New Directors' remuneration policy

This section sets out the revised Directors' remuneration policy which will be put forward to shareholders for a binding vote at the 2020 AGM on 14 May 2020. If approved this policy will apply immediately for three years following the AGM. This policy has evolved from the current policy which was approved at the AGM held on 18 May 2017 and has applied from that date.

As discussed in the Annual statement from the Chairman of the Remuneration Committee, the current policy has operated as intended. Full details of the existing policy can be found on pages 135 to 150 of the 2016 Annual Report or on our website at www.prudentialplc.com/investors/governance-and-policies/directors-remuneration-policy

During 2019, the Committee reviewed the policy, taking into account the demerger, the views of our shareholders, the new UK Corporate Governance Code, evolving market practice and the broader regulatory and competitive environment. It also considered workforce remuneration and related policies in the business units across the Group, including how the Company's incentive arrangements are aligned with culture. Input was sought from the management team, while ensuring that conflicts of interest were suitably mitigated.

In reviewing the policy, alternative remuneration structures were considered. Following careful consideration, the Committee decided to retain the key features of the current remuneration model since it is appropriate for a growth company, is well understood and drives the right behaviour and outcomes. However, as described in the Chairman's letter, the Committee felt that it was important to make changes to specific components in order to:

— Align reward with the strategic priorities and capital framework of the post-demerger business;

— Strengthen the community of interest between executives and other shareholders; and

— Foster alignment between the remuneration of executives and the wider workforce.

Fixed pay policy for Executive Directors

Component and purpose	*Operation*	*Opportunity*
Base salary Paying salaries at a competitive level enables the Company to recruit and retain key executives.	Prudential's policy is to offer all Executive Directors base salaries that are competitive within their local market. The Committee reviews salaries annually with changes normally effective from 1 January. In determining base salary for each executive, the Committee considers factors such as: — Salary increases for other employees across the Group; — The performance and experience of the executive; — The size and scope of the role; — Group financial performance; — Internal relativities; and — External factors such as economic conditions and market data, taking into account the geographies and markets in which the Company operates. While salaries are typically paid in the local currency of the country where the executive is based, the Committee may determine that the salary of an executive is set or paid in an alternative currency.	Annual salary increases for Executive Directors will normally be in line with the increases for other employees unless there is a change in role or responsibility.

Component and purpose	Operation	Opportunity
Benefits Provided to executives to assist them in carrying out their duties efficiently. Expatriate and relocation benefits allow Prudential to attract high calibre executives in the international talent market and to deploy them appropriately within the Group.	Prudential's policy is for the Committee to have the discretion to offer Executive Directors benefits which reflect their individual circumstances and are competitive within their local market, including: — Health and wellness benefits; — Protection and security benefits; — Transport benefits; — Family and education benefits; — All employee share plans and savings plans; — Relocation and expatriate benefits; and — Reimbursed business expenses (including any tax liability) incurred when travelling overseas in performance of duties.	The maximum paid will be the cost to the Company of providing these benefits. The cost of these benefits may vary from year to year but the Committee is mindful of achieving the best value from providers.
Provision for an income in retirement Pension benefits provide executives with opportunities to save for an income in retirement.	Prudential's policy is to offer all Executive Directors a pension provision that is competitive and appropriate in the context of pension benefits for the wider workforce. Executives have the option to: — Receive payments into a defined contribution scheme; and/or — Take a cash supplement in lieu of contributions. In addition, Executive Directors may receive statutory contributions to mandatory pension arrangements in the country in which they are based in line with local requirements.	New Executive Directors, either externally recruited or promoted from within the Company, will be entitled to receive pension contributions or a cash supplement (or a combination of the two) of 13 per cent of base salary. Current Executive Directors are entitled to receive pension contributions or a cash supplement (or combination of the two) of 22.5 per cent of base salary from the date of this Policy (a reduction from 25 per cent of base salary in the previous Policy) and 20 per cent of base salary from 14 May 2021. In addition, statutory contributions will be made to mandatory pension arrangements in the country in which the Executive Directors are based, in line with the local requirements.

Annual bonus policy for Executive Directors

Annual bonus
Payments under the Annual Incentive Plan (AIP) incentivise the delivery of stretching financial, functional and/or personal objectives which are drawn from the annual business plan.

Operation	Currently all Executive Directors participate in the AIP. The AIP payments for all Executive Directors are subject to the achievement of financial, functional and/or personal objectives.
Form and timing of payment	All Executive Directors are required to defer a percentage of their total annual bonus into Prudential shares. Currently all Executive Directors defer 40 per cent of their bonus for three years, with the remaining proportion of their bonus paid in cash following the end of the performance year. The release of deferred bonus awards is not subject to any further performance conditions. Deferred bonus awards carry the right to accumulate an amount to reflect the dividends paid on the released shares during the deferral period. These dividend equivalents will normally be settled in shares, but there is the flexibility to deliver them in cash. The Committee has the authority to apply clawback and/or a malus adjustment to all, or a portion of, the cash and deferred award elements of the bonus. More details about clawback and malus are set out below. See the 'Policy on corporate transactions' section for details of the Committee's powers in the case of corporate transactions.

Determining annual bonus awards	In assessing financial performance, the Committee determines the AIP award for each Executive Director with reference to the performance achieved against approved performance ranges. In assessing performance, the Committee will take into account the personal performance of the Executive Director and the Group's risk framework and appetite, as well as other relevant factors. To assist them in their assessment the Committee considers advice from the Group Risk Committee on adherence to the Group's risk framework and appetite and to all relevant conduct standards. The Committee may adjust the formulaic outcome based on the performance targets to reflect the underlying performance of the Company by applying discretion within the limits of the Policy. The Committee will disclose in the next Directors' Remuneration Report where discretion is used.
Opportunity	The maximum AIP opportunity is up to 200 per cent of salary for Executive Directors. Annual awards are disclosed in the relevant Annual report on remuneration.
Performance measures	The Committee has the discretion, for each Executive Director, to determine the specific performance conditions attached to each AIP cycle and to set annual targets for these measures with reference to the business plans approved by the Board. The financial measures used for the AIP will typically include profit and cash flow targets and payments depend on the achievement of minimum capital thresholds and operation within the Board approved risk framework and appetite. For the measures to be used in 2020, please refer to the Annual report on remuneration. No bonus is payable under the AIP for performance at or below the threshold level, increasing to 100 per cent for achieving or exceeding the maximum level. The weightings of the performance measures for 2020 for all Executive Directors, other than the Group Chief Risk and Compliance Officer, are 80 per cent Group financial measures and 20 per cent personal measures. For the Group Chief Risk and Compliance Officer, the weightings of performance measures for 2020 are 40 per cent Group financial measures, 40 per cent functional objectives and 20 per cent personal measures. The Committee retains the discretion to adjust and/or set different performance measures and/or targets if events occur (such as a change in strategy, a material acquisition and/or divestment of a Group business, a change in share capital of the Company, a change in the capital framework, or the requirements of the Company's regulators or a change in prevailing market conditions) which cause the Committee to determine that the measures and/or targets are no longer appropriate and that amendment is required so that they achieve their original purpose (or comply with such regulatory requirements).
Amendments	The Committee may make amendments to the rules of the deferred bonus plan which it considers appropriate (such as amendments which benefit the administration of the plan) but it will not make any amendments which are incompatible with the approved Directors' remuneration policy.
Committee discretions	In determining awards under the AIP, the Committee retains the discretion to adjust the formulaic outcome against any or all measures if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or any member of the Group over the performance period and/or there exists any other reason why an adjustment is appropriate, taking into account such factors as the Committee considers relevant.

Long-term incentive policy for Executive Directors

Prudential Long Term Incentive Plan (PLTIP)
The Prudential Long Term Incentive Plan is designed to incentivise the delivery of:

- Longer-term business plans;
- Sustainable long-term returns for shareholders; and
- Group strategic priorities, such as disciplined risk and capital management.

Operation	Currently all Executive Directors participate in the PLTIP. Prudential's policy is that Executive Directors may receive long-term incentive awards with full vesting only achieved if the Company meets stretching performance targets. The rules of the PLTIP were approved by shareholders in 2013. Subsequent to this, minor amendments have been made to the rules to incorporate clawback provisions, provide for a holding period and to ensure participants were no better or no worse off as a result of the demerger of M&G plc from Prudential plc.
Granting awards	The PLTIP is a conditional share plan: the shares which are awarded will ordinarily vest after three years to the extent that performance conditions have been met. If performance conditions are not achieved, the unvested portion of any award lapses and performance cannot be retested. The PLTIP has a three-year performance period (although the Committee has the discretion to apply shorter or longer performance periods when the PLTIP is used for buy-out awards on recruitment – see the 'Approach to recruitment remuneration' section).
Holding period	Awards made under this Policy are normally subject to a holding period which ends on the fifth anniversary of the award (except for buyout awards made under the PLTIP or, for example, in the case of the death of an executive). The Company may sell such number of shares as is required to satisfy any tax liability that arises on vesting. The balance of shares will be subject to the holding period.
Determining the release of the award	The Committee has the authority to apply clawback and/or a malus adjustment to all, or a portion of, a PLTIP award. More details about clawback and malus are set out below. Awards carry the right to accumulate an amount to reflect the dividends paid on the released shares, during the period between the awards being granted and the award vesting. Dividend equivalents will normally be settled in shares, but there is the flexibility to deliver them in cash.
Opportunity	The value of shares awarded under the PLTIP (in any given financial year) may not exceed 550 per cent of the executive's annual basic salary. Awards made in a particular year are usually significantly below this limit. In 2020, the Committee intends to make awards at the following levels under the PLTIP (as a percentage of base salary): Group Chief Executive: 400 per cent Group Chief Financial Officer and Chief Operating Officer: 300 per cent Group Chief Risk and Compliance Officer: 250 per cent The Committee would consult with major shareholders before making any increase to current award levels. Award levels are disclosed in the relevant Annual report on remuneration. The maximum vesting under the PLTIP is 100 per cent of the original share award plus accrued dividend equivalents.

Performance measures	The performance conditions attached to PLTIP 2020 awards for all Executive Directors are: — Relative TSR (50 per cent of award); — A Return on Equity measure (30 per cent of award); and — Sustainability scorecard measures (20 per cent of award). Using a Return on Equity metric alongside TSR and a sustainability scorecard will ensure that the full value of long-term incentive awards is attained only where capital is effectively created and deployed in a way which creates shareholder returns superior to those delivered by peers while conduct and diversity expectations are met. The Committee may decide to attach different performance conditions and/or change the conditions' weighting for future PLTIP awards. The performance conditions attached to each award will be disclosed in the relevant Annual report on remuneration. Relative TSR is measured over three years. 20 per cent of this portion of each award will vest for achieving the threshold level of median, increasing to full vesting for meeting the stretch level of upper quartile. TSR is measured against a peer group of international insurers similar to Prudential in size, geographic footprint and products. The peer group for each award is disclosed in the relevant Annual report on remuneration. Three year cumulative Return on Equity, defined as Operating return on average shareholder funds, calculated as adjusted IFRS operating profit based on longer-term investment returns ('adjusted operating profit') after tax and net of non-controlling interests divided by average shareholder funds, is assessed at Group level. Threshold and maximum achievement levels will be set at the beginning of the performance periods in line with the three-year business plan. 20 per cent of this portion of the award will vest for achieving threshold performance increasing to full vesting for meeting stretch targets. Performance against the measures in the scorecard of sustainability measures is assessed at the end of the three-year performance period. For the 2020 awards these measures will be equally weighted. 20 per cent of this portion of the award will vest for achieving threshold performance increasing to full vesting for meeting stretch targets. The scorecard measures for each award are disclosed in the relevant Annual report on remuneration for the year of grant. The Committee also considers advice from the Group Risk Committee on whether results were achieved within the Group's and business units' risk framework and appetite and to all relevant conduct standards.
Committee discretions	For any award made under the PLTIP to vest, the Committee must be satisfied that the quality of the Company's underlying financial performance justifies the level of reward delivered at the end of the performance period. The Committee receives data about factors such as risk management and the cost of capital to support their decision. The Committee has the discretion to alter or disapply the holding period if it believes that it is appropriate. See the 'Policy on corporate transactions' section for details of the Committee's powers in the case of corporate transactions. The Committee retains the ability to amend the performance conditions and/or targets attached to an award and/or set different performance measures (or to revise the weighting of measures) which apply to new or outstanding long-term incentive awards if: — events occur which cause the Committee to determine that circumstances relevant to the performance conditions have changed such that the measures described in this section are no longer appropriate; and — that amendment is required so that they achieve their original purpose, provided the Committee is satisfied that the amended measure and/or target range will be a fairer measure of performance and no more or less demanding than the original condition. Examples of such events could include a change in strategy, a material acquisition and/or divestment of a Group business or a change in the share capital of the Company, a change in the requirements of the Company's regulators or a change in prevailing market conditions. The Committee would seek to consult with major shareholders before revising performance conditions on outstanding awards under the PLTIP. It is the intention of the Committee that PLTIP awards should normally reflect the outcomes of performance measures set. However, the Committee may, in its discretion, adjust (including by reducing to nil) the formulaic outcome under the PLTIP if it considers that: (i) the extent to which any performance condition has been met does not reflect the underlying financial or non-financial performance of the participant or any member of the Group over the performance period; or (ii) there exists any other reason why an adjustment is appropriate, taking into account such factors as the Committee considers relevant, including the context of circumstances that were unexpected or unforeseen at the date of grant.
Amendments	The Committee may make amendments to the rules of the Plan which are minor and benefit the administration of the Plan, which take account of any changes in legislation, and/or which obtain or maintain favourable tax, exchange control or regulatory treatment. Otherwise no amendments may be made to certain key provisions of the PLTIP to the advantage of participants without prior shareholder approval.

Share ownership guidelines for Executive Directors

It is imperative that the Company's remuneration arrangements align the interests of executives and other shareholders. The following reinforces this alignment.

In-employment guidelines	Under the Articles of Association, all Executive Directors are required to hold at least 2,500 shares and have one year, from their date of appointment to the Board, to acquire these. The share ownership guidelines for the Executive Directors during their employment are: — 400 per cent of salary for the Group Chief Executive; — 250 per cent of salary for the Group Chief Financial Officer and Chief Operating Officer; and — 250 per cent of salary for the Group Chief Risk and Compliance Officer. Executives normally have five years from the later of the date of their appointment or promotion, or the date of an increase in these guidelines, to build this level of ownership. Shares earned and deferred under the AIP are included in calculating the Executive Director's shareholding for these purposes, as are shares held by members of an Executive Director's household. Unvested share awards under long-term incentive plans are not included but vested share awards under long-term incentive plans which are subject to the holding period are included. Progress against the share ownership guidelines is detailed in the 'Statement of Directors' shareholdings' section of the Annual report on remuneration. Should an Executive Director not meet the share ownership guidelines, the Remuneration Committee retains the discretion to determine how this should be addressed, taking account all of the prevailing circumstances. In the absence of mitigating circumstances, if an Executive Director fails to comply with the share ownership guideline in the required timeframe and has not (in the opinion of the Remuneration Committee) taken reasonable steps to achieve compliance, despite encouragement to do so, then the Remuneration Committee may take steps including preventing the individual from selling shares/ADRs or mandating the use of any cash bonuses to buy Prudential plc shares/ADRs.
Post Directorship guidelines	When an Executive Director leaves the Board, they will be required to hold the lower of their actual shareholding on the date of their retirement from the Board and their in-employment share ownership guideline for a period of two years. The Committee has the discretion to disapply or reduce this requirement in extenuating circumstances, for example if the Executive Director takes up a role with a Regulator or for compassionate reasons (such as genuine financial hardship or on death).

Malus and clawback policy

As detailed in the policy table, the Committee may apply clawback and/or a malus adjustment to variable pay in certain circumstances as set out below. The Committee can delay the release of awards pending the completion of an investigation which could lead to the application of malus or clawback.

	Circumstances when the Committee may exercise its discretion to apply malus or clawback to an award
Malus (applies in respect of any annual bonus or long-term incentive award) Allows unvested shares awarded under deferred bonus and LTIP plans to be forfeited or reduced in certain circumstances.	Where a business decision taken during the performance period by the business which the participant leads has resulted in a material breach of any law, regulation, code of practice or other instrument that applies to companies or individuals within the business. Where there is a materially adverse restatement of the accounts for any year during the performance period of (i) the business unit in which the participant worked at any time in that year; and/or (ii) any member of the Group which is attributable to incorrect information about the affairs of that business unit; or (iii) for awards made in 2020 or later, it becomes apparent that the calculation of payments was based on erroneous or misleading data or otherwise incorrect. Where an individual's personal conduct during the relevant performance period has resulted in the Company, or any member of the Group, suffering significant reputational or financial damage; the potential to cause significant reputational or financial damage; and/or the material breach of the Group's business code of conduct or law. Where any matter arises which the Committee believes affects or may affect the reputation of the Company or any member of the Group.
Clawback Allows cash and share awards, including shares subject to the holding period, to be recovered before or after release in certain circumstances.	Clawback may be applied: — For the PLTIP, where at any time before the fifth anniversary of the award date, and — For the AIP, where at any time before the fifth anniversary of the end of the bonus performance period where either (i) there is a materially adverse restatement of the Company's published accounts in respect of any financial year which (in whole or part) comprised part of the performance period; or (ii) it becomes apparent that a material breach of a law or regulation took place during the performance period which resulted in significant harm to the Company or its reputation, and the Committee considers it appropriate, taking account of the extent of the participants' responsibility for the relevant restatement or breach, that clawback be applied to the relevant participant; or (iii) for awards made in 2020 or later, it becomes apparent that the calculation of payments was based on erroneous or misleading data or otherwise incorrect. Where an individual's personal conduct during the relevant performance period has resulted in the Company, or any member of the Group, suffering significant reputational or financial damage; the potential to cause significant reputational or financial damage; and/or the material breach of the Group's business code of conduct or law.

Notes to the remuneration policy table for Executive Directors

Committee's judgement

The Committee is required to make judgements when assessing Company and individual performance under the Directors' remuneration policy. In addition, the Committee has discretions under the Company's share plans, for example, determining if a leaver should retain or lose their unvested awards and whether to apply malus or clawback to an award. Exercise of such discretion during the year will be reported and explained in the next Annual report on remuneration.

The Committee may approve payments or awards in excess of, in a different form to, or calculated or delivered other than as described above, where the Committee considers such changes necessary or appropriate in light of regulatory requirements. If these changes are considered by the Committee to be material, the Company will seek to consult with its major shareholders.

Determining the performance measures

The Committee selected the performance measures that currently apply to variable pay plans on the following basis:

AIP

The performance measures are selected to incentivise the delivery of the Group's business plan, specifically to ensure that financial objectives are delivered while maintaining adequate levels of capital. Executives are also rewarded for the achievement of functional and/or personal objectives. These objectives include the executive's contribution to Group strategy as a member of the Board, achievement of the Group's strategic priorities and, for the Group Chief Risk and Compliance Officer, specific goals related to the Risk and Compliance function.

PLTIP
Awards made under the PLTIP in 2020 are subject to the achievement of Return on Equity, relative TSR and a sustainability scorecard :

- Return on Equity was selected as a performance measure for the PLTIP because it is a familiar measure for investors, is comparable across the market and also aligns performance incentives to the generation of long-term shareholder value.
- Relative TSR was selected as a performance measure because it focuses on the value delivered to shareholders – aligning the long-term interests of shareholders with those of executives.
- A sustainability scorecard was selected to ensure an alignment with the Group's strategic objectives, which are approved by the Board each year, and to reflect Prudential's cultural values.

The Committee may decide to attach different performance conditions and/or change the conditions' weighting for future PLTIP awards.

Setting the performance ranges for financial targets
Where variable pay has performance conditions based on business plan measures (for example the financial metrics of the AIP and the Return on Equity element of the PLTIP) the performance ranges are set by the Committee prior to, or at the beginning of, the performance period. Performance is based on the annual and longer-term plans approved by the Board. These reflect the long-term ambitions of the Group and business units, in the context of anticipated market conditions.

For market-based performance conditions (eg relative TSR) the Committee requires that performance is in the upper quartile, relative to Prudential's peer group, for awards to vest in full.

Targets used to determine annual bonus outcomes will be disclosed in the Directors' remuneration report for the year for which the bonus is paid.

Wherever possible, the targets attached to long-term incentive awards will be disclosed prospectively at the time of the award. Where long-term incentive targets are commercially sensitive, they will be published in the Annual Report for the final year of the performance period.

Key differences between Directors' remuneration and the remuneration of the wider workforce
Across the Group, remuneration is reviewed regularly with the intention that all employees are paid appropriately in the context of their local market and given their individual skills, experience and performance. The Committee regularly receives information on workforce remuneration and related policies and takes this into account when determining Executive Director remuneration, for example it considers salary increase budgets for the workforce when determining the salaries of Executive Directors.

The remuneration principles that apply to Executive Directors are cascaded to employees as appropriate. Employees are regularly provided with an explanation of how decisions on executive pay are made and how they reflect the wider Company remuneration policy.

Legacy payments
The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before 15 May 2014 (the date the Company's first shareholder-approved Directors' remuneration policy came into effect); (ii) before this policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming or having been a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

References to 'shares'
In this policy, references to shares include American Depositary Receipts (ADRs). Directors may receive awards denominated in ADRs rather than shares.

Scenarios of total remuneration

The chart below provides an illustration of the future total remuneration for each Executive Director in respect of their remuneration opportunity for 2020. Four scenarios of potential outcome are provided based on underlying assumptions shown in the notes to the chart.

The Committee is satisfied that the maximum potential remuneration of the Executive Directors is appropriate. Prudential's policy is to offer Executive Directors remuneration which reflects the performance and experience of the executive, internal relativities and Group financial and non-financial performance. In order for the maximum total remuneration to be payable:

— Financial performance must exceed the Group's stretching business plan;

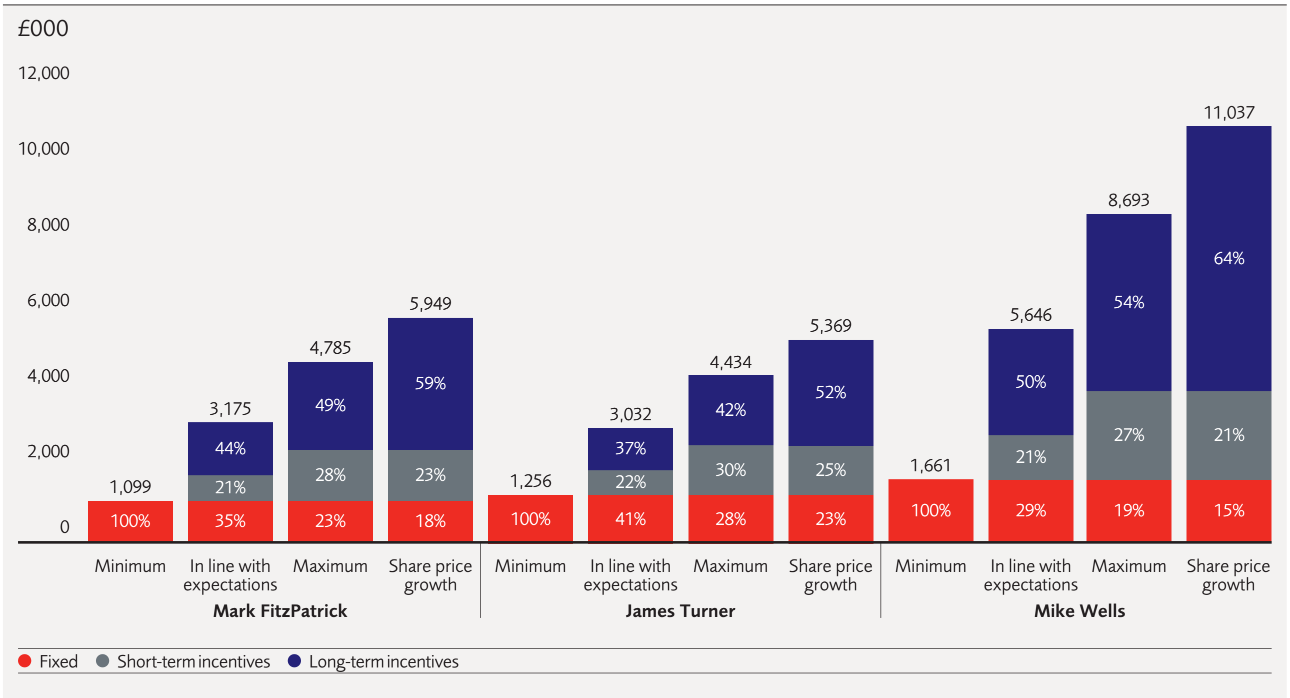
— Relative TSR must be at or above the upper quartile relative to the peer group;

— The sustainability scorecard, aligned to the Group's strategic priorities, must be fully satisfied;

— Functional and personal performance objectives must be fully met; and

— Performance must be achieved within the Group's risk framework and appetite.

The fourth scenario below illustrates the maximum potential remuneration (shown in the third scenario) on the assumption that the Company's share price grows by 50 per cent over three years.



Notes
The scenarios in the chart above have been calculated on the following assumptions:

	Minimum	**In line with expectations**	**Maximum**	**Share price growth**
Fixed pay	Base salary at 1 January 2020. Pension allowance for the year has been calculated at 22.5% of salary in line with this policy Estimated value of benefits based on amounts paid in 2019. James Turner is paid in HK$ and figures have been converted to GBP for the purposes of this chart.			
Annual bonus	No bonus paid.	50% of maximum AIP.	100% of maximum AIP.	
Long-term incentives (excludes dividends)	No PLTIP vesting.	Vesting of 60% of award under PLTIP (midway between threshold and maximum)	Vesting of 100% of award under PLTIP.	Vesting of 100% of award under PLTIP plus share price growth of 50 per cent over three years.

Approach to recruitment remuneration

The table below outlines the approach that Prudential will take when recruiting a new Executive Director. This approach would also apply to internal promotions.

The approach to recruiting a Non-executive Director or a Chairman is outlined on page 188.

Element	*Principles*	*Potential variations*
Base pay	The salary for a new Executive Director will be set using the approach set out in the fixed pay policy table on page 174.	
Benefits and pension	The benefits for a new Executive Director will be consistent with those outlined in the fixed pay policy table.	
Variable remuneration opportunity	The variable remuneration opportunities for a new Executive Director would be consistent with the limits and structures outlined in the variable pay policy table.	
Awards and contractual rights forfeited when leaving previous employer	On joining the Board from within the Group, the Committee may allow an executive to retain any outstanding deferred bonus and/or long-term incentive awards and/or other contractual arrangements that they held on their appointment. These awards (which may have been made under plans not listed in this policy) would remain subject to the original rules, performance conditions and vesting schedule applied to them when they were awarded. If an externally-appointed Executive Director forfeits one or more bonuses (including outstanding deferred bonuses) on leaving a previous employer, these payments or awards may be replaced in either cash, Prudential shares or options over Prudential shares with an award of an equivalent value. Replacement awards will normally be released on the same schedule as the foregone bonuses. If an externally-appointed Executive Director forfeits one or more long-term incentive awards on leaving a previous employer, these may be replaced with Prudential awards with an equivalent value. Replacement awards will generally be made under the terms of a long-term incentive plan approved by shareholders, and vest on the same schedule as the foregone awards. Where foregone awards were subject to performance conditions, performance conditions will normally be applied to awards replacing foregone long-term incentive awards; these will usually be the same as those applied to the long-term incentive awards made to Prudential executives in the year in which the forfeited award was made.	The Committee may consider compensating a newly-appointed executive for other relevant contractual rights forfeited when leaving their previous employer. The use of Listing Rule 9.4.2 to facilitate the recruitment of an Executive Director is now only relevant in 'unusual circumstances'. The Committee does not anticipate using this rule on a routine basis but reserves the right to do so in an exceptional circumstance. For example, this rule may be required if, for any reason, like-for-like replacement awards on recruitment could not be made under existing plans. This provision would only be used to compensate for remuneration forfeited on leaving a previous employer.

Policy on payment on loss of office

Element	*Principle*	*Potential variations*
Notice periods	The Company's policy is that Executive Directors' service contracts will not require the Company to give an executive more than 12 months' notice without prior shareholder approval. A shorter notice period may be offered where this is in line with market practice in an executive's location. The Company is required to give to, and to receive from, each of the current Executive Directors 12 months' notice of termination. An Executive Director whose contract is terminated would be entitled to 12 months' salary and benefits in respect of their notice period. The payment of the salary and benefits would either be phased over the notice period or, alternatively, a payment in lieu of notice may be made. In agreeing the terms of departure for any Executive Director, other than on death or disablement, the Company will have regard to the need to mitigate the costs for the Company, which would be reduced or cease if departing Executives secure alternative paid employment during the notice period.	If an Executive Director is dismissed for cause their contract would be terminated with immediate effect and they would not receive any payments in relation to their notice period. Should an executive die, their estate would not be entitled to receive payments and benefits in respect of their notice period – provisions are made under the Company's life assurance scheme to provide for this circumstance. Should an Executive Director step down from the Board but remain employed by the Group, they would not receive any payment in lieu of notice in respect of their service as a Director.
Outstanding deferred bonus awards	The treatment of outstanding deferred bonuses will be decided by the Committee taking into account the circumstances of the departure including the performance of the Executive Director. Deferred bonus awards are normally retained by participants leaving the Company. Awards will vest on the original timetable and will not normally be released early on termination. Prior to release, awards remain subject to the malus terms originally applied to them. The clawback provisions will continue to apply.	Any Executive Director dismissed for cause would forfeit all outstanding deferred bonus awards. Should an executive die, outstanding deferred bonus awards will be released as soon as possible after the date of death. Should an Executive Director step down from the Board but remain employed by the Group, they would retain any outstanding deferred bonus awards. These awards would remain subject to the original rules and vesting schedule applied to them when they were awarded.
Unvested long-term incentive awards	The treatment of unvested long-term incentives will be decided by the Committee taking into account the circumstances of the departure including the performance of the Executive Directors. Where an Executive Director is determined to be a good leaver, unvested long-term incentive awards will normally subsist. These awards will ordinarily be pro-rated based on time employed, will vest on the original timescale and will remain subject to the original performance conditions assessed over the entire performance period. Good leavers are defined as injury or disability, retirement with the approval of the employing company, the employing company ceasing to be a member of the Group, the business in which the individual is employed being transferred to a transferee that is not a member of the Group, or any other circumstances at the discretion of the Committee. Individuals who die in service will also be treated as good leavers. Where an individual is not determined to be a good leaver, unvested long-term incentive awards will lapse on cessation of employment. Prior to release, awards remain subject to the malus and clawback terms and holding periods originally applied to them.	Any Executive Director dismissed for cause would forfeit all unvested long-term incentive awards. If the Committee has judged that the departing Executive Director should retain their unvested long-term incentive awards with the expectation that: (i) the Executive Director is retiring from their professional executive career; and/or (ii) the Executive Director will not be seeking to secure alternative employment with another organisation of comparable size as the Company or that is within the financial services sector the Committee retains the power to lapse all unvested long-term incentive awards should the Committee deem that the Executive Director has secured similar paid executive employment elsewhere. On death, disablement and in other exceptional circumstances, the Committee has discretion to release unvested long-term incentive awards earlier than the end of the vesting period. The malus and clawback provisions will continue to apply. Should an Executive Director step down from the Board but remain employed by the Group, an executive would retain any outstanding long-term incentive awards which they held on their change of role. These awards would remain subject to the original rules, performance conditions and vesting schedule.

Element	Principle	Potential variations
Vested long-term incentive awards, subject to the holding period	The treatment of vested long-term incentives will be decided by the Committee taking into account the circumstances of the departure. Executive Directors will normally retain their vested long-term incentive awards that remain subject to the holding period. Normally these awards will be released in accordance with the original timescale and will remain subject to the holding period. Prior to release, awards remain subject to the malus and clawback terms originally applied to them.	On death, disablement and in other exceptional circumstances, the Committee has discretion to release vested long-term incentive awards earlier than the end of the holding period. The malus clawback provisions will continue to apply. Should an Executive Director step down from the Board but remain employed by the Group, they would retain any vested long-term incentive awards that remain subject to the holding period. These awards would remain subject to the original rules and release schedule applied to them when they were awarded (ie the holding period will continue to apply).
Bonus for final year of service	The payment of a bonus for the final year of service will be decided by the Committee giving full consideration to the circumstances of the departure including the performance of the Executive Director. The Committee may award a departing executive a bonus which will usually be pro-rated to reflect the portion of the final financial year in which they served which had elapsed on the last day of their employment. Any such bonus would be calculated with reference to financial, functional and/or personal performance measures in the usual way. The normal portion of any such bonus awarded must be deferred.	Any Executive Director dismissed for cause would not be eligible for any bonus that has not been paid. Should an Executive Director die whilst serving as an employee a time pro-rated bonus may be awarded. In such circumstances, deferral will not be applied and the payment will be made solely in cash. The Committee may decide to award an executive stepping down from the Board but remaining with the Group a bonus pro-rated to reflect the portion of the financial year which had elapsed on the date of their change of role. This would be calculated with reference to financial, functional and/or personal performance measures in the usual way. The Committee may determine that a portion of such a bonus must be deferred.
Other payments	Consistent with other employees, Executive Directors may receive payments to compensate them for the loss of employment rights on termination. Payments may include: — A nominal amount for agreeing to non-solicitation and confidentiality clauses; — Directors and Officers insurance cover for a specified period following the executives' termination date; — Payment for outplacement services; — Reimbursement of legal fees; and — Repatriation assistance. The Committee reserves the right to make additional exit payments where such payments are made in good faith: — In discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or — By way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.	
Post-Directorship guidelines	When an Executive Director leaves the Board they will be subject to post-Director Share ownership guidelines. Further details are included in the section on 'Share ownership guidelines for Executive Directors'.	Further details are included in the section on 'Share ownership guidelines for Executive Directors'.

Policy on corporate transactions

	Treatment
Deferred Annual Incentive Plan Awards	In the event of a corporate transaction (eg takeover, material merger, winding up etc), the Committee will determine whether awards will: — Vest in part or in full; — Continue in accordance with the rules of the plan; and/or — Lapse and, in exchange, the participant will be granted an award under any other share or cash incentive plan which the Committee considers to be broadly equivalent to the award.
Prudential Long Term Incentive Plan	In the case of a corporate transaction (eg takeover, material merger, winding up etc), the Committee will determine whether awards will: — Be exchanged for replacement awards (either in cash or shares) of equal value unless the Committee and successor company agree that the original award will continue; or — Vest in part or in full and be released. Where awards vest/ are released the Committee will have regard to the performance of the Company, the time elapsed between the date of grant and the relevant event and any other matter that the Committee considers relevant or appropriate.

Service contracts
Executive Directors' service contracts provide details of the broad types of remuneration to which they are entitled, and about the kinds of plans in which they may be invited to participate. The service contracts offer no certainty as to the value of performance-related reward and confirm that any variable payment will be at the discretion of the Company.

Copies of the service contract between the Prudential Group and each of the Executive Directors are available for inspection at Prudential's registered office during normal hours of business and will also be available at any General Meeting of the Company. Details of the duration of the Executive Directors' service contracts are set out in the 'Directors' terms of employment and external appointments' section of the Annual report on remuneration.

Statement of consideration of conditions elsewhere in the Company
Across the Group, remuneration is reviewed regularly with the intention that all employees are paid appropriately in the context of their local market and given their individual skills, experience and performance. Each business unit's salary increase budget is set with reference to local market conditions. The Committee considers salary increase budgets across the workforce when determining the salaries of Executive Directors.

Prudential does not specifically consult with employees when setting the Directors' remuneration policy: Prudential is a global organisation with employees and agents in multiple business units and geographies. We do have a mechanism for designated Non-executive Directors to gather employees' views on a range of topics and for these views to be represented to the Board. As many employees are also shareholders, they are able to participate in binding votes on the Directors' remuneration policy and annual votes on the Annual report on remuneration.

Statement of consideration of shareholder views
The Committee and the Company undertake regular consultation with key institutional investors on the Directors' remuneration policy and implementation. This engagement is led by the Committee Chairman and is an integral part of the Company's investor relations programme. The Committee is grateful to shareholders for the feedback that is provided and takes this into account when determining executive remuneration.

Remuneration policy for Non-executive Directors and the Chairman

	Fees	*Benefits*	*Share Ownership Guidelines*
Non-executive Directors	All Non-executive Directors receive a basic fee for their duties as a Board member. Additional fees are paid for added responsibilities such as chairmanship and membership of committees, acting as the Senior Independent Director or designation to carry out the workforce engagement role. Fees are paid to Non-executive Directors, subject to the appropriate deductions. The basic and additional fees are reviewed annually by the Board with any changes effective from 1 July. In determining the level of fees the Board considers: — The time commitment and other requirements of the role; — Group financial performance; — Salary increases for all employees; and — Market data. If, in a particular year, the number of meetings is materially greater than usual, the Company may determine that the provision of additional fees in respect of that year is fair and reasonable. Should a new committee be formed, or the remit of an existing committee be materially expanded, the new or additional fees paid for the chairmanship or membership of the committee will be commensurate with the new or additional responsibilities and time commitment involved. Non-executive Directors are not eligible to participate in annual bonus plans or long-term incentive plans.	Non-executive Directors do not currently receive benefits or a pension allowance or participate in the Group's employee pension schemes. Travel and business expenses for Non-executive Directors are incurred in the normal course of business, for example, in relation to attendance at Board and Committee meetings. The costs associated with these are all met by the Company, including any tax liabilities arising on these business expenses.	Under the Articles of Association, all Non-executive Directors are required to hold at least 2,500 shares and have one year, from their date of appointment to the Board, to acquire these. It is further expected that Non-executive Directors will hold shares with a value equivalent to one times the annual basic fee (excluding additional fees for chairmanship and membership of any committees). Non-executive Directors will normally be expected to attain this level of share ownership within three years of their date of appointment.

	Fees	*Benefits*	*Share Ownership Guidelines*
Chairman	The Chairman receives an annual fee for the performance of their role. This fee is agreed by the Committee and is paid to the Chairman in cash, subject to the appropriate deductions. On appointment, the fee may be fixed for a specified period of time. Following the fixed period (if applicable) this fee will be reviewed annually. Changes in the fee are effective from 1 July. In determining the level of the fee for the Chairman the Committee considers: — The time commitment and other requirements of the role; — The performance and experience of the Chairman; — Internal relativities; — Company financial performance; and — Market data. The Chairman is not eligible to participate in annual bonus plans or long-term incentive plans.	The Chairman may be offered benefits including: — Health and wellness benefits; — Protection and security benefits; — Transport benefits; — Reimbursement of business expenses (and any associated tax liabilities) incurred when travelling overseas in performance of duties; and — Relocation and expatriate benefits (where appropriate). The maximum paid will be the cost to the Company of providing these benefits. The Chairman is not eligible to receive a pension allowance or to participate in the Group's employee pension schemes.	Under the Articles of Association, the Chairman is required to hold at least 2,500 shares and has one year, from their date of appointment to the Board, to acquire these. The Chairman has a share ownership guideline. This is currently one times the annual fee and it is normally expected that this level of share ownership would be attained within five years of the date of appointment.

Recruitment of a new Chairman or Non-executive Director
The fees for a new Non-executive Director will be consistent with the current basic fee paid to other Non-executive Directors (as set out in the Annual report on remuneration for that year) and will be reflective of their additional responsibilities as chair and/or members of Board committees.

The fee for a new Chairman will be set with reference to the time commitment and other requirements of the role, the experience of the candidate, as well as internal relativities among the other Executive and Non-executive Directors. To provide context for this decision, data would be sought for suitable market reference point(s).

Notice periods – Non-executive Directors and Chairman
Non-executive Directors are appointed pursuant to letters of appointment with notice periods of six months without liability for compensation. A contractual notice period of 12 months by either party applies for the Non-executive Chairman. The Chairman would not be entitled to any payments for loss of office. Details of the individual appointments of the Chairman and Non-executive Directors are set out in the 'Letters of appointment of the Chairman and Non-executive Directors' section of the Annual report on remuneration.

For information on the terms of appointment for the Chairman and Non-executive Directors please see page 168.

Changes from 2017 policy

The proposed Directors' remuneration policy generally reflects that approved by shareholders in May 2017. The principal differences are set out below. Additionally, minor changes have been made to provide alignment with the UK Corporate Governance Code and to generally improve clarity.

— The Solvency II capital metric in the AIP and PLTIP scorecard is to be replaced with a Pillar I capital metric;

— The weightings of the AIP performance measures for the Group Chief Risk and Compliance Officer are 40 per cent Group financial measures, 40 per cent functional objectives and 20 per cent personal measures. In the 2017 policy, the measures were entirely based on a combination of personal and functional measures;

— A Return on Equity measure replaces the operating profit measure in the PLTIP;

— Under the PLTIP, 20 per cent of each portion of the award will vest for achieving threshold performance. This change was implemented for 2019 PLTIP awards and it is now reflected in this policy. For prior awards, threshold performance resulted in 25 per cent of awards vesting;

— The Committee intends to make a 2020 PLTIP award of 300 per cent of salary to the Group Chief Financial Officer and Chief Operating Officer (increased from 250 per cent of salary);

— From the date of this policy, current Executive Directors will receive pension contributions of 22.5 per cent of base salary, reducing to 20 per cent of base salary from 14 May 2021. New Executive Directors, either externally recruited or promoted from within the Company, will be entitled to receive pension contributions or a cash supplement (or a combination of the two) of 13 per cent of base salary. In addition, statutory contributions will continue to be made to mandatory pension arrangements in the country in which the Executive Directors are based in line with the local requirements. The 2017 policy offered all Executive Directors pension benefits of 25 per cent of salary; and

— Executive Directors will, on leaving the Board, be required to hold the lower of their actual shareholding on the date of their retirement from the Board and their in-employment share ownership guideline for a period of two years.

Principles underlying the policy

In particular, when determining the new Directors' remuneration policy the Committee had regard to a number of key principles as illustrated below and opposite:

Simplicity	The Committee has decided to retain the key features of the current policy. It continues to consist of fixed remuneration, annual and long-term incentives only.
	Stakeholders are familiar with the operation of current 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 current 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 these guidelines, to build this level of ownership.
	A post-employment shareholding requirement has been introduced for Executive Directors leaving the Board to maintain their in-employment share ownership guideline for a period of two years or their actual shareholding on the date of their retirement from the Board if lower, subject to Committee discretion. 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	Executive Directors recruited externally or internally from the date of the 2020 AGM will be offered pension benefits of 13 per cent of salary, aligned with the employer pension contribution available to the UK workforce. For existing Directors, pension benefits will be reduced from 25 per cent to 20 per cent of salary by May 2021.
	The conduct measure in the PLTIP rewards for appropriate management action in ensuring that there are no significant conduct/culture/governance issues that result in significant capital add-ons or material fines.
	The pay arrangements for Executive Directors are aligned with that 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 changes to the 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 level of awards under incentive awards to Executive Directors at threshold, on-target and maximum levels are defined and have been outlined in the scenarios of total remuneration charts for the new policy.