

Chair's introduction

Shriti Vadera
Chair



Dear shareholder

It is an honour to chair a 172-year-old company undergoing an exciting transformation and reinventing itself as a digital business focused on Asia and Africa.

In response to the pandemic, the Board adjusted quickly to different ways of working, including holding virtual meetings and hybrid sessions, reflecting the resilience demonstrated by the business in the face of challenges posed by Covid-19, with some Directors when possible gathering physically in our London and Hong Kong head offices and others connecting through video conference. Given the severe curtailment on travel during 2020, we were unable to conduct our usual programme of face-to-face meetings with management and employees, which typically would have included deep dive visits at one or more of our business locations. Instead, we have found other virtual ways to connect with people across the business.

2020 saw important changes to the Board. Paul Manduca, who stepped down as Chairman and Director at the end of 2020, left a legacy of a high-functioning Board of committed Directors. Sir Howard Davies stepped down after 10 years on the Board and as Chair of our Risk Committee, and Jeremy Anderson was appointed to the Board, bringing with him substantial leadership experience of the financial services sector across Asia and the US. Jeremy has extensive technical knowledge on audit and risk management, particularly concerning international companies, and he succeeded Sir Howard as Chair of the Risk Committee in May 2020. On behalf of the Board I would like to thank Paul and Howard for their significant contributions and leadership of the Board and Risk Committee respectively during their tenures. We will be losing more of our experienced Non-executive Directors in the next couple of years as they are reaching the end of their nine-year tenures. Following nine years of service Kai Nargolwala will not offer himself for re-election at the Annual General Meeting (AGM) this year.

I would like to thank Kai, who will step down from the Board at the conclusion of the 2021 AGM, for his significant contribution, both on the Board and as a member of the Risk and Remuneration Committees. More recently, Kai also took on the role of Employee Engagement Director for the Group's workforce in Asia and Africa.

Below are some of the principal strategic and governance items the Board considered during 2020.

Strategy

In its strategy discussions, the Board focused on developing and repositioning the Group for Asian growth. The Board considers that the Group is well positioned to meet the protection and savings needs of the growing populations in Asia and Africa with top-three positions in nine Asian life insurance markets, and significant upside potential in the region's two largest markets. The new growth strategy has been set to align to markets where insurance penetration is currently low and demand for savings solutions is rapidly developing. In August, we announced the new dividend policy, which aligns to this revised strategy.

Time and attention were given to executing the decision, announced in 2020, to separate our US business, through detailed discussions during regular Board meetings and dedicated, additional workshops. This was to ensure that Jackson will have a governance framework suitable for a listed group in the US at the point of the proposed separation. This culminated in our announcement on 28 January 2021 of our plan to separate Jackson in the second quarter of 2021 through a demerger, subject to shareholder and regulatory approval.

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Our purpose, culture and values

Good governance encourages decisions to be made in a way that is most likely to promote the long-term, sustainable success of the Company, 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.

After an extensive consultation over the course of nine months involving 12,000 employees, we have refreshed and restated our shared purpose – to help people get the most out of life. We fulfil this purpose by making healthcare accessible and affordable, protecting wealth and growing assets, and empowering people to save for their education and retirement goals. The Board supported the articulation and development of a framework to embed the desired culture, promoting the Group's purpose consistently across the Group. A description of how Prudential views its purpose as inextricably linked with its business and delivers on it is set out in the ESG report on pages 70 to 117.

2020 was the first year of a three-year plan to promote and embed a diverse and inclusive culture across the Group with our purpose at its core, supporting our people to think about not only what they do but how they do it, aligning our behaviours with performance and managing risks. Embedding this cultural change will require systems and programmes that help shift behaviours and create new habits, both individually and organisationally. This has been a key focus during the year and the Board has discussed, reviewed and monitored the frameworks being put into place to enable this progress.

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Looking after our stakeholders and wider community initiatives

At Prudential, we recognise that all 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. Further information about how the Board has taken into account the views of the Group's key stakeholders, can be found on pages 78 to 81, while engagement with our customers is discussed in more detail on page 79.

Throughout 2020, the Board was particularly concerned about the impact of the Covid-19 pandemic on the health and welfare of customers and employees. The CEO Report and ESG Report describe the various ways in which we responded to the needs of our customers in this challenging period. Our two designated Non-executive Directors appointed to represent the workforce have been working hard to find innovative ways to engage with the workforce during what has been an incredibly difficult year in which to bring people together. They joined a number of events at the start of the year, including visiting our offices in the UK and Asia to meet with and address colleagues. Once the pandemic started, both designated Directors received briefings from Group Security about steps being taken to support and protect employees during the Covid-19 outbreak. The results of our staff survey in 2020 have been considered carefully by the Board and the designated Directors are monitoring the implementation of the action plans, which will enable our employees to see that their feedback has been taken seriously and acted upon. Both designated Directors participated in our follow-up Collaboration Jam, which is described more fully on pages 79 and 96. We will continue to keep our employee engagement mechanisms under review to ensure we choose methods that best serve our employees and provide useful feedback to the Board.

The Board considered Environmental, Social and Governance (ESG) matters and approved the ESG strategic framework for the Group, on the recommendation of the Nomination & Governance Committee. A number of Directors and members of the Nomination & Governance Committee, as well as other stakeholders, were consulted during the year to shape this strategy. For more information, please see the Nomination & Governance Committee report on pages 142 and 148. You can read more about our corporate social responsibility actions in our 2020 ESG report (pages 70 to 117), which will also be published on our website.

Focus for 2021

Since I joined Prudential, in light of the transformation of the business, the composition of the Board has been one of my key priorities, supported by the work of the Nomination & Governance Committee. Reflecting our focus on growth in Asia and Africa, enabled by digital capabilities, I am pleased to welcome Chua Sock Koong and Ming Lu to the Board. Sock Koong has had a distinguished career with operations experience in many of our key markets, while Ming has a long track record of investing in and growing businesses throughout Asia. These appointments are part of an ongoing process to refresh the Board and make sure it has the right skills and experience to support the Group, in particular pan-Asian operating experience, and a high degree of digital familiarity. The next phase of appointments will focus on experience and knowledge of specialist financial services.

As the Board changes, I am keen to ensure that we mitigate some of the loss of experience, wisdom and institutional memory by enabling new Non-executive Directors joining the Board to overlap with those nearing retirement, to give new joiners sufficient time to benefit from building relationships and sharing experience and insight to ensure a smooth transition period.

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We are committed to continuing to develop the Group's governance to ensure that it keeps pace with the rapid progress of the business and the evolving external environment. We will draw on the conclusions of the externally facilitated Board effectiveness evaluation conducted in 2020 by Ffion Hague of Independent Board Evaluation, to ensure continued strong oversight and challenge. The methodology and results of that evaluation are set out on page 133. This annual exercise helps inform how we approach governance, risk and culture, which is set out in the Group Chief Risk and Compliance Officer's Report on pages 45 to 69. Our Group-wide Internal Audit function will continue to consider the risk and control culture of the organisation throughout its activities, with our Group Code of Business Conduct underpinning everything we do, shaping our culture and linking culture explicitly to values and behaviours. Good governance includes a commitment to continuous improvement and to that end the Board has asked Jeremy Anderson to lead on considering any lessons for the Board to learn from the revision to Jackson's hedge modelling, announced on 28 January, which impacted Jackson's statutory capital.

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Our clarity of strategy and purpose will be supported and enabled by our culture and the people who make them a reality. I am clear that our strength – as people and in our performance – will come from continued investment in our diversity and inclusion. The Board has a vital role in setting the tone and demonstrating this in the diversity of our thinking, and through our oversight, constructive challenge and support for management and Prudential's employees. The Responsibility & Sustainability Working Group, established by the Board and chaired by Alice Schroeder, will oversee the embedding of Prudential's ESG framework and progress on diversity and inclusion initiatives, and will take on employee engagement activities.

I hope this report and those of my fellow Committee Chairs demonstrate the work we have undertaken and the tangible and positive impact this has had on our business and for our stakeholders, with oversight and challenge to promote the long-term success of Prudential and the long-term prosperity of our stakeholders. On a personal level, I was disappointed not to be able to attend what would have been my first Prudential AGM in May 2020 as a Non-executive Director, and unfortunately it does not look possible to meet shareholders in person at this year's AGM under current restrictions. We are working hard to ensure that shareholders will be able to participate fully through digital means. The detailed arrangements will be communicated as part of our AGM Notice published in April. I look forward to updating you then and in future Annual Reports.



Shriti Vadera
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