

CORPORATE RESPONSIBILITY REVIEW

Corporate Responsibility (CR) continues to be guided by Harvey McGrath, Chairman, Prudential plc. Led by the Chairman, the Board regularly discusses the Group's CR performance and reviews strategy annually.

The following review provides an overview of our activities and progress. Prudential publishes an annual CR report, available online at www.prudential.co.uk

“Through 163 years of experience looking after our customers' interests, and supporting wider society, we have established a heritage of responsibility.”

Our approach

The very nature of our products is long term and we do not underestimate the trust our customers place in us to ensure we effectively plan and provide for them in the future. Through 163 years of experience looking after our customers' interests, and supporting wider society, we have established a heritage of responsibility that is integrated into the way we run our business. This culture of individual responsibility also extends to the high standards of behaviour we expect from our agents and intermediaries.

“We direct our resources towards the issues that we believe are most relevant to our business and where we can make the most impact.”

We are in no doubt that acting responsibly with our customers' investments, supporting the welfare of the communities in which they live and playing our part in protecting the environment are fundamental to managing a sustainable company. We firmly believe that these activities are best managed by our businesses on the ground, those who are closest to the customer and local stakeholders.

However, we also recognise the importance of ensuring good governance and achieving consistent standards across the Company, which is why the Group is accountable for developing the overarching framework, principles and policies for each of our CR priorities, and for reporting progress to the Board and external stakeholders.

We direct our resources towards the issues that we believe are most relevant to our business and where we can make the most impact through our actions and expertise. As such, we have established four global areas of focus:

- 1 Fair and transparent products meeting customer needs
- 2 Best people for the best performing business
- 3 Protecting the environment
- 4 Supporting local communities

Fair and transparent products meeting customer needs

We are deeply aware of the importance our customers attach to the financial decisions they face in meeting their changing requirements for savings, income and protection.

Across the Group we serve more than 25 million customers. The demographics of our geographies mean the profiles of our customers and the products we offer vary across our operations. But, in all our markets, we are committed to listening to our customers and understanding their individual needs so that they are able to make well-informed decisions.

In 2011 we will be publishing our Customer Charter on the Prudential plc website, which highlights our key commitments to our customers across the Group.

In Asia, we serve more than 15 million customers, with a mix of life insurance, pensions, mutual funds, consumer finance, asset management, health and protection products and services.

Healthcare is particularly important in a number of our markets in Asia, and we continue to broaden our health and protection product offering. Our evolving suite of health-related products includes innovative solutions such as PRUmy *child*, the first of its kind to offer coverage during pregnancy and infancy. PRUmy *child* also combines protection with savings, enabling parents to provide for their children's education.

Last year, Prudential was the first insurance company in Asia to launch an iPhone app. Our iPhone Retirement Calculator allows customers to model different financial scenarios and lifestyle variables to calculate the savings they would need to fund their retirement. The app is available in Hong Kong, Malaysia, the Philippines and Singapore, with local language versions also launched in Indonesia, Korea, Taiwan, Thailand and Vietnam. We continue to innovate in this field and have a BlackBerry Retirement Calculator in development.

OUR FOUR CORPORATE RESPONSIBILITY THEMES

- 1 Fair and transparent products meeting customer needs
- 2 Best people for the best performing business
- 3 Protecting the environment
- 4 Supporting local communities

CORPORATE RESPONSIBILITY REVIEW

The United States is the world's largest retirement savings market. Each year more of the 78 million 'baby boomers'¹ will move into retirement. Jackson, our US business, has more than 2.8 million policies and contracts in force. The economic downturn and demographic changes have led many people to be unprepared as they approach retirement. Jackson's educational programme, 'Retirementology', is designed to help people understand how better to prepare for their financial future.

Recognised for its financial strength, in 2010, Jackson increased the number of advisers selling its variable annuity products to more than 130,000. This made these products more widely available as customers continued to seek greater security in times of economic uncertainty. We also introduced further innovations that deliver long-term value to customers. This includes the launch of the LifeGuard Freedom Flex, the Company's first guaranteed minimum withdrawal benefit, giving investors the ability to build a personalised benefit that meets their retirement planning objectives.

Like the US, many people in the UK are insufficiently prepared for increasingly long periods of retirement. Prudential UK is one of the largest annuity providers in the country, paying an income to more than one million customers every year. In addition, our with-profits offering is among the strongest in the industry, consistently outperforming the market for our long-term investors and providing them with attractive returns compared with many other investment options. The with-profits offering also protects investors from the full impact of volatile market conditions while giving them the comfort of knowing that their savings are invested in a financially strong and well managed fund.

To help customers make informed financial decisions, Prudential UK has developed a series of online guides offering clear product information. This includes an interactive questionnaire which helps customers find an annuity product to meet their needs by calculating what level of income could be generated.

“As one of the largest active investors in the UK stock market, M&G takes seriously its responsibilities as a shareholder.”

M&G, Prudential's UK and European fund management business, has served retail and institutional investors for 80 years. It has a history of innovation, designing new funds and investment plans that meet a clear client need.

With inflation once again a concern for investors, M&G has developed a number of innovative investment strategies for clients. For institutional investors, M&G offers the Secured Property Income Fund, which matches commercial property rents against pension funds' long-term liabilities. In the retail market, the recently-launched M&G inflation-linked Corporate Bond Fund enables savers to protect their investments in corporate bonds from rising prices.

As one of the largest active investors in the UK stock market, M&G takes seriously its responsibilities as a shareholder. Its strategy is to invest in companies, not chase share prices. M&G takes a long-term approach to investment opportunities and, provided the investment case remains intact, maintains its conviction in the companies it holds.

As a Group with a long-term view, it is clearly important to participate in global debates and policy considerations that affect our customers. Across our business we share our knowledge and expertise to help inform policy debates.

In October 2010, in partnership with the Washington DC-based think tank, the Center for Strategic and International Studies (CSIS), we published the Global Aging Preparedness Index. This study discussed the policy implications of aging populations in 20 countries and potential reform strategies. During 2011, we will continue to participate in the debate. A copy of the report is available at <http://gapindex.csis.org>

Customer service and performance

Prudential's reputation for good customer service has continued to be recognised through a number of awards and industry rankings.

In 2010...

- **Prudential Corporation Asia achieved:**

- 'Best in Achieving Total Customer Satisfaction' (Life Insurance) at the 2010 Indonesia Customer Satisfaction Awards, sponsored by SWA Magazine

- 'Best Fund in Overseas Equity' in the 2010 Money Today-Morningstar Fund Awards, sponsored by KOFIA (Korea Financial Investment Association)

- 'Best Performing Fund of its Category' awarded to PRUAsia Pacific Shariah Equity Fund at the Edge-Lipper Malaysia Fund Awards

- **In the US, Jackson achieved:**

- 'World Class' status and 'Highest Customer Satisfaction' from the Service Quality Measurements Group (SQM). This marked the fifth consecutive year that Jackson has achieved world class status

Note

1 US Census Bureau - those born since 1945.

- **Prudential UK achieved:**

Five-star rating for excellent service at the Financial Adviser Service Awards for the second year running

'Best Annuity Provider' at the 2010 Professional Adviser Awards

- **M&G was awarded:**

'Global Group of the Year' at the 2010 Investment Week Fund Manager of the Year Awards

'Outstanding Investment House Award' at the OBSR Honours for Excellence Awards

In the UK, Prudential is a member of the Association of British Insurers' (ABI) Customer Impact Scheme, which seeks to drive continuous improvement through monitoring customers' experiences. We are one of 35 companies that participate in the annual Customer Impact Survey. In 2010, our UK business saw an increase in the number of customers rating it 'very good' or 'excellent' for the time taken to arrange an annuity (64 per cent). In part this is due to our participation in the 'Options' initiative. This industry-wide scheme, of which we are a founding member, is designed to speed up the exchange of information and funds between pension and annuity providers.

Despite improvements in consumer confidence and market gains in 2009, some scores in the ABI Customer Impact Scheme fell sharply across the industry in the 2009/10 study, especially for return on investment and industry reputation. Our scores came within the industry average. While this demonstrates that we have achieved a solid performance in very challenging market conditions, we are taking action. This includes providing more information about how our with-profits fund is performing and what impact this may have on a policy. We are also improving our service to our annuity customers. We have revised our annuity quotes to make them clearer, and we are providing interactive online tools which explain the effects of different annuity choices.

Across the Group, we always try to resolve problems for our customers as quickly and smoothly as possible, and we are committed to handling any customer complaints in a fair and timely manner.

In the UK, the Financial Ombudsman Service (FOS) publishes complaint data on case adjudications for more than 150 financial services companies. Prudential performed well and was placed in the top 10 per cent of all companies in the FOS data.

Best people for the best performing business

Across the Group, we have around 25,000 employees.

We work in an extremely competitive marketplace that demands we attract the most talented people. It is important that we continue to create an environment that appeals to the right individuals – those who are committed and able to deliver top performance for our customers and shareholders.

Developing credible successors

Strong leadership is critical to the continued success of our business. Every year we conduct a review across the Group to identify, develop and reward people with leadership potential. During 2010, we held four events in each of our Management Development and Leadership Development programmes. These events support the Group's succession and development strategy and, in 2010, more than 75 individuals were assessed for their long-term leadership potential.

It is important that we not only develop talent from within the business, but also use our brand strength and heritage to attract new talent. Our flagship development programme, Momentum, operating since 2007, aims to recruit high potential individuals early in their careers and to provide them with a fast-track development plan. Through business placements and training modules, participants gain the management skills and experience required to succeed in an international business. Momentum places a strong emphasis on diversity and is open to people both within and outside Prudential. In 2010, the Momentum website received more than 58,000 visits from 142 countries. More than 2,800 people from 83 countries applied for the programme. The 30 successful applicants increased the total number of participants in the programme to 60, who are in roles across the Group.



“In 2010, the website for our flagship development programme, Momentum, received more than 58,000 visits from 142 countries.”

CORPORATE RESPONSIBILITY REVIEW

Building and rewarding performance

We believe that employees should be rewarded for the contribution they make to our business as a whole. Our reward system is therefore based on both individual performance and behaviours. Our remuneration policies are regularly reviewed to ensure that our reward structure keeps pace with the markets in which we operate, and that they remain relevant to the growth of our business.

It is important for our employees to have an opportunity to benefit from the Group's success through share ownership. In the UK, we operate two all-employee share plans: a Share Investment Plan (SIP) and a Save As You Earn (SAYE) scheme. In 2010, more than 14 per cent of eligible employees participated in the SAYE scheme and almost six per cent in the SIP. Through these plans, more than two-thirds of employees in the UK now own, or have an interest in, Prudential shares. In Asia, we operate two SAYE schemes, similar to those in the UK, which are open to both employees and agents. Almost a quarter of eligible employees and more than 37 per cent of eligible agents participated in these schemes in 2010.

Developing an organisation that works

We recognise that an important part of sustaining performance comes from effectively engaging and communicating with our employees. We conduct regular surveys in our businesses to: monitor levels of engagement with Prudential as an employer; identify the effectiveness of our organisations' structures and practices, and highlight areas for improvement.

Across the Group there are dedicated intranet sites to keep employees up to date, and 'Town Hall' events that offer employees the opportunity to ask questions of senior management teams. There are also a number of employee consultation forums in place such as the M&G Staff Consultative Committee and the UK Employee Forum within Prudential UK. Our UK business also has a long-standing relationship with the union Unite.

At Group Head Office, a dedicated team provides regular communication to employees across the Group, through the Group intranet. This includes communication from senior management on Group strategy, direction and performance. We also regularly hold a conference for the Group Leadership Team, approximately 75 senior managers from across the Company who are either leading a significant part of the Group strategy or responsible for implementing a major part of it.

Diversity

"We fully recognise the value that a diverse workforce brings to our organisation and believe Prudential should reflect the diversity of the markets in which we operate."

We are committed to integrating diversity into our business practices. Our policies are guided by the principles of the UN's Universal Declaration of Human Rights and the International Labour Organisation's core labour standards. These are also incorporated into our Group Code of Business Conduct which sets individual standards of employee behaviour. The code is made available to all employees on the Group intranet site.

We fully recognise the value that a diverse workforce brings to our organisation and believe Prudential should reflect the diversity of the markets in which we operate. It is Group policy to give full and fair consideration and encouragement to the employment of applicants with suitable aptitudes and abilities. It is our policy to recruit and develop talented people, regardless of their disability status, and to continue employing people who become disabled.

We also train our people to be aware of, and sensitive to, the needs of employees and customers with a disability.

Protecting the environment

Our environmental strategy is focused on increasing the efficiency of our business operations by reducing the direct impact of the properties we occupy, and the properties we manage through PRUIM, our real estate investment manager.

Reducing our direct impact: occupied properties

For all UK buildings, and Jackson's main premises in North America (in Lansing, Michigan and Denver, Colorado) we assess the direct impact that our occupied properties have on the environment. This includes monitoring energy consumption, carbon dioxide emissions, water consumption, waste and recycling.

One of the challenges we face in reporting our environmental impacts on a global basis is the collection of robust data for our operations in Asia. Across the region we are often an occupier of multi-tenanted properties and environmental data collection is not the norm. Nonetheless, we are developing processes, and identifying technologies, by which we can accurately begin to measure our impact.

The UK Government is committed to reducing national carbon emissions by 80 per cent from 1990 levels by 2050. A central part of its strategy is the introduction of a mandatory climate change and energy savings scheme, the Carbon Reduction Commitment Energy Efficiency Scheme. In 2010, we registered as a participant in this scheme. We will be reporting our footprint data in July 2011.

Under the European Union Energy Performance of Buildings Directive, Energy Performance Certificates (EPCs) are required for any building that is constructed, sold or rented. EPCs rate the energy usage and efficiency of a building, enabling property investors and prospective occupiers to consider energy efficiency ratings and levels of carbon emissions. EPCs for our occupied and commercial properties have been introduced in the UK. In 2010, we retained our ISO 14001 environmental management certification for all our UK occupied properties.

A number of our customer-focused initiatives also deliver wider benefits in support of our CR agenda. For example, in the US, Jackson's green delivery programme offers customers the option to receive some of their correspondence electronically. This has helped Jackson to reduce its paper consumption and generate cost savings for the business. Jackson has also provided funding to the US non-profit organisation Green Forests to plant 100,000 trees.

Reducing our impact from our property investment portfolio

PRUPIM manages more than £16 billion (at 31 December 2010) worth of property assets, making it one of the largest real estate investment managers in the UK and Europe.

PRUPIM's vision as a leading real estate fund manager is to deliver superior investment performance through further integrating sustainability into its business culture, activities and decision making. It seeks to address its own impact, and influence the property sector, through innovation and thought-leadership.

PRUPIM was recertified during 2010 to ISO 14001 for the management of its real estate investment portfolio. PRUPIM also maintained ISO 14001 certification at 26 managed office investment properties and PAS99, the world's first integrated management system which includes ISO 14001, at 10 managed shopping centres.

In 2010, the business developed a Sustainability Education Programme for its employees. This included more than 22 hours of workshops, seminars and discussion groups, enabling colleagues to improve their understanding of sustainability issues.

Part of PRUPIM's strategy is to incorporate sustainability considerations into its investment appraisal and decision-making process. This includes a sustainability questionnaire as part of the appraisal system which determines the value of the assets.

PRUPIM is a signatory of the UN's Principles for Responsible Investment and continues to lead the property industry's developments in sustainability through its active involvement in the British Property Federation, British Council of Shopping Centres, UK Green Building Council, Green Property Alliance, UN Environment Programme Finance Initiative, Institutional Investors Group on Climate Change and Better Buildings Partnership.

PRUPIM's approach and progress can be found in its annual Sustainability Report. For more details please visit www.PRUPIM.com

Supporting local communities

Prudential has a long history of supporting the community, from our earliest days of Victorian philanthropy. All our businesses implement community investment programmes and we encourage our operations to establish partnerships focused on education (particularly financial education) and social welfare.

Our approach to community investment is to support charitable organisations and appropriate NGOs, not only through funding, but also through the experience and expertise of our employees.

Employee volunteering

In 2010, almost 25 per cent of employees volunteered in their community on a wide range of projects. These varied from fundraising for local charities such as Cancer Research and the Muscular Dystrophy Campaign in the UK, to employees giving up their time to distribute food to the homeless in the US and delivering financial education seminars in Asia.



CORPORATE RESPONSIBILITY REVIEW

Chairman's Challenge

“Over the last five years, since the Chairman's Challenge was launched, 108 annual projects have been supported.”

Many of our employees volunteer through our Group-wide flagship programme, the Chairman's Challenge.

Over the last five years, since the Chairman's Challenge was launched, 108 annual projects have been supported by our employees in partnership with charities including Help Age International, Plan International and Junior Achievement.

All of the projects included in the Chairman's Challenge receive a financial donation from the Group for each employee who signs up as a volunteer, and the five short-listed projects receive additional funding. Each year, employees across the Group are invited to vote for the shortlisted project they believe has made the greatest impact.

The winning project

In 2010, the winning project was the Goal for Youth programme in Hong Kong, where more than 1,800 secondary school students benefited from attending financial management workshops run by more than 188 Prudential volunteers, in partnership with Junior Achievement.

Shortlisted projects included:

- Prestasi Junior Indonesia working with more than 120 Prudential volunteers, who gave up four weekends to run a variety of educational projects for children at a safe house in Jakarta
- Junior Achievement in the US, where 163 Jackson employees dedicated 463 hours to teaching young people financial skills in 105 classrooms, benefiting 2,500 students
- Plan International Thailand, working with 316 Prudential employees who helped to build financial skills in seven schools reaching 1,500 students
- Prudential UK employees dedicated 660 hours to Age UK's Call in Time programme, helping 370 isolated older people re-engage with the community.

Financial education

As a provider of financial services we believe that encouraging and supporting financial literacy helps to underpin overall economic development and success.

In addition to the financial education projects included in the Chairman's Challenge, we support a number of other initiatives that aim to improve financial knowledge.

In 2010, our financial capability strategy in Asia continued to gain strength. This year more than 4,400 women in China, Indonesia and Vietnam, participated in our financial training seminars – 'Investing in Your Future'. These events, first launched in China in 2004, directly support women who, while often responsible for planning the family's financial needs, have traditionally had limited financial training. In the past six years, more than 27,500 women have attended our financial training seminars in Asia.

Since 2007, Prudential has partnered with the Chinese Ministry of Education, the Chinese Academy of Social Sciences (CASS) and the Chinese Insurance Regulatory Commission (CIRC), to develop and introduce an insurance education curriculum in schools. The programme has reached more than 6,000 students from 26 schools in seven provinces.

In the UK, we partner with a range of organisations such as Citizens Advice, the Personal Finance Education Group (pfeg), and the Specialist Schools and Academies Trust. As a result of these partnerships, thousands of adults and children are learning essential financial literacy skills. Our partnership with Citizens Advice is also helping people to make decisions that will have a profound effect on their financial welfare.

**CHAIRMAN'S
CHALLENGE**
2010



Disaster relief

The Group maintains a fund which can be activated to support relief efforts following disasters in the countries where we operate.

Our commitment to disaster relief often goes beyond financial aid, providing on-the-ground support to address the most critical needs. Following the earthquake that struck Western Sumatra in Indonesia, near the city of Padang, at the end of 2009, we contributed approximately £1 million, and many of our employees worked as volunteers. Funding was used to support initial emergency relief efforts and subsequent reconstruction work. We have continued to monitor progress and, during 2010, Prudential leaders in Asia attended a ceremony in Padang, celebrating the completion of 220 new houses, a children's library and a play centre. These buildings were constructed by Padang Kapas villagers and our charity partner, Posko Jenggala.

In 2010, Save the Children became a new charity partner through the Group's support for its Children's Emergency Fund.

Donations

In 2010, the Group spent £7.5 million supporting community activities. Direct donations to charitable organisations amounted to £5.7 million, of which approximately £3.5 million came from EU operations.

This is broken down as follows: education £862,000; social and welfare £1,804,000; environment and regeneration £19,000; cultural £61,000 and staff volunteering £727,000. The aggregate figure for direct charitable donations from Prudential's non-EU subsidiaries (Jackson National Life Insurance Company and Prudential Corporation Asia) amounted to £2.2 million.

It is the Group's policy not to make donations to political parties nor to incur political expenditure, within the meaning of those expressions as defined in the Political Parties, Elections and Referendums Act 2000. The Group did not make any such donations or incur any such expenditure in 2010.

Accountability and governance

The Board

The Board discusses the Group's CR performance at least once a year and also reviews and approves the Group CR Report and strategy on an annual basis.

Responsibility Committee

Below the Board, the Responsibility Committee comprises senior representatives from relevant Group functions and each of our core businesses. This committee is responsible for monitoring the Group's CR activities and for raising issues that need to be addressed.

Code of Business Conduct

Consideration of environmental, social and community matters is integrated in our Code of Business Conduct. Our code is reviewed by the Board on an annual basis. Refer to page 120 for more information.

Payment policy

It is our Group policy to agree terms of payment when orders for goods and services are placed, and to pay in accordance with those terms.

In the UK, we have signed up to the Prompt Payment Code, launched in December 2008 by the UK Department for Business, Enterprise and Regulatory Reform. In 2010, our trade creditor days, based on the ratio of amounts that were owed to trade creditors at the year-end to the aggregate of the amounts invoiced by trade creditors during the year, were 23 days. The Prompt Payment Code and its signatories can be found at www.promptpaymentcode.org.uk

Supply chain management

Prudential recognises that its own social, environmental and economic impacts go beyond the products and services it supplies to include the performance of its suppliers and contractors.

It is our policy to work in partnership with suppliers whose values and standards are aligned with our Group Code of Business Conduct.

Procurement practices in Prudential UK have been successfully accredited with the Chartered Institute of Purchasing and Supply (CIPS) certification, an industry benchmark of recognised good practice.



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£7.5m

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CORPORATE RESPONSIBILITY REVIEW

GOVERNANCE STRUCTURE	RESPONSIBILITIES
PRUDENTIAL PLC BOARD	<ul style="list-style-type: none"> • Approves strategy • Approves CR Report
GROUP RESPONSIBILITY COMMITTEE	<ul style="list-style-type: none"> • Monitors progress • Identifies and develops CR policies
GROUP CR TEAM	<ul style="list-style-type: none"> • Collates data for internal and external reporting • Publishes annual CR Report • Oversees CR risks and issues management • Collates and shares CR practices across the Group
<ul style="list-style-type: none"> — BRAND COUNCIL — HR DIRECTORS — COMMUNITY FORUM — ENVIRONMENT, HEALTH & SAFETY COUNCIL & PRUPIM OPSCO 	<ul style="list-style-type: none"> • Develops and drives initiatives related to functional responsibilities • Tracks, reviews and assesses ongoing initiatives • Provides data/information for internal and external reporting