

Shriti Vadera

Chair of the Nomination & Governance Committee



Committee members

Shriti Vadera (Member from 1 May 2020 and Chair from 1 January 2021)

Paul Manduca (Chair until 31 December 2020)
Jeremy Anderson (from 14 May 2020 until 4 February 2021)
Howard Davies (until 14 May 2020)
David Law (until 4 February 2021)
Anthony Nightingale
Philip Remnant
Tom Watjen (from 4 February 2021)

Regular attendees

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

Number of meetings in 2020:

6

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Nomination & Governance Committee report

Dear shareholder

I am pleased to provide you with my first report as Chair of the Nomination & Governance Committee, having joined the Committee in May 2020 and become Chair on 1 January 2021. Before I highlight some of the key areas of focus during 2020, I would like to thank my predecessor, Paul Manduca, for his chairmanship of the Committee until the end of last year.

In 2020, the Committee held three meetings, in addition to our three scheduled meetings, to focus on succession planning and the significant progress by Prudential on articulating its ESG strategy and framework.

Board succession planning

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

As explained in my introduction to the Governance Report, in preparing to take on the role of Chair of the Board and of the Nomination & Governance Committee, an important focus has been on the composition of the Board. The Board has prioritised the identification of individuals with the experience and skills to guide Prudential's transformation into a business focused exclusively on Asia and Africa with strong digital capabilities. In February 2021, following interviews in 2020, we announced that Chua Sock Koong and Ming Lu will join the Board on 1 May 2021. Chua Sock Koong has had a distinguished career, with operations experience in many of our key markets, while Ming Lu has a long track record of investing and growing businesses throughout Asia. We will continue to work in 2021 to ensure that the Board reflects our strategic priorities.

During 2020, the Committee also confirmed the appointment of Jeremy Anderson as Chair of the Risk Committee, succeeding Sir Howard.

The Committee received a detailed update on the process and succession plans in place for members of the Group Executive Committee and was also briefed on the process and initiatives to review and promote talent throughout the Group to develop senior leaders. In addition, the Committee supported Jackson in the creation of a new board prior to the proposed separation of our US business and oversaw the succession planning process at senior management level.

Diversity and inclusion

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When identifying candidates for Board-level succession, the Committee considers primarily what diverse perspectives will contribute to a more robust strategy. Talent search agencies are briefed on the Group's requirements in respect of diversity of thinking as well as ensuring the appropriate skills, knowledge and experience when identifying candidates. Gender and race representation has improved at Board level during 2020, and we continue to look for opportunities for progress in this important area as well as ensuring we have representation from individuals with insights to the geographical markets and businesses linking to the strategic objectives of the Group following the demerger of M&G plc in 2019 and the proposed separation of the US business in 2021.

The newly established Responsibility & Sustainability Working Group will bring increased focus to the area of diversity, but also inclusion in 2021: driving a culture where everyone feels valued, treated fairly and respected – enabling them to fully contribute their thoughts and perspectives and to be their authentic selves. This Working Group will assist the Committee and the Board to drive forward its diversity and inclusion agenda, both at Board level, in the executive talent pipeline, and more broadly across the organisation. The Group remains on target to achieve 30 per cent representation of women in senior leadership roles by the end of 2021, in accordance with our commitment to the HM Treasury Women in Finance Charter.

Prudential appointed a Group D&I Director and established a global Diversity & Inclusion Council in 2020, responsible for defining the global D&I strategy, promoting, championing and embedding D&I initiatives and challenging the organisation and leaders where progress is limited. The Working Group will get regular updates on the Diversity & Inclusion Council's activities.

Environmental, social and governance (ESG) considerations

The Committee has focused on Prudential's commitment to being a responsible business. ESG matters have been discussed during all Committee meetings held as part of the usual meeting cycle in 2020 and members have been significantly involved in shaping the ESG Strategic Framework. Committee members have provided feedback at specific points in the year and also met with management ahead of an additional meeting held in October to discuss the framework before it was recommended to the Board for approval.

The Committee oversaw implementation of the recommendations of the TCFD, including the three work streams that have been established to focus on the main aspects of the Group's exposure to climate-related risks. Prudential became a formal supporter of the TCFD recommendations in December 2018, before the UK government announced in November 2020 that it intends to make it mandatory for large financial institutions to make disclosures in line with the TCFD recommendations by 2025, with other jurisdictions – including Hong Kong and Singapore – advancing approaches through 2020.

In addition, the Committee received updates on primary ESG-related reporting developments and climate-related risk, and received regular reporting from the newly established executive Group ESG Committee.

The Responsibility & Sustainability Working Group will also oversee the embedding of Prudential's new ESG Strategic Framework, and will take on employee engagement activities after the 2021 AGM.

Governance

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In line with our recently expanded remit, which now includes oversight of the Board evaluation process, the Committee approved the appointment of Ffion Hague of Independent Board Evaluation to conduct the evaluation of the Board, its Committees and individual Directors' effectiveness in respect of 2020. Following the evaluation, the Committee discussed the outcome ahead of the results being discussed with the whole Board, focusing in its discussions on findings relevant to succession planning and diversity.

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



Shriti Vadera

Chair of the Nomination & Governance Committee

How the Committee spent its time during 2020

	Jan	Feb	May	Jul	Oct	Dec
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 Chair and Non-executive Directors	○	●	○	○	○	○
Review relevant disclosures in the Annual Report and Accounts	○	●	○	○	○	○
Recommend election of Directors by shareholders	○	●	○	○	○	○
Succession planning, diversity and appointments						
Chair	●	○	○	○	○	○
Non-executive Directors	○	●	●	●	●	●
Group Chief Executive	○	●	○	●	●	○
Executive Directors	○	○	○	○	○	●
Group Executive Committee	○	○	○	○	○	●
Succession pipeline, diversity and inclusion governance	○	●	○	●	○	●
Governance and ESG						
ESG, climate change and TCFD implementation update	○	●	○	●	●	●
Board evaluation	○	●	○	●	○	●
Membership review of principal Board Committees	○	●	○	●	○	○
Committee terms of reference	○	○	○	○	○	●
Group governance oversight	○	○	○	●	●	●
Subsidiary board, chair and director evaluations	○	●	○	○	○	○

Group overview

Strategic report

Governance

Directors' remuneration report

Financial statements

European Embedded Value (EEV) basis results

Additional information

Key matters considered during the year

Matter considered How the Committee addressed the matter

Succession planning

Board composition

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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.

Board succession plans and composition, and length of service of Non-executive Directors are kept under review by the Committee throughout the year. These plans are supported and informed by the results of the annual Board evaluation and individual Director evaluations.

Succession planning includes both longer-term options and emergency cover.

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 in respect of skills and experience.

Following the demerger of M&G in 2019, the Committee reviewed the size and composition of the Board to ensure that it remains aligned with strategy. The Committee is now considering the balance of skills and diversity required to support the strategic objectives of the Group following the proposed separation of the US business, in particular pan-Asian operating experience, digital expertise and relevant specialist financial services knowledge.

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 for the year under review. The Committee reached the same conclusion in February 2021.

The Committee considered that 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. Accordingly, the Committee recommended to the Board those Directors standing for election at the 2021 Annual General Meeting. Kai Nargolwala will not stand for election as he has served nine years on the Board.

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.

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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. The Committee's succession planning for Non-executive Directors is supported by Egon Zehnder and Spencer Stuart.

The Committee regularly reviews the membership of all principal Board Committees and makes recommendations to the Board as appropriate.

During 2020, the Committee confirmed the appointment of Jeremy Anderson as the Risk Committee Chair, succeeding Sir Howard who retired at the 2020 Annual General Meeting. Jeremy joined the Board on 1 January and his biographical details are set out on page 124. The Committee also confirmed its previous recommendation to appoint Shriti Vadera as Chair of the Committee, succeeding Paul Manduca. Shriti Vadera joined the Committee on her appointment in May 2020 which facilitated her transition to Chair of the Board and of the Committee on 1 January 2021.

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.

Since joining the Board in May 2020, recognising the number of Non-executive Directors reaching the end of their tenure in the next 18 months, Shriti Vadera has led an extensive external recruitment exercise. This was supported by Spencer Stuart, and included Shriti spending time in Hong Kong and Singapore meeting with prospective candidates. As a result of this search Chua Sock Koong and Ming Lu will join the Board on 1 May 2021. 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, relevant financial services expertise and a high degree of digital familiarity. The next phase of appointments will focus on experience and knowledge of specialist financial services.

The Committee is engaged in succession planning for the Senior Independent Director, the Chair of the Remuneration Committee and a further Non-executive Director as Philip Remnant, Anthony Nightingale and Alice Schroeder will reach nine years on the Board in 2022.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
Executive Directors, Group Chief Executive and Group Executive Committee	<p>The Committee's work during the year supported the Board in its responsibility for executive succession planning to ensure continuous and effective leadership of the Group.</p> <p>J</p> <p>The Committee assisted the Board by reviewing the succession plans in place for the Group Chief Executive, other Executive Directors and Group Executive Committee roles. 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. Assessment and development for internal candidates is undertaken, in addition to mapping for potential external candidates. Planning for emergency cover 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>L</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>During 2020 and into 2021, the Committee's work has taken into account the proposed separation of the US business and the consequent shift in priorities and their impact on succession plans. The Committee's discussions are being supported by the Group Human Resources Director, Egon Zehnder and Spencer Stuart.</p>
Senior leadership below Group Executive Committee	<p>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.</p> <p>J</p> <p>The Committee considered succession planning for senior management below Group Executive Committee level, supported by an annual update on talent and diversity at different levels of the organisation. This includes consideration of risk retention mitigation initiatives such as leadership development programmes.</p> <p>In 2020, the focus was on building new capabilities to support the changing business model and future direction of the business. The Committee also oversaw the formation of a new Executive Council to replace the previous 'Top 100 Leadership' group.</p>

In addition to acting as search consultant in respect of certain executive hires, Egon Zehnder provides support for senior management development assessments.

Process for appointing new Directors

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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 Chair, 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 Chair. The Senior Independent Director leads the Committee in the process of appointing a new Chair.

Contemporaneous 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 appropriate.

Key matters considered during the year

Matter considered How the Committee addressed the matter

Diversity

Board and Group Executive Committee

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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 with diversity of thought and perspective who will support and challenge the ongoing transformation of the organisation. The Board seeks net addition of backgrounds, experience and skills that broaden its capability to deliver the strategy of a leading international business.

The Group's Diversity and Inclusion Policy applies at all levels of the business and the Committee is responsible for overseeing a diverse pipeline for the Board and other senior executives and driving a culture Group-wide where our people feel valued, treated fairly and respected: enabling them to fully contribute their thoughts and perspectives and to be their authentic selves.

The Board does not endorse quotas for Board diversity but appoints candidates to ensure a diversity of overall composition and skills mix from the best available talent.

Succession plans are based on merit and against objective criteria, and promote diversity across gender, social and ethnic background, nationality, and cognitive and personal strengths.

An element of Executive Directors' remuneration is based on achieving a diversity target. Further information is set out in the Directors' remuneration report.

The Board considers that its diversity of background, thought, perspectives, experience and skills set is enhanced as a result of Board level succession in 2020 and the recent appointments taking effect in 2021. The biographies of Directors on pages 122 to 126 provide more details.

The Committee considers the pipeline for diverse talent of the Group Executive Committee level remains strong with 31 per cent female representation of those who are regarded as senior management and part of the leadership teams. The Committee is also introducing measures for tracking local representation in senior management positions as well as experience other than insurance. Inclusive leadership practices are implemented starting with the Board and Committee and throughout the organisation.

Further details of the gender make-up of the Board, the Group Executive Committee, management and employees can be found on page 95.

Group-wide oversight

The Committee plays an important role in reviewing the Group's diversity and inclusion initiatives to monitor that these are in line with our strategic objectives. This not only ensures the Group has access to a diverse talent pool and pipeline for future leadership but also that the culture of inclusion retains our talent.

The demerger of M&G in 2019 presented an opportunity to reassess the diversity & inclusion strategy as part of Prudential's global culture framework to enable the next phase of growth. The aspiration is to build a more diverse workforce and cultivate a workplace where diversity of thought, mindset, skill set, experience and identity are fully valued and can authentically contribute to transform the business.

The Committee supported the appointment of a Group Diversity & Inclusion Director and the creation of a global Diversity & Inclusion Council. The Council is composed of representatives from all business units with the goal to empower employees and create a sense of belonging by respecting and appreciating differences and deliver the purpose 'to help people get the most out of life', by creating a culture in which diversity is celebrated and inclusion assured, for our colleagues, customers and partners.

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. As at 31 December 2020 the percentage of women in senior management was 32 per cent which already exceeds the target to meet 30 per cent by the end of 2021. For the purposes of Provision 23 of the UK Code, the percentage of women in senior management positions, including their direct reports, was 30 per cent.

A full description of the Group's activities on diversity and inclusion can be found in the ESG report, on pages 93 to 98.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
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Non-executive Directors, independence, time commitment and terms of appointment

Independence

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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.

Monitoring and safeguarding the independence of the Non-executive Directors is essential to comply with their statutory and regulatory obligations. Independence helps ensure effective scrutiny of management and individual Executive Directors against agreed objectives.

Each Non-executive Director provides an annual confirmation of his or her independence as required under the Hong Kong Listing Rules.

All Non-executive Directors were considered to be independent, taking into account UK and HK requirements. Although Kai Nargolwala has exceeded the nine-year tenure suggested by the UK Corporate Governance Code, he continues to demonstrate independence of judgement. Kai will not offer himself for re-election at the AGM in May.

Prior to recommending their appointments as Non-executive Directors, the Committee considered the independence of Ming Lu and Chua Sock Koong.

The Committee considered the independence of the Audit Committee members in line with US regulatory requirements, concluding that all members remain independent within the meaning of the Sarbanes-Oxley legislation.

Time commitment

Time required for Non-executive Director role

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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.

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.

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.

Following the demerger the Committee carried out a review of the time commitment required of the Non-executive Directors to align to the new structure of Board and Committee meetings. It was concluded that the expected time commitment of 32.5 days per annum remains appropriate. This will be kept under review considering the impact of the pandemic on the operation of the Board and Committees.

External appointments

The Committee considers the external commitments of Directors proposed for appointments and all Non-executive Directors confirm on appointment that they are able to devote sufficient time to the Group's affairs to meet the demands of the role.

The external commitments of Directors were considered when recommending Directors for election at the next AGM. Prudential recognises the need for Non-executive Directors to dedicate sufficient time to their role while also demonstrating an appropriate range of experience and skills through external appointments.

All Non-executive Directors are required to discuss any additional commitments with the Chair prior to accepting these as they might impact the time which the Director is able to devote to their role. The Chair escalates matters to the Committee as appropriate.

Where appropriate, the Committee or the Board reviewed time requirements for additional external positions taken on by Directors during the year.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
Terms of appointment	<p>It is important that Non-executive Directors have clear terms of appointment which set out their duties to 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, and 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 tenure of each Non-executive Director and the terms of their letters of appointment, in addition to the terms of Executive Directors' service contracts.</p> <p>Anthony Nightingale, Philip Remnant, Alice Schroeder and David Law will all have served two three-year terms or more at the time of the next AGM. When considering their re-election, 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>Ming Lu and Chua Sock Koong will be provided with a letter of appointment, on standard terms, confirming their duties and obligations.</p>

Environmental, Social and Governance (ESG)

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The Committee played a key role in setting ESG strategy and the oversight of ESG activities.

During the year, the Committee received updates on climate-related risk and progress towards implementing the recommendations of the TCFD.

Committee members, as well as Board members more widely, were among those engaged as internal stakeholders in the development of the Group's ESG strategic ambition which will guide the Group's activity and decision-making in this area. Each Committee member spent time with management to contribute their views and experiences as part of the shaping of the ESG strategy. In addition, the Committee received regular updates during the development of the ESG strategy and heard from the newly established executive Group ESG Committee.

An additional meeting was held in October to review the ESG strategic framework ahead of the fully-articulated strategic ambition which was presented to the Board in December 2020. This strategic framework focuses on three priorities: making health and financial security accessible; stewarding the human impacts of climate change; and building social capital.

For more information on our ESG strategy and activities, please see the ESG report on pages 70 to 117.

Conflicts of interest

Directors have a statutory duty to exercise independent judgement when carrying out their role and to avoid conflicts of interest. In addition, the Company has in place procedures to identify and, where necessary, mitigate potential conflicts of interest. These processes help to ensure decisions are made in the best interests of the Company.

The Board has delegated authority to the Committee to identify and, where necessary, authorise any actual or potential conflicts of interest.

When recommending a candidate for appointment to the Board, the Committee considers the external appointments of the proposed candidate and recommends authorisation of any conflicts to the Board as appropriate, attaching conditions to the authorisation where necessary.

The Committee considered the external positions of Ming Lu and Chua Sock Koong prior to recommending their appointments to the Board.

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.

If a Director makes a request to take on a new external position during the year, the Chair considers the proposed external appointment and escalates to the Committee for authorisation where a conflict or potential conflict could arise.

The Board considers that the procedures for dealing with conflicts of interests operate effectively.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
Board evaluation	<p>(L)</p> <p>Following an update to its terms of reference in December 2019, the Committee provides oversight of the process by which the Board, its Committees and individual Directors' effectiveness is assessed.</p> <p>The annual evaluation of effectiveness should be formal and rigorous and be externally facilitated every three years.</p> <p>At the start of 2020, the Committee reviewed the results of the 2019 evaluation and noted that the Board, its Committees and individual Directors had continued to operate effectively during 2019. The Committee also reviewed the suggested action points ahead of Board approval.</p> <p>In accordance with the UK Corporate Governance Code, the Committee appointed an external facilitator, Ffion Hague of Independent Board Evaluation, to carry out the 2020 evaluation.</p> <p>The evaluation was conducted during September and October, with an initial discussion of the output discussed with the Committee and the Board in December. Please see page 133 for a summary of the review and action plan.</p>
Group governance	<p>The Committee is responsible for reviewing the Group's governance arrangements.</p> <p>During the year, the Committee carried out various activities relating to subsidiary governance, including:</p> <ul style="list-style-type: none"> — Overseeing the search for and appointment of the Chair of the Jackson Financial Inc board in preparation for the proposed separation of the Jackson business; 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 given the evolving structure of the Group, and arrangements for Jackson in preparation for the proposed separation.