit or loss in the projected future cash flows as explained in note 8(i)(j). The local standard corporate tax rates applicable are as follows:

	%
CPL	25.0
Hong Kong	16.5 per cent on 5 per cent of premium income
Indonesia	22.0
Malaysia	24.0
Philippines	Up to 30 June 2020: 30.0; from 1 July 2020: 25.0
Singapore	17.0
Taiwan	20.0
Thailand	20.0
Vietnam	20.0

10 Insurance new business

	Single premiums		Regular premiums		Annual premium equivalents (APE)		Present value of new business premiums (PVNBP)	
	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
CPL note (a)	**1,760**	1,068	**600**	475	**776**	582	**3,761**	2,705
Hong Kong	**808**	184	**469**	741	**550**	758	**4,847**	5,095
Indonesia	**258**	226	**226**	244	**252**	267	**1,067**	1,154
Malaysia	**74**	90	**453**	337	**461**	346	**2,137**	2,023
Singapore	**2,412**	1,496	**502**	460	**743**	610	**6,214**	5,354
Growth markets:								
Africa note (b)	**15**	17	**133**	110	**134**	112	**288**	–
Cambodia	**–**	–	**14**	10	**14**	10	**59**	45
India note (c)	**285**	225	**200**	154	**228**	177	**1,172**	902
Laos	**–**	–	**1**	1	**1**	1	**2**	3
Myanmar	**–**	–	**1**	–	**1**	–	**3**	1
Philippines	**89**	49	**168**	134	**177**	139	**655**	528
Taiwan	**172**	201	**379**	367	**397**	387	**1,417**	1,445
Thailand	**142**	122	**204**	171	**218**	183	**882**	768
Vietnam	**55**	21	**237**	234	**242**	236	**1,649**	1,564
Total continuing operations note (d)	**6,070**	3,699	**3,587**	3,438	**4,194**	3,808	**24,153**	21,587

Notes

(a) New business in CPL is included at Prudential's 50 per cent interest in the joint venture.

(b) 2021 new business includes Africa operations following the change in the Group's operating segments in 2021.

(c) New business in India is included at Prudential's 22 per cent interest in the associate.

(d) The table above is provided as an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profit for shareholders. The amounts shown are not, and not intended to be, reflective of premium income recorded in the Group IFRS income statement.

11 Post balance sheet events

Dividends

The 2021 second interim ordinary dividend approved by the Board of Directors after 31 December 2021 is as described in note B5 of the IFRS financial statements.

Debt redemption

On 20 January 2022, US$1,725 million of notes in core structural borrowings of shareholder-financed businesses, as shown in note C5.1 of the IFRS financial statements, were redeemed.

Statement of Directors' responsibilities in respect of the European Embedded Value (EEV) basis supplementary information

The directors have chosen to prepare supplementary information in accordance with the European Embedded Value Principles issued by the European Insurance CFO Forum in 2016 ('the EEV Principles') using the methodology and assumptions set out in the Notes on the EEV basis results.

When compliance with the EEV Principles is stated, those principles require the directors to prepare supplementary information in accordance with the Embedded Value Methodology (EVM) contained in the EEV Principles and to disclose and explain any non-compliance with the EEV guidance included in the EEV Principles.

In preparing the EEV supplementary information, the directors have:

- Prepared the supplementary information in accordance with the EEV Principles;
- Identified and described the business covered by the EVM;
- Applied the EVM consistently to the covered business;
- Determined assumptions on a realistic basis, having regard to past, current and expected future experience and to any relevant external data, and then applied them consistently;
- Made estimates that are reasonable and consistent; and
- Described the basis on which business that is not covered business has been included in the supplementary information, including any material departures from the accounting framework applicable to the Group's financial statements.

Independent auditor's report to Prudential plc on the European Embedded Value (EEV) basis supplementary information

Opinion

We have audited the EEV basis supplementary information of Prudential plc ('the Company') for the year ended 31 December 2021 which comprise the EEV results highlights, movement in Group EEV shareholders' equity, movement in Group free surplus and related notes, including the basis of preparation on page 335. The EEV basis supplementary information should be read in conjunction with the Group financial statements.

In our opinion, the EEV basis supplementary information of the Company for the year ended 31 December 2021 has been properly prepared, in all material respects, in accordance with the European Embedded Value Principles issued by the European Insurance CFO Forum in 2016 ('the EEV Principles') using the methodology and assumptions set out in the Notes on the EEV basis results.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and the terms of our engagement. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – special purpose basis of preparation

We draw attention to page 335 of the EEV basis supplementary information. As explained on that page, the EEV basis supplementary information is prepared to provide additional information to users of the Group financial statements. As a result, the EEV basis supplementary information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Going Concern

The Directors have prepared the EEV basis supplementary information on the going concern basis as they do not intend to liquidate the Group or to cease their operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the EEV basis supplementary information ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment in which it operates to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the Group's available financial resources over this period were:

- Adverse impacts arising from fluctuations or negative trends in the economic environment which affect the valuations of the Group's investments, wider credit spreads and defaults and valuation of EEV shareholders' equity due to the impact of these market movements;
- The impact on regulatory capital solvency margins from movements in interest rates; and
- Severely adverse policyholder lapse or claims experience.

We also considered less predictable but realistic second order impacts, such as failure of some of the Group's counterparties (such as banks and reinsurers) to meet commitments, which could give rise to a negative impact on the Group's financial position and liquidity, and wider economic factors such as the Coronavirus pandemic's impact on economic volatility and market uncertainty in the period, and other such macroeconomic events.

We considered whether these risks could plausibly affect the liquidity or solvency in the going concern period by assessing the Directors' sensitivities over the level of available financial resources indicated by the Group's cash flow forecasts taking account of severe but plausible adverse effects that could arise from these risks individually and collectively.

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the EEV basis supplementary information is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure to be acceptable.

However, as we cannot predict future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit, group security, and inspecting key papers provided to those charged with governance as to the high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing" and process for engaging local management to identify fraud risks specific to their business units, as well as whether they have knowledge of any actual, suspected, or alleged fraud.
- Reading board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for directors.
- Consulted with professionals with forensic knowledge to assist us in identifying fraud risks based on discussions of the circumstances of the Group.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group team to all component audit teams in scope of relevant fraud risks identified at the Group level and requests to these audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risks of management override of controls, in particular the risk that group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. Accordingly, we identified a fraud risk related to the selection of EEV operating assumptions given their direct impact on the Group's embedded value, the opportunity for management to manipulate assumptions due to the subjectivity involved and given the long-term nature of these assumptions which are more difficult to corroborate.

On this audit we do not consider there is a fraud risk related to revenue recognition as there is limited management judgement involved in the determination of all material revenue streams as the amounts are contractually derived.

In determining the audit procedures to address the identified fraud risks, we took into account the results of our evaluation and testing of the operating effectiveness of the group-wide anti-fraud risk controls. In order to address the risk of fraud specifically as it relates to the EEV operating assumptions, we involved actuarial specialists to assist in our challenge of management. We challenged management in relation to the selection of assumptions and the appropriateness of the rationale for any changes, the consistency of the selected assumptions across different aspects of the financial reporting process and comparison to our understanding of the product portfolio, trends in experience, policyholder behaviour and economic conditions and also by reference to market practice.

To address the pervasive risk as it relates to management override, we also performed procedures including:

- Identifying journal entries based on risk criteria and comparing the identified entries to supporting documentation. These include journal entries related to non-recurring transactions.
- Evaluating the business purpose of non-recurring transactions.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the EEV basis supplementary information from our general commercial and sector experience, through discussion with the directors, and from inspection of the Group's regulatory and legal correspondence. We discussed with the directors and other management the policies and procedures regarding compliance with laws and regulation.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to all in-scope component audit teams of relevant laws and regulations identified at the group level, and a request for these teams to report to the group any instances of non-compliance with said laws and regulations, or any identified local laws and regulations, that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the EEV basis supplementary information varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the EEV basis supplementary information including taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related EEV basis supplementary information items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the EEV basis supplementary information, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the area of regulatory capital as that most likely to have such an effect recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the EEV basis supplementary information, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the EEV basis supplementary information, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information presented in the Annual Report together with the EEV basis supplementary information. Our opinion on the EEV basis supplementary information does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our EEV basis supplementary information audit work, the information therein is materially misstated or inconsistent with the EEV basis supplementary information or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Directors' responsibilities

As explained more fully in their statement set out on page 356, the directors are responsible for the preparation of the EEV basis supplementary information in accordance with the with the European Embedded Value Principles issued by the European Insurance CFO Forum in 2016 ('the EEV Principles') using the methodology and assumptions set out in the Notes on the EEV basis results. They are also responsible for: such internal control as they determine is necessary to enable the preparation of EEV basis supplementary information that is free from material misstatement, whether due to fraud or error; determining that the basis of preparation is acceptable in the circumstances; assessing the Group'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 they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the EEV basis supplementary information as a whole is free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the EEV basis supplementary information.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

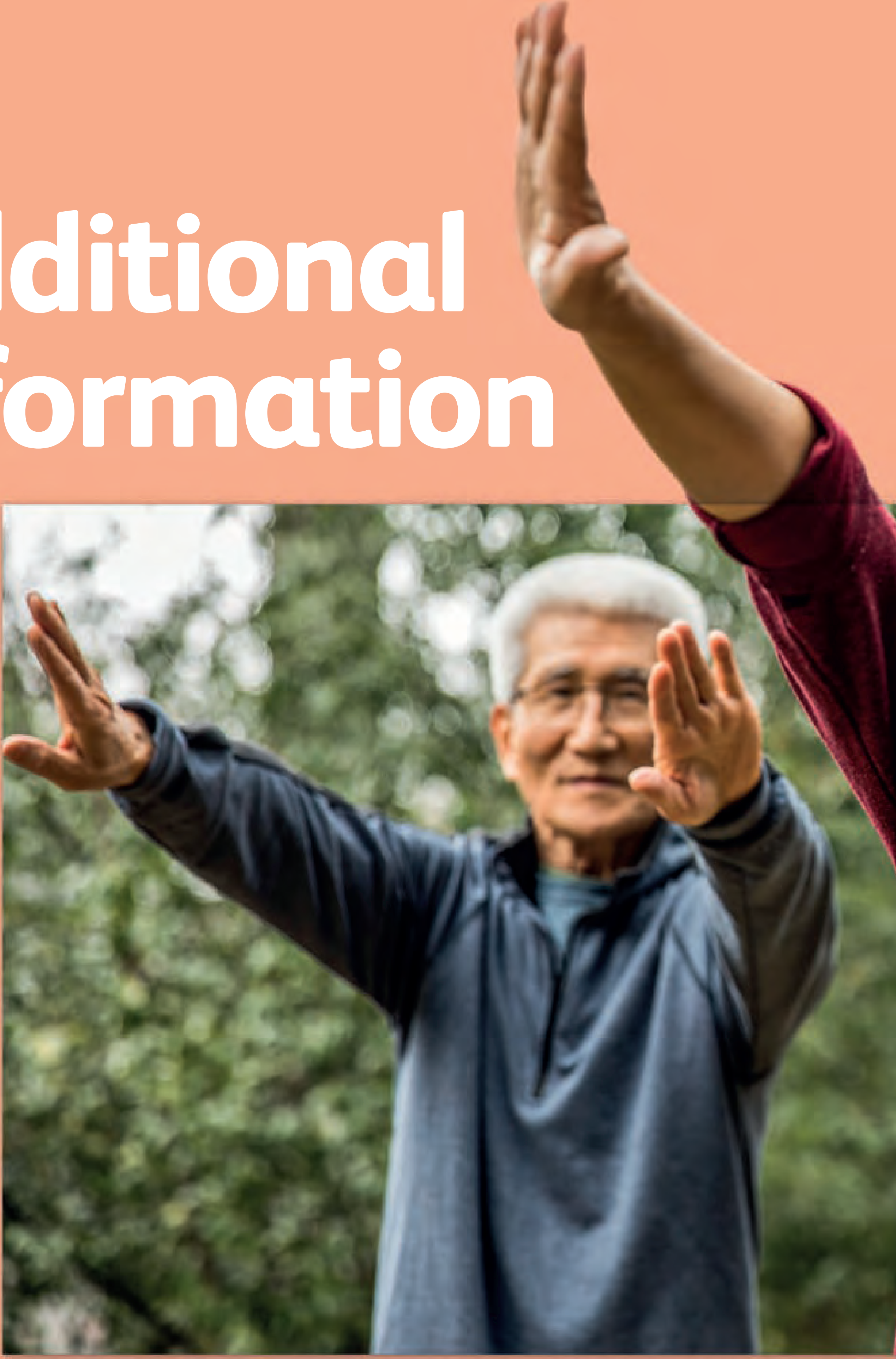
This report is made solely to the Company in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Company those matters we have been engaged to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our audit work, for this report, or for the opinions we have formed.

Philip Smart

Philip Smart
for and on behalf of KPMG LLP
Chartered Accountants
London

8 March 2022

Additional information



Contents

Index to the additional unaudited financial information

I Additional financial information

I(i) Group capital position

Overview

Prudential applies the Insurance (Group Capital) Rules set out in the Group-wide Supervision (GWS) Framework issued by the Hong Kong Insurance Authority (IA) to determine group regulatory capital requirements (both minimum and prescribed levels). The GWS Framework became effective for Prudential upon designation by the Hong Kong IA on 14 May 2021 and replaced the local capital summation method (LCSM) which was used for determination of the 31 December 2020 Group capital position as agreed with the Hong Kong IA.

The GWS methodology is largely consistent with that previously applied under LCSM with the exception of the treatment of debt instruments which are subject to transitional arrangements under the GWS Framework. Under the GWS Framework, all debt instruments (senior and subordinated) issued by Prudential plc at the 31 December 2021 are included as GWS eligible group capital resources. This includes debt issued at the date of designation which met the transitional conditions set by the Hong Kong IA and have not since been redeemed and debt issued since the date of designation which met the qualifying conditions as set out in the Insurance (Group Capital) Rules. Under the LCSM, only specific bonds (being those subordinated debt instruments issued by Prudential plc at the date of demerger of M&G plc) were included as eligible group capital resources.

For regulated insurance entities, the capital resources and required capital included in the GWS capital measure for Hong Kong IA Group regulatory purposes are based on the local solvency regime applicable in each jurisdiction. The Group holds material participating business in Hong Kong, Singapore and Malaysia. Alongside the total company GWS capital basis, a shareholder GWS capital basis is also presented, being eligible group capital resources over the GMCR and which excludes the capital resources and minimum capital requirements of these participating funds. The table below sets out the Group capital position on these two bases before allowing for the second interim dividend. The GWS group capital adequacy requirements have been met since the GWS Framework became effective for Prudential upon designation, this includes maintaining Tier 1 group capital resources in excess of the group minimum capital requirement of the supervised group.

Estimated GWS capital position based on Group Minimum Capital Requirement (GMCR)notes (1)(2)(3)

	31 Dec 2021			31 Dec 2020		
Amounts attributable to Prudential plc	**Total**	**Less policyholder**	**Shareholder**	**Total**	**Less policyholder**	**Shareholder**
Eligible group capital resources ($bn)	**44.4**	**(27.5)**	**16.9**	34.9	(22.1)	12.8
Group Minimum Capital Requirement ($bn)	**10.7**	**(7.0)**	**3.7**	10.1	(6.7)	3.4
GWS capital surplus (over GMCR) ($bn)	**33.7**	**(20.5)**	**13.2**	24.8	(15.4)	9.4
GWS coverage ratio (over GMCR) (%)	**414%**		**454%**	344%		370%
Allow for January 2022 debt redemption	**(1.7)**	**–**	**(1.7)**	n/a	n/a	n/a
GWS capital surplus (over GMCR) after January 2022 debt redemption ($bn)	**32.0**	**(20.5)**	**11.5**	n/a	n/a	n/a
GWS coverage ratio (over GMCR) after January 2022 debt redemption (%)	**398%**		**408%**	n/a	n/a	n/a

Further detail on the Group shareholder GWS capital position is presented below at 31 December 2021 and 31 December 2020 for comparison:

			Shareholder		
31 Dec 2021 $bn	**Total Asia and Africa**	**Less policyholder**	**Asia and Africa**	**Unallocated to a segment**	**Group**
Eligible group capital resources	**40.3**	**(27.5)**	**12.8**	**4.1**	**16.9**
Group Minimum Capital Requirement	**10.7**	**(7.0)**	**3.7**	**–**	**3.7**
GWS capital surplus (over GMCR)	**29.6**	**(20.5)**	**9.1**	**4.1**	**13.2**

			Shareholder		
31 Dec 2020 $bn	**Total Asia and Africa**	**Less policyholder**	**Asia and Africa**	**Unallocated to a segment**	**Group**
Eligible group capital resources	33.7	(22.1)	11.6	1.2	12.8
Group Minimum Capital Requirement	10.1	(6.7)	3.4	–	3.4
GWS capital surplus (over GMCR)	23.6	(15.4)	8.2	1.2	9.4

Notes

(1) The total eligible group capital resources and total GMCR presented in the tables above reflect the Insurance (Group Capital) Rules as set out in the GWS Framework. In particular, the 31 December 2020 capital results have been restated from those previously disclosed on a LCSM basis to reflect the treatment of grandfathered debt instruments under the GWS Framework, which increased eligible group capital resources by $1.6 billion compared to the LCSM basis. This had the effect of increasing capital surplus over the GMCR from $7.8 billion (equivalent to a coverage ratio of 323 per cent) to $9.4 billion (equivalent to a coverage ratio of 370 per cent) on a shareholder GWS basis. The 31 December 2020 GWS capital results are presented on a Group excluding Jackson basis and are before including the value of the Group's retained interest in Jackson.

(2) The 31 December 2021 GWS capital results include the value of the Group's 18.4 per cent retained economic interest in Jackson. As agreed with the Hong Kong IA this retained interest is included within the GWS eligible group capital resources valued at 60 per cent of the listed market value. At 31 December 2021 this is included within "unallocated to a segment" and contributes $0.4 billion to the GWS capital surplus (over GMCR) and 11 percentage points to the shareholder GWS coverage ratio (over GMCR).

(3) The 31 December 2021 GWS capital results do not reflect the impact of the redemption of $1.7 billion of sub-ordinated debt in January 2022 unless otherwise specified.

I Additional financial information continued

I(i) Group capital position continued

Regulatory developments in 2022

The recent trend to more risk-based capital regimes being adopted in many of the Group's markets is continuing and this impacts on the Group's GWS capital measure, which is underpinned by the local regulatory regimes of the Group's subsidiaries, joint ventures and associates. In mainland China C-ROSS Phase II becomes effective in the first quarter of 2022, the impact of which is not included in the 31 December 2021 GWS results above.

Further, in February 2022 Prudential Hong Kong Limited, the Group's insurance business in Hong Kong, made an application to the Hong Kong IA to early-adopt the new risk-based capital regime. The impact is not reflected in the 31 December 2021 GWS capital position shown above and the Group currently expects to include this change in the GWS capital position as at 30 June 2022, which remains subject to Hong Kong IA approval.

We intend to disclose the impacts of both these regulatory changes within our 2022 half year financial report as they become effective.

Sensitivity analysis

The estimated sensitivity of the shareholder GWS capital position (based on GMCR) to changes in market conditions at 31 December 2021 is shown below.

	31 Dec 2021	
Impact of market sensitivities	**Surplus** $bn	**Ratio** %
Base position	**13.2**	**454%**
Impact of:		
10% increase in equity markets	**0.3**	**5%**
20% fall in equity markets	**(0.6)**	**(2)%**
40% fall in equity markets	**(1.1)**	**(1)%**
50 basis points reduction in interest rates	**0.1**	**(10)%**
100 basis points increase in interest rates	**(0.8)**	**(12)%**
100 basis points increase in credit spreads	**(0.5)**	**(6)%**

The sensitivity results above reflect the impact on continuing long-term business operations and therefore the Group's retained economic interest in Jackson, which contributed $0.4 billion to the GWS capital surplus at 31 December 2021, is assumed to be unchanged under stress. The sensitivity results assume instantaneous market movements and reflect all consequential impacts as at the valuation date. These results also allow for limited management actions such as changes to future policyholder bonuses and rebalancing investment portfolios where relevant. If such economic conditions persisted, the financial impacts may differ to the instantaneous impacts shown above. In this case management could also take additional actions to help mitigate the impact of these stresses. These actions include, but are not limited to, market risk hedging, further rebalancing of investment portfolios, increased use of reinsurance, repricing of in-force benefits, changes to new business pricing and the mix of new business being sold.

Analysis of movement in shareholder GWS capital surplus over GMCR

A summary of the estimated movement in the shareholder LCSM capital surplus (over GMCR) excluding Jackson of $7.8 billion at 31 December 2020 to the shareholder GWS capital surplus (over GMCR) of $13.2 billion at 31 December 2021 on a GWS basis is set out in the table below.

	2021 $bn
Balance at beginning of period on a LCSM basis	**7.8**
Treatment of grandfathered debt instruments under the GWS Framework	**1.6**
Restated balance at beginning of period on a GWS basis	**9.4**
Operating:	
Operating capital generation from the in force business	**1.3**
Investment in new business	**(0.3)**
Operating capital generation	**1.0**
Non-operating experience (including market movements)	**0.3**
Other capital movements:	
Equity raise	**2.4**
Subordinated debt issuance / redemption	**0.1**
Contribution from Prudential's retained economic interest in Jackson	**0.5**
Other Corporate activities	**(0.1)**
Other capital movements	**2.9**
External dividends	**(0.4)**
Net movement in shareholder capital surplus	**3.8**
Balance at end of period	**13.2**

The estimated movement in the shareholder GWS capital surplus (over GMCR) over 2021 is driven by:

- *Operating capital generation of $1.0 billion:* generated by the return on in-force business, after deducting $0.3 billion from the strain on new business written in the period and $0.8 billion of central and restructuring costs;
- *Non-operating experience of $0.3 billion:* this includes the beneficial impact on shareholder GWS capital surplus (over GMCR) from higher equity markets and increasing interest rates over the year;
- *Equity raise of $2.4 billion:* generated from the public offer in Hong Kong in October 2021;
- *Subordinated debt issuance / redemption of $0.1 billion:* the net impact of debt redeemed offset by debt raised during 2021, this includes the issuance of subordinated debt in China in June 2021 which contributed $0.3 billion to the shareholder GWS capital surplus (over GMCR) offset by the $(0.2) billion net effect of debt raises and redemptions undertaken by Prudential plc;
- *Contribution from Prudential's retained economic interest in Jackson of $0.5 billion:* comprising of $0.3 billion from the impact of including the retained 19.7 per cent non-controlling economic interest in Jackson at the date of the demerger of Jackson from Prudential plc and $0.2 billion from the movement in the value of the retained interest since the date of demerger along with gains realised from the share repurchase by Jackson in November 2021. As agreed with the Hong Kong IA the retained interest is included within the GWS eligible group capital resources valued at 60 per cent of market value;
- *Other Corporate activities of $(0.1) billion:* this is the effect on shareholder GWS capital surplus (over GMCR) of corporate transactions in the year, which in 2021 comprised of the extension of the strategic bancassurance partnership with MSB in Vietnam; and
- *External dividends of $(0.4) billion:* this is the payment of external cash dividends during 2021.

I Additional financial information continued

I(i) Group capital position continued

Reconciliation of GWS capital surplus (over GMCR) to EEV free surplus (excluding intangibles)

	31 Dec 2021 $bn		
	Asia and Africa	Unallocated to a segment	Group total
Estimated total company GWS capital surplus (over GMCR)*	29.6	4.1	33.7
Less policyholder contribution	(20.5)	–	(20.5)
Estimated shareholder GWS capital surplus (over GMCR)*	9.1	4.1	13.2
Increase required capital for EEV free surplus note (a)	(0.9)	–	(0.9)
Deductions applied to EEV free surplus arising from China C-ROSS note (b)	(0.5)	–	(0.5)
Deductions applied to EEV free surplus arising from Singapore RBC note (c)	(2.1)	–	(2.1)
Other, including recognition of inadmissible assets and inclusion of surplus assets at market value note (d)	0.1	0.3	0.4
EEV free surplus excluding intangibles†	5.7	4.4	10.1

* Before allowing for the redemption of debt in January 2022.

† As per the "Free surplus excluding distribution rights and other intangibles" shown in the statement of Movement in Group free surplus of the Group's EEV basis results.

Notes

(a) Required capital under EEV is set at least equal to local statutory notification requirements and so can differ from the minimum capital requirement.

(b) EEV free surplus applies the embedded value reporting approach issued by the China Association of Actuaries (CAA) as compared to the C-ROSS surplus reported for local regulatory purposes (predominantly arising from the requirement under the CAA embedded value methodology to establish a deferred profit liability within EEV net worth). This includes differences in the treatment of China subordinated debt which contributes to C-ROSS surplus for local regulatory reporting but is not included within EEV free surplus.

(c) EEV free surplus for Singapore is based on the Tier 1 requirements under the RBC2 framework, which removes certain negative reserves permitted to be recognised in the full RBC 2 regulatory position used when calculating the shareholder GWS capital surplus (over GMCR).

(d) The shareholder GWS capital surplus (over GMCR) restricts the valuation of certain sundry non-intangible assets. In most cases these assets are considered fully recognisable in free surplus, in addition the EEV Principles require surplus assets to be included at fair value. Within the shareholder GWS capital surplus (over GMCR), some local regulatory regimes value certain assets at cost, this also includes the difference in the valuation of the Group's retained interest in Jackson which is valued at the listed market value under EEV free surplus as compared to being valued at 60 per cent of the listed market value under GWS capital.

Reconciliation of Group IFRS shareholders' equity to shareholder GWS eligible group capital resources position

	31 Dec 2021 $bn
Group IFRS shareholders' equity	17.1
Remove DAC, goodwill and intangibles recognised on the IFRS statement of financial position	(7.6)
Add debt treated as capital under GWS note (a)	5.7
Asset valuation differences note (b)	(2.0)
Liability valuation differences note (c)	2.7
Differences in associated net deferred tax liabilities note (d)	1.1
Other note (e)	(0.1)
Estimated shareholder GWS eligible group capital resources	16.9

Notes

(a) As per the GWS Framework, debt in issuance at the date of designation that satisfy the criteria for transitional arrangements and qualifying debt issued since the date of designation are included as Group capital resources but are treated as liabilities under IFRS.

(b) Asset valuation differences reflect differences in the basis of valuing assets between IFRS and local statutory valuation rules, including deductions for inadmissible assets. Differences include for some markets where government and corporate bonds are valued at book value under local regulations but are valued at market value under IFRS. This also includes the difference in the valuation of the Group's retained interest in Jackson which is valued at the listed market value (equal to its fair value) under IFRS as compared to being valued at 60 per cent of the listed market value for GWS capital.

(c) Liability valuation differences reflect differences in the basis of valuing liabilities between IFRS and local statutory valuation rules. Material differences include in Singapore where the local capital resources under RBC2 permits the recognition of certain negative reserves in the local statutory position that are not fully recognised under IFRS.

(d) Differences in associated net deferred tax liabilities mainly results from the tax impact of changes in the valuation of assets and liabilities.

(e) Other differences include the consequential impact on non-controlling interests arising from the other reconciling items and in China a difference from the inclusion of subordinated debt as local capital resources on a C-ROSS basis as compared to being held as a liability under IFRS.

Basis of preparation for the Group GWS capital position

Prudential applies the Insurance (Group Capital) Rules set out in the GWS Framework to determine group regulatory capital requirements (both minimum and prescribed levels). The summation of local statutory capital requirements across the Group is used to determine group regulatory capital requirements, with no allowance for diversification between business operations. The GWS eligible group capital resources is determined by the summation of capital resources across local solvency regimes for regulated entities and IFRS shareholders' equity (with adjustments described below) for non-regulated entities.

In determining the GWS eligible group capital resources and required capital the following principles have been applied:

- For regulated insurance entities, capital resources and required capital are based on the local solvency regime applicable in each jurisdiction, with minimum required capital set at the solo legal entity statutory minimum capital requirements;
- For asset management operations and other regulated entities, the capital position is derived based on the sectoral basis applicable in each jurisdiction, with minimum required capital based on the solo legal entity statutory minimum capital requirement;
- For non-regulated entities, the capital resources are based on IFRS shareholder equity after deducting intangible assets. No required capital is held in respect of unregulated entities;
- For entities where the Group's shareholding is less than 100 per cent, the contribution of the entity to the GWS eligible group capital resources and required capital represents the Group's share of these amounts and excludes any amounts attributable to non-controlling interests. This does not apply to investment holdings which are not part of the Group;
- Following the demerger of Jackson from Prudential plc, the Group retains a 18.4 per cent non-controlling economic interest in Jackson. As agreed with the Hong Kong IA this retained interest is included within the GWS eligible group capital resources valued at 60 per cent of the listed market value;
- Investments in subsidiaries, joint ventures and associates (including, if any, loans that are recognised as capital on the receiving entity's balance sheet) are eliminated from the relevant holding company to prevent the double counting of capital resources; and
- Under the GWS Framework, all debt instruments (senior and subordinated) issued by Prudential plc at the 31 December 2021 are included as GWS eligible group capital resources. This includes debt issued at the date of designation which met the transitional conditions set by the Hong Kong IA and have not since been redeemed and debt issued since the date of designation which met the qualifying conditions as set out in the Insurance (Group Capital) Rules. The eligible amount permitted to be included as Group capital resources for transitional debt is based on the net proceeds amount translated using 31 December 2020 exchange rates for debt not denominated in US dollars.
- The total company GWS capital basis is the capital measure for Hong Kong IA Group regulatory purposes. In addition Prudential also presents a shareholder GWS capital basis which excludes the capital resources and minimum capital requirements of participating business in Hong Kong, Singapore and Malaysia.

I(ii) Analysis of adjusted operating profit by driver

This schedule classifies the Group's adjusted operating profit from continuing operations into the underlying drivers using the following categories:

- **Spread income** represents the difference between net investment income and amounts credited to certain policyholder accounts. It excludes the operating investment return on shareholder net assets, which has been separately disclosed as expected return on shareholder assets.
- **Fee income** represents profit driven by net investment performance, being fees that vary with the size of the underlying policyholder funds, net of investment management expenses.
- **With-profits** represents the pre-tax shareholders' transfer from the with-profits business for the period.
- **Insurance margin** primarily represents profit derived from the insurance risks of mortality and morbidity.
- **Margin on revenues** primarily represents amounts deducted from premiums to cover acquisition costs and administration expenses (see below).
- **Acquisition costs and administration expenses** represent expenses incurred in the period attributable to shareholders. These exclude items such as restructuring and IFRS 17 implementation costs, which are not included in the segment profit, as well as items that are more appropriately included in other categories (eg investment expenses are netted against investment income as part of spread income or fee income as appropriate).
- **DAC adjustments** comprise DAC amortisation for the period, excluding amounts related to short-term fluctuations in investment returns, net of costs deferred in respect of new business written in the period.

I Additional financial information continued

I(ii) Analysis of adjusted operating profit by driver continued

The following analysis expresses certain of the Group's sources of adjusted operating profit from continuing operations as a margin of policyholder liabilities or other relevant drivers. The 2020 comparative information has been presented at both AER and CER to eliminate the impact of exchange translation.

	2021			2020 AER			2020 CER		
	Profit $m	**Average liability** $m note (a)	**Margin** bps note (b)	**Profit** $m	**Average liability** $m note (a)	**Margin** bps note (b)	**Profit** $m	**Average liability** $m note (a)	**Margin** bps note (b)
Spread income	**312**	**47,270**	**66**	296	39,895	74	304	40,113	76
Fee income	**345**	**33,401**	**103**	282	28,014	101	287	28,425	101
With-profits	**135**	**84,905**	**16**	117	73,375	16	118	73,248	16
Insurance margin	**2,897**			2,648			2,689		
Margin on revenues*	**3,008**			3,007			3,048		
Expenses:*									
Acquisition costs note (c)	**(2,085)**	**4,194**	**(50)%**	(1,928)	3,808	(51)%	(1,964)	3,890	(50)%
Administration expenses	**(1,656)**	**80,968**	**(205)**	(1,591)	68,133	(234)	(1,609)	68,758	(234)
DAC adjustments	**566**			382			392		
Expected return on shareholder assets*	**231**			212			214		
	3,753			3,425			3,479		
Share of related tax charges from joint ventures and associates note (d)	**(44)**			(46)			(49)		
Long-term business	**3,709**			3,379			3,430		
Eastspring	**314**			283			286		
Adjusted operating profit	**4,023**			3,662			3,716		

*Including amounts related to Africa operations.

Notes

(a) The calculation of average liabilities is generally derived from opening and closing balances, with average liabilities used to derive the margin for fee income calculated using quarter-end balances to provide a more meaningful analysis. Other than the average liabilities used to calculate the administration expense margin, the average liabilities in the analysis above exclude the liabilities for the Africa operations.

(b) Margin represents the operating return earned in the year as a proportion of the relevant class of policyholder liabilities excluding unallocated surplus.

(c) The ratio of acquisition costs is calculated as a percentage of APE sales in the year, including with-profits sales. Acquisition costs include only those relating to shareholder-backed business. The ratio of shareholder acquisition costs to shareholder APE sales (excluding with-profits) in 2021 is 61 per cent (2020: 66 per cent on both AER and CER basis).

(d) Under IFRS, the Group's share of results from its investments in joint ventures and associates accounted for using the equity method is included as a single line in the Group's profit before tax on a net of related tax basis. In the table above, the results of the joint ventures and associates are analysed by adjusted operating profit drivers and on a pre-tax basis, with related tax charges shown separately in order for the contribution from the joint ventures and associates to be included in the profit driver and margin analysis on a consistent basis with the rest of the business operations.

I(iii) Analysis of adjusted operating profit by business unit

The table below presents the 2020 results on both AER and CER bases to eliminate the impact of exchange translation.

	2021 $m	2020 $m		2021 vs 2020 %	
		AER	CER	AER	CER
CPL	**343**	251	269	37%	28%
Hong Kong	**975**	891	889	9%	10%
Indonesia	**446**	519	529	(14)%	(16)%
Malaysia	**350**	309	313	13%	12%
Singapore	**663**	574	589	16%	13%
Growth markets and other					
Philippines	**110**	95	96	16%	15%
Taiwan	**94**	85	89	11%	6%
Thailand	**236**	210	205	12%	15%
Vietnam	**317**	270	274	17%	16%
Other*	**219**	221	226	(1)%	(3)%
Share of related tax charges from joint ventures and associate	**(44)**	(46)	(49)	(4)%	(10)%
Long-term business	**3,709**	3,379	3,430	10%	8%
Eastspring	**314**	283	286	11%	10%
Adjusted operating profit	**4,023**	3,662	3,716	10%	8%

* Includes other growth markets and a number of small items that are not expected to reoccur.

(a) Eastspring adjusted operating profit

	2021 $m	2020 $m
Operating income before performance-related fees note (1)	**747**	646
Performance-related fees	**15**	7
Operating income (net of commission) note (2)	**762**	653
Operating expense note (2)	**(403)**	(336)
Group's share of tax on joint ventures' operating profit	**(45)**	(34)
Adjusted operating profit	**314**	283
Average funds managed by Eastspring Investments	**$251.7bn**	$227.1bn
Margin based on operating income note (3)	**30bps**	28bps
Cost/income ratio note II(v)	**54%**	52%

Notes

(1) Operating income before performance-related fees for Eastspring can be further analysed as follows:

	Retail $m	Margin bps	Institutional* $m	Margin* bps	Total $m	Margin* bps
2021	**449**	**56**	**298**	**17**	**747**	**30**
2020	390	52	256	17	646	28

* Institutional includes internal funds.

(2) Operating income and expense include the Group's share of contribution from joint ventures. In the condensed consolidated income statement of the Group IFRS basis results, the net income after tax of the joint ventures and associates is shown as a single line item.

(3) Margin represents operating income before performance-related fees as a proportion of the related funds under management (FUM). Monthly closing internal and external funds managed by Eastspring have been used to derive the average. Any funds held by the Group's insurance operations that are managed by third parties outside the Prudential Group are excluded from these amounts.

I Additional financial information continued

I(iii) Analysis of adjusted operating profit by business unit continued

(b) Eastspring total funds under management

Eastspring manages funds from external parties and also funds for the Group's insurance operations. The table below analyses the total funds managed by Eastspring.

	31 Dec 2021 $bn	**31 Dec 2020** $bn
External funds under management, excluding funds managed on behalf of M&G plc note (1)		
Retail	**68.5**	66.9
Institutional	**13.2**	13.8
Money market funds (MMF)	**12.3**	13.2
	94.0	93.9
Funds managed on behalf of M&G plc note (2)	**11.5**	15.7
External funds under management	**105.5**	109.6
Internal funds under management	**153.0**	138.2
Total funds under management note (3)	**258.5**	247.8

Notes

(1) Movements in external funds under management, excluding those managed on behalf of M&G plc, are analysed below:

	2021 $m	**2020** $m
At 1 Jan	**93,863**	98,005
Market gross inflows	**98,963**	116,743
Redemptions	**(99,862)**	(126,668)
Market and other movements	**992**	5,783
At 31 Dec*	**93,956**	93,863

* The analysis of movements above includes $12,248 million relating to Asia Money Market Funds at 31 December 2021 (31 December 2020: $13,198 million). Investment flows for 2021 include Eastspring Money Market Funds gross inflows of $61,949 million (2020: $76,317 million) and net outflows of $1,512 million (2020: net inflows of $48 million).

(2) Movements in funds managed on behalf of M&G plc are analysed below:

	2021 $m	**2020** $m
At 1 Jan	**15,737**	26,717
Net flows	**(4,040)**	(10,033)
Market and other movements	**(168)**	(947)
At 31 Dec	**11,529**	15,737

(3) Total funds under management are analysed by asset class below:

	31 Dec 2021		**31 Dec 2020**	
	$bn	% of total	$bn	% of total
Equity	**107.1**	**41%**	103.9	42%
Fixed income	**133.6**	**52%**	125.7	51%
Alternatives	**2.7**	**1%**	2.7	1%
Money Market Funds	**15.1**	**6%**	15.5	6%
Total funds under management	**258.5**	**100%**	247.8	100%

I(iv) Group funds under management

For Prudential's asset management businesses, funds managed on behalf of third parties are not recorded on the balance sheet. They are, however, a driver of profitability. Prudential therefore analyses the movement in the funds under management each year, focusing on those which are external to the Group and those primarily held by the Group's continuing insurance businesses. The table below analyses the funds of the Group held in the balance sheet and the external funds that are managed by Prudential's asset management businesses from continuing operations.

	31 Dec 2021 $bn	**31 Dec 2020** $bn
Continuing operations:		
Internal funds	**193.9**	175.0
Eastspring external funds, including M&G plc (as analysed in note I(iii) above)	**105.5**	109.6
Total Group funds under management [note]	**299.4**	284.6

Note

Total Group funds under management from continuing operations comprise:

	31 Dec 2021 $bn	**31 Dec 2020** $bn
Total investments and cash and cash equivalents held by the continuing operations on the balance sheet	**177.9**	164.0
External funds of Eastspring including M&G plc	**105.5**	109.6
Internally managed funds held in joint ventures and associates, excluding assets attributable to external unit holders of the consolidated collective investment schemes and other adjustments	**16.0**	11.0
Total Group funds under management	**299.4**	284.6

I(v) Holding company cash flow

The holding company cash flow describes the movement in the cash and short-term investments of the centrally managed group holding companies and differs from the IFRS cash flow statement, which includes all cash flows in the year including those relating to both policyholder and shareholder funds. The holding company cash flow is therefore a more meaningful indication of the Group's central liquidity.

	2021 $m	**2020** $m
Net cash remitted by continuing operations:		
Insurance and asset management business	**1,451**	877
Other operations	**–**	55
Net cash remitted by business units [note (a)]	**1,451**	932
Net interest paid	**(314)**	(294)
Tax received	**–**	94
Corporate activities [note (b)]	**(322)**	(432)
Centrally funded recurring bancassurance fees [note (c)]	**(176)**	(220)
Total central outflows	**(812)**	(852)
Holding company cash flow before dividends and other movements	**639**	80
Dividends paid	**(421)**	(814)
Operating holding company cash flow after dividends but before other movements	**218**	(734)
Other movements		
Issuance and redemption of debt for continuing operations	**(255)**	983
Hong Kong public offer and international placing	**2,374**	–
Other corporate activities relating to continuing operations [note (c)]	**(199)**	(954)
UK and Europe demerger costs	**–**	(17)
US demerger costs	**(30)**	(20)
Total other movements	**1,890**	(8)
Total holding company cash flow	**2,108**	(742)
Cash and short-term investments at 1 Jan	**1,463**	2,207
Foreign exchange movements	**1**	(2)
Cash and short-term investments at 31 Dec [note (d)]	**3,572**	1,463

Notes

(a) Net cash remitted by business units comprise dividends and other transfers, net of capital injections, that are reflective of earnings and capital generation.

(b) Including IFRS 17 implementation and restructuring costs paid in the year. In 2021, the Group changed its basis of presenting business unit remittances to reflect net cash remittances before costs attributable to the head office functions based in Hong Kong, and to present all head office costs together within 'corporate activities'. Accordingly, the 2020 amounts have been re-presented from those previously published to reflect the change.

(c) Other corporate activities relating to continuing operations of $(199) million (2020: $(954) million) include central contributions to the funding of Asia and Africa strategic growth initiatives, principally non-recurring payments for bancassurance distribution agreements including UOB and MSB banks. In 2020, this also included one-off payments relating to the establishment of the Group's strategic bancassurance partnership with TMB Bank. Central payments for existing bancassurance distribution agreements are within the central outflows section of the holding company cash flow, reflecting the recurring nature of these amounts. Other corporate activities also include sale proceeds of $83 million received in December 2021, following Jackson's announcement, as part of its previously disclosed $300 million share repurchase programme, of the repurchase of 2,242,516 shares of its Class A common stock from Prudential as discussed in the Jackson section above.

(d) Proceeds from the Group's commercial paper programme are not included in the holding company cash flow and short-term investment balance.

I Additional financial information continued

I(vi) Reconciliation of EEV expected transfer of value of in-force business and required capital to free surplus

The table below shows how the EEV value of in-force business (VIF) and the associated required capital for continuing long-term business operations are projected as emerging into free surplus over the next 40 years. Although circa 8 per cent of the embedded value emerges after this date, analysis of cash flows emerging in the years shown is considered most meaningful. The modelled cash flows use the same methodology underpinning the Group's embedded value reporting and so are subject to the same assumptions and sensitivities used to prepare our 2021 results.

In addition to showing the amounts, on both a discounted and undiscounted basis, expected to be generated from all in-force business at 31 December 2021, the table also presents the future free surplus expected to be generated from the investment made in new business during 2021 over the same 40-year period.

	31 Dec 2021 $m			
	Continuing long-term business operations			
	Expected generation from all in-force business*		**Expected generation from new business written in 2021***	
Expected period of emergence	**Undiscounted**	**Discounted**	**Undiscounted**	**Discounted**
2022	**2,343**	**2,264**	**294**	**283**
2023	**2,267**	**2,079**	**219**	**197**
2024	**2,155**	**1,877**	**196**	**168**
2025	**2,014**	**1,679**	**176**	**143**
2026	**2,034**	**1,621**	**173**	**132**
2027	**1,978**	**1,507**	**179**	**130**
2028	**2,109**	**1,565**	**164**	**116**
2029	**1,706**	**1,167**	**155**	**104**
2030	**1,977**	**1,346**	**144**	**93**
2031	**1,904**	**1,239**	**153**	**94**
2032	**1,845**	**1,154**	**162**	**92**
2033	**1,807**	**1,088**	**139**	**77**
2034	**1,744**	**1,008**	**126**	**68**
2035	**1,746**	**976**	**126**	**64**
2036	**1,722**	**934**	**135**	**66**
2037	**1,702**	**895**	**116**	**56**
2038	**1,716**	**869**	**117**	**54**
2039	**1,715**	**838**	**118**	**52**
2040	**1,724**	**816**	**117**	**50**
2041	**1,688**	**772**	**125**	**51**
2042-2046	**8,150**	**3,388**	**591**	**221**
2047-2051	**7,592**	**2,675**	**591**	**182**
2052-2056	**6,759**	**2,025**	**554**	**143**
2057-2061	**5,998**	**1,500**	**536**	**118**
Total free surplus expected to emerge in the next 40 years	**66,395**	**35,282**	**5,406**	**2,754**

* The analysis excludes amounts incorporated into VIF and required capital at 31 December 2021 where there is no definitive time frame for when the payments will be made or receipts received. It also excludes any free surplus projected to emerge after 2061.

The expected free surplus generation from new business written in 2021 can be reconciled to the new business profit as follows:

	2021 $m
Undiscounted expected free surplus generation for years 2022 to 2061	**5,406**
Less: discount effect	**(2,652)**
Discounted expected free surplus generation for years 2022 to 2061	**2,754**
Discounted expected free surplus generation for years after 2061	**299**
Discounted expected free surplus generation from new business written in 2021	**3,053**
Free surplus investment in new business	**(537)**
Other items*	**10**
New business profit	**2,526**

* Other items represent the impact of the time value of options and guarantees on new business, foreign exchange effects and other non-modelled items. Foreign exchange effects arise as EEV new business profit amounts are translated at average exchange rates and the expected free surplus generation is translated at closing rates.

The discounted expected free surplus generation from in-force business can be reconciled to the embedded value for long-term business operations as follows:

	31 Dec 2021 $m
Discounted expected generation from all in-force business for years 2022 to 2061	**35,282**
Discounted expected generation from all in-force business for years after 2061	**3,640**
Discounted expected generation from all in-force business at 31 December 2021	**38,922**
Free surplus of long-term business operations at 31 December 2021	**5,960**
Other items*	**(236)**
EEV for long-term business operations	**44,646**

* Other items represent the impact of the time value of options and guarantees and other non-modelled items.

The undiscounted expected free surplus generation from all in-force business at 31 December 2021 can be reconciled to the amount that was expected to be generated at 31 December 2020 as follows:

	2021 $m	**2022** $m	**2023** $m	**2024** $m	**2025** $m	**2026** $m	**Other** $m	**Total** $m
2020 expected free surplus generation for years 2021 to 2060	**2,156**	**2,084**	**2,085**	**1,978**	**1,928**	**1,895**	**46,950**	**59,076**
Less: Amounts expected to be realised in the current year	**(2,156)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,156)**
Add: Expected free surplus to be generated in year 2061 (excluding 2021 new business)	**–**	**–**	**–**	**–**	**–**	**–**	**816**	**816**
Foreign exchange differences	**–**	**(26)**	**(26)**	**(24)**	**(25)**	**(24)**	**(467)**	**(592)**
New business	**–**	**294**	**219**	**196**	**176**	**173**	**4,348**	**5,406**
Operating movements	**–**	**16**	**–**	**20**	**(20)**	**(18)**	**3,935**	**3,845**
Non-operating and other movements	**–**	**(25)**	**(11)**	**(15)**	**(45)**	**8**		
2021 expected free surplus generation for years 2022 to 2061*	**–**	**2,343**	**2,267**	**2,155**	**2,014**	**2,034**	**55,582**	**66,395**

* Future expected free surplus generation includes Africa operations following the change in the Group's operating segments in 2021.

At 31 December 2021, the total free surplus expected to be generated over the next five years (2022 to 2026 inclusive) for long-term business operations, using the same assumptions and methodology as those underpinning 2021 embedded value reporting, was $10.8 billion (31 December 2020: $10.2 billion).

At 31 December 2021, the total free surplus expected to be generated on an undiscounted basis over the next 40 years for long-term business operations is $66.4 billion, $7.3 billion higher than the $59.1 billion expected at the end of 2020. The increase is driven by new business and the effect of generally higher interest rates across the region increasing projected returns, partially offset by unfavourable foreign exchange movements.

Actual underlying free surplus generated in 2021 from long-term business in force at the end of 2020, before restructuring and IFRS 17 implementation costs, was $2.3 billion, including $(0.2) billion of changes in operating assumptions and experience variances. This compares with the expected 2021 realisation at the end of 2020 of $2.2 billion and can be analysed further as follows:

	2021 $m
Expected transfer from in-force business to free surplus in 2021	**2,340**
Expected return on existing free surplus	**157**
Changes in operating assumptions and experience variances	**(173)**
Underlying free surplus generated from long-term business in force before restructuring and IFRS 17 implementation costs	**2,324**
2021 free surplus expected to be generated at 31 December 2020	**2,156**

I Additional financial information continued

I(vii) Option schemes

The Group presently grants share options through two schemes and exercises of the options are satisfied by the issue of new shares. Executive Directors and eligible employees based in the UK may participate in the Prudential Savings-Related Share Option Scheme. Agents based in certain regions of Asia can participate in the Prudential International Savings-Related Share Option Scheme for Non-Employees. Further details of the schemes and accounting policies are detailed in note B2.2 of the IFRS basis consolidated financial statements.

All options were granted at nil consideration. No options have been granted to substantial shareholders, suppliers of goods or services (excluding options granted to agents under the Prudential International Savings-Related Share Option Scheme for Non-Employees) or in excess of the individual limit for the relevant scheme. The maximum share entitlement of each participant under the relevant scheme for each option granted is limited to the total savings and any bonus or interest accumulated under that participant's savings contract, divided by the exercise price. At 31 December 2021, the maximum number of shares issued or issuable under the schemes, which were approved by shareholders, to all participants would not exceed 1 per cent of the issued share capital of the Company in the preceding 12-month period.

The option schemes will terminate as follows, unless the Directors resolve to terminate the plans at an earlier date:

- Prudential Savings-Related Share Option Scheme: 16 May 2023; and
- Prudential International Savings-Related Share Option Scheme for Non-Employees 2012: 12 May 2022.

The weighted average share price of Prudential plc for the year ended 31 December 2021 was £14.31 (2020: £11.64).

Particulars of options granted to Directors are included in the Directors' remuneration report on page 216.

The closing prices of the shares immediately before the date on which the options were granted during the year were £13.29 for the Prudential Savings-Related Share Option Scheme.

The following analysis shows the movement in options for each of the option schemes for the year ended 31 December 2021.

Prudential Savings-Related Share Option Scheme

		Exercise period		Number of options						
Date of grant	Exercise price £	Beginning	End	Beginning of year	Granted	Exercised	Cancelled	Forfeited	Lapsed	End of year
22 Sep 15	11.11	01 Dec 20	31 May 21	8,046	–	(3,996)	–	–	(4,050)	–
21 Sep 16	11.04	01 Dec 21	31 May 22	5,378	–	(2,046)	–	–	(615)	2,717
21 Sep 17	14.55	01 Dec 20	31 May 21	23,908	–	(9,816)	–	(1,237)	(12,855)	–
21 Sep 17	14.55	01 Dec 22	31 May 23	6,347	–	(1,202)	(164)	–	(859)	4,122
29 Nov 19	11.18	01 Jan 23	30 Jun 23	67,203	–	(4,511)	(3,413)	(4,719)	(6,032)	48,528
29 Nov 19	11.18	01 Jan 25	30 Jun 25	8,049	–	(536)	–	–	–	7,513
22 Sep 20	9.64	01 Dec 23	31 May 24	74,308	–	(414)	(4,318)	(4,851)	(1,453)	63,272
22 Sep 20	9.64	01 Dec 25	31 May 26	6,286	–	–	–	–	–	6,286
08 Dec 21	12.02	01 Jan 25	30 Jun 25	–	14,664	–	–	–	–	14,664
08 Dec 21	12.02	01 Jan 27	30 Jun 27	–	2,544	–	–	–	–	2,544
				199,525	17,208	(22,521)	(7,895)	(10,807)	(25,864)	149,646

The total number of securities available for issue under the scheme is 149,646 which represents 0.005 per cent of the issued share capital at 31 December 2021.

The weighted average closing price of the shares immediately before the dates on which the options were exercised during the current period was £12.78.

The weighted average fair value of options granted under the plan in the period was £3.12.

Prudential International Savings-Related Share Option Scheme for Non-Employees

		Exercise period		Number of options							
Date of grant	Exercise price £	Beginning	End	Beginning of year	Granted	Modification	Exercised	Cancelled	Forfeited	Lapsed	End of year
22 Sep 15	9.62	01 Dec 20	31 May 21	**280,079**	**–**	**–**	**(280,079)**	**–**	**–**	**–**	**–**
21 Sep 16	9.56	01 Dec 21	31 May 22	**214,845**	**–**	**7,215**	**(87,358)**	**(1,568)**	**–**	**–**	**133,134**
21 Sep 17	12.59	01 Dec 20	31 May 21	**205,980**	**–**	**–**	**(204,861)**	**(966)**	**–**	**(153)**	**–**
21 Sep 17	12.59	01 Dec 22	31 May 23	**190,274**	**–**	**6,541**	**–**	**(4,691)**	**(582)**	**–**	**191,542**
18 Sep 18	12.07	01 Dec 21	31 May 22	**193,405**	**–**	**6,887**	**(101,492)**	**(728)**	**(48)**	**–**	**98,024**
18 Sep 18	12.07	01 Dec 23	31 May 24	**129,527**	**–**	**4,349**	**–**	**(1,242)**	**(139)**	**–**	**132,495**
02 Oct 19	9.62	01 Dec 22	31 May 23	**330,931**	**–**	**11,496**	**–**	**(3,608)**	**–**	**–**	**338,819**
02 Oct 19	9.62	01 Dec 24	31 May 25	**223,165**	**–**	**7,792**	**–**	**(7,011)**	**(470)**	**–**	**223,476**
22 Sep 20	9.64	01 Dec 23	31 May 24	**198,799**	**–**	**6,503**	**–**	**(3,203)**	**–**	**–**	**202,099**
22 Sep 20	9.64	01 Dec 25	31 May 26	**153,790**	**–**	**5,085**	**–**	**(1,556)**	**–**	**–**	**157,319**
02 Nov 21	11.89	01 Dec 24	31 May 25	**–**	**207,910**	**–**	**–**	**(1,360)**	**–**	**–**	**206,550**
02 Nov 21	11.89	01 Dec 26	31 May 27	**–**	**189,431**	**–**	**–**	**–**	**–**	**–**	**189,431**
				2,120,795	**397,341**	**55,868**	**(673,790)**	**(25,933)**	**(1,239)**	**(153)**	**1,872,889**

The total number of securities available for issue under the scheme is 1,872,889 which represents 0.068 per cent of the issued share capital at 31 December 2021.

The weighted average closing price of the shares immediately before the dates on which the options were exercised during the current period was £10.79.

The weighted average fair value of options granted under the plan in the period was £4.17.

I Additional financial information continued

I(viii) Selected historical financial information of Prudential

The following table sets forth Prudential's selected consolidated financial data for the years indicated, which is derived from Prudential's audited consolidated financial statements. This table is only a summary and should be read in conjunction with Prudential's consolidated financial statements and the related notes included elsewhere in this document.

In the table below, continuing operations reflect the Group's insurance and asset management businesses in Asia and Africa and central operations. Discontinued operations represent the Group's US business (Jackson) demerged in September 2021 and the Group's UK and Europe business (M&G) demerged in November 2019.

IFRS basis results

Income statement note (i)	**2021** $m	**2020** $m	**2019** $m	**2018** $m	**2017** $m
Continuing operations:					
Gross premiums earned	**24,217**	23,495	23,855	22,039	20,255
Outward reinsurance premiums	**(1,844)**	(1,625)	(1,116)	(771)	(850)
Earned premiums, net of reinsurance	**22,373**	21,870	22,739	21,268	19,405
Investment return	**3,486**	13,762	14,961	(2,723)	11,687
Other income	**641**	615	639	465	457
Total revenue, net of reinsurance	**26,500**	36,247	38,339	19,010	31,549
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance	**(18,911)**	(28,588)	(29,171)	(11,690)	(23,588)
Acquisition costs and other expenditure	**(4,560)**	(4,651)	(5,908)	(5,793)	(5,823)
Finance costs: interest on core structural borrowings of shareholder-financed businesses	**(328)**	(316)	(496)	(525)	(527)
(Loss) gain attaching to corporate transactions	**(35)**	(30)	(142)	(57)	83
Total charges, net of reinsurance	**(23,834)**	(33,585)	(35,717)	(18,065)	(29,855)
Share of profits from joint ventures and associates net of related tax	**352**	517	397	319	233
Profit before tax *(being tax attributable to shareholders' and policyholders' returns)* note (ii)	**3,018**	3,179	3,019	1,264	1,927
Tax charges attributable to policyholders' returns	**(342)**	(271)	(365)	(107)	(321)
Profit before tax attributable to shareholders' returns	**2,676**	2,908	2,654	1,157	1,606
Tax credit (charges) attributable to shareholders' returns	**(462)**	(440)	(316)	(235)	(186)
Profit from continuing operations	**2,214**	2,468	2,338	922	1,420
(Loss) profit from discontinued US operations	**(5,027)**	(283)	(385)	1,959	328
(Loss) profit from discontinued UK and Europe operations	**–**	–	(1,161)	1,142	1,333
(Loss) profit for the year	**(2,813)**	2,185	792	4,023	3,081

Basic earnings per share (in cents) note (i)	**2021**	**2020**	**2019**	**2018**	**2017**
Based on (loss) profit for the year attributable to the equity holders of the Company:					
Continuing operations	**83.4¢**	94.6¢	90.0¢	35.6¢	55.3¢
Discontinued US operations	**(161.1)¢**	(13.0)¢	(14.9)¢	76.1¢	12.7¢
Discontinued UK and Europe operations	**–**	–	(44.8)¢	44.3¢	52.0¢
Total	**(77.7)¢**	81.6¢	30.3¢	156.0¢	120.0¢

Dividend per share (in cents) excluding demerger dividend	**2021**	**2020**	**2019**	**2018**	**2017**
Dividends paid in reporting period	**16.10¢**	31.34¢	63.18¢	64.34¢	59.32¢

Statement of financial position at 31 Dec note (iii)	**2021** $m	**2020** $m	**2019** $m	**2018** $m	**2017** $m
Total assets	**199,102**	516,097	454,214	647,810	668,203
Total policyholder liabilities and unallocated surplus of with-profits funds	**157,299**	446,463	390,428	541,466	579,261
Core structural borrowings of shareholder-financed businesses	**6,127**	6,633	5,594	9,761	8,496
Total liabilities	**181,838**	493,978	434,545	625,819	646,432
Total equity	**17,264**	22,119	19,669	21,991	21,771

Supplementary IFRS basis results

Continuing operations note (i)	**2021** $m	**2020** $m	**2019** $m	**2018** $m	**2017** $m
Adjusted operating profit note (iv)	**3,233**	2,757	2,247	1,875	1,512
Non-operating items	**(557)**	151	407	(718)	94
Profit before tax attributable to shareholders	**2,676**	2,908	2,654	1,157	1,606
Operating earnings per share after tax and non-controlling interest (in cents)	**101.5¢**	86.6¢	73.4¢	62.1¢	50.4¢

Supplementary EEV basis results – continuing operations

Income statement note (i)	**2021** $m	**2020** $m	**2019** $m	**2018** $m	**2017** $m
EEV operating profit note (iv)	**3,543**	3,401	5,151	5,088	3,987
Non-operating items	**(306)**	573	1,058	(533)	626
Profit attributable to shareholders	**3,237**	3,974	6,209	4,555	4,613
Operating earnings per share after non-controlling interest (in cents)	**133.8¢**	130.6¢	198.8¢	197.4¢	155.3¢

New business contribution note (i)	**2021** $m	**2020** $m	**2019** $m	**2018** $m	**2017** $m
Annual premium equivalent (APE) sales	**4,194***	3,808*	5,243	5,050	4,934
EEV new business profit (NBP) (post-tax)*	**2,526***	2,201	3,522	3,477	3,052

* Africa operations are included within the covered business from 2021 following the change in the Group's operating segments. Africa is excluded from all other years.

Embedded value at 31 Dec	**2021** $bn	**2020** $bn	**2019** $bn	**2018** $bn	**2017** $bn
EEV shareholders' equity, excluding non-controlling interests – continuing operations	**47.4**	41.9	38.4	27.4	23.8
Discontinued operations (US, and UK and Europe)	**–**	12.1	16.3	36.0	36.7
EEV shareholders' equity	**47.4**	**54.0**	**54.7**	**63.4**	**60.5**

Other financial information

Operating free surplus generated note (i)	**2021** $m	**2020** $m	**2019** $m	**2018** $m	**2017** $m
Total operating free surplus generated from continuing operations	**1,179**	890	762	554	397

At 31 Dec note (i)	**2021** $bn	**2020** $bn	**2019** $bn	**2018** $bn	**2017** $bn
Eastspring funds under management note (v)	**258.5**	247.8	241.1	192.7	187.9
Group shareholder GWS capital surplus (over GMCR) note (vi)	**13.2**	9.4	–	–	–

Notes

(i) The comparative income statements for 2017 to 2020 have been re-presented from those previously published, to reflect the demerger of the Group's US operations (Jackson) in September 2021, which have been reclassified as discontinued operations.

(ii) This measure is the formal profit (loss) before tax measure under IFRS. It is not the result attributable to shareholders.

(iii) The comparative statements of financial position for 2017 to 2020 include the discontinued US operations as originally published. Furthermore, the 2018 and 2017 comparatives also include the Group's discontinued UK and Europe operations as originally published. The total assets and total equity as of 31 December 2021 include $683 million in respect of the Group's 18.4 per cent retained economic interest in Jackson.

(iv) Adjusted operating profit and EEV operating profit are determined on the basis of including longer-term investment returns, which are stated after excluding the effect of short-term fluctuations in investment returns on shareholder-backed business and gain or loss attaching to corporate transactions. Separately, for IFRS basis results, adjusted operating profit also excludes amortisation of acquisition accounting adjustments arising on the purchase of business. For EEV basis results, operating profit also excludes the effect of changes in economic assumptions and the mark-to-market value movements on core structural borrowings for shareholder-financed operations.

(v) Eastspring total funds under management comprise funds from external parties, including funds managed on behalf of M&G plc as well as funds for the Group's insurance operations.

(vi) The 2021 Group shareholder GWS capital surplus (over GMCR) reflects the Insurance (Group Capital) Rules as set out in the GWS Framework which became effective for Prudential in May 2021, 2020 comparative information has been re-presented on a GWS basis. The 2020 shareholder GWS capital surplus (over GMCR) is presented on a Group excluding Jackson basis and before including the value of the Group's retained interest in Jackson.

II Calculation of alternative performance measures

Prudential uses alternative performance measures (APMs) to provide more relevant explanations of the Group's financial position and performance. This section sets out explanations for each APM and reconciliations to relevant IFRS balances.

II(i) Reconciliation of adjusted operating profit to profit before tax

Adjusted operating profit presents the operating performance of the business. This measurement basis adjusts for the following items within total IFRS profit before tax:

- Short-term fluctuations in investment returns on shareholder-backed business;
- Amortisation of acquisition accounting adjustments arising on the purchase of business; and
- Gain or loss on corporate transactions, as discussed in note D1.1 to the IFRS basis results.

More details on how adjusted operating profit is determined are included in note B1.2 of the Group IFRS basis results. A full reconciliation to profit after tax is given in note B1.1.

II(ii) Calculation of IFRS gearing ratio from continuing operations

IFRS gearing ratio is calculated as net core structural borrowings of shareholder-financed businesses divided by closing IFRS shareholders' equity plus net core structural borrowings, all in respect of continuing operations.

	31 Dec 2021 $m	**31 Dec 2020** $m
Continuing operations:		
Core structural borrowings of shareholder-financed businesses	**6,127**	6,383
Less holding company cash and short-term investments	**(3,572)**	(1,463)
Net core structural borrowings of shareholder-financed businesses	**2,555**	4,920
Closing shareholders' equity	**17,088**	12,367
Closing shareholders' equity plus net core structural borrowings	**19,643**	17,287
IFRS gearing ratio	**13%**	28%

II(iii) Return on IFRS shareholders' equity from continuing operations

This measure is calculated as adjusted operating profit from continuing operations, after tax and non-controlling interests, divided by average shareholders' equity in respect of continuing operations.

Detailed reconciliation of adjusted operating profit from continuing operations to IFRS profit before tax for the Group is shown in note B1.1 to the Group IFRS basis results.

	2021 $m	**2020** $m
Adjusted operating profit	**3,233**	2,757
Tax on adjusted operating profit	**(548)**	(497)
Adjusted operating profit attributable to non-controlling interests	**(17)**	(10)
Adjusted operating profit, net of tax and non-controlling interests	**2,668**	2,250
Shareholders' equity at beginning of year	**12,367**	10,548
Shareholders' equity at end of year	**17,088**	12,367
Average shareholders' equity	**14,728**	11,458
Operating return on average shareholders' equity (%)	**18%**	20%

II(iv) Calculation of IFRS shareholders' equity per share

IFRS shareholders' equity per share is calculated as closing IFRS shareholders' equity divided by the number of issued shares at the end of the year.

	2021	**2020**
Number of issued shares at the end of the year	**2,746**	2,609
Closing IFRS shareholders' equity for continuing operations ($ million)	**17,088**	12,367
Shareholders' equity per share (cents) for continuing operations	**622¢**	474¢
Closing IFRS shareholders' equity for discontinuing operations ($ million)	**–**	8,511
Shareholders' equity per share (cents) for discontinued US operations	**–**	326¢
Group shareholders' equity per share (cents)	**622¢**	800¢

II(v) Calculation of Eastspring cost/income ratio

The cost/income ratio is calculated as operating expenses, adjusted for commissions and share of contribution from joint ventures and associates, divided by operating income, adjusted for commission, share of contribution from joint ventures and associates and performance-related fees.

	2021 $m	**2020** $m
IFRS revenue	**665**	612
Share of revenue from joint ventures and associates	**314**	235
Commissions	**(217)**	(194)
Performance-related fees	**(15)**	(7)
Operating income before performance-related fees note	**747**	646
IFRS charges	**498**	446
Share of expenses from joint ventures and associates	**122**	84
Commissions	**(217)**	(194)
Operating expense	**403**	336
Cost/income ratio (operating expense/operating income before performance-related fees)	**54%**	52%

Note

IFRS revenue and charges for Eastspring are included within the IFRS Income statement in 'other income' and 'acquisition costs and other expenditure' respectively. Operating income and expense include the Group's share of contribution from joint ventures and associates. In the condensed consolidated income statement of the Group IFRS basis results, the net income after tax from the joint ventures and associates is shown as a single line item.

II(vi) Reconciliation of gross premiums earned to renewal insurance premiums

	2021 $m	**2020** $m	
		AER	**CER**
IFRS gross premiums earned	**24,217**	23,495	23,722
Less: General insurance premium	**(124)**	(130)	(130)
Less: IFRS gross earned premium from new regular and single premium business	**(6,500)**	(5,112)	(5,225)
Add: Renewal premiums from joint ventures and associates note	**2,295**	1,957	2,036
Renewal insurance premiums	**19,888**	20,210	20,403
Annual premium equivalent (APE)	**4,194**	3,808	3,890
Life weighted premium income	**24,082**	24,018	24,293

Note

For the purpose of the definition of renewal premiums from joint ventures and associates in the table above, premiums for the deposit component of insurance contracts from our CPL business are excluded.

II(vii) Gross premiums earned including joint ventures and associates

	2021 $m	**2020** $m
IFRS gross premiums earned	**24,217**	23,495
Gross premiums earned from joint ventures and associates	**4,579**	3,233
Total Group (continuing operations)	**28,796**	26,728

II Calculation of alternative performance measures continued

II(viii) Reconciliation of gross premiums earned to APE new business sales

The Group reports APE new business sales as a measure of the new policies sold in the year. APE is calculated as the aggregate of regular premiums and one-tenth of single premiums on new business written during the year for all insurance products, including premiums for contracts designated as investment contracts under IFRS 4. The use of the one-tenth of single premiums is to normalise policy premiums into the equivalent of regular annual payments. This measure is commonly used in the insurance industry to allow comparisons of the amount of new business written in a period by life insurance companies, particularly when the sales contain both single premium and regular premium business. This differs from the IFRS measure of gross premiums earned as shown below from continuing operations:

	2021 $m	**2020** $m
Gross premiums earned	**24,217**	23,495
Less: premiums from in-force renewal business note (a)	**(17,593)**	(18,253)
Less: 90% of single premiums on new business sold in the year note (b)	**(3,602)**	(2,147)
Add: APE sales from joint ventures and associates on equity accounting method note (c)	**1,104**	820
Other adjustments note (d)	**68**	(107)
Annual premium equivalent (APE)	**4,194**	3,808

Notes

(a) Gross premiums earned include premiums from existing in-force business as well as new business given the Group's focus on recurring premium business.

(b) APE new business sales only include one-tenth of single premiums, recorded on policies sold in the year. Gross premiums earned include 100 per cent of such premiums.

(c) For the purpose of reporting APE new business sales, the Group's share of amounts sold by the Group's insurance joint ventures and associates are included. Under IFRS, joint ventures and associates are equity accounted and so no amounts are included within gross premiums earned.

(d) APE new business sales are annualised while gross premiums earned are recorded only when revenues are due. Other adjustments also reflect the inclusion of policies written in the year which are classified as investment contracts without discretionary participation features under IFRS 4, which are recorded as deposits and therefore not in gross premiums earned, and the exclusion of general insurance earned on an IFRS basis.

II(ix) Reconciliation between IFRS and EEV shareholders' equity

The table below shows the reconciliation of EEV shareholders' equity and IFRS shareholders' equity from continuing operations at the end of the year:

	31 Dec 2021 $m	**31 Dec 2020** $m
IFRS shareholders' equity from continuing operations	**17,088**	12,367
Less: DAC assigned zero value for EEV purposes	**(2,815)**	(2,353)
Add: Value of in-force business of long-term business note (a)	**35,456**	34,068
Other note (b)	**(2,374)**	(2,156)
EEV shareholders' equity from continuing operations	**47,355**	41,926

Notes

(a) EEV shareholders' equity comprises the present value of the shareholders' interest in the value of in-force business, total net worth of long-term business operations and IFRS shareholders' equity of asset management and other operations. The value of in-force business reflects the present value of expected future shareholder cash flows from long-term in-force business which are not captured as shareholders' interest on an IFRS basis. Total net worth represents the regulatory basis net assets for EEV reporting purposes, with adjustments as appropriate.

(b) Other adjustments represent asset and liability valuation differences between IFRS and the local regulatory reporting basis used to value total net worth for long-term insurance operations. These also include the mark-to-market value movements of the Group's core structural borrowings which are fair valued under EEV but are held at amortised cost under IFRS. One of the most significant valuation differences relate to changes in the valuation of insurance liabilities.

II(x) Calculation of return on embedded value

Operating return on embedded value is calculated as the EEV operating profit for the year as a percentage of average EEV basis shareholders' equity for continuing operations.

Continuing operations	**2021**	**2020**
EEV operating profit for the year	**3,543**	3,401
Operating profit attributable to non-controlling interests	**(28)**	(10)
EEV operating profit, net of non-controlling interest ($ million)	**3,515**	3,391
Shareholders' equity at beginning of year	**41,926**	38,369
Shareholders' equity at end of year	**47,355**	41,926
Average shareholders' equity ($ million)	**44,641**	40,148
Operating return on average shareholders' equity (%)	**8%**	8%

New business profit over embedded value is calculated as the EEV new business profit for the year as a percentage of average EEV basis shareholders' equity for continuing long-term business operations, excluding goodwill attributable to equity holders.

	2021	**2020**
New business profit ($ million)*	**2,526**	2,201
Average EEV basis shareholders' equity for continuing long-term business operations, excluding goodwill attributable to equity holders ($ million)	**43,754**	40,382
New business profit on embedded value (%)	**6%**	5%

* New business profit is attributed to the shareholders of the Group before deducting the amount attributable to non-controlling interests. 2021 new business profit includes amounts related to Africa operations.

Average embedded value has been based on opening and closing EEV basis shareholders' equity for continuing long-term business operations, excluding goodwill attributable to equity holders, as follows:

	2021 $m	**2020** $m
Shareholders' equity at beginning of year	**42,861**	37,902
Shareholders' equity at end of year	**44,646**	42,861
Average shareholders' equity for continuing long-term business operations, excluding goodwill attributable to equity holders	**43,754**	40,382

A number of risk factors may affect the financial condition, results of operations and/or prospects of Prudential and its wholly and jointly owned businesses, as a whole, and, accordingly, the trading price of Prudential's shares. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. The information given is as of the date of this document, and any forward-looking statements are made subject to the factors specified under 'Forward-looking statements'.

Prudential's approaches to managing risks are explained in the 'Risk review' section of this document.

1. Risks relating to Prudential's financial situation

1.1 The Covid-19 pandemic has significantly impacted financial market volatility and global economic activity, increased operational disruption risks for businesses and has adversely impacted Prudential's sales in affected markets and its financial condition, results of operations and prospects. The full extent of the longer-term impacts from the pandemic remains uncertain.

The Covid-19 pandemic has added significant uncertainty to the stability and outlook of equity markets, interest rates and credit spreads, and has affected market liquidity and reduced global economic activity. The potential adverse impacts to the Group of these effects are detailed in risk factor 1.2 below. However, while global growth has broadly recovered, the full extent of the long-term impact of the pandemic on financial markets and economic growth remains highly uncertain and unpredictable and will be influenced by the actions of governments, policymakers and the public. These actions, and their effectiveness, vary between markets, and may drive an uneven economic recovery, and include the extent and timing of continued measures to restrict movement and the effectiveness of vaccination programme deployment and uptake in response to current, emerging and future variants of the coronavirus. Where actions and impacts are prolonged, they may affect the solvency position of the Group's subsidiaries and prevent or limit their ability to make remittances, adversely impacting the financial condition and prospects of the Group.

The regulatory and supervisory responses to the Covid-19 pandemic have been broad and have included increased scrutiny of the operational resilience, liquidity and capital strength (including the impact of making dividend payments) of financial services companies. As some countries begin to adopt strategies to manage Covid-19 as an endemic disease, variations in the speed of economic recovery between markets, and the subsequent impact on their respective interest rates, inflation expectations and the relative strength of their currencies (and the associated impact on their foreign currency debt obligations, which may disproportionately impact emerging economies) may have broader long-term adverse economic and financial consequences for the markets in which the Group operates and the full extent of this currently remains uncertain. Various governments have effected, or may effect, the postponement of elections and other constitutional or legislative processes in response to the pandemic, and this may result in an increase in constitutional and political uncertainty in some of the markets in which the Group operates. Many governments are implementing Covid-19 vaccination and booster programmes, and variable accessibility to supplies of vaccines that are effective against current, emerging and future variants of the coronavirus has the potential to contribute to an increase in geopolitical and political tensions. The longer term political, regulatory and supervisory developments resulting from the Covid-19 pandemic remain highly uncertain. These may include changes to government fiscal policies, laws and regulations aimed at increasing financial stability and/or measures on businesses or specific industries to contribute to, lessen or otherwise support, the financial cost to governments in addressing the pandemic. This may extend to requirements on private insurance companies and healthcare providers to cover the costs associated with the treatment of Covid-19 beyond contractual or policy terms.

The Covid-19 pandemic, and measures to contain it, have slowed economic and social activity in the Group's geographical markets. While these conditions persist, the level of sales activity in affected markets has been, and will continue to be, adversely impacted through a reduction in travel and agency and bancassurance activity. In particular, sales in the Group's Hong Kong business continue to be adversely impacted by the border restrictions in place with Mainland China. In FY 2020, during which the border closure occurred in Q1, the APE sales of the Group's Hong Kong business reduced by $1,258 million (or 62 per cent) compared to 2019. In FY 2021, during which the border remained closed for the entire year, the APE sales of the Hong Kong business reduced by $208 million (or 27 per cent) compared to 2020. These impacts to the APE sales of the Group's Hong Kong business were largely as a result of the border closure. Recovery in sales levels will be dependent on the timing and extent of the easing of these restrictions, with the emergence of the Covid-19 Omicron variant further increasing uncertainty to the return of Mainland China customers as well as the resumption of their demand for the Group's products in Hong Kong. These impacts may be prolonged in markets which continue to rely on containment measures based on restrictions of movement. The impact on economic activity and employment levels may result in an elevated incidence of claims, lapses, or surrenders of policies, and some policyholders may choose to defer or stop paying insurance premiums or reduce deposits into retirement plans. The pandemic may also indirectly result in elevated claims and policy lapses or surrenders, with some delay in time before being felt by the Group, due to factors such as policyholders deferring medical treatment during the pandemic, or policyholders lapsing or surrendering their policies on the expiry of grace periods for premium payments provided by the Group's businesses. The Group's assessment to date is that elevated mortality claims in some markets can be attributed to Covid-19. The full extent of the impact of the Covid-19 pandemic is currently uncertain and the Group's claims and persistency experience to date and its current insurance assumptions cannot be taken as an indicator of future potential experience from the Covid-19 pandemic which may deteriorate significantly and have a material adverse effect on Prudential's business, financial condition, results of operations and prospects. The potential longer-term impacts of the pandemic may include latent morbidity impacts from the deferral of medical treatment by policyholders. It may be a factor in increasing morbidity claims and there may be implications from other factors such as long-term post-Covid-19 symptoms (although there is currently no consensus on the longer term impact on morbidity).

Disruption to Prudential's operations may result where its employees, or those of its service partners and counterparties, contract Covid-19 or are affected by restrictions on movement; where office closures and other measures impacting working practices are effected, such as the imposition of remote working arrangements; and where quarantine requirements and isolation measures under local laws apply, and as a result of social distancing and/or other psychosocial impacts. While such measures are in place, there may also be an increase in attempts to compromise the resilience of IT systems through phishing, social engineering tactics and ransomware. Such measures, and the cycles of their relaxation and re-imposition, may also adversely impact the physical and mental health of the Group's staff, increasing the risk of operational disruption resulting from performance impairment, an increase in absenteeism, or increased levels of staff turnover, which may affect operational capacity with the potential to be exacerbated by challenges in recruitment. The operations of Prudential's service partners (which subject the Group to the risks detailed in risk factor 3.7, resulting in certain risks that Prudential does not face with respect to its wholly-owned subsidiaries) may be disrupted in different ways and to a more severe extent than the Group's operations and may impact service delivery to the Group.

In response to pandemic-related restrictions, Prudential implemented changes to its sales and distribution processes in specific markets. These include virtual face-to-face sales of its products and the online recruitment, training and, where possible, licensing of agents. Such changes may increase or introduce new operational and regulatory risks, in particular those focused on customer outcomes and conduct. A failure to implement appropriate governance and management of these new or incremental risks may adversely impact Prudential's reputation and brand and the results of its operations. In markets where the level of sales under these new processes is material or where such processes become permanent distribution channels, the commercial value of the Group's existing sale and distribution arrangements, such as bancassurance arrangements, may be adversely impacted.

1.2 Prudential's businesses are inherently subject to market fluctuations and general economic conditions, each of which may adversely affect the Group's business, financial condition, results of operations and prospects.

Uncertainty, fluctuations or negative trends in global and national macro-economic conditions and investment climates could have a material adverse effect on Prudential's business and profitability. Prudential operates in a macroeconomic and global financial market environment that presents significant uncertainties and potential challenges. For example, following a prolonged period of relatively low interest rates in countries relevant to Prudential, the reopening and recovery of some economies during 2021 has resulted in inflationary pressures, which if sustained or increased may drive interest rates higher, impacting the valuation of fixed income assets. Uncertainties also include the impact of factors such as the actions of central banks and governments to mitigate the impact of the Covid-19 pandemic and in response to inflationary pressures. The transition to a lower carbon economy, the timing and speed of which is uncertain, may also result in greater uncertainty, fluctuations or negative trends in asset valuations, particularly for carbon intensive sectors, and will have a bearing on inflation levels.

Global financial markets are subject to uncertainty and volatility created by a variety of factors. These factors include actual or expected slowdowns or reversals in world economic growth (particularly where this is abrupt, as has been the case with the early impact of the Covid-19 pandemic), sector specific slowdowns or deteriorations which have the potential to have contagion impacts (such as the negative developments in the China property sector), fluctuations in global energy prices, changes in monetary policy in China, the US and other jurisdictions together with their impact on the valuation of all asset classes and effect on interest rates and inflation expectations, and concerns over sovereign debt. Other factors include the increased level of geopolitical and political risk and policy-related uncertainty (including those resulting from the Russia-Ukraine conflict and the potential impact on business sentiment and the broader market resulting from regulatory tightening across sectors in China) and socio-political, climate-driven and pandemic events. The extent of the financial market and economic impact of these factors may be highly uncertain and unpredictable and influenced by the actions, including the duration and effectiveness of mitigating measures of governments, policymakers and the public.

The adverse effects of such factors could be felt principally through the following items:

- Lower interest rates and reduced investment returns arising on the Group's portfolios including impairment of debt securities and loans, which could reduce Prudential's capital and impair its ability to write significant volumes of new business, increase the potential adverse impact of product guarantees included in non-unit-linked products with a savings component, increase reinvestment risk for some of the Group's investments from accelerated prepayments and increased redemptions and/or have a negative impact on its assets under management and profit.
- A reduction in the financial strength and flexibility of corporate entities, as recently experienced by a number of issuers within the China property sector, which may deteriorate the credit rating profile and valuation of the Group's invested credit portfolio (and which may result in an increase in regulatory capital requirements for the Group or its businesses), increased credit defaults and debt restructurings and wider credit and liquidity spreads resulting in realised and unrealised credit losses. Regulations imposing or increasing restrictions on the amount of company debt financing, such as those placing limits on debt or liability ratios, may also reduce the financial flexibility of corporate entities. Similarly, securitised assets in the Group's investment portfolio are subject to default risk and may be adversely impacted by delays or failures of borrowers to make payments of principal and interest when due. Where a widespread deterioration in the financial strength of corporate entities occurs, any assumptions on the ability and willingness of governments to provide financial support may need to be revised.
- Failure of counterparties who have transactions with Prudential (such as banks, reinsurers and counterparties to cash management and risk transfer or hedging transactions) to meet commitments that could give rise to a negative impact on Prudential's financial position and on the accessibility or recoverability of amounts due or the adequacy of collateral. Geographic or sector concentrations of counterparty credit risk could exacerbate the impact of these events where they materialise.

- Estimates of the value of financial instruments becoming more difficult because in certain illiquid or closed markets, determining the value at which financial instruments can be realised is highly subjective. Processes to ascertain such values require substantial elements of judgement, assumptions and estimates (which may change over time). Where the Group is required to sell its investments within a defined timeframe, such market conditions may result in the sale of these investments at below expected or recorded prices.
- The Group holds certain investments that may, by their nature, lack liquidity or have the potential to lose liquidity rapidly, such as investment funds (including money market funds), privately placed fixed maturity securities, mortgage loans, complex structured securities and alternative investments. If these investments were required to be liquidated on short notice, the Group may experience difficulty in doing so and may be forced to sell them at a lower price than it otherwise would have been able to realise.
- A reduction in revenue from the Group's products where fee income is linked to account values or the market value of the funds under management. In particular, decreases in equity prices impact the amount of revenue derived from fees from the unit-linked products. Sustained inflationary pressures which may drive higher interest rates may also impact the valuation of fixed income investments and reduce fee income.
- Increased illiquidity, which includes the risk that expected cash inflows from investments and operations will not be adequate to meet the Group's anticipated short-term and long-term policyholder benefits and expense payment obligations. Increased illiquidity also adds to uncertainty over the accessibility of financial resources which in extreme conditions can impact the functioning of markets and may reduce capital resources as valuations decline. This could occur where external capital is unavailable at sustainable cost, increased liquid assets are required to be held as collateral under derivative transactions or redemption restrictions are placed on Prudential's investments in illiquid funds. In addition, significant redemption requests could also be made on Prudential's issued funds and while this may not have a direct impact on the Group's liquidity, it could result in reputational damage to Prudential. The potential impact of increased illiquidity is more uncertain than for other risks such as interest rate or credit risk.

In general, upheavals in the financial markets may affect general levels of economic activity, employment and customer behaviour. As a result, insurers may experience an elevated incidence of claims, lapses, or surrenders of policies, and some policyholders may choose to defer or stop paying insurance premiums or reduce deposits into retirement plans. The demand for insurance products may also be adversely affected. In addition, there may be a higher incidence of counterparty failures. If sustained, this environment is likely to have a negative impact on the insurance sector over time and may consequently have a negative impact on Prudential's business and its balance sheet and profitability. For example, this could occur if the recoverable value of intangible assets for bancassurance agreements and deferred acquisition costs are reduced. New challenges related to market fluctuations and general economic conditions may continue to emerge. For example, inflationary pressures driving higher interest rates may lead to increased lapses for some guaranteed savings products where higher levels of guarantees are offered by products of the Group's competitors, reflecting consumer demand for returns at the level of, or exceeding, inflation. Increased inflation may also adversely impact the ability of consumers to purchase insurance products, particularly in lower income customer segments.

For some non-unit-linked products with a savings component it may not be possible to hold assets which will provide cash flows to match those relating to policyholder liabilities. This is particularly true in those countries where bond markets are less developed or where the duration of policyholder liabilities is longer than the duration of bonds issued and available in the market, and in certain markets where regulated premium and claim values are set with reference to the interest rate environment prevailing at the time of policy issue. This results in a mismatch due to the duration and uncertainty of the liability cash flows and the lack of sufficient assets of a suitable duration. While this residual asset/liability mismatch risk can be managed, it cannot be eliminated. If interest rates in these markets are lower than those used to calculate premium and claim values over a sustained period, this could have a material adverse effect on Prudential's reported profit and the solvency of its business units. In addition, part of the profit from the Group's operations is related to bonuses for policyholders declared on with-profits products, which are impacted by the difference between actual investment returns of the with-profits fund (which are broadly based on historical and current rates of return on equity, real estate and fixed income securities) and minimum guarantee rates offered to policyholders. This profit could be lower in particular in a sustained low interest rate environment.

Any of the foregoing factors and events, individually or together, could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects.

1.3 Geopolitical and political risks and uncertainty may adversely impact economic conditions, increase market volatility, cause operational disruption to the Group and impact its strategic plans, which could have adverse effects on Prudential's business, financial condition, results of operations and prospects.

The Group is exposed to geopolitical and political risks and uncertainty in the markets in which it operates. Such risks may include:

- The application of government regulations, executive powers, protectionist or restrictive economic and trade policies or measures adopted by businesses or industries which increase trade barriers or restrict trade, sales, financial transactions, or the transfer of capital, investment, data or other intellectual property, with respect to specific territories, markets, companies or individuals;
- An increase in the volume and pace of domestic regulatory changes, including those applying to specific sectors;
- The increased adoption or implementation of laws and regulations which may purport to have extra-territorial application;
- International trade disputes such as the implementation of trade tariffs;
- Withdrawals or expulsions from existing trading blocs or agreements or financial transaction systems, including those which facilitate cross-border payments;
- The domestic application of measures restricting national airspace with respect to aircraft of specific territories, markets, companies or individuals;
- Measures favouring local enterprises, such as changes to the maximum level of non-domestic ownership by foreign companies or differing treatment of foreign-owned businesses under regulations and tax rules; and
- Measures which require businesses of overseas companies to operate through locally incorporated entities or with requirements on minimum local representation on executive or management committees.

The above measures may have an adverse impact on Prudential through their effects on the macroeconomic outlook and the environment for global financial markets. They may also increase regulatory compliance and reputational risks, or adversely impact Prudential where they apply to, and impact, the economic, business and legal and regulatory environment in specific markets or territories in which the Group, its joint venture or jointly owned businesses, sales and distribution networks, or third party service providers have operations. For internationally active groups such as Prudential, operating across multiple jurisdictions, such measures may also add to the complexity of legal and regulatory compliance and increase the risk of conflicts between the requirements of one jurisdiction and another. See risk factor 4.1 below.

Geopolitical and political risks and uncertainty may also adversely impact the Group's operations and its operational resilience. Increased geopolitical tensions may increase domestic and cross-border cyber intrusion activity and therefore increase cyber security risks. Geopolitical and political tensions may also lead to conflict, civil unrest and/or acts of civil disobedience. Such events could impact operational resilience by disrupting Prudential's systems, operations, new business sales and renewals, distribution channels and services to customers, which may result in a reduction in contributions from business units to the central cash balances and profit of the Group, decreased profitability, financial loss, adverse customer impacts and reputational damage and may impact Prudential's business, financial condition, results of operations and prospects.

Legislative or regulatory changes which adversely impact Hong Kong's economy or its international trading and economic relationships, may also result in adverse sales, operational and product distribution impacts to the Group due to the territory being a key market which also hosts Group head office functions.

1.4 As a holding company, Prudential is dependent upon its subsidiaries to cover operating expenses and dividend payments.

The Group's insurance and investment management operations are generally conducted through direct and indirect subsidiaries, which are subject to the risks discussed elsewhere in this 'Risk Factors' section.

As a holding company, Prudential's principal sources of funds are remittances from subsidiaries, shareholder-backed funds, the shareholder transfer from long-term funds and any amounts that may be raised through the issuance of equity, debt and commercial paper.

Certain of Prudential's subsidiaries are subject to insurance, foreign exchange and tax laws, rules and regulations (including in relation to distributable profits that can limit their ability to make remittances). In some circumstances, including where there are changes to general market conditions, this could limit Prudential's ability to pay dividends to shareholders or to make available funds held in certain subsidiaries to cover operating expenses of other members of the Group.

A material change in the financial condition of any of Prudential's subsidiaries may have a material effect on its business, financial condition, results of operations and prospects.

1.5 Prudential is subject to the risk of potential sovereign debt credit deterioration owing to the amounts of sovereign debt obligations held in its investment portfolio.

Investing in sovereign debt creates exposure to the direct or indirect consequences of political, social or economic changes (including changes in governments, heads of state or monarchs) in the countries in which the issuers of such debt are located and to the creditworthiness of the sovereign. Investment in sovereign debt obligations involves risks not present in debt obligations of corporate issuers. In addition, the issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and Prudential may have limited recourse to compel payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by, among other factors, its cash flow situation, its relations with its central bank, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward local and international lenders, and the political constraints to which the sovereign debtor may be subject.

Moreover, governments may use a variety of techniques, such as intervention by their central banks or imposition of regulatory controls or taxes, to devalue their currencies' exchange rates, or may adopt monetary and other policies (including to manage their debt burdens) that have a similar effect, all of which could adversely impact the value of an investment in sovereign debt even in the absence of a technical default. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issuers.

In addition, if a sovereign default or other such events described above were to occur, as has happened on occasion in the past, other financial institutions may also suffer losses or experience solvency or other concerns, which may result in Prudential facing additional risks relating to investments in such financial institutions that are held in the Group's investment portfolio. There is also risk that public perceptions about the stability and creditworthiness of financial institutions and the financial sector generally might be adversely affected as might counterparty relationships between financial institutions.

If a sovereign were to default on its obligations, or adopt policies that devalued or otherwise altered the currencies in which its obligations were denominated, this could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects.

1.6 Downgrades in Prudential's financial strength and credit ratings could significantly impact its competitive position and damage its relationships with creditors or trading counterparties.

Prudential's financial strength and credit ratings, which are used by the market to measure its ability to meet policyholder obligations, are an important factor affecting public confidence in Prudential's products, and as a result its competitiveness. Downgrades in Prudential's ratings as a result of, for example, decreased profitability, increased costs, increased indebtedness or other concerns could have an adverse effect on its ability to market products and retain current policyholders, and the Group's ability to compete for acquisition and strategic opportunities. Downgrades may also impact the Group's financial flexibility, including its ability to issue commercial paper at current levels and pricing. The interest rates at which Prudential is able to borrow funds are affected by its credit ratings, which are in place to measure the Group's ability to meet its contractual obligations.

In addition, changes in methodologies and criteria used by rating agencies could result in downgrades that do not reflect changes in the general economic conditions or Prudential's financial condition.

In addition, any such downgrades could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects. Prudential cannot predict what actions rating agencies may take, or what actions Prudential may therefore take in response to the actions of rating agencies, which could adversely affect its business.

Any such downgrade of the Group could have an adverse effect on Prudential's financial flexibility, requirements to post collateral under or in connection with transactions to which they are a party and ability to manage market risk exposures. In addition, the interest rates or other costs that the Group incurs in respect of its financing activities may increase as a result. A credit rating downgrade may also affect public confidence in the Group's products and may adversely impact on its ability to market products, retain current policyholders or attract new policyholders.

1.7 Prudential is subject to the risk of exchange rate fluctuations owing to the geographical diversity of its businesses.

Due to the geographical diversity of Prudential's businesses, Prudential is subject to the risk of exchange rate fluctuations. Prudential's operations generally write policies and invest in assets denominated in local currencies. Although this practice limits the effect of exchange rate fluctuations on local operating results, it can lead to fluctuations in Prudential's consolidated financial statements upon the translation of results into the Group's presentation currency. This exposure is not currently separately managed. The Group presents its consolidated financial statements in US dollars. The results of some entities within the Group are not denominated in or linked to the US dollar and some enter into transactions which are conducted in non-US dollar currencies. Prudential is subject to the risk of exchange rate fluctuations from the translation of the results of these entities and transactions and the risks from the maintenance of the HK dollar peg to the US dollar.

2. Risks relating to sustainability and environmental, social and governance ('ESG') matters

2.1 The failure to understand and respond effectively to the risks associated with ESG factors could adversely affect Prudential's achievement of its long-term strategy.

A failure to manage the material risks associated with key ESG themes detailed below may undermine the sustainability of Prudential by adversely impacting the Group's reputation and brand, ability to attract and retain customers and employees, and therefore the results of its operations and delivery of its strategy and long-term financial success.

(a) Environmental risks

Environmental concerns, notably those associated with climate change and their social and economic impacts, present long-term risks to the sustainability of Prudential and may impact its customers and other shareholders.

Prudential's investment horizons are long term and it is therefore exposed to the potential long-term impact of climate change risks, which include the financial and non-financial impact of transition to a lower carbon economy and physical and litigation risks. The global transition to a lower carbon economy may have an adverse impact on investment valuations as the financial assets of carbon intensive companies re-price, and this could result in some asset sectors facing significantly higher costs and a reduction in demand for their products and services. The speed of this transition, and the extent to which it is orderly and managed, will be influenced by factors such as public policy, technology and changes in market or investor sentiment. The potential impact of these factors on the valuation of investments may also have a broader economic impact that may adversely affect customers and their demand for the Group's products. The transition to a lower carbon economy has the potential to disproportionately impact the Asia and Africa markets in which Prudential operates and invests, and the Group's stakeholders increasingly expect and/or rely on the Group to support an orderly, inclusive and sustainable transition based on an understanding of relevant country and company-level transition plans taking into consideration the impact on the economies, businesses, communities and customers in these markets.

The pace and volume of new climate-related regulation emerging across the markets in which the Group operates, the need to deliver on existing and new voluntary exclusions on investments in certain sectors, engagement and reporting commitments and the demand for externally assured reporting may give rise to compliance, operational and disclosure risks which may be increased by the multi-jurisdictional coordination required in adopting a consistent risk management approach.

The Group's ability to sufficiently understand and appropriately react to transition risk and its ability to deliver on its external carbon reduction commitments may be limited by insufficient or unreliable data on carbon exposure and transition plans for the assets in which it invests. The direct physical impacts of climate change, driven by both specific short-term climate-related events such as natural disasters and longer-term changes to climate and the natural environment, are likely to become increasingly significant factors in the mortality and morbidity risk assessments for the Group's insurance product underwriting and offerings and their associated claims profiles. Climate-driven events in countries in which Prudential or its key third parties operate could adversely impact the Group's operational resilience and its customers, which may potentially occur through migration or displacement both within and across borders.

A failure to understand, manage and provide greater transparency of its exposure to these climate-related risks may have increasingly adverse implications for Prudential and its stakeholders.

(b) Social risks

Social risks that could impact Prudential may arise from a failure to consider the rights, diversity, well-being, needs, and interests of its customers and employees and the communities in which the Group or its third parties operate. Perceived inequalities and income disparities, intensified by the pandemic, have the potential to further erode social cohesion across the Group's markets which may increase operational and disruption risks for Prudential. These risks are increased as Prudential operates in multiple jurisdictions with distinct local cultures and considerations.

Evolving social norms and emerging population risks associated with public health trends (such as an increase in obesity and mental health deterioration) and demographic changes (such as population urbanisation and ageing) may affect customer lifestyles and therefore may impact the level of claims under the Group's insurance product offerings. As a provider of insurance and investment services, the Group is increasingly focused on making its products more accessible through digital innovation, technologies and distribution methods for a broadening range of products and services. As a result, Prudential has access to extensive amounts of customer personal data, including data related to personal health, and an increasing ability to analyse and interpret this data through the use of complex tools, machine learning and artificial intelligence technologies. The Group is therefore exposed to the regulatory, ethical and reputational risks associated with customer data misuse or security breaches. These risks are explained in risk factor 3.5. The increasing digitalisation of products, services and processes may also result in new and unforeseen regulatory requirements and stakeholder expectations, including those relating to how the Group supports its customers through this transformation.

As an employer, the Group is also exposed to the risk of being unable to attract, retain and develop a diverse group of highly-skilled employees to meet the changing need of a transformative organisation. This may increase if Prudential does not implement responsible working practices or fails to recognise the benefits of diversity, ensure psychological safety for employees, or promote a culture of inclusion and sense of belonging. The potential for reputational risk extends to the Group's supply chains and its investee companies, which may be exposed to factors such as poor labour standards and abuses of human rights by third parties.

(c) Governance

A failure to maintain high standards of corporate governance may adversely impact the Group and its customers and employees and increase the risk of poor decision-making and a lack of oversight and management of its key risks. Poor governance may arise where key governance committees have insufficient independence, a lack of diversity, skills or experience in their members, or unclear (or insufficient) oversight responsibilities and mandates. Inadequate oversight over remuneration also increases the risk of poor senior management behaviours.

Prudential operates across multiple jurisdictions and has a group and subsidiary governance structure which may add further complexity to these considerations. Participation in joint ventures or partnerships where Prudential does not have direct overall control and the use of third party service providers increase the potential for reputational risks arising from poor governance.

Sustainability and ESG-related risks may directly or indirectly impact Prudential's business and the achievement of its strategic focus on providing greater and more inclusive access to good health and financial security, responsible stewardship in managing the human impact of climate change and building human and social capital with its broad range of stakeholders, which range from customers, institutional investors, employees and suppliers, to policymakers, regulators, industry organisations and local communities. A failure to transparently and consistently implement the Group's ESG strategy across operational, underwriting and investment activities, may adversely impact the financial condition and reputation of the Group and may negatively impact the Group's stakeholders, who all have expectations, concerns and aims related to ESG and sustainability matters, which may differ, both within and across the markets in which the Group operates.

In its investment activities, Prudential's stakeholders increasingly have expectations of, and place reliance on, an approach to responsible investment that demonstrates how ESG and sustainability considerations are effectively integrated into investment decisions and responsible supply chain management and the performance of fiduciary and stewardship duties. These duties include effective implementation of exclusions, voting and active engagement decisions with respect to investee companies, as both an asset owner and an asset manager, in line with internally defined procedures and external commitments.

3. Risks relating to prudential's business activities and industry

3.1 The implementation of large-scale transformation, including complex strategic initiatives, gives rise to significant design and execution risks and may affect Prudential's operational capability and capacity. Any failure of these initiatives to meet their objectives may adversely impact the Group and the delivery of its strategy.

Where required in order to implement its business strategies for growth, meet customer needs, improve customer experiences, strengthen operational resilience, meet regulatory and industry requirements and maintain market competitiveness, Prudential from time to time undertakes Group restructuring, transformation programmes and acquisitions and disposals across its business. Many of these change initiatives are complex, interconnected and/or of large scale, and include improvement of business efficiencies through operating model changes, advancing the Group's digital capability, expanding strategic partnerships and industry and regulatory-driven change. There may be a material adverse effect on Prudential's business, customers, financial condition, results of operations and prospects if these initiatives incur unplanned costs, are subject to implementation delays, or fail to fully meet their objectives. Large scale restructuring of Prudential, such as the recent Jackson Demerger and changes to the Group's management and operational model have increased uncertainty for the Group's employees, which may affect operational capacity and the ability of the Group to deliver its strategy.

Additionally, there may be adverse non-financial (including operational, regulatory, conduct and reputational) implications for the Group in undertaking such initiatives, which inherently give rise to design and execution risks, and may increase existing business risks, such as placing additional strain on the operational capacity, or weakening the control environment, of the Group.

Implementing further initiatives related to significant regulatory changes, such as IFRS 17, may amplify these risks. Risks relating to these regulatory changes are explained in risk factor 4.1 below.

The speed of technological change in the business could outpace the Group's ability to anticipate all the unintended consequences that may arise from such change. Innovative technologies, such as artificial intelligence, expose Prudential to potential additional regulatory, information security, operational, ethical and conduct risks which, if inadequately managed, could result in customer detriment and reputational damage.

3.2 Prudential is exposed to ongoing risks as a result of the Jackson Demerger, which, if they materialise, could adversely affect Prudential's business.

(a) The Group continues to hold shares in Jackson but no longer has any control

On 13 September 2021, Prudential completed the Jackson Demerger (the 'Demerger'). As at 31 December 2021, the Group retains an 18.4 per cent. economic interest (and an 18.5 per cent. voting interest) in the total common stock of Jackson. The Group intends to reduce this investment to less than 10 per cent. within 12 months of the completion of the Jackson Demerger. As a result of the Demerger, Prudential no longer has the ability to control Jackson's strategic, financial and operational decisions. Jackson may fail to develop its business, meet the expectations of investors, may be subject to adverse publicity and increased legal or regulatory scrutiny, or its reported financial position may be adversely impacted by errors or limitations in its modelling and other assumptions related to its business, including the calculation of regulatory or internal capital requirements, the valuation of assets and liabilities, and determining hedging requirements. These factors may have an adverse impact on the market price of Jackson shares, which may be volatile and can go down as well as up. It is therefore possible that the value of Prudential's shareholding may be lower than anticipated, and the gross proceeds due to Prudential from any future sale may be lower than Prudential might otherwise achieve.

(b) Indemnities have been given under a Demerger Agreement by Prudential in favour of the Jackson Group

At the time of the Demerger, Prudential and Jackson entered into the Demerger Agreement. This governs the post-Jackson Demerger obligations of the Group and the Jackson Group and contains, among other provisions, indemnities under which Prudential indemnifies the Jackson Group against liabilities that may arise in connection with the business carried on by the Group (other than Jackson's business) prior to the Jackson Demerger. Prudential has the right to defend any such claim.

Although it is not anticipated that Prudential will be required to pay any substantial amount pursuant to such indemnity obligations, if any amounts payable under the indemnities are substantial, this could have a material adverse effect on the financial condition and/or results of Prudential.

(c) Prudential may incur liabilities in connection with the Jackson Demerger

In addition, in connection with the Jackson Demerger, Prudential may be subject to claims by Jackson's shareholders and other third parties for any material misstatements or omissions of material facts contained within Jackson's Form 10 registration document, or for any fraudulent, intentional or reckless misleading disclosure in connection with the Jackson Shares under the US Securities and Exchange Act of 1934. If those claims are not successfully defended, Prudential may have to pay compensation, and where this is substantial may adversely affect Prudential's business, financial condition, cash flows, results of operations and prospects.

3.3 Prudential's businesses are conducted in highly competitive environments with developing demographic trends. The profitability of the Group's businesses depend on management's ability to respond to these pressures and trends.

The markets for financial services are highly competitive, with a number of factors affecting Prudential's ability to sell its products and profitability, including price and yields offered, financial strength and ratings, range of product lines and product quality, brand strength and name recognition, investment management performance and fund management trends, historical bonus levels, the ability to respond to developing demographic trends, customer appetite for certain savings products and technological advances. In some of its markets, Prudential faces competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or have higher bonus rates. Further, heightened competition for talented and skilled employees, agents and independent financial advisers may limit Prudential's potential to grow its business as quickly as planned. Technological advances, including those enabling increased capability for gathering large volumes of customer health data and developments in capabilities and tools in analysing and interpreting such data (such as artificial intelligence and machine learning), may result in increased competition to the Group, both from within and outside the insurance industry, and may increase the competition risks resulting from a failure to be able to attract sufficient numbers of skilled staff.

The Group's principal competitors include global life insurers together with regional insurers and multinational asset managers. In most markets, there are also local companies that have a material market presence.

Prudential believes that competition will intensify across all regions in response to consumer demand, digital and other technological advances (including the emergence and maturing of new distribution channels), the need for economies of scale and the consequential impact of consolidation, regulatory actions and other factors. Prudential's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures. This includes managing the potential adverse impacts to the commercial value of the Group's existing sale and distribution arrangements, such as bancassurance arrangements, in markets where new distribution channels develop.

Failure to do so may adversely impact Prudential's ability to attract and retain customers and, importantly, may limit Prudential's ability to take advantage of new business arising in the markets in which it operates, which may have an adverse impact on the Group's business, financial condition, results of operations and prospects.

3.4 Adverse experience in the operational risks inherent in Prudential's business, and those of its material outsourcing partners, could disrupt its business functions and have a negative impact on its business, financial condition, results of operations and prospects.
Operational risks are present in all of Prudential's businesses, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems or human error, fraud, the effects of natural or man-made catastrophic events (such as natural disasters, pandemics, cyber-attacks, acts of terrorism, civil unrest and other catastrophes) or other external events. These risks may also adversely impact Prudential through its partners. Prudential relies on the performance and operations of a number of bancassurance, product distribution, outsourcing (including external technology and data hosting) and service partners. These include back office support functions, such as those relating to IT infrastructure, development and support and customer facing operations and services, such as product distribution and services (including through digital channels) and investment operations. This creates reliance upon the resilient operational performance of these partners and exposes Prudential to the risk that the operations and services provided by these partners are disrupted or fail. Further, Prudential operates in extensive and evolving legal and regulatory environments (including in relation to tax) which adds to the complexity of the governance and operation of its business processes and controls.

Exposure to such risks could impact Prudential's operational resilience and ability to perform necessary business functions by disrupting its systems, operations, new business sales and renewals, distribution channels and services to customers, or result in the loss of confidential or proprietary data. Such risks, as well as any weaknesses in administration systems (such as those relating to policyholder records) or actuarial reserving processes, may also result in increased expenses, as well as legal and regulatory sanctions, decreased profitability, financial loss and customer conduct risk impacts, and may damage Prudential's reputation and relationship with its customers and business partners. A failure to adequately oversee service partners (or their IT and operational systems and processes) could result in significant service degradation or disruption to Prudential's business operations and customers, which may have reputational or conduct risk implications and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Prudential's business requires the processing of a large number of transactions for a diverse range of products. It also employs complex and interconnected IT and finance systems, models, and user developed applications in its processes to perform a range of operational functions. These functions include the calculation of regulatory or internal capital requirements, the valuation of assets and liabilities and the acquisition of new business using artificial intelligence and digital applications. Many of these tools form an integral part of the information and decision-making frameworks used by Prudential and the risk of adverse consequences arising from erroneous or misinterpreted tools used in core business activities, decision-making and reporting exists. Errors or limitations in these tools, or their inappropriate usage, may lead to regulatory breaches, inappropriate decision-making, financial loss, customer detriment, inaccurate external reporting or reputational damage. The long-term nature of much of the Group's business also means that accurate records have to be maintained securely for significant time periods.

The performance of the Group's core business activities and the uninterrupted availability of services to customers rely significantly on, and require significant investment in, resilient IT applications, infrastructure and security architectural design, data governance and management and other operational systems, personnel, controls and processes. During large-scale disruptive events or times of significant change, the resilience and operational effectiveness of these systems and processes at Prudential and/or its third party service providers may be adversely impacted. In particular, Prudential and its business partners are making increasing use of emerging technological tools and digital services, or forming strategic partnerships with third parties to provide these capabilities. Automated distribution channels to customers increase the criticality of providing uninterrupted services. A failure to implement appropriate governance and management of the incremental operational risks from emerging technologies may adversely impact Prudential's reputation and brand, the results of its operations, its ability to attract and retain customers and its ability to deliver on its long-term strategy and therefore its competitiveness and long-term financial success.

Although Prudential's IT, compliance and other operational systems, models and processes incorporate governance and controls designed to manage and mitigate the operational and model risks associated with its activities, there can be no complete assurance as to the resilience of these systems and processes to disruption or that governance and controls will always be effective. Due to human error, among other reasons, operational and model risk incidents do occur from time to time and no system or process can entirely prevent them. Prudential's legacy and other IT systems, data and processes, as with operational systems and processes generally, may also be susceptible to failure or security/data breaches.

3.5 Attempts to access or disrupt Prudential's IT systems, and loss or misuse of personal data, could result in loss of trust from Prudential's customers and employees and reputational damage, which could have material adverse effects on the Group's business, financial condition, results of operations and prospects.
Prudential and its business partners are increasingly exposed to the risk that individuals (which includes connected persons such as employees, contractors or representatives of Prudential or its third party service providers, and unconnected persons) or groups may intentionally or unintentionally disrupt the availability, confidentiality and integrity of its IT systems or compromise the integrity and security of data (both corporate and customer), including disruption from ransomware, malicious software designed to restrict Prudential's access to data until the payment of a sum of money. Where these risks materialise, this could result in disruption to key operations, make it difficult to recover critical data or services or damage assets, any of which could result in loss of trust from Prudential's customers and employees, reputational damage and direct or indirect financial loss. Cyber-security threats continue to evolve globally in sophistication and potential significance. Prudential's increasing profile in its current markets and those in which it is entering, growing customer interest in interacting with their insurance providers and asset managers through the internet and social media, improved brand awareness, increasing adoption of the Group's Pulse platform and the 2020 designation of Prudential as an Internationally Active Insurance Group ('IAIG') could also increase the likelihood of Prudential being considered a target by cyber criminals. Ransomware campaigns have increased in frequency and represent an increasing threat to the financial services sector, with recent highly publicised attacks on financial services companies. The risk from untargeted but sophisticated and automated attacks remains present.

There is an increasing requirement and expectation on Prudential and its business partners not only to hold the data of customers, shareholders and employees securely, but also to ensure its ongoing accuracy and that it is being used in a transparent, appropriate and ethical way, including in decision-making where automated processes are employed. A failure to do so may result in regulatory scrutiny and sanctions and detriment to customers and third party partners, and may adversely impact the reputation and brand of the Group, its ability to attract and retain customers and deliver on its long-term strategy and therefore the results of its operations.

The risk to the Group of not meeting these requirements and expectations may be increased by the development of cloud-based infrastructure and the usage of digital distribution and service channels, which can collect a broader range of personal and health-related data from individuals at increased scale and speed, and the use of complex tools, machine learning and artificial intelligence technologies to process, analyse and interpret this data. New and currently unforeseeable regulatory issues may also arise from the increased use of emerging technology. Regulatory developments in cybersecurity and data protection (such as the ongoing development of a holistic data governance regime in China, including the Data Security Law, the Personal Information Protection Law, which came into effect in November 2021, the revised Measures for Cybersecurity Review and recently released draft rules on the provision of internet healthcare services) continue to progress worldwide. Such developments may increase the complexity of requirements and obligations in this area, in particular where they include national security restrictions or impose differing and/or conflicting requirements with those of other jurisdictions. These risks may also increase the financial and reputational implications for Prudential of regulatory non-compliance or a significant breach of IT systems or data, including at its joint venture or third party service providers. The international transfer of data may, as a global organisation, increase regulatory risks for the Group.

Although Prudential has experienced or has been affected by cyber and data breaches, to date, it has not identified a failure or breach, or an incident of data misuse in relation to its legacy and other IT systems and processes which has had a material impact on its operations. However, Prudential has been, and likely will continue to be, subject to potential damage from computer viruses, unauthorised access and cyber-security attacks such as 'denial of service' attacks (which, for example, can cause temporary disruption to websites and IT networks), phishing and disruptive software campaigns, and there can be no assurance that such events will not take place which may have material adverse consequential effects on Prudential's business, financial condition, results of operations and prospects.

3.6 Prudential's Pulse platform may increase existing business risks to the Group or introduce new risks as the markets in which it operates and its features, partnerships and product offerings develop.

Prudential's digital platform, Pulse, is subject to a number of the risks discussed within this 'Risk Factors' section. In particular, these include risks related to legal and regulatory compliance and the conduct of business; the execution of complex change initiatives; information security and data privacy; the use of models (including those using artificial intelligence) and the handling of personal data; the resilience and integrity of IT infrastructure and operations; and those relating to the management of third parties. These existing risks for the Group may be increased due to a number of factors:

- The number of current and planned markets in which Pulse operates, each with their own laws and regulations, regulatory and supervisory authorities, the scope of application of which may be uncertain or change at pace, may increase regulatory compliance risks;
- The implementation of planned platform features and offerings may require the delivery of complex, inter-connected change initiatives across current and planned markets. This may give rise to design and execution risks, which could be amplified where these change initiatives are delivered concurrently;
- The platform includes functionality relating to user generated content, which may expose Prudential to legal liability or reputational risk in the hosting of that content;
- The increased volume, breadth and sensitivity of data on which the business model of Pulse is dependent and to which the Group has access, holds, analyses and processes through its models, which increases data security, privacy and usage risks. The use of complex models, including where they use artificial intelligence for critical decision-making, in the application's features and offerings may give rise to operational, conduct, litigation and reputational risks where they do not function as intended;
- The platform and its services rely on a number of third party partners and providers, which may vary according to the market. This may increase operational disruption risks to the uninterrupted provision of services to customers, regulatory compliance and conduct risks, and the potential for reputational risks; and
- Support for, and development of, the platform may be provided outside of the individual markets in which the platform operates, which may increase the complexity of local legal and regulatory compliance.

New product offerings and functionality may be developed and provided through the platform, which may introduce new regulatory, operational, conduct and strategic risks for the Group. Any slowdown in digitalisation may reduce user adoption rates, the current size of the user base of Pulse and/or the development of product and service offerings, which may impact the ability of the Group to deliver its digital strategy. Regulations may be introduced which limit the permitted scope of online or digitally distributed insurance, asset management or medical services, which may restrict current or planned offerings provided by the Pulse platform. Markets may also introduce regulations with specific licensing requirements or requiring the provision of current or planned services via locally incorporated entities, which increases the regulatory and compliance risks associated with operating the Pulse platform.

A failure to implement appropriate governance and management of the incremental and new risks detailed above may adversely impact Prudential's reputation and brand, its ability to attract and retain customers, its competitiveness and its ability to deliver on its long-term strategy.

3.7 Prudential operates in certain markets with joint venture partners, minority shareholders and other third parties. These businesses face the same risks as the rest of the Group and also give rise to certain risks to Prudential that the Group does not face with respect to its wholly-owned subsidiaries.

Prudential operates, and in certain markets is required by local regulation to operate, through joint ventures and other joint ownership or third-party arrangements. The financial condition, operations and reputation of Group may be adversely impacted, or the Group may face regulatory censure, in the event that any of its partners fails or is unable to meet its obligations under the arrangements, encounters financial difficulty, or fails to comply with local or international regulation and standards such as those pertaining to the prevention of financial crime. Reputational risks to the Group are amplified where any joint venture or jointly owned businesses carry the Prudential name.

A material proportion of the Group's business comes from its joint ventures in China and India. For such operations the level of control exercisable by the Group depends on the terms of the contractual agreements, in particular, those terms providing for the allocation of control among, and continued cooperation between, the participants. As a result, the level of oversight, control and access to management information the Group is able to exercise over the extent of the exposure to material risks at these operations may be lower compared to the Group's wholly owned businesses. This may increase the uncertainty for the Group over the financial condition of these operations, including the credit risk profile and valuation of their investment portfolios and the extent of their invested credit and counterparty credit risk exposure, resulting in heightened risks to the Group as whole. This may particularly be the case where the countries in which these operations are located experience market or sector-specific slowdowns, volatility or deterioration (such as the recent negative developments in the China property sector). In addition, the level of control exercisable by the Group could be affected by changes in the maximum level of non-domestic ownership imposed on foreign companies in certain jurisdictions. The exposure of the Group to the risks detailed in risk factor 3.1 above may also increase should the Group's strategic initiatives include the expansion of the Group's operations through joint ventures or jointly owned businesses.

In addition, a significant proportion of the Group's product distribution is carried out through agency arrangements and contractual arrangements with third party service providers not controlled by Prudential, such as bancassurance arrangements, and the Group is therefore dependent upon the continuation of these relationships. A temporary or permanent disruption to these distribution arrangements, such as through significant deterioration in the reputation, financial position or other circumstances of the third party service providers, material failure in controls (such as those pertaining to the third party service provider system failure or the prevention of financial crime) or failure to meet any regulatory requirements could adversely affect Prudential's reputation and its business, financial condition, results of operations and prospects.

3.8 Adverse experience relative to the assumptions used in pricing products and reporting business results could significantly affect Prudential's business, financial condition, results of operations and prospects.

In common with other life insurers, the profitability of the Group's businesses depends on a mix of factors including mortality and morbidity levels and trends, policy surrenders and take-up rates on guarantee features of products, investment performance and impairments, unit cost of administration and new business acquisition expenses. The Group's businesses are subject to inflation risk.

In particular, the Group's medical insurance businesses are also exposed to medical inflation risk.

Prudential needs to make assumptions about a number of factors in determining the pricing of its products, for setting reserves, and for reporting its capital levels and the results of its long-term business operations.

A further factor is the assumption that Prudential makes about future expected levels of the rates of early termination of products by its customers (known as persistency). This is relevant to a number of lines of business in the Group. Prudential's persistency assumptions reflect a combination of recent past experience for each relevant line of business and expert judgement, especially where a lack of relevant and credible experience data exists. Any expected change in future persistency is also reflected in the assumption. If actual levels of persistency are significantly different than assumed, the Group's results of operations could be adversely affected.

In addition, Prudential's business may be adversely affected by epidemics, pandemics and other effects that give rise to a large number of deaths or additional sickness claims, as well as increases to the cost of medical claims. Pandemics, significant influenza and other epidemics have occurred a number of times historically but the likelihood, timing, or the severity of future events cannot be predicted. The effectiveness of external parties, including governmental and non-governmental organisations, in combating the spread and severity of any epidemics, as well as pharmaceutical treatments and vaccines (and their roll-outs) and non-pharmaceutical interventions, could have a material impact on the Group's claims experience. The risks to the Group resulting from the Covid-19 pandemic are included in risk factor 1.1 above.

Prudential uses reinsurance to selectively transfer mortality, morbidity and other risks. This exposes the Group to the counterparty risk of a reinsurer being unable to pay reinsurance claims or otherwise meet their commitments; the risk that a reinsurer changes reinsurance terms and conditions of coverage, or increases the price of reinsurance which Prudential is unable to pass on to its customers; the risk of ambiguity in the reinsurance terms and conditions leading to uncertainty whether an event is covered under a reinsurance contract; and the risk of being unable to replace an existing reinsurer, or find a new reinsurer, for the risk transfer being sought.

Any of the foregoing, individually or together, could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects.

4. Risks relating to legal and regulatory requirements

4.1 Prudential conducts its businesses subject to regulation and associated regulatory risks, including a change to the basis in the regulatory supervision of the Group, the effects of changes in the laws, regulations, policies and their interpretations and any accounting standards in the markets in which it operates.

Changes in government policy and legislation (including in relation to tax and data security), capital control measures on companies and individuals, regulation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which Prudential operates (including those related to the conduct of business by Prudential or its third party distributors), or decisions taken by regulators in connection with their supervision of members of the Group, which in some circumstances may be applied retrospectively, may adversely affect Prudential. The impact from any regulatory changes may be material to Prudential, for example changes may be required to its product range, distribution channels, handling and usage of data, competitiveness, profitability, capital requirements, risk management approaches, corporate or governance structure and, consequently, reported results and financing requirements. Also, regulators in jurisdictions in which Prudential operates may impose requirements affecting the allocation of capital and liquidity between different business units in the Group, whether on a geographic, legal entity, product line or other basis. Regulators may also change solvency requirements, methodologies for determining components of the regulatory or statutory balance sheet including the reserves and the level of capital required to be held by individual businesses (with implications to the Group capital position), the regulation and expectations of customer facing processes including selling practices, and could introduce changes that impact products sold or that may be sold. Furthermore, as a result of interventions by governments in light of financial and global economic conditions, there may continue to be changes in government regulation and supervision of the financial services industry, including the possibility of higher capital requirements, restrictions on certain types of transactions and enhancement of supervisory powers.

In the markets in which it operates, Prudential is subject to regulatory requirements and obligations with respect to financial crime, including anti-money laundering, and sanctions compliance, which may either impose obligations on the Group to act in a certain manner or restrict the way that it can act in respect of specified individuals, organisations, businesses and/or governments. A failure to do so may adversely impact the reputation of Prudential and/or result in the imposition of legal or regulatory sanctions or restrictions on the Group. For internationally active groups such as Prudential, operating across multiple jurisdictions increases the complexity of legal and regulatory compliance. Compliance with Prudential's legal or regulatory obligations, including those in respect of international sanctions, in one jurisdiction may conflict with the law or policy objectives of another jurisdiction, or may be seen as supporting the law or policy objectives of that jurisdiction over another, creating additional legal, regulatory compliance and reputational risks for the Group. These risks may be increased where uncertainty exists on the scope of regulatory requirements and obligations, and where the complexity of specific cases applicable to the Group is high.

Further information on specific areas of regulatory and supervisory requirements and changes are included below.

(a) Group-wide Supervision

The Hong Kong IA has been the Group-wide supervisor of Prudential since 21 October 2019. To align Hong Kong's regulatory regime with international standards and practices, the Hong Kong IA has developed a GWS Framework for multinational insurance groups under its supervision. The GWS Framework is based on a principle-based and outcome-focused approach, and allows the Hong Kong IA to exercise direct regulatory powers over the designated holding companies of multinational insurance groups. The GWS Framework became effective for Prudential upon designation by the Hong Kong IA on 14 May 2021, subject to transitional arrangements allowed in legislation which have been agreed with the Hong Kong IA.

Under the GWS Framework, all debt instruments, both senior and subordinated, issued by Prudential as at the date of designation meet the transitional conditions set by the Hong Kong IA and are included as eligible Group capital resources. Whilst the regulatory requirements have been finalised and are in effect, given the early nature of the regime, there is a risk that the interpretations of the principle-based regulatory requirements made by the Group in complying with the regulatory requirements may differ in some aspects from the interpretations made by the Hong Kong IA in their supervision of these principle-based regulatory requirements or as a result of the potential for further regulatory guidance to be issued.

(b) Global regulatory requirements and systemic risk regulation

Currently there are also a number of ongoing global regulatory developments which could impact Prudential's businesses in the many jurisdictions in which they operate. These include the work of the Financial Stability Board (the 'FSB') in the area of systemic risk including the reassessment of the designation of G-SIIs, and the Insurance Capital Standard (the 'ICS') being developed by the International Association of Insurance Supervisors (the 'IAIS'). In addition, regulators in a number of jurisdictions in which the Group operates are further developing their local capital regimes. There remains a high degree of uncertainty over the potential impact of such changes on the Group.

Efforts to curb systemic risk and promote financial stability are also under way. At the international level, the FSB continues to develop recommendations for the asset management and insurance sectors, including ongoing assessment of systemic risk measures. The IAIS has continued to focus on the following key developments.

In November 2019 the IAIS adopted the Common Framework ('ComFrame') which establishes supervisory standards and guidance focusing on the effective group-wide supervision of Internationally Active Insurance Groups ('IAIGs'). Prudential was included in the first register of IAIGs released by the IAIS on 1 July 2020 and was designated an IAIG by the Hong Kong IA following an assessment against the established criteria in ComFrame.

The IAIS has also been developing the ICS ('Insurance Capital Standard') as part of ComFrame. The implementation of ICS will be conducted in two phases: a five-year monitoring phase followed by an implementation phase. The Aggregation Method is one of the alternatives being considered to the default approach undertaken for the ICS during the monitoring period and the related proposals are being led by the National Association of Insurance Commissioners ('NAIC').

In November 2019 the FSB endorsed a new Holistic Framework ('HF'), intended for the assessment and mitigation of systemic risk in the insurance sector, for implementation by the IAIS in 2020 and has suspended G-SII designations until completion of a review to be undertaken in 2022. Many of the previous G-SII measures have already been adopted into the Insurance Core Principles ('ICPs') and ComFrame, as well as under the Hong Kong IA's GWS Framework. As an IAIG, Prudential is expected to be subject to these measures. The HF also includes a monitoring element for the identification of a build-up of systemic risk and to enable supervisors to take action where appropriate.

There continues to be material change in the regulatory guidance in this area, including several areas still in development as part of the IAIS' HF implementation and any new or changing regulations could have a further impact on Prudential. Recent developments include:

- On 18 January 2022, the IAIS released its 2022-23 roadmap. In addition to those related to the HF and ICS, key areas of focus will include activities and initiatives focusing on operational and cyber resilience in the insurance sector including IT third-party outsourcing, climate change risk, financial inclusion, culture and conduct, diversity, equity and inclusion, fintech and policyholder protection schemes and their role in insurer resolution;
- The IAIS is proposing to introduce liquidity metrics to be used as ancillary indicators, with the phase 2 consultation completed in January 2022;
- A consultation on an application paper on macroprudential supervision was also launched by the IAIS in March 2021;
- Following the publication of its 2020 Resolution Report in November 2020, the FSB released practice papers for consultation on intra-group connectedness and resolution funding for insurers, with input requested by 12 March 2022. Resolution regimes will continue to be a near term focus in the FSB's financial stability work, potentially being a key tool in informing decisions around the reformed G-SII designation. These consultations constitute the last of the FSB's systemic risk work for insurers, prior to the designation assessment planned at year end 2022; and
- The IMF released a Financial System Stability Assessment for Hong Kong in June 2021. One of the conclusions of the report was that there is room to further strengthen the macroprudential framework by enhancing systemic risk assessment and communication.

(c) Regional regulatory regime developments, including climate-related regulatory changes

In the Group's key markets, regulatory changes and reforms are in progress, with some uncertainty on the full impact to Prudential:

- In China, regulatory tightening across a number of industries in 2021, which may continue across other industries, has driven market volatility, heightened credit risk, adversely impacted business sentiment, with the potential for broader financial contagion. Other recent regulatory developments in China which may potentially increase compliance risk to the Group include the following:
  - Development of a holistic data governance regime in China, which have recently included the Data Security Law, the Personal Information Protection Law, and the revised Measures for Cybersecurity Review;
  - The CBIRC recently released new regulations on internet life insurance sales in China which include restrictions on the selling of certain long-term products online, effective 31 December 2021; and
  - On 26 October 2021 the National Health Commission released for public comment draft rules on the internet healthcare services, which include restrictions on online AI-driven diagnosis and treatments as well as requirements including real-time supervision by provincial internet supervision platforms and meeting financial and operational criteria, including certain risk management and corporate governance ratings. These rules may have implications for the Group's plans for its Pulse platform in China.
- In Hong Kong, the Hong Kong IA is seeking to align the territory's insurance regime with international standards and has been developing a risk-based capital ('RBC') framework. The RBC framework will comprise three pillars: quantitative requirements, including assessment of capital adequacy and valuation; qualitative requirements, including corporate governance, Enterprise Risk Management as well as Own Risk and Solvency Assessment; and public disclosures and transparency of information. The Hong Kong IA is permitting applications for early adoption of the framework.
- In Malaysia, Bank Negara Malaysia ('BNM'), the central bank of Malaysia, has initiated a multi-phase review of its current RBC frameworks for insurers and takaful operators which has been conducted since 2018. The review aims to ensure that the frameworks remain effective under changing market conditions, facilitate consistent and comparable capital adequacy measurement across the insurance and takaful industry, where appropriate, and achieve greater alignment with key elements of the global capital standards such as ICS, where appropriate. The timing of the effective date of the updated rules currently remains uncertain but certain changes, such as the applicable discount rate on liabilities, are expected to come into effect in 2022.
- In China, the China Banking and Insurance Regulatory Commission ('CBIRC') announced plans for its China Risk Oriented Solvency System ('C-ROSS') Phase II in 2017. Quantitative impact studies have been performed in 2020 and 2021. On 30 December 2021, the CBIRC released the official regulation for C-ROSS II, which is effective for Q1 2022 solvency reporting.
- In Indonesia, regulatory and supervisory focus on the insurance industry remains high. The Financial Services Authority of Indonesia, the Otoritas Jasa Keuangan ('OJK') has been revising investment linked products ('ILP') regulations with the aim of increasing insurance penetration and better protecting customer interests and improving market conduct. The final regulations are expected to be issued during 2022 and will have implications for the product strategies and insurance and compliance risks for insurers. General supervisory focus on insurer governance has increased, in particular on the autonomy of decision-making of local insurers. The OJK has also focused on consumer protection regulations more broadly and has recently enhanced regulatory requirements on IT risk management. Since the 2014 Insurance Law, the industry has been subject to regulatory expectations on the separation of conventional and Sharia business.

- In Malaysia, BNM issued a circular letter in Q1 2021 specifying requirements for the design and disclosure of ILPs which provide extension of coverage beyond the initial coverage term. These changes aim to improve the appropriateness of product design and the customer disclosures provided on ILP policy documents. The new requirements for ILP products sold since March 2021 came into effect on 22 September 2021, while for all in-force products sold prior to March 2021 the proposed effective date has been extended to 1 April 2022. The changes are expected to materially impact insurer systems, disclosures, customer communications, sales conduct and post-sale processes.

The pace and volume of climate-related regulatory changes is also increasing. Regulators including the Hong Kong Monetary Authority, the Monetary Authority of Singapore, BNM in Malaysia and the Financial Supervisory Commission in Taiwan are in the process of developing supervisory and disclosure requirements or guidelines related to the environment and climate change. It is expected that other regulators will develop similar requirements. These changes may give rise to compliance, operational and disclosure risks requiring Prudential to coordinate across multiple jurisdictions in order to apply a consistent risk management approach.

(d) IFRS 17

Prudential's consolidated accounts are prepared in accordance with current IFRS applicable to the insurance industry. In May 2017, the IASB published its standard on insurance accounting (IFRS 17, 'Insurance Contracts') which replaces the current IFRS 4 standard. Some targeted amendments to this standard, including to the effective date, were issued in June 2020 and December 2021. IFRS 17, 'Insurance Contracts', as amended, will have the effect of introducing fundamental changes to the statutory reporting of insurance entities that prepare accounts according to IFRS from 2023. The standard is subject to endorsement in the UK via the UK Endorsement Board. Prudential has a Group-wide implementation programme underway to implement this new standard. A reliable estimate of the effect of changes required to the Group's accounting policies as a result of implementing this standard, which is expected to alter the timing of IFRS profit recognition, is not yet available as implementation is underway. The implementation of this standard involves significant enhancements to the IT, actuarial and finance systems of the Group.

Apart from IFRS 17, any other changes or modification of IFRS accounting policies may also require a change in the way in which future results will be determined and/or a retrospective adjustment of reported results to ensure consistency.

(e) Inter-bank offered rate ('IBOR') reforms

In July 2014, the FSB announced widespread reforms to address the integrity and reliability of IBORs. The discontinuation of IBORs in their current form and their replacement with alternative risk-free reference rates such as the Secured Overnight Financing Rate ('SOFR') in the US and the Singapore Swap Offer Rate ('SOR') could, among other things, impact the Group through an adverse effect on the value of Prudential's assets and liabilities which are linked to or which reference IBORs, a reduction in market liquidity during any period of transition and increased legal and conduct risks to the Group arising from changes required to documentation and its related obligations to its stakeholders.

(f) Investor contribution schemes

Various jurisdictions in which Prudential operates have created investor compensation schemes that require mandatory contributions from market participants in some instances in the event of a failure of a market participant. As a major participant in the majority of its chosen markets, circumstances could arise in which Prudential, along with other companies, may be required to make such contributions.

4.2 The conduct of business in a way that adversely impacts the fair treatment of customers could have a negative impact on Prudential's business, financial condition, results of operations and prospects or on its relations with current and potential customers.

In the course of its operations and at any stage of the product lifecycle, the Group or its intermediaries may conduct business in a way that adversely impacts customer outcomes and the fair treatment of customers ('conduct risk'). This may arise through a failure to: design, provide and promote suitable products and services to customers that meet their needs, are clearly explained or deliver real value, provide and promote a high standard of customer service, appropriately manage customer information, or appropriately handle and assess complaints. A failure to identify or implement appropriate governance and management of conduct risk may result in harm to customers and regulatory sanctions and restrictions, and may adversely impact Prudential's reputation and brand, its ability to attract and retain customers, its competitiveness and its ability to deliver on its long-term strategy.

Prudential is, and in the future may continue to be, subject to legal and regulatory actions in the ordinary course of its business on matters relevant to the delivery of customer outcomes. Such actions relate, and could in the future relate, to the application of current regulations or the failure to implement new regulations (including those relating to the conduct of business), regulatory reviews of broader industry practices and products sold (including in relation to lines of business already closed) in the past under acceptable industry or market practices at the time and changes to the tax regime affecting products. Regulators may also focus on the approach that product providers use to select third-party distributors and to monitor the appropriateness of sales made by them. In some cases, product providers can be held responsible for the deficiencies of third-party distributors.

There is a risk that new regulations introduced may have a material adverse effect on the sales of the products by Prudential and increase Prudential's exposure to legal risks. Any regulatory action arising out of the Group's position as a product provider could have an adverse impact on the Group's business, financial condition, results of operations and prospects, or otherwise harm its reputation.

4.3 Litigation, disputes and regulatory investigations may adversely affect Prudential's business, financial condition, cash flows, results of operations and prospects.

Prudential is, and may in the future be, subject to legal actions, disputes and regulatory investigations in various contexts, including in the ordinary course of its insurance, investment management and other business operations. These legal actions, disputes and investigations may relate to aspects of Prudential's businesses and operations that are specific to Prudential, or that are common to companies that operate in Prudential's markets. Legal actions and disputes may arise under contracts, regulations (including tax) or from a course of conduct taken by Prudential, and may be class actions. Although Prudential believes that it has adequately provided in all material respects for the costs of litigation and regulatory matters, no assurance can be provided that such provisions are sufficient. Given the large or indeterminate amounts of damages sometimes sought, other sanctions that might be imposed and the inherent unpredictability of litigation and disputes, it is possible that an adverse outcome could have an adverse effect on Prudential's business, financial condition, cash flows, results of operations and prospects.

4.4 Changes in tax legislation may result in adverse tax consequences for the Group's business, financial condition, results of operations and prospects.

Tax rules, including those relating to the insurance industry, and their interpretation may change, possibly with retrospective effect in any of the jurisdictions in which Prudential operates. Significant tax disputes with tax authorities, and any change in the tax status of any member of the Group or in taxation legislation or its scope or interpretation could affect Prudential's business, financial condition, results of operations and prospects.

The Organisation for Economic Co-operation and Development ('OECD') is currently undertaking a project intended to modernise the global international tax system, commonly referred to as Base Erosion and Profit-Shifting 2.0 ('BEPS 2.0'). The project has two pillars. The first pillar is focused on the allocation of taxing rights between jurisdictions for in-scope multinational enterprises that sell cross-border goods and services into countries with little or no local physical presence. The second pillar is focused on developing a global minimum tax rate of 15 per cent applicable to in-scope multinational enterprises.

On 8 October 2021 the OECD issued a statement setting out the high level principles which have been agreed by over 130 jurisdictions involved in the project. Based on the 8 October 2021 OECD statement, Prudential does not expect to be affected by proposals under the first pillar given they include an exemption for regulated financial services companies.

On 20 December 2021 the OECD published detailed model rules for the second pillar, with implementation of the rules envisaged by 2023. These rules will apply to Prudential where implemented into the national law of jurisdictions where it has entities within the scope of the rules. On 11 January 2022, the UK government issued a consultation on the UK implementation of these rules, with the intention of including required legislation in Finance Bill 2022-23 and for the rules to be effective from 1 April 2023. Detailed guidance from the OECD is awaited to assist with interpreting the model rules. The early indications are that some jurisdictions may also introduce a domestic minimum tax for in-scope multinationals alongside introducing the global rules. As Prudential operates in a number of jurisdictions where the effective tax rate can be less than 15 per cent, the implementation of the model rules and/or equivalent domestic minimum tax rules may have an adverse impact on the Group. Until further clarity is provided on how the OECD model rules are to be interpreted, how relevant jurisdictions will implement them and any domestic minimum tax regimes, the full extent of the long-term impact on Prudential's business, tax liabilities and profits remain uncertain.

Glossary

A

Acquisition costs or expenses
Acquisition costs or expenses include the initial expenses and commissions incurred in writing new business. Typically, under IFRS, an element of acquisition costs is deferred ie not expensed in the year incurred, and instead amortised in the income statement in line with the emergence of surpluses on the related contracts.

Actual exchange rates (AER)
Actual historical exchange rates for the specific accounting period, being the average rates over the period for the income statement and the closing rates at the balance sheet date for the balance sheet.

Administration expenses
Administration expenses are expenses and renewal commissions incurred in managing existing business.

Alternative performance measures (APMs)
Alternative performance measures (APMs) are non-GAAP measures used by the Prudential Group within its annual reports to supplement disclosures prepared in accordance with widely accepted guideline and principles established by accounting standard setters, such as International Financial Reporting Standards (IFRS). These measures provide useful information to enhance the understanding of the Group's financial performance.
A reconciliation of these APMs to IFRS metrics is provided in the additional unaudited financial information section of the annual report.

American Depositary Receipts (ADRs)
The stocks of most foreign companies that trade in the US markets are traded as American Depositary Receipts (ADRs). US depositary banks issue these stocks. Each ADR represents one or more shares of foreign stock or a fraction of a share. The price of an ADR corresponds to the price of the foreign stock in its home market, adjusted to the ratio of the ADRs to foreign company shares.

Annual premium equivalent (APE)
A measure of new business sales, which is a key metric for the Group's management of the development and growth of the business. APE is calculated as the aggregate of annualised regular premiums from new business and one-tenth of single premiums on new business written during the period for all insurance products, including premiums for contracts designated as investment contracts under IFRS 4.

Assets under management (AUM)
Assets under management represent all assets managed or administered by or on behalf of the Group, including those assets managed by third parties. Assets under management include managed assets that are included within the Group's statement of financial position and those assets belonging to external clients outside the Prudential Group, which are therefore not included in the Group's statement of financial position. These are also referred to as 'funds under management (FUM)'.

Available for sale (AFS)
Securities that have been acquired neither for short-term sale nor to be held to maturity. AFS securities are measured at fair value on the statement of financial position with unrealised gains and losses being booked in Other Comprehensive Income instead of the income statement.

B

Bancassurance
An agreement with a bank to offer insurance and investment products to the bank's customers.

Bonuses
Bonuses refer to the non-guaranteed benefit added to participating life insurance policies and are the way in which policyholders receive their share of the profits of the policies. These include regular bonus and final bonus and the rates may vary from period to period.

C

Cash remittances
Amounts paid by our business units to the Group comprising dividends and other transfers net of capital injections, which are reflective of emerging earnings and capital generation.

Cash surrender value
The amount of cash available to a policy holder on the surrender of or withdrawal from a life insurance policy or annuity contract.

Ceding commission
In a reinsurance arrangement, an allowance (usually a percentage of the reinsurance premium) can be made by the reinsurer for part or all of a ceding company's acquisition and other costs.

China Risk-Oriented Solvency System (C-ROSS)
A regulatory framework that governs the insurance industry in China effective from 1 March 2021. The second phase of the C-ROSS was completed on 30 December 2021 to be effective in the first quarter of 2022.

Collective investment schemes (CIS)
CIS is an open-ended investment fund of pooled assets in which an investor can buy and sell units that are issued in the form of shares.

Constant exchange rates (CER)
Prudential plc reports its results at both actual exchange rates (AER) to reflect actual results and also constant exchange rates (CER) to eliminate the impact from exchange translation. CER results are calculated by translating prior year results using current period foreign currency exchange rates, ie current period average rates for the income statements and current period closing rate for the balance sheet.

Core structural borrowings
Borrowings which Prudential considers forming part of its core capital structure and excludes operational borrowings.

Credit risk
The risk of loss if another party fails to meet its obligations, or fails to do so in a timely fashion.

Currency risk
The risk that asset or liability values, cash flows, income or expenses will be affected by changes in exchange rates. Also referred to as foreign exchange risk.

D

Discretionary participation features (DPF)
A contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are likely to be a significant portion of the total contractual benefits; whose amount or timing is contractually at the discretion of the issuer; and that are contractually based on asset, fund, company or other entity performance.

Dividend cover
Dividend cover is calculated as operating profit after tax on an IFRS basis, divided by the current year interim dividend plus the proposed final dividend.

E

Endowment product
An ordinary individual life insurance product that provides the insured party with various guaranteed benefits if it survives specific maturity dates or periods stated in the policy. Upon the death of the insured party within the coverage period, a designated beneficiary receives the face value of the policy.

Environmental, Social and Governance (ESG)
ESG refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business, which is qualitative and non-financial and not readily quantifiable in monetary terms. The key features of Prudential ESG framework are its three strategic pillars: 1) making health and financial security accessible; 2) stewarding the human impacts of climate change; and 3) building social capital.

European Embedded Value (EEV)
Financial results that are prepared on a supplementary basis to the Group's consolidated IFRS results and which are prepared in accordance with a set of Principles issued by the CFO Forum of European Insurance Companies in 2016. Embedded value is a way of measuring the current value to shareholders of the future profits from life business written based on a set of assumptions.

F

Funds under management (FUM)
See 'assets under management (AUM)' above.

G

Group free surplus
Group free surplus at the end of the period comprises free surplus for the insurance businesses, representing the excess of the net worth over the required capital included in the EEV results and IFRS net assets for the asset management and other businesses, excluding goodwill. The free surplus generated during the period comprises the movement in this balance excluding foreign exchange, capital and other reserve movements. Specifically, it includes amounts emerging from the in-force operations during the year, net of amounts reinvested in writing new business, the effect of market movements and other one-off items.

Group-wide Supervision (GWS) Framework
Regulatory framework developed by the Hong Kong Insurance Authority (see below) for multinational insurance groups under its supervision. The GWS Framework is based on a principle-based and outcome-focused approach, and allows the Hong Kong Insurance Authority to exercise direct regulatory powers over the designated holding companies of multinational insurance groups.

H

Health and protection (H&P) products (also referred to as accident and health (A&H) products)
These comprise health and personal accident insurance products, which provide morbidity or sickness benefits and include health, disability, critical illness and accident coverage. Health and protection products are sold both as standalone policies and as riders that can be attached to life insurance products. Health and protection riders are presented together with ordinary individual life insurance products for the purposes of disclosure of financial information.

Hong Kong Insurance Authority (IA)
The Hong Kong IA is an insurance regulatory body responsible for the regulation and supervision of the Hong Kong insurance industry.

I

In-force
An insurance policy or contract reflected on records that has not expired, matured or otherwise been surrendered or terminated.

International Association of Insurance Supervisors (IAIS)
The IAIS is a voluntary membership organisation of insurance supervisors and regulators. It is the international standard-setting body responsible for developing and assisting in the implementation of principles, standards and other supporting material for the supervision of the insurance sector.

International Financial Reporting Standards (IFRS Standards)
Accounting standards and practices that are developed and issued by the IFRS Foundation and the International Accounting Standards Board (IASB).

Investment grade
Investments rated BBB- or above for S&P and Baa3 or above for Moody's. Generally, they are bonds that are judged by the rating agency as likely enough to meet payment obligations that banks are allowed to invest in them.

Investment-linked products or contracts
Insurance products where the surrender 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 investment or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of surrender, death or the maturity of the product, subject to surrender charges. These are also referred to as unit-linked products or unit-linked contracts.

K

Key performance indicators (KPIs)
These are measures by which the development, performance or position of the business can be measured effectively. The Group Board reviews the KPIs annually and updates them where appropriate.

L

Liquidity coverage ratio (LCR)
Prudential calculates this as assets and resources available to us that are readily convertible to cash to cover corporate obligations in a prescribed stress scenario. We calculate this ratio over a range of time horizons extending to twelve months.

Liquidity premium
This comprises the premium that is required to compensate for the lower liquidity of corporate bonds relative to swaps and the mark-to-market risk premium that is required to compensate for the potential volatility in corporate bond spreads (and hence market values) at the time of sale.

M

Million Dollar Round Table (MDRT)
MDRT is a global, independent association of life insurance and financial services professionals that recognises professional knowledge, strict ethical conduct and outstanding client service. MDRT membership is recognised internationally as the standard of excellence in the life insurance and financial services business.

Money Market Fund (MMF)
An MMF is a type of mutual fund that has relatively low risks compared to other mutual funds and most other investments and historically has had lower returns. MMF invests in high quality, short-term debt securities and pay dividends that generally reflect short-term interest rates. The purpose of an MMF is to provide investors with a safe place to store cash or as an alternative to investing in the stock market.

Morbidity rate
Rate of sickness, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholders of health products, which contain morbidity risks.

Mortality rate
Rate of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholders of life and annuity products, which contain mortality risks.

N

Net premiums
Life insurance premiums, net of reinsurance ceded to third-party reinsurers.

Net worth
Net assets for EEV reporting purposes that reflect the regulatory basis position, sometimes with adjustments to achieve consistency with the IFRS treatment of certain items.

New business margin
New business margin is expressed as the value of new business profit as a percentage of annual premium equivalent (APE) and the present value of new business premiums (PVNBP) expected to be received on an EEV basis.

New business profit
The profits, calculated in accordance with European Embedded Value Principles, from business sold in the financial reporting period under consideration.

Non-participating business
A life insurance policy where the policyholder is not entitled to a share of the company's profits and surplus, but receives certain guaranteed benefits. Examples include pure risk policies (eg fixed annuities, term insurance, critical illness) and unit-linked insurance contracts.

O

Operational borrowings
Borrowings which arise in the normal course of the business, including all lease liabilities under IFRS 16.

P

Participating funds
Distinct portfolios where the policyholders have a contractual right to receive, at the discretion of the insurer, additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The insurer may either have discretion as to the timing of the allocation of those benefits to participating policyholders or may have discretion as to the timing and the amount of the additional benefits. For Prudential the most significant participating funds are for business written in Hong Kong, Malaysia and Singapore.

Participating policies or participating business
Contracts of insurance where the policyholders have a contractual right to receive, at the discretion of the insurer, additional benefits based on factors such as investment performance, as a supplement to any guaranteed benefits. This is also referred to as with-profits business.

Persistency
The percentage of policies remaining in force from period to period.

Present value of new business premiums (PVNBP)
The present value of new business premiums is calculated as the aggregate of single premiums and the present value of expected future premiums from regular premium new business, allowing for lapses and other assumptions made in determining the EEV new business contribution.

R

Regular premium product
A life insurance product with regular periodic premium payments.

Renewal or recurring premiums
Renewal or recurring premiums are the subsequent premiums that are paid on regular premium products.

Rider
A supplemental plan that can be attached to a basic insurance policy, typically with payment of additional premiums.

Risk-based capital (RBC) framework
RBC is a method of measuring the minimum amount of capital set by regulators as appropriate for a reporting entity to support its overall business operations in consideration of its size and the level of risk it is faced. RBC limits the amount of risk a company can take and act as a cushion to protect a company from insolvency. RBC is intended to be a minimum regulatory capital standard and not necessarily the full amount of capital that an insurer would want to hold to meet its safety and competitive objectives. In addition, RBC is not designed to be used as a stand-alone tool in determining financial solvency of an insurance company; rather it is one of the tools that give regulators legal authority to take control of an insurance company.

S

Single premiums
Single premium policies of insurance are those that require only a single lump sum payment from the policyholder.

Stochastic techniques
Stochastic techniques incorporate results from repeated simulations using key financial parameters which are subject to random variations and are projected into the future.

Subordinated debt
A fixed interest issue or debt that ranks below other debt in order of priority for repayment if the issuer is liquidated. Holders are compensated for the added risk through higher rates of interest.

Surrender
The termination of a life insurance policy or annuity contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract.

Surrender charge or surrender fee
The fee charged to a policyholder when a life insurance policy or annuity contract is surrendered for its cash surrender value prior to the end of the surrender charge period.

T

Takaful
Insurance that is compliant with Islamic principles of mutual assistance and risk sharing.

Term life contracts
These contracts provide protection for a defined period and a benefit that is payable to a designated beneficiary upon death of the insured.

Time value of options and guarantees (TVOG)
The value of financial options and guarantees comprises two parts, the intrinsic value and the time value. The intrinsic value is given by a deterministic valuation on best estimate assumptions. The time value is the additional value arising from the variability of economic outcomes in the future.

Total shareholder return (TSR)
TSR represents the 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.

U

Unallocated surplus
Unallocated surplus is recorded wholly as a liability and represents the excess of assets over policyholder liabilities for Prudential's with-profits funds. The balance retained in the unallocated surplus represents cumulative income arising on the with-profits business that has not been allocated to policyholders or shareholders.

Unit-linked products or unit-linked contracts
See 'investment-linked products or contracts' above.

Universal life
An insurance product where the customer pays flexible premiums, subject to specified limits, which are accumulated in an account and are credited with interest (at a rate either set by the insurer or reflecting returns on a pool of matching assets). The customer may vary the death benefit and the contract may permit the customer to withdraw the account balance, typically subject to a surrender charge.

V

Value of in-force business (VIF)
The present value of future shareholder cash flows projected to emerge from the assets backing liabilities of the in-force covered business.

W

Whole life contracts
A type of life insurance policy that provides lifetime protection; premiums must usually be paid for life. The sum assured is paid out whenever death occurs. Commonly used for estate planning purposes.

With-profits contracts
For Prudential, the most significant with-profits contracts are written in Hong Kong, Malaysia and Singapore. See 'participating policies or participating business' above.

With-profits funds
See 'participating funds' above.

Y

Yield
A measure of the rate of return received from an investment in percentage terms by comparing annual income (and any change in capital) to the price paid for the investment.

Yield curve
A line graph that shows the relative yields on debt over a range of maturities typically from three months to 30 years. Investors, analysts and economists use yield curves to evaluate bond markets and interest rate expectations.

Shareholder information

Communication with shareholders

The Group maintains a corporate website containing a wide range of information relevant for private and institutional investors, including the Group's financial calendar: www.prudentialplc.com

Shareholder Meetings

The 2022 Annual General Meeting (AGM) will be held on Thursday 26 May 2022 at 10.00am. Arrangements for attendance remain under review given the ongoing restrictions arising from the Covid-19 pandemic. To ensure shareholders are able to participate fully in the AGM this year, we will provide an option to link digitally to the Meeting and would encourage shareholders to make use of this option. The 2022 AGM notice will provide more details on arrangements and how to participate. Shareholders are encouraged to watch the Company's website, regulatory news and other published notifications for any further updates in relation to the 2022 AGM arrangements.

Prudential will continue its practice of calling a poll on all resolutions and the voting results, including all proxies lodged prior to the meeting, will be displayed during the meeting and subsequently published on the Company's website.

The 2021 AGM was open to shareholders through electronic attendance, where they were able to view a live video feed of the 2021 AGM, submit voting instructions and ask direct questions to the Board. Details of the 2021 AGM, including the major items discussed at the meeting and the results of the voting, can be found on the Company's website.

In accordance with relevant legislation, shareholders holding 5 per cent 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 Company Secretary at the registered office.

Company constitution

Prudential is governed by the Companies Act 2006, other applicable legislation and regulations, and provisions in its Articles of Association (Articles). Any change to the Articles must be approved by special resolution of the shareholders. There were no changes to the constitutional documents during 2021. The current Memorandum and Articles are available on the Company's website.

Issued share capital

The issued share capital as at 31 December 2021 consisted of 2,746,412,265 (2020: 2,609,489,702) ordinary shares of 5 pence each, all fully paid up and listed on the London Stock Exchange and the Hong Kong Stock Exchange. As at 31 December 2021, there were 41,532 (2020: 45,176) accounts on the register. Further information can be found in note C8 on pages 295 and 296.

Prudential also maintains secondary listings on the New York Stock Exchange (in the form of American Depositary Receipts which are referenced to ordinary shares on the main UK register) and the Singapore Stock Exchange. Prudential has maintained a sufficiency of public float throughout the reporting period as required by the Hong Kong Listing Rules.

Analysis of shareholder accounts as at 31 December 2021

Balance ranges	Total number of holdings	Percentage of holders	Total number of shares	Percentage of issued capital
1–1,000	29,170	70.23%	7,357,872	0.27%
1,001 –5,000	8,803	21.20%	19,282,368	0.70%
5,001–10,000	1,375	3.31%	9,560,501	0.35%
10,001–100,000	1,291	3.11%	38,182,493	1.39%
100,001–500,000	463	1.11%	108,899,235	3.96%
500,001–1,000,000	128	0.31%	89,991,739	3.28%
1,000,001 upwards	302	0.73%	2,473,138,057	90.05%
Totals	41,532	100.00%	2,746,412,265	100.00%

Major shareholders

The table below shows the holdings of major shareholders in the Company's issued ordinary share capital, as at 31 December 2021, as notified and disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules.

As at 31 December 2021	% of total voting rights
BlackRock, Inc	5.08
Third Point LLC	5.04

No notifications have been received from year end to 8 March 2022.

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 plan, participants are the beneficial owners of the shares but not the registered owners, the voting rights are normally exercisable by the trustee on behalf of the registered owner in accordance with the relevant plan rules. The trustees would not usually vote on 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 8 March 2022, the trustees held 0.39 per cent of the issued share capital under the various plans in operation. Rights to dividends under the various schemes are set out on pages 194 to 233.

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, insider trading laws) and pursuant to the Listing Rules of both the Financial Conduct Authority and the Hong Kong Stock Exchange, as well as under the rules of some of the Group's employee share plans.

All Directors are required to hold a minimum number of shares under guidelines approved by the Board, which they would also be expected to retain as described on page 223 of the Directors' remuneration report.

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. Prudential seeks 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.

Disapplication of statutory pre-emption procedures is also sought for rights issues. The existing authorities to issue shares, and to do so without observing pre-emption rights, are due to expire at the end of this year's AGM. Relevant resolutions to authorise share capital issuances will be put to shareholders at the AGM on 26 May 2022.

Details of shares issued during 2021 and 2020 are given in note C8 on pages 295 and 296. In accordance with the terms of a waiver granted by the Hong Kong Stock Exchange, Prudential confirms that it complies with the applicable law and regulation in the UK in relation to the holding of shares in treasury and with the conditions of the waiver in connection with the purchase of own shares and any treasury shares it may hold.

Authority to purchase own shares

The Directors also require authority from shareholders in relation to the purchase of the Company's own shares. Prudential seeks authority by special resolution on an annual basis for the buy-back of its own shares in accordance with the relevant provisions of the Companies Act 2006 and other related guidance. This authority has not been used since it was last granted at the AGM in 2021. This existing authority is due to expire at the end of this year's AGM and a special resolution to renew the authority will be put to shareholders at the AGM on 26 May 2022.

Dividend information

2021 second interim dividend	Shareholders registered on the UK register and Hong Kong branch register	Holders of American Depositary Receipts	Shareholders with ordinary shares standing to the credit of their CDP securities accounts
Ex-dividend date	24 March 2022	–	24 March 2022
Record date	25 March 2022	25 March 2022	25 March 2022
Payment date	13 May 2022	13 May 2022	On or around 20 May 2022

A number of dividend waivers are in place in respect of 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. The dividends waived represent less than 1 per cent of the value of dividends paid during the year.

Dividend mandates

Dividends are paid directly into UK based shareholder's bank or building society accounts. UK based shareholders should contact EQ should they have any questions concerning the payment of dividends, or to provide their bank or building society account details. Alternatively, UK based shareholders may download the form from www.prudentialplc.com/investors/shareholder-information/forms

Shareholders on the UK and Hong Kong registers have the option to elect to receive their dividend in US dollars instead of pounds sterling or Hong Kong dollars respectively. More information may be found on our website www.prudentialplc.com/investors/shareholder-information/dividend/dividend-currency-election

Cash dividend alternative

The Company operates a Dividend Re-investment Plan (DRIP). UK based 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 and the timetable are available at www.shareview.co.uk/4/Info/Portfolio/default/en/home/shareholders/Pages/ReinvestDividends.aspx

Electronic communications

Shareholders located in the UK are encouraged to elect to receive shareholder documents electronically by registering with Shareview at www.shareview.co.uk This will save on printing and distribution costs, and create environmental benefits. 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 proxy form. The option to receive shareholder documents electronically is not available to shareholders holding shares through The Central Depository (Pte) Limited (CDP). Please contact EQ if you require any assistance or further information.

Share dealing services

The Company's UK registrars, EQ, offer a postal dealing facility for buying and selling Prudential plc ordinary shares; please see the EQ address or telephone 0371 384 2248. They also offer a telephone and internet dealing service, Shareview, which provides a simple and convenient way of selling Prudential shares. For telephone sales, call 0345 603 7037 between 8.00am and 5pm, 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 downloaded from our website www.prudentialplc.com/investors/shareholder-information/forms or from EQ. 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 registrars:

Register	By post	By telephone
UK register	Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, UK.	Tel 0371 384 2035* Textel 0371 384 2255 (for hard of hearing). Lines are open from 8.30am to 5pm (UK), Monday to Friday. * Please use the country code when calling from outside the UK
Hong Kong register	Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.	Tel +852 2862 8555
Singapore register	Shareholders who have shares standing to the credit of their securities accounts with CDP in Singapore may refer queries to the CDP at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589. Enquiries regarding shares held in Depository Agent Sub-accounts should be directed to your Depository Agent or broker.	Tel +65 6535 7511
ADRs	JPMorgan Chase Bank N.A, P.O. Box 64504, St. Paul, MN 55164-0504, USA.	Tel +1 800 990 1135, or from outside the USA +1 651 453 2128 or log on to www.adr.com

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Chair

Independent Non-executive Directors
Philip Remnant
Senior Independent Director

Jeremy Anderson
Chua Sock Koong
David Law
Ming Lu
Anthony Nightingale
Alice Schroeder
George Sartorel
Tom Watjen
Jeanette Wong
Amy Yip

Group Executive Committee

Executive Directors
Mike Wells
Group Chief Executive

Mark FitzPatrick
Group Chief Financial Officer and Chief Operating Officer

James Turner
Group Chief Risk and Compliance Officer

Jolene Chen
Group Human Resources Director

Nic Nicandrou
Chief Executive, Asia and Africa

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Forward-looking statements

This document may contain 'forward-looking statements' with respect to certain of Prudential's (and its wholly and jointly owned businesses') plans and its goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including statements about Prudential's (and its wholly and jointly owned businesses') beliefs and expectations and including, without limitation, statements containing the words 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning, are forward-looking statements. These statements are based on plans, estimates and projections as at the time they are made, and therefore undue reliance should not be placed on them. By their nature, all forward-looking statements involve risk and uncertainty.

A number of important factors could cause Prudential's actual future financial condition or performance or other indicated results of the entity referred to in any forward-looking statement to differ materially from those indicated in such forward-looking statement. Such factors include, but are not limited to, the impact of the ongoing Covid-19 pandemic, including adverse financial market and liquidity impacts, responses and actions taken by governments, regulators and supervisors, the impact on sales, claims and assumptions and increased product lapses, disruption to Prudential's operations (and those of its suppliers and partners), risks associated with new sales processes and technological and information security risks; future market conditions (including fluctuations in interest rates and exchange rates, inflation (including interest rate rises as a response) and deflation, the potential for a return to a sustained low-interest rate environment, the performance of financial markets generally and the impact of economic uncertainty (including as a result of geopolitical tensions and conflicts), asset valuation impacts from the transition to a lower carbon economy and derivative instruments not effectively hedging exposures arising from product guarantees); global political uncertainties, including the potential for increased friction in cross-border trade and the exercise of executive powers to restrict trade, financial transactions, capital movements and/or investment; the policies and actions of regulatory authorities, including, in particular, the policies and actions of the Hong Kong Insurance Authority, as Prudential's Group-wide supervisor, as well as the degree and pace of regulatory changes and new government initiatives generally; given its designation as an Internationally Active Insurance Group ("IAIG"), the impact on Prudential of systemic risk and other group supervision policy standards adopted by the International Association of Insurance Supervisors; the physical, social and financial impacts of climate change and global health crises on Prudential's business and operations; the impact of not adequately responding to environmental, social and governance issues (including not properly considering the interests of Prudential's stakeholders or failing to maintain high standards of corporate governance); the impact of competition and fast-paced technological change; the effect on Prudential's business and results from, in particular, mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; the impact of internal transformation projects and other strategic actions failing to meet their objectives; the availability and effectiveness of reinsurance for Prudential's businesses; the risk that Prudential's operational resilience (or that of its suppliers and partners) may prove to be inadequate, including in relation to operational disruption due to external events; disruption to the availability, confidentiality or integrity of Prudential's information technology, digital systems and data (or those of its suppliers and partners) including the Pulse platform; any ongoing impact on Prudential of the demerger of M&G plc and the demerger of Jackson Financial Inc.; the increased operational and financial risks and uncertainties associated with operating joint ventures with independent partners, particularly where joint ventures are not controlled by Prudential; 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 Prudential and its affiliates operate; 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. Further discussion of these and other important factors that could cause actual future financial condition or performance to differ, possibly materially, from those anticipated in Prudential's forward-looking statements can be found under the 'Risk factors' heading of this document. These factors are not exhaustive as Prudential operates in a continually changing business environment with new risks emerging from time to time that it may be unable to predict or that it currently does not expect to have a material adverse effect on its business.

Any forward-looking statements contained in this document speak only as of the date on which they are made. Prudential 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 Guidance and Transparency Rules, the Hong Kong Listing Rules, the SGX-ST Listing Rules or other applicable laws and regulations.

Cautionary statements

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Prudential plc is a holding company, some of whose subsidiaries are authorised and regulated, as applicable, by the Hong Kong Insurance Authority and other regulatory authorities. The Group is subject to a group-wide supervisory framework which is regulated by the Hong Kong Insurance Authority.

Prudential plc is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America, nor with The Prudential Assurance Company Limited, a subsidiary of M&G plc, a company incorporated in the United Kingdom.

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