CORPORATE GOVERNANCE

Compliance with Corporate Governance Codes

As a UK company with primary listings on the London Stock Exchange and on the Stock Exchange of Hong Kong, Prudential is subject to the governance rules set out in the Combined Code 2008 (for reporting periods commencing prior to 29 June 2010) and the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (together the Corporate Governance Codes).

The Combined Code is issued by the Financial Reporting Council and can be viewed on their website: www.frc.org.uk/corporate/

The Code on Corporate Governance Practices is issued by the Stock Exchange of Hong Kong and can be viewed on their website: www.hkex.com.hk/eng/rulesreg/listrules/

The directors believe that good corporate governance is central to achieving the Group's objectives and maximising shareholder value, and are committed to high standards of governance.

The Board supports the Corporate Governance Codes and confirms that it has complied with the provisions set out in the Combined Code 2008 throughout the financial year ended 31 December 2010.

The Board further confirms that it has complied with the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited from the date of listing on the exchange, except that it has deviated in respect of the Terms of Reference of the Remuneration Committee. The remit of the Remuneration Committee is limited to considering the remuneration of the Chairman and executive directors and does not extend to making recommendations to the Board in respect of the remuneration of the non-executive directors. The reason for the deviation is that it would be inconsistent with the principles of the Combined Code 2008 (and the provisions of the new UK Corporate Governance Code) for the Remuneration Committee to be involved in setting the fees of non-executive directors.

The principles of the Corporate Governance Codes have been applied as set out below and in the Directors' Remuneration Report.

Board of directors

Role of the Board

The Board is collectively responsible for the success of the Group and provides leadership within a framework of effective controls which enables suitable risk management. The executive directors are responsible for running the business operations and the non-executive directors for bringing independent judgement and scrutiny to decisions taken by the Board.

The directors are responsible for setting strategic objectives and for ensuring the Group is adequately placed and resourced to achieve those objectives and for ensuring obligations to its shareholders, and wider stakeholders, are met in a manner consistent with their statutory duties.

In performing its duties, the Board has direct access to the services of the Company Secretary who advises on corporate governance matters, Board procedures and compliance with applicable rules and regulations.

Directors have the right to seek independent professional advice at the Company's expense and copies of such advice are circulated to other directors where applicable and appropriate.

In the ordinary course of business, Board and Committee papers are provided to the directors approximately one week in advance of each meeting.

The Board has approved a governance framework which maps out the internal approvals processes and those matters which may be delegated. These principally relate to the operational management of the Group's businesses and include pre-determined authority limits delegated by the Board to the Group Chief Executive for further delegation by him in respect of matters which are necessary for the effective day-to-day running and management of the businesses. The chief executive of each business unit has authority for the management of that business unit and has established a management board comprising its most senior executives.

The Board may exercise all powers conferred on it by the Articles of Association 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.

In order to ensure that it exercises control over the Group's affairs, the Board's terms of reference are regularly reviewed and set out those matters specifically reserved to it for decision. These include approval of the annual and interim results, strategy and corporate objectives, operating plans, significant transactions and matters affecting the Company's share capital. Under its internal governance framework all business units are required to seek approval from the Board for matters above pre-determined authority limits.

Composition

At 31 December 2010 the Board comprised the Chairman, six executive directors and nine independent non-executive directors. From 1 January 2011 the number of executive directors increased to seven with the appointment of John Foley, Group Chief Risk Officer, becoming effective. The biographies of all current directors are set out on pages 100 to 103.

On 15 October 2010, Howard Davies and Paul Manduca were appointed as independent non-executive directors. From 1 January 2011, Paul Manduca succeeded James Ross as the Board's Senior Independent Director. James will retire from the Board at the conclusion of Prudential's Annual General Meeting to be held on 19 May 2011. On 1 January 2011, Mike Wells replaced Clark Manning as an executive director and as President and Chief Executive Officer of Jackson National Life Insurance Company. In addition, John Foley was appointed an executive director and Group Chief Risk Officer with effect from 1 January 2011.

The Board, or the members in a general meeting, may appoint directors up to a maximum total number of 20 as set out in the Company's Articles of Association. The removal and resignation of the Company's directors is governed by the relevant provisions of the Companies Act 2006, the Corporate Governance Codes and the Company's Articles of Association.

Non-executive directors are usually appointed for an initial three-year term commencing with their election by shareholders at the first Annual General Meeting following their appointment by the Board. Each appointment is reviewed towards the end of the three-year term against performance and the requirements of the Group's businesses. The terms and conditions of all directors' appointments are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

Non-executive directors are typically expected to serve for two terms of three years from their initial election by shareholders, although the Board may invite them to serve for an additional period. Directors serving a third term are subject to rigorous annual review.

Directors appointed to the Board since the 2010 Annual General Meeting will stand for election for the first time and in accordance with the provisions of the UK Corporate Governance Code all other directors, with the exception of James Ross who has announced his intention to retire, will offer themselves for re-election at the Annual General Meeting to be held on 19 May 2011.

The Board is actively engaged in succession planning for both executive and non-executive roles to ensure that Board composition is periodically renewed and that the Board retains its effectiveness at all times. This is delivered through an established review process that is applied across all businesses and covers both director and senior management succession and development and also through the work of the Nomination Committee as described more fully on page 112. The Board considers annually the outcome of the review and actions arising from the review are implemented as part of the management development agenda. We believe that our non-executive directors bring a wide range of business, financial and international experience to the Board and its committees. Our executive directors, who head up the main businesses of the Group, each bring an in-depth understanding to the Board of their particular business, its markets and its challenges, ensuring coverage of the breadth and depth of the Group's principal activities.

Chairman and Chief Executive

The roles of Chairman and Group Chief Executive are separate and clearly defined. The scope of these roles is approved and kept under regular review by the Board so that no individual has unfettered decision-making powers.

The Chairman is responsible for the leadership and governance of the Board and the Group Chief Executive for the management of the Group and the implementation of Board strategy and policy on the Board's behalf. In discharging his responsibilities, the Group Chief Executive is advised and assisted by the Group Executive Committee which comprises all the business unit heads and a Group Head Office team of functional specialists.

Independence

The independence of the non-executive directors is determined with reference to the Corporate Governance Codes. Prudential is required to affirm annually the independence of the non-executive directors under the rules of the Hong Kong Stock Exchange and also the independence of its Audit Committee members under the Sarbanes-Oxley legislation. The Board has appropriate processes in place to manage any potential conflicts of interest.

Throughout the year the non-executive directors were considered by the Board to be independent in character and judgement and met the provisions for independence as set out in the Corporate Governance Codes. The Company has received confirmation of independence from each of the non-executive directors as required by the Hong Kong Listing Rules. As the test of independence is not appropriate in relation to the Chairman under the Combined Code 2008, and to ensure a consistent approach in how the Chairman is described in all corporate communications, the Chairman has not been asked to provide confirmation of his independence for the purposes of the Hong Kong Listing Rules and will not be asked to do so in future. Accordingly, the Chairman will no longer be listed as an independent non-executive director in Hong Kong corporate communications.

Paul Manduca is the Senior Independent Director and concerns may be conveyed to him by shareholders if they are unable to resolve them through the existing mechanisms for investor communications or where such channels are inappropriate.

Keki Dadiseth and Barry Stowe serve as non-executive directors of ICICI Prudential Life Insurance Company Limited, an Indian company which is owned 26% by Prudential. In addition, Keki serves at Prudential's request as a non-executive director of ICICI Prudential Trust Limited, an Indian company which is owned 49% by Prudential. The Board does not consider that these appointments in any way affect Keki's status as an independent director of Prudential.

CORPORATE GOVERNANCE

Prudential is one of the UK's largest institutional investors and the Board does not believe that this situation compromises the independence of those non-executive directors who are on the boards of companies in which the Group has a shareholding. The Board also believes that such shareholdings should not preclude the Company from having the most appropriate and highest calibre non-executive directors.

Induction and Development

The Company Secretary supports the Chairman in providing tailored induction programmes for new directors and on-going development for all directors. On appointment all directors embark upon a wide-ranging induction programme covering, amongst other things, the principal bases of accounting for the Group's results, the role of the Board and its key committees and the ambit of the internal audit and risk management functions. In addition, they receive detailed briefings on the Group's principal businesses, its product range, the markets in which it operates and the overall competitive environment. Other areas addressed include the directors' obligations under the different listing regimes, legal issues affecting directors of financial services companies, the Group's governance arrangements, its investor relations programme as well as its remuneration policies.

Throughout their period in office directors are regularly updated on the Group's businesses and the regulatory and industry-specific environments in which it operates as well as on their legal and other duties and obligations as directors where appropriate. These updates can be in the form of written reports to the Board or presentations by senior executives or external sources where appropriate. In order to enhance their knowledge and effectiveness throughout their term in office, non-executive directors serving on key committees are updated regularly on matters specific to the relevant committee and receive presentations from senior executives on topics of interest to them.

A programme of on-going professional development was undertaken by all directors during 2010 which included a number of sector-specific and business issues as well as legal, accounting and regulatory changes and developments.
A number of business unit chief executive officers, together with relevant senior executives, gave presentations to the Board during the course of the year on the challenges and opportunities currently faced by their business unit. In addition, senior managers within certain head office functions presented to the Board on the key issues currently facing their function and directors received regular briefings on Solvency II. In addition, members of the Audit Committee have the option to attend meetings of the business unit audit committees to aid their understanding of topical matters of interest to them and how they are handled by the Group.

Performance evaluation

Prudential continued its programme of annual evaluation of the performance of the Board and its Committees in respect of 2010, in line with the requirements of the Combined Code 2008. The aim is to continue to improve the effectiveness of the Board and its Committees and enhance the Group's performance.

Following an internal performance review for 2009, Prudential once again made the decision to use an external adviser to facilitate the evaluation for 2010. The review was carried out by Egon Zehnder International in consultation with the Chairman, the Senior Independent Director and the Group Chief Executive. A key element of the evaluation process was the use of individual meetings with each of the directors. This proved an effective and informative mechanism for capturing feedback.

The report on the findings of the review was discussed by the Board at its meeting in February 2011 and an action plan will be implemented during the year.

In addition, the performance of the non-executive directors and the Group Chief Executive is evaluated by the Chairman in individual meetings. The Chairman also leads the non-executive directors in a performance assessment of the executive directors and the Senior Independent Director leads the non-executive directors in a performance evaluation of the Chairman.

Executive directors are subject to regular review and the Group Chief Executive individually appraises the performance of each of the executive directors as part of the annual Group-wide performance evaluation of all staff.

The Group also uses Egon Zehnder International as executive search consultants, but does not believe there is a conflict of interest, particularly as the Group has relationships with other search firms.

Meetings

During 2010 the Board held ten scheduled meetings and met on a further fifteen occasions to discuss extraordinary business. One separate strategy event was held during the year. A detailed forward agenda has been in operation for a number of years. This is kept updated to reflect not only scheduled regular items of business but also any topical matters arising during the year.

Each year at least one Board meeting is held at a Group business operation in order to facilitate a fuller understanding of that business. In November 2010 a Board meeting was held in Jakarta, Indonesia where the directors met with senior members of the Asia management team and attended a series of presentations on the business.

Meeting attendance for 2010

	Scheduled Board Meetings	Unscheduled Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Number of meetings in year	**10**	**15**	**17**[1]	**7**	**6**
CHAIRMAN					
Harvey McGrath	10 (10)	15 (15)	–	–	6 (6)
EXECUTIVE DIRECTORS					
Tidjane Thiam	10 (10)	15 (15)	–	–	–
Nic Nicandrou	10 (10)	15 (15)	–	–	–
Rob Devey	10 (10)	14 (15)	–	–	–
Clark Manning[2]	10 (10)	14 (15)	–	–	–
Michael McLintock	10 (10)	15 (15)	–	–	–
Barry Stowe	9 (10)	13 (15)	–	–	–
NON-EXECUTIVE DIRECTORS					
Keki Dadiseth	7 (10)	13 (15)	–	6 (7)	–
Howard Davies[3,8]	1 (2)	–	1 (1)	–	–
Michael Garrett	10 (10)	12 (15)	–	6 (7)	–
Ann Godbehere	10 (10)	13 (15)	17 (17)	–	–
Bridget Macaskill	10 (10)	14 (15)	–	7 (7)	6 (6)
Paul Manduca[4,8]	2 (2)	–	0 (1)	0 (1)	–
Kathleen O'Donovan[5]	10 (10)	15 (15)	16 (17)	–	1 (1)
James Ross[6]	10 (10)	14 (15)	–	6 (6)	6 (6)
Lord Turnbull[7]	10 (10)	14 (15)	13 (16)	1 (1)	–

Figures in brackets indicate the maximum number of meetings which the individual could have attended in the period in which they were a Board or Committee member.

Notes

1 The Audit Committee held eight scheduled meetings during the year and nine unscheduled meetings to discuss extraordinary business.
2 Ceased to be a director with effect from 1 January 2011.
3 Appointed as a director and Chairman of Risk Committee on 15 October 2010 and member of the Audit Committee on 9 November 2010.
4 Appointed as a director on 15 October 2010, as a member of the Audit and Remuneration Committee on 9 November 2010 and as a member of the Nomination Committee on 1 January 2011.
5 Appointed as a member of the Nomination Committee on 9 November 2010.
6 Ceased to be a member of the Remuneration Committee on 9 November 2010.
7 Ceased to be a member of the Audit Committee and joined the Remuneration Committee on 9 November 2010.
8 Were unable to attend certain of the scheduled meetings due to pre-existing commitments at the time of appointment to the Board.

The table above details the number of Board and Committee meetings attended by each director throughout the year. Where directors were not able to attend a meeting, their views were canvassed by the Chairman prior to the meeting. A further ten ad hoc Board Committee meetings took place during the year which had been convened to finalise arrangements for matters discussed by the Board, such as approvals of periodic financial reports and corporate transactions.

The Chairman met with the non-executive directors without the executive directors being present seven times during the year.

Conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association allow the directors to authorise conflicts of interest and the Board has adopted a policy and effective procedures on managing and, where appropriate, approving conflicts or potential conflicts of interest. Under these procedures directors are required to declare all directorships or other appointments to companies which are not part of the Group as well as other situations which could result in conflicts or could give rise to a potential conflict. The Nomination Committee, or the Board where appropriate, evaluates and approves each such situation individually where applicable.

CORPORATE GOVERNANCE

PRUDENTIAL PLC
- Chairman
- Nine non-executive directors
- Six executive directors at 31 December 2010 (seven from 1 January 2011)

AUDIT COMMITTEE
- Four non-executive directors

REMUNERATION COMMITTEE
- Five non-executive directors

NOMINATION COMMITTEE
- Four non-executive directors and the Chairman

RISK COMMITTEE
- Four non-executive directors

Directors' interests
Individual directors' interests are set out on page 135 of the Directors' Remuneration Report.

External appointments
The Board was satisfied that during 2010 the Chairman's other commitments did not hinder the day-to-day performance of his duties for the Group and that he had the commitment and capability to make himself available under unforeseen circumstances. The major commitments of the Chairman, including changes during the year where applicable, are detailed in his biography on page 101.

Directors may hold directorships or other significant interests with companies outside of the Group which may have business relationships with the Group.

Executive directors may accept external directorships and retain any fees earned from those directorships subject to prior discussion with the Group Chief Executive and always provided this does not lead to any conflicts of interest. In line with the Combined Code 2008, executive directors would be expected to hold no more than one non-executive directorship of a FTSE 100 company. Some of our executive directors hold directorships or trustee positions of unquoted companies or institutions. Details of any fees retained are included in the Directors' Remuneration Report on page 135 and major commitments of our executive directors are detailed in their biographies on pages 100 to 103.

Non-executive directors may serve on a number of other boards provided that they are able to demonstrate satisfactory time commitment to their role at Prudential and that they discuss any new appointment with the Chairman prior to accepting. This ensures that they do not compromise their independence and that any potential conflicts of interest and any possible issues arising out of the time commitments required by the new role can be identified and addressed appropriately. The major commitments of our non-executive directors are detailed in their biographies set out on pages 100 to 103.

Directors' indemnities and protections
The Company has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential Group. In addition, the Articles of Association of the Company permit the directors and officers of the Company to be indemnified in respect of liabilities incurred as a result of their office. Prudential also provides protections for directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third-party indemnity provisions (as defined where relevant by the Companies Act 2006) for the benefit of directors of Prudential plc and other such persons including, where applicable, in their capacity as directors of other companies within the Group. These indemnities were in force during 2010 and remain in force.

Committees
The Board has established Audit, Remuneration and Nomination Committees as principal standing committees of the Board with written terms of reference which are kept under regular review. In November 2010 the Board established a further committee, the Risk Committee, to assist the Board in carrying out its duties in respect of monitoring and overseeing Group-wide risk. These committees are key elements of the Group's corporate governance framework and reports on each committee are included below.

Audit Committee Report

This report sets out the responsibilities of the Group Audit Committee (the Committee) and the activities carried out by the Committee during the year.

Role of the Committee

The Committee's principal responsibilities for 2010 consisted of oversight over financial reporting, internal controls and risk management, and monitoring auditor independence. Its duties include gaining assurance on the control over financial processes and the integrity of the Group's financial reports, monitoring the performance, objectivity and independence of the external auditor, and reviewing the work of the internal auditor. With the establishment of the Risk Committee, the oversight of risk management has transferred to that Committee with effect from 2011.

In performing its duties, the Audit Committee has access to employees and their financial or other relevant expertise across the Group and to the services of the Group-wide Internal Audit Director and the Company Secretary. The Committee may also seek external professional advice at the Group's expense.

The Committee's terms of reference, which are set by the Board and kept under regular review, are available on our website at www.prudential.co.uk/prudential-plc/aboutpru/corporategovernance/ Alternatively, copies may be obtained upon request from the Company Secretary at the Company's registered office.

Membership

The Committee is comprised exclusively of independent non-executive directors of the Company as set out below:

Ann Godbehere (Chairman)
Kathleen O'Donovan
Lord Turnbull (to 9 November 2010)
Paul Manduca (from 9 November 2010)
Howard Davies (from 9 November 2010)

Membership is selected to provide a broad set of financial, commercial and other relevant experience to meet the Committee's objectives.

The Board has determined that both Ann Godbehere and Kathleen O'Donovan have recent and relevant financial experience for the purposes of the Combined Code 2008 and the Hong Kong Listing Rules. In June 2010 the Board designated Ann Godbehere as its Audit Committee financial expert for Sarbanes-Oxley Act purposes. This will be reviewed during 2011 in conjunction with the publication of Form 20-F.

Full biographical details of the members of the Committee, including their relevant experience, are set out on pages 100 to 103.

Meetings

The Committee held eight scheduled meetings during the year and met on a further nine occasions to discuss extraordinary business. Individual attendance for the meetings is given in the table on page 107. By invitation, the Chairman of the Board, the Group Chief Executive, the Chief Financial Officer, the Group General Counsel and Company Secretary, the Group-wide Internal Audit Director, the Group Chief Risk Officer and other senior staff from the Group finance, internal audit, risk, compliance and security functions as well as the lead partner of the external auditor, attended meetings. Other partners and staff of the external auditor also attended some of the meetings to contribute to the discussions relating to their area of expertise.

A detailed forward agenda has been in operation for a number of years and is reviewed and updated continually to ensure that all matters for which the Committee is responsible are addressed at the appropriate time of year. The Committee's principal business during the year consisted of the following:

- review of half-year and full-year results, the annual report and accounts and other significant announcements, where appropriate;
- examination of critical accounting policies and key judgmental areas;
- review of changes in and implementation of Group Accounting Policies in compliance with International Financial Reporting Standards and practices;
- review of the Group's tax matters;
- approval of the external auditor's management representation letter, review of the external auditor's full-year memorandum and external audit opinion;
- review of US filings and related external audit opinions;
- monitoring of auditor independence and the external auditor's plans and audit strategy, the effectiveness of the external audit process, the external auditor's qualifications, expertise and resources, and making recommendations for the re-appointment of the external auditor;
- monitoring of the framework and effectiveness of the Group's systems of internal control, including the Turnbull compliance statement and Sarbanes-Oxley procedures;
- monitoring the effectiveness of both the Group's risk framework and the management of key financial and operational risks;
- review of the internal audit plan and resources, and monitoring of the audit framework and internal audit effectiveness;
- monitoring the effectiveness of compliance processes and controls, and performance against the Group Compliance Plan;
- review of anti-money laundering procedures and allegations received via the employee confidential reporting lines; and
- review of its own effectiveness and terms of reference.

CORPORATE GOVERNANCE

In addition, the Committee received in-depth presentations on a range of topics. Throughout the year, the Committee received the minutes of the Disclosure Committee and the Group Operational Risk Committee and noted their activities. From November, the Committee further noted the minutes and activities of the Assumptions Approvals Committee. Further information on the Disclosure Committee and on risk governance appears on pages 119 and 115 to 116 respectively.

The Chairman reported to the Board on matters of particular significance after each Committee meeting and the minutes of Committee meetings were circulated to all Board members.

The Committee recognises the need to meet without the presence of executive management. Such sessions were held with the external and internal auditors in February and October 2010. At all other times management and auditors have open access to the Chairman.

Financial reporting

As part of its review of financial statements prior to recommending their publication to the Board, the Committee focused on: critical accounting policies and practices and any changes, decisions requiring a major element of judgement, unusual transactions, clarity of disclosures, significant audit adjustments, the going concern assumption, compliance with accounting standards, and compliance with obligations under applicable laws, regulations and governance codes.

In addition, the Committee is regularly briefed by management on developments in International Financial Reporting Standards.

Confidential reporting

One of the standing agenda items of the Committee is to review a report on the use of the confidential reporting procedures, which are available to employees to enable them to communicate confidentially, and anonymously if they so wish, on matters of concern and actions taken in response to these communications. No material control implications were raised through these procedures during the year.

Business unit audit committees

Each business unit has its own audit committee whose members and chairmen comprise primarily senior management and are independent of the respective business unit. The minutes of these committees are reported regularly to the Committee and their meetings are attended by senior management of the respective business unit, including the business units' heads of finance, risk, compliance and Group-wide internal audit. Business unit audit committees have adopted standard terms of reference across the Group with minor variations to address overseas requirements or particular requirements of the business. The terms of reference of those committees were reviewed during the year and all include escalation of significant matters to the Committee, recommendations for approval of the business unit internal audit plans and overseeing the adequacy of internal audit resources. Also included are presentations from the external auditor. During the year the business unit audit committees reviewed their respective internal audit plans, resources and the results of internal audit work, and both external and internal auditors were able to discuss any relevant matters with the Chairman and members of the Committee as required.

Internal control and risk management

The Committee reviewed the Group's statement on internal control systems prior to its endorsement by the Board. It also reviewed the policies and processes for identifying, assessing and managing business risks.

Pursuant to the requirements of Section 404 of the Sarbanes-Oxley Act, the Group undertakes an annual assessment of the effectiveness of internal control over financial reporting. Further details are provided below.

Internal audit

The Committee regards its relationship with the internal audit function as pivotal to the effectiveness of its own activities. Group-wide Internal Audit plays an important role in supporting the Committee to fulfil its responsibilities under the Corporate Governance Codes and the Sarbanes-Oxley Act and provides independent assurance on the Company's processes of identification and control of risk. The Committee agreed the work programme of the internal audit function to be undertaken during 2010. Each of the Group's business units has an internal audit team, the heads of which report to the Group-wide Internal Audit Director. Internal audit resources, plans and work are overseen by the Committee and by the business unit audit committees. Total internal audit headcount across the Group stands at 108. The Group-wide Internal Audit Director reports functionally to the Committee and for management purposes to the Chief Financial Officer.

Formal reports are submitted to Committee meetings, with interim updates where appropriate, and views are also sought at the private meetings between the Committee and the internal auditors as well as during regular private meetings between the Chairman of the Committee and the Group-wide Internal Audit Director.

The Committee assesses the effectiveness of the internal audit function by means of regular reviews, some of which are carried out by external advisers, and through ongoing dialogue with the Group-wide Internal Audit Director. External reviews of Group-wide internal audit arrangements and standards were last conducted in 2006 and 2007 to ensure that the activities and resources of internal audit are most effectively organised to support the oversight responsibilities of the Committee. These reviews, performed by Deloitte, confirmed that the internal audit function complies with the Institute of Internal Auditors' international standards for the professional practice of internal auditing and concluded that the function was operating effectively. An internal assessment of the internal audit function was performed by the Group-wide Internal Audit Director in subsequent years based on internal audit's ongoing self-assessment processes and using a maturity model derived from the review criteria used by Deloitte. The assessment confirmed that the internal audit function conforms to the Institute of Internal Auditors' international standards and continues to operate effectively in all areas of professional practice. The results of the last assessment were reported in detail to the Committee in February 2011. An external review of internal audit arrangements and standards in UKIO was conducted in 2010 to ensure that the activities and resources of internal audit were effectively organised to support the oversight responsibilities of the Business Unit Audit Committee in the UK. This review, performed by PwC, confirmed that the internal audit function for UKIO complies with the Institute of Internal Auditors' international standards for the professional practice of internal auditing and was operating effectively. The next external review of Group-wide internal audit arrangements and standards is scheduled for 2011.

External audit

The Committee has a key oversight role in relation to the external auditor, KPMG Audit Plc, whose primary relationship is with the Committee. The Group's Auditor Independence Policy ensures that the independence and objectivity of the external auditor is not impaired. The policy sets out four key principles which underpin the provision of non-audit services by the external auditor, namely that the auditor should not:

- audit its own firm's work;
- make management decisions for the Group;
- have a mutuality of financial interest with the Group; or
- be put in the role of advocate for the Group.

All services provided by the auditor under this policy are provided in accordance with a pre-approved budget and are reviewed by the Committee and approved where necessary. The Committee regularly reviews and updates the policy to ensure alignment with the latest standards and best practice in establishing, maintaining and monitoring auditor independence and objectivity.

Fees payable to the auditor

For the year ended 31 December 2010 the Committee approved fees of £10.4 million to its auditor, KPMG Audit Plc, for audit services and other services supplied pursuant to relevant legislation. In addition, the Committee approved fees of £7.3 million to KPMG for services not related to audit work which accounted for 42 per cent of total fees paid to the external auditor in the year. Excluding services relating to the AIA transaction, this amounted to £1.8 million for services not related to audit work which in turn amounted to only 10 per cent of fees paid to the external auditor. In accordance with the Group's Auditor Independence Policy, all services were approved prior to work commencing and each of the non-audit services was confirmed to be permissible for the external auditor to undertake as defined by the Sarbanes-Oxley Act. The Committee reviewed the non-audit services being provided to the Group by KPMG at regular intervals during 2010. A summary of audit fees is provided in Note I6 of the Group Financial Statements.

Auditor performance and independence

As part of its work during 2010, the Committee assessed the performance of the external auditor, its independence and objectivity, and the effectiveness of the audit process. In addition to questioning the external auditor, which is a regular feature of meetings, the review of the effectiveness of the external audit process was conducted through a questionnaire-based exercise administered by Group-wide Internal Audit. The Committee reviewed the external audit strategy and received reports from the auditor on its own policies and procedures regarding independence and quality control, including an annual confirmation of its independence in line with industry standards.

Re-appointment of auditor

The Group operates a policy under which at least once every five years a formal review is undertaken by the Committee to assess whether the external audit should be re-tendered. The external audit was last put out to competitive tender in 1999 when the present auditor was appointed. Since 2005 the Committee has annually considered the need to re-tender the external audit service. It again considered this in February 2011 and concluded that there was nothing in the performance of the auditor requiring a change. In 2007 a new lead audit partner was appointed by KPMG Audit Plc, in line with the Auditing Practices Board Ethical Statements and the Sarbanes-Oxley Act.

Following its review of the external auditor's effectiveness and independence, the Committee has recommended to the Board that KPMG Audit Plc be re-appointed as auditor of the Company and a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company will be put to a shareholder vote at the Annual General Meeting on 19 May 2011.

Review of Committee effectiveness

As part of the performance evaluation of the Board, the Committee undertook an externally facilitated performance assessment of the qualitative aspects of its performance during the year. The results of this assessment were reported to the Board in February 2011. In addition, an internal evaluation was carried out addressing compliance with various regulations and codes of conduct applicable to the Committee, and the results of that assessment were reported to the Committee in February 2011. The Committee is satisfied, based on the findings of both the internal and external review, that it had been operating as an effective audit committee throughout the year. Further reviews of the effectiveness of the Committee will be undertaken regularly and will, from time to time, be conducted by external consultants.

CORPORATE GOVERNANCE

Remuneration Committee Report

Role of the Committee

The Remuneration Committee (the Committee) determines the remuneration packages of the Chairman and executive directors. It also agrees the principles and monitors the level and structure of remuneration for a defined population of management as determined by the Board. In framing its remuneration policy, the Committee has given full consideration to the provisions of Schedule A to the Combined Code 2008. The Directors' Remuneration Report prepared by the Board is set out in full on pages 123 to 148. In preparing the report, the Board has followed the provisions of the Combined Code 2008, the Code of Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong, the Listing Rules of the Financial Services Authority and the Companies Act 2006.

Except in relation to the remuneration of the Group Chief Executive, when only the Chairman is consulted, the Committee consults the Chairman and the Group Chief Executive about the Committee's proposals relating to the remuneration of all executive directors. The Committee has access to professional advice inside and outside the Company.

The Committee's terms of reference, which are set by the Board and kept under regular review, are available on our website at www.prudential.co.uk/prudential-plc/aboutpru/corporategovernance/ Alternatively, copies may be obtained upon request from the Company Secretary at the Company's registered office.

The terms of reference comply with all significant aspects of relevant investor guidelines and require the Committee to ensure that the Company adopts a remuneration policy which rewards executive directors for their contribution to sustainably and responsibly enhancing shareholder value.

Membership

The Committee is comprised exclusively of independent non-executive directors of the Company as set out below.

Bridget Macaskill (Chairman)
Keki Dadiseth
Michael Garrett
James Ross (to 9 November 2010)
Lord Turnbull (from 9 November 2010)
Paul Manduca (from 9 November 2010)

Full biographical details of the members of the Committee, including their relevant experience are set out on pages 100 to 103.

Meetings

The Committee normally has scheduled meetings at least four times a year and a number of additional meetings, as required, to review remuneration policy and the application of that policy. While the Chairman and Group Chief Executive are not members, they attend meetings unless they have a conflict of interest. During 2010 a total of seven Committee meetings were held. Details of Committee members' attendance is set out on page 107. Full details of the activities of the Remuneration Committee are set out in the Directors' Remuneration Report on page 123 to 148.

Nomination Committee Report

Role of the Committee

The Nomination Committee (the Committee), in consultation with the Board, evaluates the balance of skills, knowledge and experience on the Board and identifies the roles and capabilities required at any given time taking into account the Group's business and with due regard for the benefits of diversity on the Board, including gender. Candidates are considered on merit against those criteria and the Committee makes recommendations to the Board regarding suitable candidates for appointments. In appropriate cases search consultants are used to identify candidates. The Committee also reviews conflicts of interest or potential conflicts of interest raised by directors between Board meetings or for prospective new Board members. In cases where there might be an actual or potential conflict of interest the Committee has powers to authorise any such actual or potential conflict situation on behalf of the Board, imposing any terms and conditions it deems appropriate, or to make recommendations to the Board as to whether the conflict or potential conflict should be authorised and on what terms.

During 2010 the Committee met six times and recommended to the Board that Howard Davies and Paul Manduca, who were both appointed with the assistance of external search consultants, be appointed as non-executive directors. The Committee further recommended the appointment of Mike Wells and John Foley as executive directors with effect from January 2011. Full biographical details of the directors are set out on pages 100 to 103.

The Committee's terms of reference, which are set by the Board and kept under regular review, are available on our website at: www.prudential.co.uk/prudential-plc/aboutpru/corporate governance/ Alternatively, copies may be obtained upon request from the Company Secretary at the Company's registered office.

Membership

The Committee is comprised of independent non-executive directors and the Chairman, as set out below:

Harvey McGrath (Chairman)
Bridget Macaskill
James Ross
Kathleen O'Donovan (from 9 November 2010)
Paul Manduca (from 1 January 2011)

Meetings

The Committee meets as required to consider candidates for appointment to the Board and to make recommendations to the Board in respect of those candidates. The Group Chief Executive is closely involved in the work of the Committee and is invited to attend and contribute to meetings.

Details of Committee members' attendance at meetings are set out on page 107.

The process of evaluating the skills and composition of the Board is ongoing and is kept under regular review in order to ensure appropriate plans for succession to the Board are in place.

Risk Committee Report

Role of the Committee

The Risk Committee was established in November 2010 and has responsibility for providing leadership, direction and oversight with regard to the Group's overall risk appetite and tolerance and risk management framework, including risk policies and processes and controls, and to providing oversight in respect of the Group Chief Risk Officer's responsibilities.

The Committee has terms of reference which are set by the Board and will be kept under regular review. The terms are available on our website at www.prudential.co.uk/prudential-plc/aboutpru/corporategovernance/ Alternatively, copies may be obtained from the Company Secretary at the Registered Office.

Membership

The Committee is comprised of independent non-executive directors as set out below:

Howard Davies (Chairman)
Ann Godbehere
James Ross
Lord Turnbull

Meetings

The Committee expects to hold at least four scheduled meetings a year. The Committee will report on its activities in the Annual Report 2011 after it has completed its first year of business.

Internal control and risk management

The Board has overall responsibility for the system of internal control and risk management and for reviewing its effectiveness. The framework setting out the Group's approach to internal control, risk management and corporate responsibility comprises the following:

- **Group governance framework:** Documents the Group's internal control policies and processes in an online manual, including the Group's risk framework, code of business conduct and detailed policies on key operational and financial risks. Business units are also required to follow any additional processes necessary to comply with local statutory and regulatory requirements.
- **Group risk framework:** Provides an overview of the Group-wide philosophy and approach to risk management and sets out the key risk management processes which support the Group's compliance with internal, statutory and regulatory requirements.
- **Corporate responsibility framework:** Provides an overview of the Group-wide philosophy and approach to corporate responsibility; supports the Group's commercial focus and the increasing challenges faced including changes in stakeholder expectations. A key element is 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, in their dealings with employees, customers, shareholders, suppliers, and competitors, in the wider community and in respect of the environment.

The Business Review provides further detail on Prudential's risk appetite and exposures on pages 80 to 86 and corporate responsibility activities on pages 91 to 98.

CORPORATE GOVERNANCE

Further details on the procedures for the management of risk and the systems of internal control operated by the Group are given in the section on Risk Governance on pages 115 to 116. The governance framework principally relates to the operational management of the Group's businesses and includes pre-determined authority limits delegated by the Board in respect of matters which are necessary for the effective day-to-day running and management of the business. The Group Chief Executive has been delegated management authority by the Board and in turn grants authority to the executive, including the chief executive officers of each business unit who report to him for the management of that business unit. In addition, each of those chief executives has established a management board comprising the business unit's most senior executives.

The system is regularly reviewed and complies with the Corporate Governance Codes. In complying with the Combined Code 2008, the Group follows the 2005 Turnbull Guidance relating to the sections of the Code dealing with risk management and internal control. The Board reviewed the effectiveness of the system of internal control in February 2011, covering all material controls, including financial, operational and compliance controls, risk management systems and the adequacy of the resources, qualifications and experience of staff of the issuer's accounting and financial reporting function. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place throughout the period and up to the date of this report.

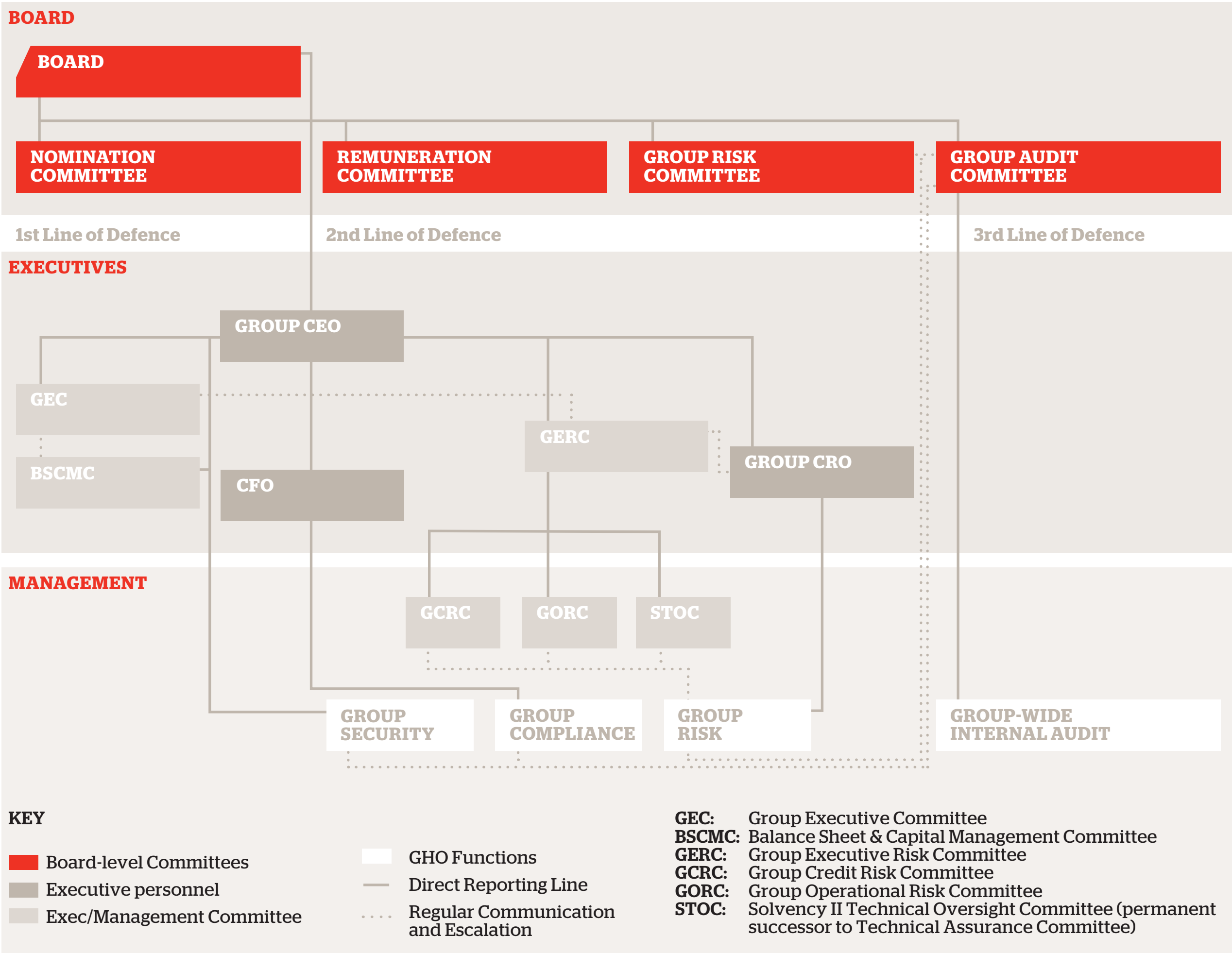
The chief executive and chief financial officer of each business unit annually certifies compliance with the Group's governance, internal control and risk management requirements. The risk management function reviewed any matters identified by business units in their certification, and also assessed the risk and control issues that arose and were reported during the year. This included: routine and exception-based risk reporting; matters identified and reported by other Group Head Office oversight functions and the findings from the work of the internal audit function, who execute risk-based audit plans throughout the Group. The results were reported to, and reviewed by, the Group Audit Committee.

In line with the Turnbull guidance, the certification provided above does not apply to certain material joint ventures 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. However, the relevant Group company which is party to the joint venture must, in respect of any services it provides in support of the joint venture, comply with the requirements of the Group's internal governance framework.

The internal control and risk management systems described above and also under the sections on Risk Governance on page 115 and the Group Audit Committee on page 109, cover the Company's financial reporting process and the Group's process for the preparation of consolidated financial statements.

RISK GOVERNANCE

Group-level framework



Organisation

Prudential's risk governance framework requires that all of the Group's businesses and functions establish processes for identifying, evaluating and managing the key risks faced by the Group. The framework is based on the concept of 'three lines of defence' (LoD): risk management, risk oversight and independent assurance.

The diagram above outlines the Group-level framework.

Risk management (1st LoD): As described in the corporate governance report, primary responsibility for strategy, performance management and risk control lies with the Board, which has established the Risk Committee to assist in providing leadership, direction and oversight, and with the Group Chief Executive and the chief executives of each business unit.

Balance Sheet and Capital Management Committee: Meets monthly to monitor the Group's liquidity and oversee the activities of Prudential Capital.

Risk oversight (2nd LoD): Risk exposures are monitored and reviewed by Group-level risk committees chaired by the Group Chief Risk Officer or the Chief Financial Officer.

Group Executive Risk Committee: Meets monthly to oversee the Group's risk exposures (market, credit, liquidity, insurance and operational risks) and to monitor capital.

Group Operational Risk Committee: Reports to the Group Executive Risk Committee and meets quarterly to oversee the Group's non-financial (operational, business environment and strategic) risk exposures.

RISK GOVERNANCE

Group Credit Risk Committee: Reports to the Group Executive Risk Committee and meets monthly to review the Group's investment and counterparty credit risk positions.

Solvency II Technical Oversight Committee: Will be created when the Solvency II programme is complete, to provide ongoing technical oversight and advice to the executive and the Board in carrying out their duties with regard to the Group's Internal Model.

The committees' oversight is supported by the Group Chief Risk Officer with functional oversight provided by:

Group Security: Develop and deliver appropriate security measures to protect the Group's staff, physical assets and intellectual property.

Group Compliance: Verify compliance with regulatory standards and inform the Group's management and the Board on key regulatory issues affecting the Group.

Group Risk: Establish and embed a capital management and risk oversight framework and culture consistent with Prudential's risk appetite that protects and enhances the Group's embedded and franchise value.

Independent assurance: As described in the Corporate Governance Report, the Group Audit Committee, supported by Group-wide Internal Audit, provides independent assurance and oversight of the effectiveness of the Group's system of internal control and risk management.

Principles and objectives

Risk is defined as the uncertainty that Prudential faces in successfully implementing its strategies and objectives. This includes all internal or external events, acts or omissions that have the potential to threaten the success and survival of Prudential.

The control procedures and systems established within the Group are designed to manage rather than eliminate the risk of failure to meet business objectives. They can only provide reasonable and not absolute assurance against material misstatement or loss and focus on aligning the levels of risk-taking with the achievement of business objectives.

Material risks will only be retained where this is consistent with Prudential's risk appetite framework and its philosophy towards risk-taking, that is:

- the retention of the risk contributes to value creation,
- the Group is able to withstand the impact of an adverse outcome,
- the Group has the necessary capabilities, expertise, processes and controls to manage the risk.

The Group has five objectives for risk and capital management:

Framework: Design, implement and maintain a capital management and risk oversight framework consistent with the Group's risk appetite and Risk-Adjusted Profitability (RAP) model.

Monitoring: Establish a 'no surprises' risk management culture by identifying the risk landscape, assessing and monitoring risk exposures and understanding change drivers.

Control: Implement risk mitigation strategies and remedial actions where exposures are deemed inappropriate and manage the response to extreme events.

Communication: Communicate the Group risk, capital and profitability position to internal and external stakeholders and rating agencies.

Culture: Foster a risk management culture, providing quality assurance and facilitating the sharing of best practice risk measurement and management across the Group and industry.

Reporting

The Group's economic capital position and overall position against risk limits is reviewed regularly by the Group Executive Risk Committee. Key economic capital metrics, as well as RAP information, are included in business plans, which are reviewed by the Group Executive Committee and approved by the Board.

The Group Audit Committee and Group Risk Committee are provided with regular reports on the activities of Group Risk. These reports include information on the activities of the Group Operational Risk Committee and Group Credit Risk Committee.

Group Head Office oversight functions have clear escalation criteria and processes for the timely reporting of risks and incidents by business units. As appropriate, these risks and incidents are escalated to the various Group-level risk committees and the Board.

Internal business unit routine reporting requirements vary according to the nature of the business. Each business unit is responsible for ensuring that its risk reporting framework meets both the needs of the business unit (for example, reporting to the business unit risk and audit committees) and the minimum standards set by the Group (for example, to meet Group-level reporting requirements).

Business units review their risks as part of the annual preparation of their business plans, and review opportunities and risks against business objectives regularly with Group Head Office. Group Risk reviews and reports to Group Head Office on the impact of large transactions or divergences from business plan.

RELATIONS WITH SHAREHOLDERS

Communication with shareholders

As a major institutional investor, the Company is very aware of the importance of maintaining good relations with its shareholders. Discussions are held regularly with major shareholders and a programme of meetings took place during 2010. In addition, Prudential also held an investor day in December 2010 and plans to make this an annual event. A perception survey into the views of the Company's major investors is undertaken regularly by an independent firm and the results of this survey are presented to the Board. Board members also regularly receive copies of the latest analysts' and brokers' reports on the Company and the sector to further develop their knowledge and understanding of external views about the Company. The Chairman and the non-executive directors provided feedback to the Board on topics raised with them by major shareholders. Should major shareholders wish to meet newly appointed directors, or any of the directors generally, they are welcome to do so.

The Group maintains a corporate website www.prudential.co.uk containing a wide range of relevant information for private and institutional investors, including the Group's financial calendar. The shareholder information section on pages 443 to 444 contains further details which may be of interest to shareholders.

Annual General Meeting

The Annual General Meeting will be held in the Churchill Auditorium at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on 19 May 2011 at 11.00am. The Company believes the Annual General Meeting is an important forum for both institutional and private shareholders and encourages all its shareholders to vote. Shareholders are given the opportunity during annual general meetings to put questions to the Board on matters relating to the Group's operations and performance.

At the 2010 Annual General Meeting, the Company continued its practice of calling a poll on all resolutions. The voting results and all proxies lodged prior to the meeting were displayed at the meeting and published on the Company's website. This practice provides shareholders present with sufficient information regarding the level of support and opposition to each resolution and ensures that all votes cast, either at the meeting or through proxies, are included in the result.

Company constitution

The Company is governed by the Companies Act 2006, other applicable legislation and regulation as well as by provisions of its Articles of Association. The Articles of Association are available on our website at www.prudential.co.uk/prudential-plc/aboutpru/memorandum

Any change to the Articles must be approved by special resolution of the shareholders in accordance with the provisions of the Companies Act 2006.

Share capital

On 31 December 2010, the Company's issued share capital, which is set out in Note H11 on page 321, consisted of 2,545,594,506 (2009: 2,532,227,471) ordinary shares of 5 pence each, all fully paid up and listed on the London Stock Exchange and the Stock Exchange of Hong Kong. The number of accounts on the share register at 31 December 2010 was 66,048 (2009: 71,700). The Company maintains secondary listings on the New York Stock Exchange in the form of American Depositary Shares which are referenced to its ordinary shares, under a depositary agreement with J.P. Morgan, and on the Singapore Stock Exchange.

In compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong, the Company has maintained a public float of at least 25 per cent of the issued share capital from the date of listing on 25 May 2010 to the date of this report.

A number of dividend waivers are in place and these relate to shares issued, but not allocated, under the Group's employee share plan. These shares are held by the Trustees and will, in due course, be used to satisfy requirements under the Group's employee share plans.

RELATIONS WITH SHAREHOLDERS

Rights and obligations

The rights and obligations attaching to the Company's shares are set out in full in the Company's Articles of Association. 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, unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been 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 operated by the Company, participants are the beneficial owners of the shares but not the registered owners, the voting rights are normally exercisable by the registered owner in accordance with the relevant plan rules. Trustees may vote at their discretion, but do not vote on any unawarded shares held as surplus assets.

As at 8 March 2011, Trustees held 0.19 per cent of the issued share capital of the Company under the various plans in operation.

Rights to dividends under the various schemes are set out in Note I4 on page 345.

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 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 Services Authority and the Stock Exchange of Hong Kong, as well as Prudential's own share dealing rules, whereby directors and certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

Some of the Company's employee share plans include restrictions on transfer of shares while the shares are subject to the plan. As described in the Directors' Remuneration Report, non-executive directors use a proportion of their fees to purchase shares in the Company which may not normally be transferred during a director's period of office. In addition, all directors are required to obtain a number of qualification shares within one year of appointment, which they would also be expected to retain during their tenure of office. Executive directors are also required to build up their shareholding in the Company.

Significant shareholdings

As at 8 March 2011, the Company had received notification, in accordance with Rule 5.1.2 R of the Disclosure and Transparency Rules of the Financial Services Authority, from Capital Research and Management Company, Blackrock Inc., Norges Bank and Legal and General Group plc that they held 11.65 per cent, 5.01 per cent, 4.01 per cent and 3.99 per cent respectively of the Company's issued ordinary share capital at the time of notification.

Authority to issue shares

The directors require authority from shareholders in relation to the issue of shares by the Company. Whenever shares are issued the Company has to offer the shares to existing shareholders pro rata to their holdings unless it has been given authority by shareholders to issue shares without offering them first to existing shareholders. The Company seeks authority from its shareholders on an annual basis to issue shares up to a maximum amount and to issue up to five per cent of its issued share capital without observing pre-emption rights, in line with relevant regulations and best practice. Dis-application of statutory pre-emption procedures is also sought for rights issues. The Company's 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 Annual General Meeting. An ordinary resolution and a special resolution to approve the renewal of these authorities respectively, will be put to shareholders at the Annual General Meeting on 19 May 2011.

Details of shares issued during 2009 and 2010 are given in note H11 on page 321.

In accordance with the terms of a waiver granted by the Hong Kong Stock Exchange, the Company 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 own shares by the Company. The Company seeks authority by special resolution on an annual basis for the buyback of its own shares in accordance with the relevant provisions of the Companies Act 2006 and other related guidance. The Company has not made use of that authority since it was last granted at its Annual General Meeting in 2010. This existing authority is due to expire at the end of this year's Annual General Meeting. A special resolution to approve the renewal of this authority will be put to shareholders at the Annual General Meeting on 19 May 2011.

Model Code for Securities Transactions by Directors

Prudential has adopted share dealing rules which incorporate the UK Model Code on share dealing and the Hong Kong Model Code for Securities Transactions by Directors. Prudential operates various employee share plans and has obtained a number of waivers from the Stock Exchange of Hong Kong in order to facilitate the normal operation of those plans.

Following specific enquiry, the directors have confirmed their compliance with these rules.

US corporate governance and regulations

As a result of the listing of its securities on the New York Stock Exchange, the Company is required to comply with the relevant provisions of the Sarbanes-Oxley Act 2002 (the 'Act') as they apply to foreign private issuers and has adopted procedures to ensure this is the case.

In particular, in relation to the provisions of Section 302 of that Act, which covers disclosure controls and procedures, a Disclosure Committee has been established reporting to the Group Chief Executive, chaired by the Chief Financial Officer and comprising members of senior management. The objectives of this Committee are to:

- assist the Group Chief Executive and the Chief Financial Officer in designing, implementing and periodically evaluating the Company's disclosure controls and procedures;
- monitor compliance with the Company's disclosure controls and procedures;
- review and provide advice to the Group Chief Executive and Chief Financial Officer with regard to the scope and content of all public disclosures made by the Company which are of material significance to the market or investors; and
- review and consider, and where applicable follow up on, matters raised by other components of the disclosure process. These may include, to the extent they are relevant to the disclosure process, any matters to be raised with the Group Audit Committee, the internal auditors or the external auditor of the Company's internal controls.

In discharging these objectives, the Committee helps to support the certifications by the Group Chief Executive and the Chief Financial Officer of the effectiveness of disclosure procedures and controls required by Section 302 of the Act.

The provisions of Section 404 of the Act require the Company's management to report on the effectiveness of internal controls over financial reporting in its annual report on Form 20-F, which is filed with the US Securities and Exchange Commission. To comply with this requirement to report on the effectiveness of internal control, the Group has documented and tested its internal controls over financial reporting in the format required by the Act. The annual assessment and related report from the external auditor will be included in the Group's annual report on Form 20-F, which will be published in the coming months.

In addition, the Disclosure Committee evaluates whether or not a particular matter requires disclosure to the market, taking into account relevant regulations.

CORPORATE RESPONSIBILITY GOVERNANCE

The Board is committed to achieving the highest standards of corporate responsibility in directing and controlling the business. In terms of the governance of our corporate responsibility strategy, Harvey McGrath, the Chairman, has Board level responsibility for social, environmental and ethical risk management. The Board discusses Prudential's performance in these areas at least once a year and also reviews and approves Prudential's corporate responsibility report and strategy on an annual basis.

Below Board level, the Responsibility Committee is a specialist Group-wide committee. This committee is responsible for reviewing Prudential's business conduct and social and environmental policy and ensures consistency of approach across the Group's international businesses. Consideration of environmental, social and community matters is embedded in our Code of Business Conduct and supported by our corporate responsibility philosophy and programme, which takes into account local cultures and requirements across our businesses.

The Corporate Responsibility team, which is located in our Group Head Office, develops Prudential's corporate responsibility strategy and works closely with individual business units to provide advice. The team also assists with the development and adaptation of Group-wide initiatives so that they not only fit with our overall Group principles but are also adapted to meet local needs.