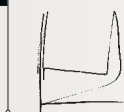


Committee reports



Paul Manduca

Chair of the Nomination & Governance Committee

Committee members

- Paul Manduca (Chair)
- Howard Davies
- David Law
- Anthony Nightingale
- Philip Remnant

Regular attendees

- Group Chief Executive
- Group Human Resources Director
- Company Secretary

Number of meetings in 2019:

Three. (Two regular meetings and an additional meeting to consider Chair succession, held in September.)

Nomination & Governance Committee report

Dear shareholder

This report highlights some of the key areas of focus considered by the Committee during 2019.

The Committee's role has expanded recently to include taking a wider role in overseeing diversity initiatives, the wider talent pipeline, and receiving updates on ESG matters. Accordingly, the number of regular Committee meetings in 2020 will increase to three.

Ongoing succession planning

One of the Committee's main roles is to ensure the Board retains an appropriate balance of skills to support the strategic objectives of the Group. As part of this, the Committee helps maintain a rigorous and transparent approach to the identification of candidates for appointment as Directors.

A significant part of the Committee's activities over 2019 was focused on determining the most appropriate combination of skills and experience needed by the Board to drive the strategic focus of the Group post-demergers as well as supporting the creation of the M&G plc board prior to demerger. This included consideration of my successor as Chair of the Board and as Committee Chair. Philip Remnant led discussions on my succession in his capacity as Senior Independent Director culminating in the announcement of the appointment of Shriti Vadera. A separate report from Philip is set out below. As a member of the Committee and ultimately as the new Chair of the Group, Shriti will have an opportunity to shape the future composition of the Board.

In accordance with the UK Code, Howard Davies, who has been a member of the Board and Chair of the Risk Committee since its inception in 2010, will not be standing for re-election at the 2020 Annual General Meeting. The Committee has therefore been focused on identifying a suitable successor and recommended the appointment of Jeremy Anderson, who contributes substantial leadership and international experience in financial services, particularly in audit and risk. Having appointed Jeremy as a Non-executive Director with effect from January 2020, we subsequently announced that he would assume the role of Risk Committee Chair from the conclusion of the 2020 Annual General Meeting.

During the year, the Committee also recommended the appointment of Amy Yip to the Board as a Non-executive Director. Amy brings 40 years of experience in insurance, asset management and government gained across China and South-east Asia.

Diversity

Improving gender diversity at Board level continues to receive considerable attention from the Committee and diversity in its wider sense is an important factor in identifying candidates for Board level succession. The Committee considers this when making recommendations and talent search agencies are briefed on the Group's requirements in this respect when identifying candidates. Gender representation has improved at Board level during 2019, however there remains scope for improvement in this important area. Progress has been made via the appointment of Non-executive Directors and there is a continuing focus on the executive talent pipeline in order to increase diversity, in its widest sense, on both the Group Executive Committee and ultimately the Board. The Board exceeds the recommendation of the Parker review in respect of ethnic diversity. The Committee also considers the diversity of experience on the Board, including expertise across the geographical markets in which the post-demergers Group operates.

The Committee has responsibility for reviewing and monitoring diversity initiatives across the Group as a whole. I am pleased that the Group remains on target by the end of 2021 to achieve 30 per cent representation of women in senior leadership roles in accordance with our commitment to the HM Treasury Women in Finance Charter.

ESG considerations

The Committee received updates on primary ESG-related reporting developments and the proposed approach to ESG reporting, and reports from the newly created ESG Executive Committee. The Committee also received updates on progress against implementing the Task Force on Climate-related Financial Disclosures, including how to quantify risks and their potential financial impact on the Group.

Governance

Further changes have been made to the Committee's Terms of Reference to reflect the Committee's oversight of the process surrounding the annual evaluation of the effectiveness of the Board and its Committees. Committee members have taken a more active role in planning the Board evaluation in respect of 2019 and reviewed the actions arising from that evaluation. In 2020, the Committee will oversee the process for the appointment of an external specialist to conduct the next Board evaluation.

The Committee continues to oversee governance arrangements for the Group's subsidiaries to ensure they remain appropriate for the post-demerger Group.

The effectiveness of the Committee was reviewed as part of the annual Board evaluation, which confirmed that the Committee continued to operate effectively during the year and no major areas requiring improvement or action points were highlighted. Committee members noted that the focus in 2020 should include continuing enhancements on Diversity and Inclusion reporting in respect of the executive pipeline and developing the Committee's role in monitoring ESG strategy and reporting.

How the Committee spent its time during 2019

	Feb	Sep	Oct
Year-end matters, re-election and tenure			
Review external positions, conflicts of interests and independence, time commitment, tenure and terms of appointment	●	○	○
Review performance of Chairman and Non-executive Directors	●	○	○
Review relevant disclosures in the Annual Report and Accounts	●	○	○
Recommend election of Directors by shareholders	●	○	○
Succession planning, diversity and appointments			
Chairman	●	●	●
Non-executive Directors	●	○	●
Group Chief Executive	○	○	●
Executive Directors	○	○	●
Group Executive Committee composition	○	○	●
Risk Committee Chair	○	○	●
Succession pipeline, diversity and inclusion governance	○	○	●
Governance and ESG			
Membership review of principal Board Committees	●	○	○
Committee terms of reference	○	○	●
Group governance framework	○	○	●
ESG, climate change and TCFD implementation update	●	○	●
Material Subsidiary governance			
Subsidiary governance arrangements, board composition, non-executive succession planning and appointments	●	○	○
Subsidiary board, chair and director evaluations	●	○	○

Report from Philip Remnant



Philip Remnant
Senior Independent Director

As announced on 30 January 2020, Shriti Vadera will join the Board with effect from 1 May 2020 as a Non-executive Director and member of the Nomination & Governance Committee, and is expected to succeed Paul Manduca as Chair of the Board and Chair of the Nomination & Governance Committee on 1 January 2021. Paul will step down as Chair and as a Director with effect from 31 December 2020.

Paul was first appointed to the Board in October 2010, meaning that the UK Code would have prescribed his retirement in October 2019. As I reported last year, the Board considered that it would have been disruptive for Paul to step down as Chair during a time of substantial change associated with the oversight and execution of the demerger itself and also for a period afterwards. It was expected that a search for a suitable successor to Paul would commence in 2020, with the intention that he would not stand for re-election at Prudential's Annual General Meeting in May 2021.

However, the accelerated completion of the demerger meant it was considered appropriate to bring this timing forward.

The search for suitable candidates was influenced by the views of the Board, taking account of the strategic needs of the post-demerger Group. Paul provided his views on the scope of the role and the individual attributes required. However, he recused himself from further discussions about the selection process.

I am delighted that Prudential has been able to secure such a high calibre individual to succeed Paul. Shriti was the unanimous choice of the Board following a rigorous assessment of internal and external candidates from around the world. She has senior boardroom experience at complex organisations with extensive international operations, and strong strategic and financial services experience.

Key matters considered during the year

<i>Why it is important to Prudential</i>	<i>How is this considered</i>	<i>Key outcomes</i>
<p>Succession planning Board composition</p> <p>The Committee plays an important role in ensuring that the Board retains an appropriate balance of skills to support the strategic objectives of the Group and in ensuring that an effective framework of succession planning is maintained.</p>	<p>The Committee keeps succession plans for Executive and Non-executive Directors under review throughout the year and also considers the ongoing appointment of all Board members.</p> <p>Succession plans are supported and informed by the results of the annual Board evaluation and individual Director evaluations.</p> <p>The Committee takes account of the size, structure and composition of the Board and its Committees, including existing knowledge, experience and diversity. In doing so, the Committee considers the Group's strategic goals and anticipates future requirements, skills and experience.</p> <p>Succession planning includes both longer-term options and emergency cover.</p>	<p>In February 2020, the Committee concluded that each of the Directors in office at the time continued to perform effectively and was able to devote appropriate time to fulfil their duties and that collectively, the Board had an appropriate mix of skills and experience.</p> <p>The Committee considered the Non-executive Directors continued to demonstrate the desired attributes, contributing effectively to decision-making and exercising sound independent judgement in holding management to account.</p> <p>Accordingly, the Committee recommended to the Board those Directors standing for election at the 2020 Annual General Meeting.</p>

Key matters considered during the year continued

<i>Why it is important to Prudential</i>	<i>How is this considered</i>	<i>Key outcomes</i>
Succession planning for the Non-executive Directors and principal Committees		
Succession planning for Non-executive Directors and the Board's principal Committees ensures the Board is regularly refreshed and maintains appropriate levels of independent challenge to management.	<p>The balance of Non-executive and Executive Directors required on the Board is considered on a regular basis, including the overall number, skills and experience.</p> <p>The Committee made use of a skills map which identifies skills, experience by sector, geography and technical skills, which are desirable for the Board as a whole, taking account of the Group's strategic objectives.</p> <p>Succession planning for Non-executive Directors is supported by Egon Zehnder and Ridgeway Partners.</p>	<p>During the year, the Committee recommended the appointment of Amy Yip as a Non-executive Director and member of the Remuneration Committee with effect from 2 September 2019.</p> <p>The Committee also recommended the appointment of Jeremy Anderson to the Board as a Non-executive Director and member of the Audit and Risk Committees with effect from 1 January 2020.</p> <p>Biographical details for Amy Yip and Jeremy Anderson are set out on pages 94 and 97.</p>
	<p>The Committee regularly reviews the membership of all principal Board Committees and makes recommendations to the Board as appropriate.</p> <p>This year, the Committee considered the requirements for the role of Risk Committee Chair as Howard Davies will not stand for re-election at the 2020 Annual General Meeting as his nine-year tenure will have ended.</p> <p>When making recommendations, the Committee takes account of the current composition of each of the principal Committees, the skills and experience of the members and the strategic objectives of the Group.</p>	<p>The appointment of Amy Yip to the Remuneration Committee and Jeremy Anderson to the Audit and Risk Committees helped to refresh the membership of these Committees.</p> <p>Given his extensive experience in risk management, the Committee recommended that Jeremy Anderson succeed Howard Davies as Chair of the Risk Committee with effect from the conclusion of the 2020 Annual General Meeting.</p> <p>Shriti Vadera will join the Committee on her appointment in May 2020 to facilitate her transition to Chair of the Board and of the Committee, effective from 1 January 2021.</p>
Executive Directors, Group Chief Executive and Group Executive Committee		
Executive succession planning helps to ensure continuous and effective leadership of the Group.	<p>The Committee reviews the succession plans in place for the Group Chief Executive, other Executive Directors and Group Executive Committee roles annually.</p> <p>Succession plans for the Group Executive Committee were discussed with the Group Chief Executive to identify business requirements and to plan for future succession needs.</p> <p>Succession planning for Executive Directors and the Group Executive Committee includes both longer-term planning and emergency cover. External mapping is undertaken for Executive Directors to identify possible external candidates. Planning for emergency cover for Executive Directors is assisted by a broad annual review of talent across the Group and recognises the possible difficulties in identifying and attracting suitable talent on potentially short notice.</p>	<p>The Committee received feedback on the performance of each Executive Director from the Group Chief Executive and confirmed the Executive Director succession plans.</p> <p>The Committee also directed development and renewal of these plans through the Group HR Director, supported by Egon Zehnder in the case of the Group Chief Executive and by Talent Intelligence in the case of the other Executive Directors and Group Executive Committee roles.</p> <p>The Committee discussed the changes to the Group Executive Committee roles brought about by the demerger and consequent shift in priorities and operating model, and agreed updates to succession plans as a result.</p>

Key matters considered during the year continued

<i>Why it is important to Prudential</i>	<i>How is this considered</i>	<i>Key outcomes</i>
Senior leadership below Group Executive Committee		
The Committee has oversight of a diverse pipeline of leadership talent extending below the level of the Group Executive Committee and seeks to attract, retain and develop the next generation of emerging leadership.	The Committee considered succession planning for senior management below Group Executive Committee level which is supported by an annual update on talent and diversity at different levels of the organisation and includes consideration of risk retention mitigation initiatives such as leadership development programmes. This review is usually undertaken and reported on in the fourth quarter of each year and prior to 2019, was undertaken by the Board. Reporting on activities in 2019 was moved to February 2020 in order to allow for a fuller review of talent succession planning across the post-demerger business.	The focus was on building new capabilities to support the changing business model and future direction of the business. The internal pipeline was being rebuilt in support of new roles, new capability and increased complexity.
Diversity Board and Group Executive Committee		
Given the global reach of the Group's operations, its business strategy and long-term focus, the Board makes every effort to ensure it is able to recruit Directors from different backgrounds, with diverse experience, perspective and skills. The diversity not only contributes to Board effectiveness but is essential for successfully delivering the strategy of an international business.	<p>The Group's Diversity and Inclusion policy applies at all levels of the business including the Board and Group Executive Committee.</p> <p>The Committee is responsible for overseeing a diverse pipeline for the Board and other senior executives.</p> <p>The Board does not endorse quotas but is committed to recruiting the best available talent and appointing the most suitable candidate for each role, while at the same time aiming for appropriate diversity on the Board.</p> <p>Succession plans are based on merit against clear objective criteria and promote diversity across gender, social and ethnic background and cognitive and personal strengths.</p> <p>An element of Executive Directors' remuneration is based on achieving a diversity target. Further information is set out in the Directors' remuneration report.</p>	<p>The Board considers that its diversity of experience and skills set has increased as a result of Board level succession in 2019.</p> <p>The diversity of the Board, including skills and experience, of each Director is set out in the individual biographies of Directors on pages 92 to 97.</p> <p>The Committee considers the pipeline for diverse talent below the Group Executive Committee level which remains strong, with 32 per cent female representation of those who report directly to the Group Executive Committee.</p> <p>Further details of the gender make-up of the Board, the Group Executive Committee, management and employees can be found on page 81.</p>

Process for appointing new Directors

The Committee assists the Board in ensuring that there is a formal, rigorous and transparent approach to the appointment of new Directors.

The Committee is involved from the start when a vacancy or a gap in the Board's skills is identified. Led by the Chairman, and working with the Group Chief Executive and the Group Human Resources Director, a role specification is prepared, reflecting the desired skills and experience and the Group's Diversity and Inclusion policy. This specification takes into account feedback from the Committee. Once agreed, specialist talent agencies are typically engaged to create a shortlist of candidates which is reviewed by the Committee and other stakeholders. Interviews with individuals then take place with selected Committee members and feedback is provided to all members. In this manner, a preferred candidate is selected and the Committee then recommends the individual to the Board for appointment. For the appointment of Executive Directors, the process is led by the Group Chief Executive working closely with the Chairman. The Senior Independent Director leads the Committee in the process of appointing a new Chairman.

Contemporaneously with this process, due diligence checks are undertaken on the candidate and Prudential liaises with the relevant regulatory authorities. The Committee is kept updated on this process as necessary.

Note

In addition to acting as search consultant in respect of the appointment of the Chair, the Chair of the Risk Committee and certain executive hires, Egon Zehnder also provides support for senior development assessments. Talent Intelligence also provides additional succession planning support to the Group below Group Executive Committee level. Ridgeway Partners also provided support for succession planning in respect of certain subsidiary company board committees.

Key matters considered during the year continued

Why it is important to Prudential	How is this considered	Key outcomes
<p>Group-wide oversight</p> <p>Following an update to its terms of reference in December 2018, the Committee's remit includes reviewing the Group's diversity initiatives to see that these are in line with strategic objectives.</p>	<p>The Group's Diversity and Inclusion policy aims to provide equal opportunities for all who apply and who perform work for our organisation, irrespective of sex, race, age, ethnic origin, educational, social and cultural background, marital status, pregnancy and maternity, civil partnership status, any gender reassignment, religion or belief, sexual orientation, disability, or part time/fixed term work.</p> <p>The Committee keeps this under review across all its succession planning.</p>	<p>In line with the Committee's expanded remit, consideration was given to updating and developing the approach to overseeing talent development and Diversity and Inclusion initiatives across the Group. A review of the approach was subsequently provided to the Committee in February 2020, including an update on activities across the Group's business units and details of the 2020 Diversity & Inclusion and Talent strategy.</p> <p>A description of the Group's activities on Diversity and Inclusion can be found in the ESG summary.</p>
	<p>As part of the Group's commitment to diversity, Prudential is a signatory to the HM Treasury 'Women in Finance Charter' which aims to increase the number of women working in senior management in financial services companies. We have set a gender diversity target of 30 per cent women in senior management by the end of 2021.</p>	<p>As at 31 December 2019 the percentage of women in senior management was 28 per cent and the Group remains on track to meet the 30 per cent target by the end of 2021.</p>
<p>Non-executive Directors, independence, time commitment and terms of appointment</p>		
<p>Independence</p> <p>Monitoring and safeguarding the independence of the Non-executive Directors is essential to comply with their statutory and regulatory obligations.</p> <p>Independence helps ensure effective scrutiny of management and individual Executive Directors against agreed objectives.</p>	<p>The Committee considers the independence of the Non-executive Directors as required by the UK Code and HK Listing Rules as part of any recommendation of the appointment of new Non-executive Directors and when recommending Non-executive Directors for election.</p> <p>Each Non-executive Director provides an annual confirmation of his or her independence as required under the HK Listing Rules.</p> <p>Prior to his appointment as a Non-executive Director, the Committee carefully considered the independence of Jeremy Anderson. In particular, the Committee reviewed the potential impact of his former position as a partner at KPMG (including any financial interest) which ended with effect from 31 December 2017 and noted that he had not been involved in any way in the audit of Prudential plc or its subsidiaries.</p> <p>The Committee considered Jeremy Anderson's independence with reference to the UK Code and HK Listing Rules, alongside relevant auditor independence and ethical guidance applicable in the UK and the US which generally recommend that independence of an external auditor is maintained by prohibiting a former partner from becoming a Director of an audit client for a period of two years after their employment has ceased.</p>	<p>All Non-executive Directors were considered to be independent, taking into account UK and HK requirements.</p> <p>Although Howard Davies has exceeded the nine-year tenure suggested by the UK Code and Kai Nargolwala will exceed from January 2021 (subject to re-election of Kai by shareholders in May 2020), both continue to demonstrate independence of judgement.</p> <p>Amy Yip and Shriti Vadera were deemed to be independent on appointment.</p> <p>Prudential also deems Jeremy Anderson to be independent in accordance with the UK and HK Codes, notwithstanding his former position as a partner at KPMG, having taken account of all circumstances set out in the UK Code and other applicable guidance in other jurisdictions. On balance, the Committee and the Board concluded that Jeremy Anderson could be expected to demonstrate objectivity and independence of judgement noting that two years had elapsed since his position at KPMG (including any financial interest) ended.</p>
	<p>In line with US regulatory requirements, the Committee annually reviews the independence of the Audit Committee with reference to the requirements of the Sarbanes-Oxley legislation.</p>	<p>The members of the Audit Committee were considered to be independent within the meaning of the Sarbanes-Oxley legislation.</p>

Key matters considered during the year continued

<i>Why it is important to Prudential</i>	<i>How is this considered</i>	<i>Key outcomes</i>
<p>Time commitment</p> <p>Setting out clear expectations on time commitment means Non-executive Directors are able to ensure they devote sufficient time for the proper performance of their duties.</p>	<p>The Committee reviews the time commitment required of the Non-executive Directors. Time requirements take account of preparation for and attendance at Board meetings and other regular commitments, as well as additional time that may be required for unforeseen events or future projects.</p> <p>All Non-executive Directors currently serve on at least one of the Board's principal Committees, which requires an additional commitment of time dependent on the Committee and role.</p> <p>The Committee considers the external commitments of Non-executive candidates and on appointment, all Non-executive Directors confirm they are able to devote sufficient time to the Group's affairs to meet the demands of the role.</p>	<p>The Committee concluded that the expected time commitment of 32.5 days per annum remained appropriate.</p> <p>The external commitments of Directors were considered as part of the Committee's recommendation of Directors' election at the next Annual General Meeting. Prudential recognises the need for Non-executive Directors to dedicate sufficient time to their role while also developing a wide range of experience and skills through seeking external appointments.</p>
	<p>All Non-executive Directors are required to discuss any additional commitments which might impact the time which he or she is able to devote to their role with the Chairman prior to accepting and the Chairman escalates to the Committee as appropriate.</p>	<p>The Committee considered and approved the appointment of Tom Watjen as a non-executive director of Arch Capital Group Ltd., a specialist financial services group with shares listed in Bermuda. The Committee considered the expected time commitment of the role and, taking into account any other commitments, concluded that he continued to have sufficient time to commit to his duties as a Non-executive Director. No conflicts of interest were identified in connection with the proposed appointment.</p>
<p>Terms of appointment</p> <p>It is important that the Non-executive Directors have clear terms of appointment which set out their duties towards Prudential and that their tenure is considered as part of ongoing succession activities.</p>	<p>Non-executive Directors are appointed for an initial term of three years.</p> <p>Subject to review by the Committee and re-election by shareholders, it is expected that Non-executive Directors serve a second term of three years. After six years, Non-executive Directors may be appointed for a further year, up to a maximum of three years in total. Reappointment is subject to rigorous review as well as re-election by shareholders.</p> <p>The Directors' remuneration report sets out the terms of the Non-executive Directors' letters of appointment and the terms of Executive Directors' service contracts.</p> <p>The tenure of each Non-executive Director is shown in the Directors' remuneration report.</p>	<p>Kai Nargolwala, Anthony Nightingale, Philip Remnant and Alice Schroeder have all been in office for six years or more. When considering their re-election at the next AGM, the Committee considered their continuing appointment particularly carefully. The Committee recommended that they each serve for a further term of one year, subject to shareholder re-election.</p> <p>Both Amy Yip and Jeremy Anderson were provided with letters of appointment confirming their duties and obligations. These letters are on standard terms applicable to all Non-executive Directors.</p>

Key matters considered during the year continued

Why it is important to Prudential	How is this considered	Key outcomes
<p>Conflicts of interest</p> <p>Directors have a statutory duty to exercise independent judgement when carrying out their role and to avoid conflicts of interests.</p> <p>The Company has in place procedures to identify and, where necessary, mitigate potential conflicts of interest.</p> <p>These processes help to ensure decisions are made in the best interests of the Company.</p>	<p>The Board has delegated authority to the Committee to identify and, where necessary, authorise any actual or potential conflicts of interest.</p> <p>Prior to proposing Directors for election or re-election, the Committee considered the external appointments of Directors and reviewed existing conflict authorisations, reaffirming or updating any terms or conditions attached to authorisations where necessary.</p> <p>The Chairman considers potential conflicts of interest in connection with proposed external appointments and escalates to the Committee for authorisation where a conflict or potential conflict could arise.</p>	<p>The Committee confirmed the authorisations with updates as appropriate.</p> <p>The Committee considered the external positions of Amy Yip, Jeremy Anderson and Shriti Vadera prior to recommending their appointment to the Board.</p> <p>The Board considers that the procedures for dealing with conflicts of interests operate effectively.</p>
<p>Subsidiary governance</p> <p>The Committee has an important role in reviewing the Group's governance arrangements.</p>	<p>The Committee had oversight of the search for and appointment of candidates to the M&G plc board in preparation for the demerger.</p> <p>During the year, the Committee carried out various activities relating to subsidiary governance, which encompassed M&G Group Limited, The Prudential Assurance Company Limited, Jackson National Life Insurance Company, and Prudential Corporation Asia Limited until demerger, including:</p> <ul style="list-style-type: none"> — Reviewing succession planning arrangements for non-executive directors of the Group's main subsidiaries; — Considering the outputs of the 2018 performance review of the Group's main subsidiary boards, chairs and directors. The effectiveness of the subsidiary boards were assessed using an internal process utilising questionnaires; and — Reviewing governance arrangements for the Group's subsidiaries with a particular focus on changes to the risk and audit committee arrangements for Prudential Corporation Asia in the context of the demerger, reflecting that the composition of the Prudential Corporation Asia Limited board now mirrors the Prudential Board and Board meetings are held concurrently. <p>The Committee continues to oversee governance arrangements for the Group's subsidiaries to ensure they remain appropriate for the post-demerger Group.</p>	<p>In 2019, the Committee considered the outcomes of the board effectiveness reviews and individual non-executive director evaluations for each of Jackson National Life Insurance Company, Prudential Corporation Asia Limited, M&G Group Limited and The Prudential Assurance Company Limited. The Committee concluded that each of these boards remained effective and also approved the continued appointments of the non-executive directors.</p> <p>The Committee was provided an update on the governance arrangements for Jackson National Life and Prudential Corporation Asia in October 2019.</p>