

**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 Chair of the Board and the Executive Directors, as well as overseeing the remuneration arrangements of other staff within its purview.
- b. The Committee will, where appropriate, consult with the Chair of the Board and the Group Chief Executive.

**2. Membership**

- a. The Committee shall comprise at least three members, all of whom shall be independent non-executive directors.
- b. Appointments to the Committee are made by the Board on the recommendation of the Nomination & Governance Committee and in consultation with the Chair of the Remuneration Committee.
- c. The Board shall appoint the Committee Chair who shall be an independent non-executive director who must have served on a remuneration committee for at least twelve months.
- d. The Chair of the Board shall not be chair of the Committee.

**3. Secretary**

The Company Secretary or their nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the business of the meeting.

**4. Meetings**

- a. The Committee will meet at least three times a year and otherwise as required.
- b. Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair or any of its members. Committee members may convene additional meetings at any time to deal with matters within the remit of the Committee.
- c. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.
- d. A quorum is two members of the Committee.

- e. Only members of the Committee have the right to attend Committee meetings. However, the following individuals would be expected to attend meetings on a regular basis:
- the Chair of the Board;
  - the Group Chief Executive;
  - the Group Human Resources Director; and
  - the Director of Group Reward and Employee Relations.

Other individuals such as the Group Chief Risk & Compliance Officer and the Group Chief Financial Officer & Chief Operating Officer may be invited by the Committee Chair to attend for all or part of any meeting, as and when appropriate.

- f. External advisers appointed by the Committee may also be invited to attend meetings to assist the Committee.
- g. Unless otherwise agreed, reasonable notice of each meeting together with an agenda of items to be discussed and supporting papers shall be provided to each member of the Committee and any other attendee as required.
- h. No individual should be involved in the consideration of their own remuneration.

## **5. Minutes**

- a. The secretary or their nominee shall minute the proceedings and decisions of all Committee meetings, and retain copies of the papers.
- b. Minutes of Committee meetings shall be circulated to Committee members and, where appropriate, other meeting attendees, taking into account any conflicts of interest that may exist.

## **6. Engagement with shareholders**

- a. The Committee Chair shall attend the annual general meeting to answer shareholder questions on the Committee's activities.
- b. The Committee Chair shall undertake appropriate discussions as necessary with institutional investors on the Directors' Remuneration Policy or any other aspects of Executive remuneration.

## **7. Duties**

The Committee shall carry out the duties detailed below in respect of the Chair of the Board, Executive Directors, Group Executive Committee members and the Company Secretary of the parent company<sup>1</sup>, and for all employees captured by the Group Remuneration policy, as appropriate.

### **i. Determining policy**

The Committee shall:

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

- a. recommend the Directors' Remuneration Policy, applicable to all Directors of the Board, for approval by shareholders. 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 other than the Chair of the Board. The remuneration of Non-executive Directors of the Company other than the Chair of the Board is a matter reserved for the Board as a whole. The Committee will, however, consider the share ownership guidelines for the Non-executive Directors as part of the regular monitoring of compliance with those guidelines.
- b. approve the Group Remuneration Policy, applicable to all employees across the Group, and oversee its implementation for Group Remuneration Identified Staff<sup>2</sup> within scope of applicable Group-wide remuneration regulation or guidance.
- c. agree the policy for authorising claims for expenses from the Group Chief Executive and the Chair of the Board.
- d. review the ongoing appropriateness and relevance of remuneration policies within its purview.

When fulfilling these duties, the Committee shall:

- e. design executive remuneration policies and practices to support strategy and promote long-term sustainable success, ensuring executive remuneration is aligned to Company purpose and values, clearly linked to the successful delivery of the Company's long-term strategy, and that the policies enable the use of independent judgement and discretion by the Committee to override formulaic outcomes. In doing so, the Committee shall satisfy itself 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. The objective of such policies shall be to attract, retain and motivate high calibre executive management without paying more than is necessary.
- f. review 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 and the salaries paid by comparable companies for equivalent roles.
- g. seek advice from the Risk Committee on risk management considerations to be applied to remuneration architecture, performance measures and the determination of pay-outs, to ensure risk management culture and conduct is appropriately reflected in the design and operation of executive remuneration.

## ii Implementing and overseeing policy

The Committee shall:

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<sup>2</sup> Group Remuneration Identified Staff refers to roles that the Committee has deemed are within the scope of the Company's Group Remuneration Policy with reference to the Hong Kong Insurance Authority Guideline on Group Supervision, namely the Company's directors, senior management, key persons in control functions and other employees whose actions may have a material impact on the risk exposure of the Group. As explained in the Annual Report and in these Terms of Reference, the Committee does not determine the remuneration of Non-Executive Directors of the Company other than the Chair of the Board.

- a. within the terms of the agreed and relevant policy and in consultation with the Chair of the Board and/or Group Chief Executive, as appropriate, determine the total individual remuneration package of each executive director, the Chair of the Board, members of the Group Executive Committee and the Company Secretary including bonuses, incentive payments and share options or other share awards. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of company performance, individual performance, and wider circumstances.
- b. approve the share ownership guidelines and monitor compliance with those guidelines for the Board and Group Executive Committee members.
- c. monitor the remuneration of and risk management implications of certain employees, in particular: (i) the Executive Council, (ii) the Leadership Team, (iii) Group Remuneration Identified Staff; and (iv) those with an opportunity to earn USD1.5m or more in a particular year, on an aggregated basis, where appropriate.

In respect of the Chair of the Board, the Committee shall:

- d. determine the fee level and benefits annually or in line with the frequency set out in the relevant letter of appointment, obtain independent advice and data, and draw on internal expertise where appropriate to ensure that remuneration meets the objectives of the Directors' Remuneration Policy.
- e. consider recommendations from the Senior Independent Director regarding the fees to be paid to the Chair of the Board.

In respect of the Executive Directors, the Committee shall:

- f. review and approve individual packages for the Executive Directors at least annually, obtain independent advice and data, and draw on internal expertise where appropriate to ensure that remuneration meets the objectives of the Directors' Remuneration Policy.
- g. approve 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.
- h. periodically review 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.
- i. review and approve the structure, terms and quantum of any severance arrangements for Executive Directors, ensuring that any such arrangements are in line with the Directors' Remuneration Policy and are otherwise fair and do not reward failure.
- j. Consider feedback by the Group Risk Committee on the Group Chief Risk and Compliance Officer's performance and feedback provided by the Group Audit Committee Chair on the Group Chief Financial Officer and Chief Operating Officer's performance.

In respect of the Group Executive Committee members (who are not Executive Directors) and the Company Secretary, the Committee shall:

- k. review and approve individual packages for the Group Executive Committee members and the Company Secretary at least annually, obtain independent advice and data, and draw on internal expertise where appropriate to ensure that remuneration meets the objectives of the Group Remuneration Policy.
- l. approve the remuneration package to be offered to newly recruited Group Executive Committee members and a newly recruited Company Secretary, including determining the extent to which and the terms on which awards forfeited on leaving a previous employer will be replaced.
- m. periodically review the terms of service agreements for Group Executive Committee members to ensure that they remain fair and reasonable and are in the interests of the Company and shareholders.
- n. review and approve the structure, terms and quantum of any severance arrangements for Group Executive Committee members and the Company Secretary, ensuring that any such arrangements are in line with the Group Remuneration Policy and are otherwise fair and do not reward failure.

### iii Share Incentives

The Committee shall:

- o. review the design and development of all share plans operated for the Executive Directors and/or requiring approval by the Board and/or shareholders and make recommendations to the Board about adopting any amendments to the terms of the plans.
- p. for any such plans, approve and assess performance targets where applicable.
- q. approve awards to Executive Directors and the overall amount of such awards, the individual awards for Executive Directors, other members of the Group Executive Committee and the Company Secretary, and the performance targets to be used (in line with approved corporate objectives).
- r. exercise all powers under the rules of any Group share plan and approve any proposed actions of any committee, or other body appointed to administer the plans, as they pertain to grants, awards or maturities in respect of the Executive Directors, other members of the Group Executive Committee and the Company Secretary.
- s. determine when clawback and malus will be invoked in respect of Executive Directors, or other staff within its purview.
- t. review the aggregate dilutive effect of all share awards and option grants made to employees across the Group.

### 8. Reporting responsibilities

- a. The Committee Chair shall report to the Board after each meeting on the nature and content of the discussion, recommendations and actions to be taken.

- b. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- c. The Committee shall provide 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.
- d. The Committee shall provide a description of its work in the annual report in line with the requirements of relevant Corporate Governance guidelines.
- e. The Committee shall also ensure that other relevant laws and regulations and provisions regarding disclosure of information under applicable Corporate Governance Codes are fulfilled, and that a Directors' Remuneration Report and, if necessary, the Directors' Remuneration Policy is included in the Company's Annual Report and put to shareholders for approval at the AGM.

## **9. Other matters**

The Committee shall:

- a. give due consideration to all relevant laws and regulations, the provisions of applicable Corporate Governance Codes and published guidelines or recommendations regarding the remuneration of company directors and the formation and operation of share incentive plans, and the requirements of applicable listing or other rules, as appropriate.
- b. have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for advice and assistance as required.
- c. consider the engagement and independence of external remuneration advisers.
- 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.
- e. ensure that a periodic evaluation of the Committee's own performance is carried out.
- f. at least annually, review its terms of reference and recommend any changes it considers necessary to the Board for approval.

## **10. Authority**

- a. The Committee is authorised 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, at the Company's expense and through the Company Secretary's office where applicable.
- b. 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 commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company.