2012 implementation of remuneration policy

The operation of the Remuneration Committee in 2012

The members of the Committee during 2012 are listed below. All are independent non-executive directors:

- Lord Turnbull KCB CVO (Chairman)
- Keki Dadiseth
- Michael Garrett
- Paul Manduca (until 2 July 2012)
- Kai Nargolwala

Philip Remnant joined the Committee on 1 January 2013.

In 2012, the Committee met five times. Key activities at each meeting are shown in the table below:

Meeting	Key activities
February 2012	- Approve the 2011 directors' remuneration report; - Consider 2011 bonus awards for executive directors (and total compensation figure for Michael McLintock); - Consider vesting of the long-term incentive awards with a performance period ending on 31 December 2011; and - Approve the annual bonus measures and targets to be used in 2012.
March 2012	- Approve 2012 long-term incentive awards and performance measures; and - Confirm 2011 annual bonuses and the vesting of long-term incentive awards with a performance period ending on 31 December 2011 in light of audited financial results.
June 2012	- Review the remuneration of the Group Leadership Team, senior risk staff and of employees with a remuneration opportunity over £1 million per annum; - Note the dilution levels resulting from the Company's share plans; and - Consider proposed changes to the remuneration architecture.
September 2012	- Monitor performance against long-term incentive targets, based on the half year results; - Review the Committee's terms of reference; - Approve proposed changes to the remuneration architecture for shareholder consultation; and - Review total remuneration of executive directors.
December 2012	- Note the level of participation in the Company's all-employee share plans; - Approve executive directors' 2013 salaries and incentive opportunities; - Consider the annual bonus measures and targets to be used in 2013; - Review an initial draft of the 2012 directors' remuneration report; - Confirm changes to the remuneration architecture in light of shareholder feedback; and - Approve the Committee's 2013 work plan.

In January 2012, the Remuneration Committee met to conclude issues arising from the December 2011 Committee meeting. In addition, the Committee met for a working session in September 2012 to discuss changes to the remuneration architecture to be implemented in 2013.

The Chairman and the Group Chief Executive attend meetings by invitation. The Committee also had the benefit of advice from the Chief Financial Officer, Group Human Resources Director and Director of Group Reward and Employee Relations. The Group Chief Risk Officer advised the Committee on adherence to the Group's risk appetite and framework. Individuals are never present when their own remuneration is discussed.

During 2012, Deloitte LLP were the independent advisor to the Committee. Advice was also provided by PricewaterhouseCoopers LLP. Market data was sourced from Deloitte LLP, Towers Watson, McLagan Partners and LOMA. Norton Rose, Slaughter & May, Linklaters and Allen & Overy provided legal counsel, including advice on employment law and the operation of the Company's share plans. Some of these firms also provided other services to the Company: Deloitte LLP and PricewaterhouseCoopers LLP provided advice on Solvency II, taxation and other financial matters, Towers Watson provided actuarial advice and Slaughter & May and Norton Rose provided commercial, corporate and general legal advice.

The operation of the reward policy in 2012

In 2012, executive directors were rewarded on the basis set out below:

				Long-term incentives (2012 award as a percentage of salary)		
Director	**Role**	**Base salary at 1 January 2012**	**Annual bonus – maximum percentage of salary**	**Group Performance Share Plan (GPSP)**	**Business Unit Performance Plan (BUPP)**	**Total**
Rob Devey	Chief Executive, UK & Europe	£600,000	160%	112.5%	112.5%	225.0%
John Foley	Group Chief Risk Officer	£610,000	160%	250.0%	–	250.0%
Michael McLintock	Chief Executive, M&G	£360,000	note 1	100.0%	344.1%	444.1%
Nic Nicandrou	Chief Financial Officer	£630,000	175%	225.0%	–	225.0%
Barry Stowe	Chief Executive, PCA	HK$8,000,000	160%	112.5%	112.5%	225.0%
Tidjane Thiam	Group Chief Executive	£1,000,000	200%	400.0%	–	400.0%
Mike Wells	President & CEO, JNL	US$1,050,000	note 2	230.0%	230.0%	460.0%

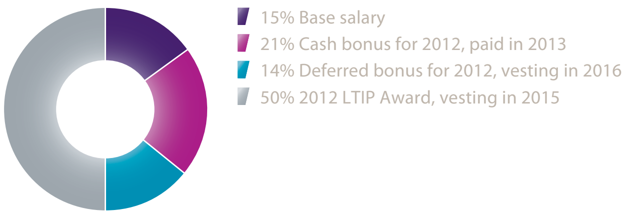
Notes

1 Michael McLintock's annual bonus and long-term incentive opportunity under the M&G Executive LTIP (rather than the BUPP) are based on M&G's performance both in absolute terms and relative to its peers. In line with practice in the asset management sector, there is no specified maximum incentive award. Michael's total remuneration is subject to an overriding cap such that his total remuneration should not be greater than 3 per cent of M&G's annual IFRS profits. The figure shown for his 2012 M&G Executive LTIP award is the expected value of this grant.
2 Mike Wells' maximum annual bonus figure is comprised of 160 per cent of salary and a 10 per cent share of the Jackson senior management bonus pool based on the target performance of Jackson.
3 All long-term incentives have a three-year performance period. For the awards detailed above the performance period will end on 31 December 2014.
4 Where awards are made in shares, the final number of shares awarded is calculated in line with the respective plan rules. Details on the shares granted under these plans are outlined in the Directors' outstanding long-term incentive awards tables in the Supplementary information section.

The package for 2012 offered the following proportions of fixed and variable short- and long-term reward to executive directors (average of executive directors):

Good performance

Superior performance



As illustrated above, 'Good' performance results in the payment of 2012 annual bonus at the target level and 2012 long-term incentive awards vesting at the threshold level. 'Superior' performance generates maximum payment of 2012 annual bonuses and 2012 long-term incentive awards vest in full.

Directors' remuneration report
2012 implementation of remuneration policy

2012 implementation of remuneration policy continued

The single figure

Although the UK Government's proposed reporting requirements have not been finalised, we have anticipated the requirement to present a single figure for executives' total remuneration. This is included in the main remuneration table for 2012 on page 134. The single figure has been calculated including the following elements:

- The salary and the cost of providing benefits in 2012;
- The bonus awarded for performance in 2012 (including the value at award of the deferred element which will be released in 2016);
- The value of long-term incentive awards with a performance period ending in 2012 which will be released in 2013, using the average share price over the period 1 October 2012 to 31 December 2012; and
- The value of any salary supplement for pension, employer contributions to a defined contribution pension plan or the increase in transfer value of final salary pension benefits in 2012 (less contributions made by the director during 2012).

Base salary

Executive directors' salaries were reviewed in 2012 with changes effective from 1 January 2013. In determining 2013 salaries, the Committee considered the performance, experience and internal relativities of each director, as well as the performance of the Group and the salary increases awarded to other employees. To provide context for this review, information was drawn from the following market reference points:

Director	Role	Benchmark(s) used to assess remuneration
Rob Devey	Chief Executive, UK & Europe	FTSE 40 International Insurance Companies
John Foley	Group Chief Risk Officer	FTSE 40
Michael McLintock	Chief Executive, M&G	McLagan UK Investment Management Survey
Nic Nicandrou	Chief Financial Officer	FTSE 40 International Insurance Companies
Barry Stowe	Chief Executive, PCA	Towers Watson Asian Insurance Survey
Tidjane Thiam	Group Chief Executive	FTSE 40 International Insurance Companies
Mike Wells	President & CEO, JNL	Towers Watson US Financial Services Survey LOMA US Insurance Survey

After careful consideration the Committee decided to increase salaries by 3 per cent as set out in the table on the right. Salary increases for the wider workforce vary across our business units, based on local market conditions. It is anticipated that 2013 salary budgets will increase between 3 per cent and 5 per cent, for the wider workforce.

Executive	2012 salary	2013 salary (+3%)
Rob Devey	£600,000	£618,000
John Foley	£610,000	£628,300
Michael McLintock	£360,000	£370,800
Nic Nicandrou	£630,000	£648,900
Barry Stowe	HK$8,000,000	HK$8,240,000
Tidjane Thiam	£1,000,000	£1,030,000
Mike Wells	US$1,050,000	US$1,081,500

Annual bonus
Performance measures
The financial measures used to assess performance for the 2012 AIP are set out below. These remain unchanged for 2013. Executive directors who have business unit responsibilities are assessed on both Group and business unit performance.

A portion of the annual bonus for each executive director is based on the achievement of personal objectives. These objectives include the executive's contribution to Group strategy as a member of the Board and specific goals related to their functional and/or business unit role (for instance, project measures relating to the implementation of Solvency II requirements). In addition, all employees are required to comply with the regulatory, governance and risk management practices and policies as these relate to their role and business area. Specifically, all business units must act within the Group's risk appetite and framework, and all individuals must act within the Group's Code of Business Conduct.

A proportion of each executive director's annual bonus is not paid in cash and must be deferred. This portion is deferred for three years in the form of the Company's shares. This deferral aligns the interests of our executive directors with our shareholders and helps to ensure a focus on the sustainable success of the Company.

Annual bonus opportunities
Executive directors' bonus opportunities, the weighting of performance measures for 2012 and the proportion of annual bonuses deferred are set out below.

	Maximum bonus opportunity (Percentage of salary)	Deferral requirement	Weighting of measures: Group	Business unit	Personal objectives
Rob Devey	160%	40% of total bonus	20%	60%	20%
John Foley	160%	40% of total bonus	50%	–	50%
Michael McLintock	Note 1	50% of bonus above £500,000	10%	60%	30%
Nic Nicandrou	175%	40% of total bonus	80%	–	20%
Barry Stowe	160%	40% of total bonus	20%	60%	20%
Tidjane Thiam	200%	50% of total bonus	80%	–	20%
Mike Wells note 2	c.400%	30% of total bonus	30%	60%	10%

Notes
1 Michael McLintock's annual bonus and long-term incentive opportunities in 2012 were based on M&G's performance both in absolute terms and relative to its peers. In line with practice in the asset management sector, there is no specified maximum incentive award. Michael's total remuneration (including long-term incentives) is subject to an overriding cap which requires that his total remuneration must not be greater than 3 per cent of M&G's annual IFRS profit.
2 Mike Wells' annual bonus figure comprises an AIP opportunity of 160 per cent of salary and a 10 per cent share of the Jackson senior management bonus pool. The figure above is based on the target performance of Jackson.

Rewarding performance in 2012
As set out in the Remuneration Committee Chairman's letter, during 2012 the Group delivered further increases in its key financial measures, specifically new business profitability, IFRS profitability and cash generation. The outstanding performance delivered in 2012 against these measures exceeded both the Group's 2011 performance and the stretching targets set by the Committee at the start of the year. The Group Chief Risk Officer was invited to attend the Remuneration Committee meeting held in March 2013 and advised the Committee on the Group's adherence to its risk appetite and framework during 2012.

2012 financial performance, relative to the targets set by the Committee, is summarised below:

Measure	Group	PCA	UK	M&G
Cash flow	Above stretch target	Above stretch target	At Plan level	–
Net free surplus generated	Above stretch target	Between Plan and stretch target	–	–
IFRS profit	Above stretch target	Above stretch target	Above stretch target	Between Plan and stretch target
IGD surplus	Above stretch target	Between Plan and stretch target	Above stretch target	–
NBP EEV profit	Above stretch target	Above stretch target	Above stretch target	–
In-force EEV profit	Above stretch target	Between Plan and stretch target	Between Plan and stretch target	–

2012 implementation of remuneration policy continued

On the basis of this outstanding performance, the Committee approved the following 2012 AIP payments:

Executive	2012 salary	Maximum 2012 AIP	2012 outcome (as a percentage of max)	2011 outcome (as a percentage of max)	Total 2012 AIP payment
Rob Devey	£600,000	160%	73.9%	90.7%	£709,200
John Foley	£610,000	160%	100.0%	98.1%	£976,000
Michael McLintock	£360,000	n/a	n/a	n/a	£1,307,275
Nic Nicandrou	£630,000	175%	99.0%	95.9%	£1,091,475
Barry Stowe	HK$8,000,000	160%	98.1%	94.1%	HK$12,560,000
Tidjane Thiam	£1,000,000	200%	100.0%	96.9%	£2,000,000
Mike Wells[note 1]	US$1,050,000	160%	99.0%	95.4%	US$1,663,200

Note

1 In addition to the AIP, Mike Wells also received 10 per cent of the JNL senior management bonus pool. His total 2012 bonus, including his AIP and JNL senior management award, is US$4,599,500.

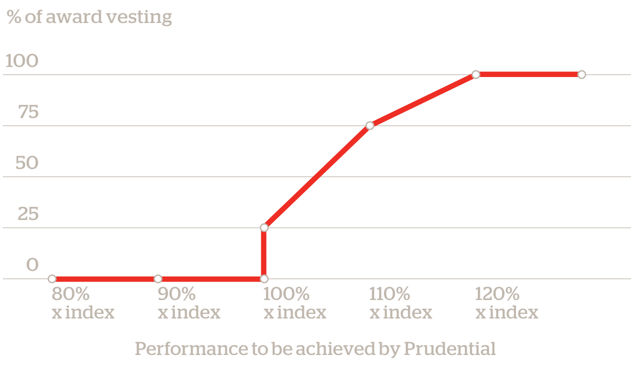
Long-term incentives

Details of the awards made under these plans in 2012 can be found on pages 137 to 139.

Group Performance Share Plan (GPSP)

All executive directors receive GPSP awards. GPSP awards vest on the basis of the Group's Total Shareholder Return (TSR) performance over a three-year period. TSR is the combination of the share price growth and the dividends paid. Prudential's TSR achievement over the performance period is compared with the TSR of an index composed of 10 international insurers (see box below). This performance measure was selected because it focuses on the value delivered to shareholders. TSR is measured on a local currency basis since this has the benefit of simplicity and directness of comparison.

The vesting schedule for outstanding GPSP awards is set out below:



Peer companies used within the Index for all outstanding GPSP awards
Aegon, Allianz, Aviva, Axa, Generali, ING, Legal & General, Manulife, Old Mutual and Standard Life

For any GPSP award to vest, the Committee must be satisfied that the quality of the Company's underlying financial performance justifies the level of reward delivered at the end of the performance period. To ensure close alignment with our shareholders' long-term interests, participants receive the value of reinvested dividends over the performance period for those shares which ultimately vest. If performance measures are not achieved in full, the unvested portion of any award lapses and performance cannot be retested.

On 31 December 2012, the performance period for 2010 GPSP awards (which began on 1 January 2010) came to an end. Over the performance period the Group has delivered superior returns for shareholders through share price growth and dividends paid. This resulted in Prudential achieving excellent TSR performance of 156.4 per cent.

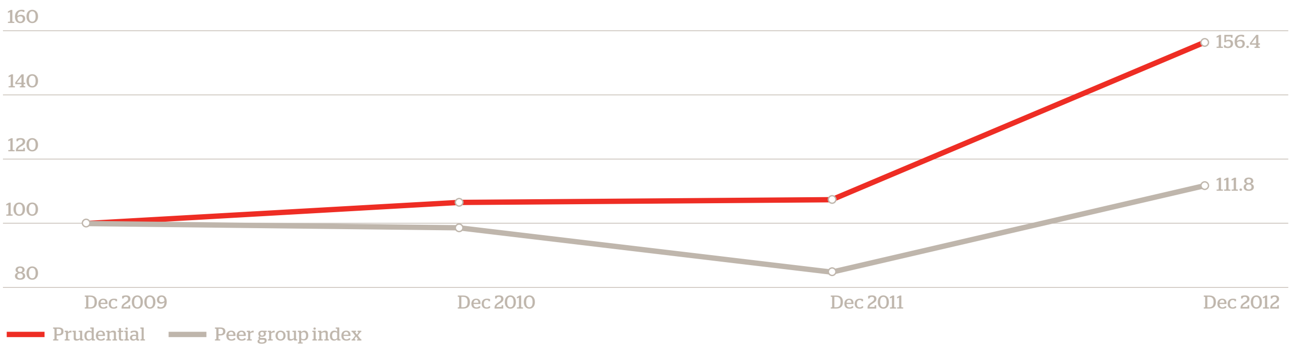
The peer group's TSR index was 100 at the start of the 2010 to 2012 performance period and was 111.8 at the end of the period (as illustrated opposite). In order for the 2010 GPSP awards to vest in full, Prudential's TSR index over the period had to outperform the peer index by 20 per cent, ie increase from 100 to at least 134.2 (111.8 x 120 per cent). The TSR performance achieved by Prudential of 156.4 per cent equals an outperformance of the peer index of 139.9 per cent.

The Committee, having satisfied itself about the quality of the Company's underlying financial performance, confirmed vesting of 100 per cent of the 2010 to 2012 GPSP award (for reference, 100 per cent of the 2009 to 2011 GPSP award vested).

The Committee believes that the GPSP performance condition is a stretching requirement that requires exceptional performance, relative to other international insurance companies, for awards to be released in full.

The line chart below compares Prudential's TSR during the three years from 1 January 2010 to 31 December 2012 with that of the peer group against which TSR is measured for the purposes of the GPSP.

Prudential TSR v peer group index – total returns index % over three years to December 2012



Business Unit Performance Plans (BUPP)

Asia BUPP

The Chief Executive, PCA receives awards under the Asia BUPP. These awards are dependent on the achievement of PCA's new business profit, IFRS profit and cash remittance targets over the three-year performance period. Each of these measures will determine vesting of one third of each award. Threshold performance results in 30 per cent of the award vesting, increasing to 100 per cent for stretch performance.

On 31 December 2012, the performance period for the 2010 Asia BUPP award (which began on 1 January 2010) came to an end. Over the period, the new business profit, IFRS profit and cash remittance achieved by the PCA business unit meant that the Committee, having satisfied itself as to the quality of the business units' underlying financial performance, confirmed vesting of 95.2 per cent of Barry Stowe's 2010 to 2012 Asia BUPP award (for reference, 86.5 per cent of Barry Stowe's 2009 to 2011 Asia BUPP award vested).

Jackson BUPP

The President and CEO, JNL receives an award under the Jackson BUPP. Vesting of awards made under this plan is dependent on Shareholder Capital Value (SCV) growth over the performance period. The SCV growth required is outlined in the table below. Vesting occurs between these performance levels on a straight-line basis.

Percentage of BUPP award which vests	Compound annual growth in SCV over three years
0%	<8%
30%	8%
75%	10%
100%	12%

On 31 December 2012, the performance period for the 2010 Jackson BUPP came to an end. Although no current executive director had a 2010 award under this plan the vesting level for other participants was 100 per cent (for reference 93.75 per cent of the 2009 to 2011 awards vested).

UK BUPP

The Chief Executive, UK & Europe receives awards under the UK BUPP. Given the cash-generative priorities of the UK Business Unit, UK BUPP awards are assessed using the same relative TSR measure applied to GPSP awards.

On 31 December 2012, the performance period for the 2010 UK BUPP (which began on 1 January 2010) came to an end. As detailed above, Prudential's TSR over this period was equal to 139.9 per cent of the peer index. The Committee, having satisfied itself as to the quality of the business unit's underlying financial performance, confirmed vesting of 100 per cent of Rob Devey's 2010 to 2012 UK BUPP award (for reference 100 per cent of Rob Devey's 2009 to 2011 UK BUPP award vested).

For any BUPP award to vest, the Committee must be satisfied that the quality of underlying financial performance of the relevant business unit justifies the level of reward delivered at the end of the performance period. To ensure close alignment with our shareholders' long-term interests, participants receive the value of reinvested dividends over the performance period for those shares which ultimately vest. If the performance conditions are not achieved in full, the unvested portion of any award lapses and cannot be retested.

2012 implementation of remuneration policy continued

Limits on award sizes
The rules of the GPSP and BUPP set a limit on the value of shares which may be awarded to an executive in a financial year. The combined value of shares awarded under the two plans may not exceed a maximum of 550 per cent of salary although the awards made in a particular year are often significantly below this limit. On a change in control of Prudential, vesting of awards made under these arrangements would be prorated for performance and to reflect the elapsed portion of the performance period.

M&G Executive Long-Term Incentive Plan
The Chief Executive, M&G receives awards under the M&G Executive Long-Term Incentive Plan. Under this plan an annual award of phantom shares is made with a notional starting share price of £1. The phantom share price at vesting is determined by the increase or decrease in M&G's profitability over the three-year performance period with profit and investment performance adjustments also applied:

Profit growth
The value of phantom shares vesting will be adjusted by a profit measure as follows:

- No adjustment will be made if profits in the third year of the performance period are at least equal to the average annual profit generated over the performance period;
- A loss or zero profit will result in the value of the award being reduced to zero, irrespective of investment performance; and
- Between these points, the value of phantom shares will be reduced on a straight-line basis from no reduction to the complete elimination of the value of the award.

Investment performance
The value of phantom shares vesting will be adjusted by an investment performance measure as follows:

- Where the investment performance of M&G's funds is in the top two quartiles during the three-year performance period, the value of phantom shares vesting will be enhanced. The value of phantom shares may be doubled if performance is in the top quartile;
- Investment performance in the third quartile will not change the value of phantom shares vesting; and
- Investment performance in the bottom quartile will result in awards being forfeited, irrespective of any profit growth.

The value of the vested phantom shares will be paid in cash after the end of the three-year performance period.

On 31 December 2012, the performance period for the 2010 award under the M&G Executive Long-Term Incentive Plan (which began on 1 January 2010) came to an end. M&G's profit at the end of the performance period was 204 per cent of that at the start and M&G's investment performance was in the second quartile. The Committee, having satisfied itself about the quality of M&G's underlying financial performance, confirmed vesting of Michael McLintock's 2010 award with a value of £2.65 per share. This will result in a payment of £2,616,024 to Michael McLintock in 2013 (for reference, the 2009 to 2011 award vested with a value of £2.96 per share which resulted in a payment of £5,417,359 to Michael McLintock during 2012). Based on 2011 performance, an award of 952,960 phantom shares with an expected value of £1,238,849 was made to Michael McLintock in 2012.

As described in the remuneration architecture review section of this report, the method used to determine the number of phantom shares awarded to Michael McLintock under the M&G Executive Long-Term Incentive Plan has been revised. With effect from 2013, Michael McLintock will receive an annual award with a face value of three times his salary. The ultimate value of the 2013 award will be determined with reference to the profitability and investment performance of M&G over the three years from 1 January 2013 to 31 December 2015 using the measures set out above.

Jackson Long-Term Incentive Plans
Prior to his appointment as an executive director, Mike Wells participated in the two long-term incentive plans offered to senior staff within Jackson. Mike Wells was awarded ADRs under the JNL US Performance Share Plan and cash-based awards under the JNL Long-Term Incentive Plan. Awards made under both plans have a performance period of four years and vesting is dependent on the achievement of shareholder value targets. Up to 150 per cent of the original number of ADRs awarded under the JNL Performance Share Plan may be released if stretch performance targets are achieved.

Outstanding awards made to Mike Wells before his appointment as an executive director remain subject to the original performance conditions and vesting schedule. No further awards will be made to Mike Wells under these plans.

On 31 December 2012, the performance periods for the 2009 awards under the JNL long-term incentive plans (which began on 1 January 2009) came to an end. Over the period the shareholder value of the US business grew by 22.68 per cent per annum (on a compound basis) and by 126.51 per cent over the performance period. This resulted in vesting of 150 per cent of Mike Wells' 2009 JNL US Performance Share Plan award and of 126.51 per cent of his 2009 cash-settled JNL Long-Term Incentive Plan award (for reference 150 per cent of Mike Wells' 2008 to 2011 JNL US Performance Share Plan award and 95 per cent of his 2008 to 2011 cash-settled JNL Long-Term Incentive Plan award vested).

Share ownership guidelines

As a condition of serving, all directors are required to have beneficial ownership of a minimum of 2,500 ordinary shares in the Company. This interest in shares must be acquired within 12 months of appointment to the Board if the director does not have such an interest upon appointment.

Executive directors should have a substantial shareholding to maximise the community of interest between them and other shareholders. This may be built up over a period of five years following their appointment.

The level of the requirements which applied to executive directors in 2012 and the current holdings of directors are shown below. The shareholding guidelines have been increased as part of the review of remuneration architecture and full details of the revised guidelines are outlined on page 118. Shares earned and deferred under the Annual Incentive Plan are included in calculating the executive director's shareholding for these purposes.

	2012 Shareholding guideline as a percentage of base salary	Shareholding at 31 December 2012 as a percentage of base salary note	2013 Shareholding guideline as a percentage of base salary
Rob Devey	100%	397%	200%
John Foley	100%	459%	200%
Michael McLintock	200%	1,641%	200%
Nic Nicandrou	100%	482%	200%
Barry Stowe	100%	680%	200%
Tidjane Thiam	200%	800%	350%
Mike Wells	100%	773%	200%

Note
Beneficial interest, based on the share price as at 31 December 2012 (£8.655). Calculated using base salaries on 31 December 2012.

Benefits

All executive directors receive core health and security benefits, for example medical insurance and life assurance.

Other benefits may be offered to executives, dependent on:

- Local market practice;
- The benefits offered to other employees within the business unit; and
- Applicable expatriate and relocation benefits and allowances.

The 2012 remuneration table on page 134 sets out the cost of providing benefits in 2012.

All-employee share plans

It is important that all employees are offered the opportunity to own shares in Prudential, connecting them both to the success of the Company and to the interests of other shareholders. Executive directors are invited to participate in these plans on the same basis as other staff in their location.

Save As You Earn (SAYE) schemes

UK-based executive directors are eligible to participate in the HM Revenue and Customs (HMRC) approved Prudential Savings-Related Share Option Scheme and Barry Stowe is invited to participate in the similar International Share Ownership Scheme. These schemes allow all eligible employees to save towards the exercise of options over Prudential plc shares with the option price set at the beginning of the savings period at a discount of up to 20 per cent of the market price.

Participants elect to enter into savings contracts of up to £250 per month for a period of three or five years. At the end of this term, participants may exercise their options within six months and purchase shares. If an option is not exercised within six months, participants are entitled to a refund of their cash savings plus interest if applicable under the rules. Shares are issued to satisfy those options which are exercised. No options may be granted under the schemes if the grant would cause the number of shares which have been issued, or which remain issuable pursuant to options granted in the preceding 10 years under the scheme and any other option schemes operated by the Company, or which have been issued under any other share incentive scheme of the Company, to exceed 10 per cent of the Company's ordinary share capital at the proposed date of grant.

Share Incentive Plan (SIP)

UK-based executive directors are also eligible to participate in the Company's HMRC approved Share Incentive Plan (SIP). This allows all UK-based employees to purchase Prudential plc shares up to a value of £125 per month from their gross salary (partnership shares). For every four partnership shares bought, an additional matching share is awarded which is purchased by Prudential on the open market. Dividend shares accumulate while the employee participates in the plan. Partnership shares may be withdrawn from the scheme at any time. If the employee withdraws from the plan within five years, matching shares are forfeited.

No directors or other employees are provided with loans to enable them to buy shares.

Pension benefits

Michael McLintock elected to become a deferred member of a contributory defined benefit scheme (described overleaf) on 5 April 2012. Michael McLintock now receives a salary supplement of 25 per cent of salary. John Foley elects to receive a combination of contributions into the money purchase scheme and a cash supplement with a total value of 25 per cent of salary. All other executive directors based in the UK have chosen to receive their pension benefits in the form of a cash supplement of 25 per cent of salary throughout 2012. These executives are provided with life assurance cover of up to four times salary plus a dependants' pension.

2012 implementation of remuneration policy continued

Barry Stowe receives a cash supplement of 25 per cent of salary and a payment to the Hong Kong Mandatory Provident Fund. He is provided with life assurance cover of up to four times salary. Mike Wells participates in Jackson's Defined Contribution Retirement Plan, a qualified 401(k) retirement plan, on the same basis as all other US-based employees. The Company provides matching contributions of 6 per cent of base salary (Mike Wells' salary for pension purposes is limited to US$250,000). He also participates in the profit sharing element of the plan which provides eligible participants with an annual profit sharing contribution, depending on the financial results of Jackson for the plan year, to a maximum of an additional 6 per cent of pensionable salary. An annual profit sharing contribution equivalent to 6 per cent of pensionable salary was made in 2012 (in 2011, the profit share contribution was 5 per cent of pensionable salary). Mike Wells is provided with life assurance cover of two times salary.

Those executives who joined the Group before June 2003 were entitled to maintain their membership of the defined benefit plans available at that time. However, at the end of 2012, no executive director was an active member of a Group defined benefit scheme. Until 5 April 2012, Michael McLintock participated in a contributory defined benefit scheme that provides a target pension of two thirds of final pensionable earnings on retirement at age 60 for an employee with 30 years or more potential service, his contribution was 4 per cent of base salary. Michael McLintock participated on the same basis as other employees who joined M&G at the same date. Benefits under the plan are subject to a notional scheme earnings cap (set at £129,600 for the 2011/2012 tax year) which replicates the HMRC earnings cap in force before A-Day (6 April 2006). Michael McLintock was also entitled to supplements based on his salary above the notional earnings cap.

Details of directors' pension entitlements under HMRC approved defined benefit schemes and supplements in the form of contributions to pension arrangements paid by the Company are set out in the following table:

			Additional pension earned during year ended 31 December 2012			Transfer value of accrued benefit at 31 December note (3)			
	Age at 31 December 2012	Years of pensionable service at 31 December 2012	Accrued benefit at 31 December 2012 (£ per annum) £000	Ignoring inflation on pension earned to 31 December 2011 note (1) £000	Allowing for inflation on pension earned to 31 December 2011 note (2) £000	2012 £000	2011 £000	Increase in transfer value less contributions made by directors during 2012 £000	Contributions to defined contribution pension schemes note (4) £000
Rob Devey	44								–
John Foley	56								50
Michael McLintock (note 5)	51	20	56	1	(1)	1,323	1,102	218	–
Nic Nicandrou	47								–
Barry Stowe	55								2
Tidjane Thiam	50								–
Mike Wells	52								19

Notes

1 As required by the Companies Act remuneration regulations.
2 As required by Stock Exchange Listing rules.
3 The transfer value equivalent has been calculated in accordance with the M&G Group Pension Scheme's transfer basis.
4 This table includes employer contributions to defined contribution plans totalling £71,124 (2011: £56,224). Supplements in the form of cash are included in the table on page 134.
5 Michael McLintock became a deferred member of the M&G defined benefit scheme on 5 April 2012. The amounts shown above as at 31 December 2012 are calculated as at this date.

No enhancements to retirement benefits were paid to or receivable by directors or former directors other than the discretionary pension increases awarded to all pensioners which have been made during the year.

Executive directors' service contracts

The normal notice of termination that the Company is required to give executive directors is 12 months. Accordingly, in normal circumstances, a director whose contract is terminated would be entitled to one year's salary and benefits in respect of their notice period. Additionally, outstanding awards under annual and long-term incentive plans may vest depending on the circumstances and according to the rules of the plans. When considering the termination of any service contract, the Remuneration Committee will have regard to the specific circumstances of each case, including the director's obligation to mitigate his loss. Payments are phased over the notice period.

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

Details of the service contracts of the executive directors are outlined below:

Executive director	Date of contract	Notice period to the Company	Notice period from the Company
Rob Devey	1 July 2009	12 months	12 months
John Foley	8 December 2010	12 months	12 months
Michael McLintock	21 November 2001	6 months	12 months
Nic Nicandrou	26 April 2009	12 months	12 months
Barry Stowe	18 October 2006	12 months	12 months
Tidjane Thiam	20 September 2007	12 months	12 months
Mike Wells[note]	15 October 2010	12 months	12 months

Note
The contract for Mike Wells is a renewable one-year fixed term contract. The contract is renewable automatically upon the same terms and conditions unless the Company or the director gives at least 90 days' notice prior to the end of the relevant term.

Policy on external appointments

Subject to the Group Chief Executive's or the Chairman's approval, executive directors are able to accept external appointments as non-executive directors of other organisations. Any fees paid may be retained by the executive director. During 2012, Michael McLintock received £47,500 as a trustee of another organisation (for reference, Michael McLintock received £45,000 for this role in 2011). Other directors served on the boards of educational, development, charitable and cultural organisations without receiving a fee for such services.

Chairman and non-executive directors' letters of appointment and fees

Non-executive directors' letters of appointment

Non-executive directors do not have service contracts but are appointed pursuant to letters of appointment with notice periods of six months without liability for compensation.

Under the terms of their letters of appointment, continuation of the non-executive directors' appointment is contingent on satisfactory performance and re-election by shareholders. Non-executive directors are typically expected to serve two three-year terms from the date of their election by shareholders. Thereafter, the Board may invite the Director to serve for an additional period.

2012 implementation of remuneration policy continued

Details of the letters of appointment for the non-executive directors are outlined below:

Non-executive director	Appointment by the Board	Initial election by shareholders at AGM	Notice period	Expiration of current term of appointment
Keki Dadiseth(note1)	1 April 2005	AGM 2005	6 months	AGM 2013
Howard Davies	15 October 2010	AGM 2011	6 months	AGM 2014
Michael Garrett(note1)	1 September 2004	AGM 2005	6 months	AGM 2013
Ann Godbehere	2 August 2007	AGM 2008	6 months	AGM 2014
Alistair Johnston	1 January 2012	AGM 2012	6 months	AGM 2015
Paul Manduca(note2)	15 October 2010	AGM 2011	6 months	AGM 2014
Kaikhushru Nargolwala	1 January 2012	AGM 2012	6 months	AGM 2015
Kathleen O'Donovan(note3)	8 May 2003	AGM 2004	6 months	n/a
Philip Remnant(note4)	1 January 2013	AGM 2013	6 months	AGM 2016
Lord Turnbull	18 May 2006	AGM 2006	6 months	AGM 2015

Notes
1 Keki Dadiseth and Michael Garrett were reappointed in 2012 for one year. The Board will consider a further renewal term in May 2013.
2 Paul Manduca was appointed as Chairman of the Board on 2 July 2012.
3 Kathleen O'Donovan retired from the Board on 31 March 2012.
4 For Philip Remnant the table assumes initial election by shareholders at the 2013 AGM.

Chairman's letter of appointment, fees and benefits

Paul Manduca was appointed as a non-executive director on 15 October 2010 and became Senior Independent Director on 1 January 2011. On 2 July 2012, he was appointed Chairman. He is paid an annual fee of £600,000. A contractual notice period of 12 months by either party applies. Paul Manduca is provided with life assurance cover of four times his annual fees plus an additional sum to buy a dependants' annuity, private medical insurance and the use of a car and driver. No pension allowance is paid and he is not a member of any Group pension scheme.

Non-executive directors' fees

Non-executive directors are not eligible to participate in annual bonus plans, long-term incentive plans or pension arrangements. Their fees are determined by the Board and reflect their individual responsibilities, including chairmanship and membership of committees where appropriate. The Board reviews fees annually.

An increase of just under 3 per cent was made to the basic non-executive fee with effect from 1 July 2012. No increases were made to the additional fees paid to committee chairmen or members. The revised fees are:

Annual fees	From 1 July 2012 £
Basic fee	87,500
Audit Committee Chairman – additional fee	70,000
Audit Committee member – additional fee	25,000
Remuneration Committee Chairman – additional fee	50,000
Remuneration Committee member – additional fee	25,000
Risk Committee Chairman – additional fee	60,000
Risk Committee member – additional fee	25,000
Senior Independent Director – additional fee	50,000

Notes
1 No fee is payable for chairmanship or membership of the Nomination Committee.
2 The Company may determine that additional fees should be paid if, in a particular year, the number of meetings is materially greater than usual.

Please see the table on page 134 for details of the fees received by individual non-executive directors during 2012.

Non-executive directors' share ownership requirements

In July 2011, a share ownership requirement for non-executive directors was introduced. Non-executive directors are required to hold shares with a value equivalent to one times the annual basic fee (excluding additional fees for chairmanship and membership of any committees). Non-executive directors will be expected to attain this level of share ownership within three years of the implementation of this requirement (or within three years of their date of appointment, if later). The Chairman is required to hold shares with a value equivalent to one times his annual fee and is expected to attain this level of share ownership within five years of the date of his appointment.

Directors' shareholdings

The interests of directors in ordinary shares of the Company are set out below. 'Shares subject to deferral' includes shares acquired under the Share Incentive Plan (detailed in the table on page 142), deferred annual incentive awards and interests in shares awarded on appointment (detailed in the 'Other Share Awards' table on pages 140 and 141).

	1 January 2012	31 December 2012				12 March 2013
	Beneficial interest (Number of shares)	**Number of shares owned outright**	**Number of shares subject to deferral**	**Total beneficial interest** (Number of shares)	**Number of shares subject to performance conditions**	**Beneficial interest** (Number of shares)
Keki Dadiseth	32,196	32,196	–	32,196	–	32,196
Howard Davies	3,083	3,192	–	3,192	–	3,192
Rob Devey	126,006	154,746	120,697	275,443	537,208	275,443
John Foley	364,378	277,178	46,057	323,235	351,917	323,235
Michael Garrett	39,233	39,233	–	39,233	–	39,233
Ann Godbehere	15,914	15,914	–	15,914	–	15,914
Alistair Johnston note (1)	–	5,000	–	5,000	–	5,000
Paul Manduca	2,500	2,500	–	2,500	–	2,500
Harvey McGrath note (2)	300,636	–	–	–	–	–
Michael McLintock	595,363	487,203	195,530	682,733	161,834	682,733
Kaikhushru Nargolwala note (3)	–	16,000	–	16,000	–	16,000
Nic Nicandrou note (4)	167,655	227,791	123,067	350,858	546,037	350,907
Kathleen O'Donovan note (5)	24,425	–	–	–	–	–
Philip Remnant note 6	–	–	–	–	–	–
Barry Stowe note (7)	274,575	359,997	151,234	511,231	625,976	511,231
Tidjane Thiam	650,116	524,123	399,716	923,839	1,408,368	923,839
Lord Turnbull	16,624	16,624	–	16,624	–	16,624
Mike Wells note (8)	438,718	369,142	222,666	591,808	1,152,908	591,808

Notes

1 Alistair Johnston was appointed to the Board on 1 January 2012.
2 Harvey McGrath retired from the Board on 2 July 2012.
3 Kaikhushru Nargolwala was appointed to the Board on 1 January 2012.
4 Nic Nicandrou's interest in shares on 12 March 2013 includes his monthly purchases made under the SIP plan in January, February and March 2013.
5 Kathleen O'Donovan retired from the Board on 31 March 2012.
6 Philip Remnant was appointed to the Board on 1 January 2013.
7 Part of Barry Stowe's beneficial interest in shares is made up of 207,963 ADRs (representing 415,926 ordinary shares) and 95,305 ordinary shares. 8,513.73 of these ADRs are held within an investment account which secures premium financing for a life assurance policy).
8 Mike Wells' beneficial interest in shares is made up of 295,904 ADRs (representing 591,808 ordinary shares). In the table above, the figure for shares subject to performance conditions reflects the maximum number of shares (150 per cent of the original number awarded) which may be released to Mike Wells under the JNL Performance Share Plan. This maximum number of shares may be released if stretch performance targets are achieved.

2012 implementation of remuneration policy continued

Directors' remuneration for 2012 (audited information)

£000	Salary/ fees	2012 cash bonus	2012 deferred bonus	Total 2012 bonus	Benefits*	Cash supple-ments for pension purposes	Total emolu-ments 2012†	2012 employers' pension contribu-tions‡	Value of anticipated releases from LTIPs in respect of performance periods ending 31 December 2012§	Total 2012 remuner-ation – 'The Single Figure'¶
Chairman										
Paul Manduca note (1)	393	–	–	–	71	–	464	–	–	464
Harvey McGrath note (2)	252	–	–	–	50	–	302	–	–	302
Executive directors										
Rob Devey	600	426	284	710	114	150	1,574	–	1,804	3,378
John Foley	610	586	390	976	156	103	1,845	50	–	1,895
Michael McLintock note (3)	360	904	404	1,308	124	93	1,885	218	3,190	5,293
Nic Nicandrou	630	655	437	1,092	99	158	1,979	–	1,804	3,783
Barry Stowe note (4)	651	613	409	1,022	608	163	2,444	2	2,183	4,629
Tidjane Thiam	1,000	1,000	1,000	2,000	123	250	3,373	–	4,428	7,801
Mike Wells note (5)	663	2,031	871	2,902	55	–	3,620	19	3,008	6,647
Total executive directors	4,514	6,215	3,795	10,010	1,279	917	16,720	289	16,417	33,426
Non-executive directors										
Keki Dadiseth note (6)	120						120			120
Howard Davies	171						171			171
Michael Garrett	111						111			111
Ann Godbehere	181						181			181
Alistair Johnston	111						111			111
Kaikhushru Nargolwala	136						136			136
Kathleen O'Donovan note (7)	28						28			28
Lord Turnbull	161						161			161
Total non-executive directors	1,019						1,019			1,019
Overall total	6,178	6,215	3,795	10,010	1,400	917	18,505	289	16,417	35,211

* The value of benefits is the cost to the Company of providing core and additional benefits.
† Each remuneration element is rounded to the nearest £1,000 and totals are the sum of these rounded figures.
‡ Pension benefits are described in the section on 'Pensions benefits' on page 129.
§ Value of anticipated long-term incentive plan releases is the total of cash paid plus, for shares released, the value of the released shares based on the average closing share price over the period 1 October 2012 to 31 December 2012. All executive directors participate in long-term incentive plans and the details of share releases from awards with a performance period ending 31 December 2012 are provided in the footnote to the tables on share awards on pages 137 to 139. This figure does not include releases from other share plans (detailed on pages 140 to 141) or all-employee share plans, (set out on page 142). Dividend equivalents will be released on these vested shares.
¶ 'The Single Figure' is based on the methodology outlined on page 124.

Notes

1 Paul Manduca was appointed as Chairman on 2 July 2012. The figures above include the fees he received as senior independent non-executive director prior to his appointment as Chairman.
2 Harvey McGrath retired from the Board on 2 July 2012.
3 'The Single Figure' for Michael McLintock includes the increase in transfer value of his defined benefit pension. This is outlined on page 130.
4 Barry Stowe's benefits relate primarily to his expatriate status, including costs of £217,567 for housing, £32,104 for children's education, £69,289 for home leave and a £248,894 Executive Director Location Allowance.
5 Mike Wells' bonus figure excludes a contribution of US$15,000 from a profit sharing plan which has been made into a 401(k) retirement plan. This is included under employers' pension contribution.
6 Keki Dadiseth was paid allowances totalling £8,997 in respect of his accommodation expenses in London whilst on the Company's business.
7 Kathleen O'Donovan retired from the Board on 31 March 2012.

Directors' remuneration for 2011 (audited information)

£000	Salary/ fees	2011 cash bonus	2011 deferred bonus	Total 2011 bonus	Benefits*	Cash supplements for pension purposes†	Total emoluments 2011	Value of anticipated releases from LTIPs in respect of performance periods ending 31 December 2011‡
Chairman								
Harvey McGrath	500	–	–	–	82	–	582	–
Executive directors								
Rob Devey	550	479	319	798	111	138	1,597	1,544
John Foley (note 1)	550	518	345	863	139	100	1,652	–
Michael McLintock	350	779	279	1,058	93	96	1,597	6,005
Nic Nicandrou	550	507	338	845	84	138	1,617	2,020
Barry Stowe (note 2)	641	579	386	965	544	160	2,310	2,341
Tidjane Thiam	900	785	785	1,570	116	225	2,811	1,910
Mike Wells (notes 1 and 3)	624	1,660	711	2,371	64	–	3,059	1,369
Total executive directors	4,165	5,307	3,163	8,470	1,151	857	14,643	15,189
Non-executive directors								
Keki Dadiseth (note 4)	102						102	
Howard Davies	153						153	
Michael Garrett	93						93	
Ann Godbehere	158						158	
Bridget Macaskill (note 5)	65						65	
Paul Manduca	156						156	
Kathleen O'Donovan	98						98	
James Ross (note 6)	33						33	
Lord Turnbull	129						129	
Total non-executive directors	987						987	
Overall total	5,652	5,307	3,163	8,470	1,233	857	16,212	15,189

* Benefits include (where provided) the cost of providing the use of a car and driver, medical insurance, security arrangements and expatriate benefits.
† Pension benefits are described in the section on 'Pensions and long-term savings' in the 2011 Directors' remuneration report.
‡ Value of anticipated long-term incentive plan releases is the total of cash paid plus, for shares released, the value of the released shares based on the share price at 31 December 2011. This figure does not include releases from other share plans or all-employee share plans. Dividend equivalents will be released on these vested shares.

Notes
1 John Foley and Mike Wells were appointed to the Board on 1 January 2011.
2 Barry Stowe's benefits relate primarily to his expatriate status, including costs of £184,489 for housing, £32,077 for children's education, £35,093 for home leave and a £245,114 Executive Director Location Allowance.
3 Mike Wells' bonus figure excludes a contribution of US$12,250 from a profit sharing plan which has been made into a 401(k) retirement plan. This is included in the table on pension contributions.
4 Keki Dadiseth was paid allowances totalling £8,997 in respect of his accommodation expenses in London whilst on the Company's business as is the usual practice for directors who are not resident in the UK.
5 Bridget Macaskill retired from the Board on 30 September 2011.
6 James Ross retired from the Board on 19 May 2011.