

Robust and transparent governance supporting our long-term sustainable success

Dear shareholder

Good governance encourages decisions to be made in a way that is most likely to promote the long-term sustainable success of the Company for the benefit of its members, taking into account the views and interests of the Group's wider stakeholders. We aim to achieve this through a governance framework that supports decision-making, facilitates challenge, is continuously updated to meet the Group's business needs, and encompasses a prudent system of internal controls and rigorous processes for identifying, managing and mitigating key risks.

Set out below are some of the principal strategic and governance items the Board has considered over 2019.

The demerger of M&G plc

Following the announcement in 2018 of the Board's intention to demerge M&G plc from the remainder of the Prudential Group, the demerger was completed on 21 October 2019 on an accelerated timetable. The effort by management and employees during the year to achieve this milestone should not be underestimated and the Board is grateful for the efforts of all those involved across the business.

During 2019, the Board has been focused on overseeing the execution of the demerger in a manner that promotes the long-term sustainable success of both groups. A number of workshops were held outside the usual cycle of meetings to facilitate more detailed discussions about the execution of the demerger, taking into account all stakeholder interests and ensuring the effective delivery of this complex transaction, and to consider the challenges and opportunities facing both groups post-demerger. The Board has found these workshops to be valuable and intends to continue this approach, as appropriate, when addressing key strategic matters, to ensure that additional time to discuss and challenge is available.

Time was spent ensuring M&G plc would have in place a suitable governance framework for a listed group at the point of demerger, including establishing a board with the desired skills and experience to progress M&G's strategic aims. Consideration was also given to the allocation of capital and resources between the two groups. As part of these discussions the Board considered and managed potential conflicts of interests between the two groups in order to create a fair outcome.

As Prudential no longer has operations in the UK and Europe, the Hong Kong Insurance Authority (the Hong Kong IA) has assumed the role of Group-wide supervisor. However, our long-standing governance framework has remained in place.

Our purpose, culture and values

Prudential has been delivering on its purpose throughout its 171 year history and we have taken the opportunity presented by the demerger of M&G plc to improve the articulation and communication of this purpose. We help people de-risk their lives and deal with their biggest financial concerns, providing them with the freedom to face the future with confidence. We deliver economic and social benefits for our customers, our employees and the communities in which we operate, while creating financial benefits and delivering growing returns for our investors. A description of how Prudential considers and delivers on this purpose is set out in the ESG report on pages 72 to 87.

We recognise that culture is an important contributor to long-term success and sustainable growth. The Board dedicated time in 2019 to reviewing Prudential's culture, focusing as part of our preparations for the demerger on the transition to our new operating environment and challenges. We made progress in defining and communicating our culture, recognising and rewarding behaviours that embody our culture, and measuring progress.

Now that the demerger is complete, we are focusing in more detail on how to shape our culture to support our changing business model and embrace new ways of thinking, working and leading. It is one of our key objectives to ensure that Prudential continues to be guided by its values and behaviours and demonstrates ongoing commitment to our stakeholders and to innovation, performance and excellence in execution.

We are developing plans for assessing and monitoring culture as we move forward, including regular reporting to the Board. Developing a shared culture and behaviours across multiple jurisdictions presents a number of challenges and so we are focusing efforts on developing a Group-wide culture framework, which includes a common purpose and shared mindsets, behaviours and capabilities but allows tailoring for local context.

Details of our risk governance and culture can be found in the Group Chief Risk and Compliance Officer's Report on pages 51 to 71. Our Group-wide Internal Audit function considers the risk and control culture of the organisation throughout its activities, and our Group Code of Business Conduct underlies everything we do, shaping our culture and linking culture explicitly to values and behaviours.

Looking after our stakeholders and wider community initiatives

At Prudential, we recognise that our stakeholders are key to our long-term success. We seek to engage proactively with them, to understand their views and to take these views into account when making decisions.

In response to the emphasis that the UK Corporate Governance Code places on wider stakeholders, the Board has designated two Non-executive Directors to represent the workforce at Board level and is taking action to improve oversight of workforce policies and practices in order to help ensure consistency with the Group's culture and values, including a review of relevant policies to be completed in 2020. Further information about how the Board has taken into account the views of the Group's key stakeholders, including employees, can be found on pages 73 to 76 and 81 to 84.

Our ESG Executive Committee has responsibility for identifying ESG themes and overseeing ESG reporting. This management Committee provides updates to the Nomination & Governance Committee. You can read more about our corporate social responsibility actions in the ESG summary and in our 2019 ESG report which will be published on our website.

Board composition

The Nomination & Governance Committee has undertaken significant work during 2019 to ensure that the Board's skills and experience remain appropriate to formulate and oversee delivery of the strategy for the Group following the demerger and that there is an orderly and planned succession strategy in place for key roles.

We announced last year that my tenure as Chairman had been extended until May 2021 in order both to help oversee the demerger of M&G plc and to ensure continuing smooth governance afterwards. The early delivery of the demerger has focused the Board's attention on succession planning. Following an extensive search which considered both internal and external candidates and which was led by Philip Remnant in his capacity as Senior Independent Director, we announced the appointment of Shriti Vadera as a Non-executive Director with effect from 1 May 2020. I intend to step down from the Board with effect from 31 December 2020 and Shriti is expected to succeed me and become Chair of the Board and Chair of the Nomination & Governance Committee on 1 January 2021. I believe that Shriti is an excellent choice and I look forward to working with her during the transition to her becoming Chair.

I would also like to welcome Amy Yip and Jeremy Anderson to the Board and to thank Howard Davies, who will step down from the Board at the conclusion of the 2020 Annual General Meeting, for his significant contribution during his tenure and his leadership of the Risk Committee since inception. As announced on 11 March 2020, Jeremy will succeed Howard Davies as Chair of the Risk Committee at the conclusion of the Annual General Meeting in May 2020.

I would also like to note the expansion of the roles of Mark FitzPatrick and James Turner, as announced on 10 July 2019, in preparation for the demerger. Mark's role is now Group Chief Financial Officer and Chief Operating Officer. This extension of his responsibilities encompasses oversight of key Group support functions including Legal, Government Relations and Communications. James assumed responsibility for Compliance and became Group Chief Risk and Compliance Officer.

I am pleased we have strengthened the Board's composition further to ensure the Group is well-placed to develop and deliver on our strategic objectives post-demerger.

Effective governance is based on the appropriate level of oversight and challenge. As such, the methodology and results of our 2019 Board evaluation are set out on pages 102 and 103 and I hope reading this report will demonstrate to you the work that we have done in ensuring that oversight and challenge continue to ensure that the Board is promoting the long-term success of the Company.

I hope that this report and the reports of my fellow Committee Chairs will demonstrate to you the work we have undertaken over the course of the year as well as the tangible and positive impact this has had on our business.



Paul Manduca
Chairman