

## **Prudential plc**

### **Terms of Reference: Group Remuneration Committee**

#### **1. Constitution and Purpose**

- a. The Committee is constituted by the Board of Directors to assist the Board in meeting its responsibilities regarding the determination, implementation and operation of the overall remuneration policy for the Group, including the remuneration of the Chairman and Executive Directors, as well as overseeing the remuneration arrangements of other staff within its purview.
- b. The Committee will, where appropriate, consult with the Chairman of the Board and the Group Chief Executive.

#### **2. Membership**

The membership of the Committee is restricted to the independent Non-executive Directors with a minimum of three members. The Chairman of the Committee must have served on a remuneration committee for at least 12 months before appointment as Chairman and shall not be the Chairman of the Board.

#### **3. Meetings**

- a. The Committee will meet at least three times a year.
- b. A quorum is two members of the Committee.
- c. The Chairman of the Committee is responsible for reporting to the Board on the Committee's activities.
- d. The Committee may invite any individual, whether internal or external to attend all or part of any meeting in whatever capacity the Chairman of the Committee deems appropriate. No individual should be involved in the consideration of their own remuneration.
- e. The Group Chief Risk and Compliance Officer will be invited to attend meetings where required.
- f. The Chairman or Committee members may convene additional meetings at any time to deal with matters within the remit of the Committee.
- g. The Company Secretary, or his nominee, is the Secretary of the Committee and will minute the proceedings and retain copies of the papers.

#### **4. Duties**

The Committee is authorised to investigate any matter within its remit, seek any information from any of the Group's Directors and/or employees which is necessary to enable it to satisfactorily discharge its duties and make recommendations to the Board where action or improvement is needed.

The Committee may not discuss, or pass resolutions in respect of, the remuneration of, or the terms of any consultancy agreement with, any Non-executive Director of the Company, which is a matter for the Board as a whole.

The Committee will seek advice from the Risk Committee on risk management considerations to be applied to remuneration architecture, performance measures and the determination of payouts, to ensure risk management culture and conduct is appropriately reflected in the design and operation of Executive remuneration.

The Committee is responsible for:

### **A. Directors' Remuneration Policy**

- a. recommending the Directors' Remuneration Policy, applicable to all Directors of the Board, for approval by shareholders, ensuring that the Policy and practices of the Company are designed to support strategy and promote long-term sustainable success;
- b.
  - i. ensuring that there is a formal and transparent procedure for establishing the Directors' Remuneration Policy, which is consistent with the Group's risk appetite and encourages strong risk management and solvency management practices.
  - ii. reviewing workforce remuneration practices and related policies across the Group when setting the policy for executive director remuneration, as well as the alignment of incentives and awards with culture, the salaries paid by comparable companies for equivalent roles, and all relevant legal and regulatory requirements and applicable guidance;
- c. agreeing the policy for authorising claims for expenses from the Group Chief Executive and the Chairman; and
- d. reviewing and providing confirmation to the Group Audit Committee that, to the best of the Committee's belief, the disclosures made on its activities and in the Directors' Remuneration Report, including the Directors' Remuneration Policy and its implementation, are fair, balanced and understandable.

### **B. Directors' Remuneration Implementation**

In implementing the Directors' Remuneration Policy approved by shareholders in respect of the Executive Directors and the Chairman, the Committee is responsible for:

- i) Chairman
  - a. determining the fee level and benefits annually or in line with the frequency set out in the relevant letter of appointment, obtaining independent advice and data, and drawing on internal expertise where appropriate to ensure that remuneration is adequate to attract, retain and motivate high calibre individuals; and
  - b. considering recommendations from the Senior Independent Director regarding the fees to be paid to the Chairman.

ii) Executive Directors

- a. reviewing and approving individual packages for the Executive Directors at least annually, obtaining independent advice and data, and drawing on internal expertise where appropriate to ensure that remuneration is adequate to attract, retain and motivate high calibre personnel without paying more than is necessary;
- b. approving the remuneration package to be offered to newly recruited Executive Directors, including determining the extent to which and the terms on which awards forfeited on leaving a previous employer will be replaced;
- c. approving the design of any performance related incentive schemes operated for the Executive Directors, and determining the targets (in line with approved corporate objectives) and the individual payments under such schemes;
- d. approving the share ownership guidelines and monitoring compliance with those guidelines for the Chairman and the Executive Directors;
- e. periodically reviewing the terms of service agreements for Executive Directors to ensure that they remain fair and reasonable and are in the interests of the Company and shareholders; and
- f. reviewing and approving the structure, terms and quantum of any severance arrangements for an Executive Director and ensuring that any such arrangements are in line with the Directors' Remuneration Policy and are otherwise fair and do not reward failure;

**C. Group Remuneration Policy**

- a. approving the Group Remuneration Policy, applicable to all employees across the Group.

**D. Share Incentives**

- a. reviewing the design and development of all share plans requiring approval by the Board and/or shareholders and making recommendations to the Board about adopting any amendments to the terms of the plans;
- b. for any such plans, approving and assessing performance targets where applicable;
- c. approving whether awards will be made to Executive Directors, and if so, the value of shares to be awarded;
- d. exercising all powers under the rules of any Group share plan and approving any proposed actions of any committee, or other body appointed to administer the plans, as they pertain to grants, awards or maturities to the Executive Directors;
- e. determining when clawback and malus will be invoked in respect of Executive Directors, or other staff within its purview; and

- f. reviewing the aggregate dilutive effect of all share awards and option grants made to employees across the Group.

### **E. Other Employees<sup>1</sup>**

- a. approving the remuneration and share incentives of members of the Group Executive Committee and the Company Secretary;
- b. monitoring the remuneration of and risk management implications of:
  - i. the Leadership Team and other selected individuals; and
  - ii. those with an opportunity to earn GBP1m or more in a particular year; and
- c. overseeing the implementation of the Group Remuneration Policy for Group Remuneration Identified Staff within scope of applicable Group-wide remuneration regulation or guidance.

### **F. Independent Chairs and Non-executive Directors of the Group's material subsidiary boards**

The Committee is responsible for recommending and periodically approving the remuneration of independent Chairs and Non-executive Directors of the Group's material subsidiaries.

## **5. Governance**

The Committee will:

- a. ensure that the Chairman of the Committee is available to answer shareholder questions at the annual general meeting;
- b. undertake appropriate discussions as necessary with institutional investors on the Directors' Remuneration Policy or any other aspects of Executive remuneration; and
- c. arrange for periodic reviews of its own performance and review its terms of reference, recommending any changes it considers necessary to the Board for approval.

## **6. Support**

The Committee will:

- a. have access to sufficient resources in order to carry out its duties;
- b. consider the engagement and independence of external remuneration advisors;
- c. at the Company's expense and through the Company Secretary's office where applicable, be able to select, appoint and agree the terms of appointment of any advisers deemed appropriate by the Committee to provide advice to the Committee, including those used by management provided no conflict of interest arises, and invite such advisers to attend meetings to assist the Committee; and

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<sup>1</sup> Senior management for the purpose of Hong Kong Listing Rules is as described in the Annual Report.

- d. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.