New Directors' remuneration policy

Total remuneration for our Executive Directors is made up of a number of elements.

Fixed pay policy for Executive Directors

Component and purpose	Operation	Opportunity
Base salary Paying salaries at a competitive level enables the Company to recruit and retain key executives.	Prudential's policy is to offer all Executive Directors base salaries that are competitive within their local market. The Remuneration Committee reviews salaries annually with changes normally effective from 1 January. In determining base salary for each executive, the Committee considers factors such as: — Salary increases for other employees across the Group; — The performance and experience of the executive; — The size and scope of the role; — Group and/or business unit financial performance; — Internal relativities; and — External factors such as economic conditions and market data. As the Company has Executive Directors based in multiple geographies, and within insurance and asset management businesses, the Remuneration Committee reviews data from a number of different markets it believes to be the most relevant benchmarks. While salaries are typically paid in the local currency of the country where the executive is based, the Committee may determine that the salary of an executive is set or paid in an alternative currency.	Annual salary increases for Executive Directors will normally be in line with the increases for other employees unless there is a change in role or responsibility.
Benefits Provided to executives to assist them in carrying out their duties efficiently. Expatriate and relocation benefits allow Prudential to attract high-calibre executives in the international talent market and to deploy them appropriately within the Group.	Prudential's policy is for the Committee to have the discretion to offer Executive Directors benefits which reflect their individual circumstances and are competitive within their local market, including: — Health and wellness benefits; — Protection and security benefits; — Transport benefits; — Family and education benefits; — All employee share plans and savings plans; — Relocation and expatriate benefits; and — Reimbursed business expenses (including any tax liability) incurred when travelling overseas in performance of duties.	The maximum paid will be the cost to the Company of providing these benefits. The cost of these benefits may vary from year to year but the Committee is mindful of achieving the best value from providers.
Provision for an income in retirement Pension benefits provide executives with opportunities to save for an income in retirement.	Prudential's policy is to offer all Executive Directors a pension provision that is competitive and appropriate in the context of pension benefits for senior executives in the relevant local market. The pension provision for Executive Directors will normally be reflective of the arrangements in place for other employees in their business unit when they joined the Group. Executives have the option to: — Receive payments into a defined contribution scheme; and/or — Take a cash supplement in lieu of contributions. In addition, the Chief Executive, PCA receives statutory contributions into the PCA Mandatory Provident Fund.	Executive Directors are entitled to receive pension contributions or a cash supplement (or combination of the two) of up to 25 per cent of base salary. Contributions into the PCA Mandatory Provident Fund are in line with statutory limits.

New Directors' remuneration policy
Continued

Annual bonus policy for Executive Directors

Annual bonus

Payments under the Annual Incentive Plan (AIP) incentivise the delivery of stretching financial, functional and/or personal objectives which are drawn from the annual business plan.

Operation	Currently all Executive Directors participate in the AIP. The AIP payments for all Executive Directors are subject to the achievement of either financial and personal objectives or functional and personal objectives. Business unit chief executives either have measures of their business unit's financial performance in the AIP or they may participate in a business unit specific bonus plan. For example, the Chairman and CEO, NABU currently participates in the Jackson Senior Management Bonus Pool, as well as in the AIP.
Form and timing of payment	All Executive Directors are required to defer a percentage of their total annual bonus into Prudential shares. Currently all Executive Directors defer 40 per cent of their bonus for three years, with the remaining 60 per cent of their bonus paid in cash following the end of the performance year. The release of deferred bonus awards is not subject to any further performance conditions. Deferred bonus awards carry the right to receive an amount (in shares or cash) to reflect the dividends paid on the released shares, during the deferral period. The Committee has the authority to apply clawback and/or a malus adjustment to all, or a portion of, the cash and deferred award elements of the bonus. More details about clawback and malus are set out below. See the Policy on corporate transactions section for details of the Committee's powers in the case of corporate transactions.
Determining annual bonus payments	In assessing financial performance, the Committee determines the annual incentive payment for each Executive Director with reference to the performance achieved against performance ranges. The Jackson Senior Management Bonus Pool is calculated based on Jackson's performance and distributed to Jackson's leadership team. In assessing performance, the Committee will take into account the personal performance of the Executive Director and the Group and/or business units' adherence to the Group's risk framework and appetite, as well as other relevant factors. To assist them in their assessment the Committee considers a report from the Group Chief Risk Officer on adherence to the Group's risk framework and appetite and to all relevant conduct standards. The Committee may adjust the formulaic outcome based on the performance targets to reflect the underlying performance of the Company.
Opportunity	The Chief Executive, M&G has a bonus opportunity which is the lower of 0.75 per cent of M&G's IFRS profit or six times salary. For other Executive Directors the maximum AIP opportunity is up to 200 per cent of salary. Annual awards are disclosed in the relevant Annual report on remuneration. In addition to the AIP, the Chairman & CEO, NABU receives a 10 per cent share of the Jackson Senior Management Bonus Pool.

Annual bonus policy for Executive Directors continued

Performance measures	The Committee has the discretion to determine the specific performance conditions attached to each AIP cycle and to set annual targets for these measures with reference to the business plans approved by the Board. The financial measures used for the AIP will typically include profit and cash flow targets and payments depend on the achievement of minimum capital thresholds. For the measures used in 2016 and 2017, please refer to the Annual report on remuneration. No bonus is payable under the AIP for performance at or below the threshold level, increasing to 100 per cent for achieving or exceeding the maximum level. Jackson's profitability and other key financial and risk management measures determine the value of the Jackson Senior Management Bonus Pool. The weightings of the performance measures for 2017 for all Executive Directors, other than the Group Chief Risk Officer, are 80 per cent financial measures and 20 per cent personal measures. The Chairman and CEO, NABU also participates in the Jackson Senior Management Bonus pool. For the Group Chief Risk Officer, the performance measures for 2017 are entirely based on a combination of functional and personal measures. The Group Chief Risk Officer is responsible for ensuring that the Company's risk exposures are within the Board approved risk framework and appetite, and to provide overall leadership to the Risk function. The Committee retains the discretion to adjust and/or set different performance measures if events occur (such as a change in strategy, a material acquisition and/or divestment of a Group business or a change in the share capital of the Company or a change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.
Amendments	The Committee may make amendments to the rules of the deferred bonus plan which it considers appropriate (such as amendments which benefit the administration of the plan) but it will not make any amendments which are incompatible with the approved Directors' remuneration policy.

Long-term incentive policy for Executive Directors

Prudential Long Term Incentive Plan (PLTIP)

The Prudential Long Term Incentive Plan is designed to incentivise the delivery of:

— Longer-term business plans;

— Sustainable long-term returns for shareholders; and

— Group strategic priorities, such as disciplined risk and capital management.

Following the end of the performance period, a two-year holding period applies, further aligning the experience of executives and shareholders.

Operation	Currently all Executive Directors participate in the PLTIP. Prudential's policy is that Executive Directors may receive long-term incentive awards with full vesting only achieved if the Company meets stretching performance targets. The rules of the PLTIP were approved by shareholders in 2013. Subsequent to this, minor amendments have been made to the rules to incorporate clawback provisions and to provide for a two-year holding period to awards.
Granting awards	The PLTIP is a conditional share plan: the shares which are awarded will ordinarily vest after three years to the extent that performance conditions have been met. If performance conditions are not achieved, the unvested portion of any award lapses and performance cannot be retested. The PLTIP has a three-year performance period (although the Committee has the discretion to apply shorter or longer performance periods when the PLTIP is used for buy-out awards on recruitment – see the Approach to recruitment remuneration section).
Holding period	After the end of the three-year performance period, the shares are usually subject to an additional two-year holding period (except for buy out awards made under the PLTIP or in the case of the death of an executive). The Company may sell such number of shares as is required to satisfy any tax liability that arises on vesting. The balance of shares will be subject to the two-year holding period.
Determining the release of the award	The Committee has the authority to apply clawback and/or a malus adjustment to all, or a portion of, a PLTIP award. More details about clawback and malus are set out below. Awards carry the right to receive an amount (in shares or cash) to reflect the dividends paid on the released shares, during the period between the awards being granted and the award vesting.

New Directors' remuneration policy
Continued

Long-term incentive policy for Executive Directors continued

Opportunity	The value of shares awarded under the PLTIP (in any given financial year) may not exceed 550 per cent of the executive's annual basic salary. Awards made in a particular year are usually significantly below this limit. The levels of award made under the PLTIP in 2017 (as a percentage of base salary) are: Group Chief Executive 400% Chairman & CEO, NABU 460% Chief Executive, M&G 450% All other Executive Directors 250% The Committee does not envisage increasing the current award levels over the life of the policy and would consult with major shareholders before doing so. In addition, these current award levels would be disclosed in the relevant Annual report on remuneration. The maximum vesting under the PLTIP is 100 per cent of the original share award plus accrued dividend shares.
Performance measures	The performance conditions attached to PLTIP 2017 awards are: All Executive Directors except the Group Chief Risk Officer: — Relative TSR (25 per cent of award); — IFRS profit (50 per cent of award, Group or business unit as appropriate); and — Balanced scorecard of sustainability measures (25 per cent of award). Group Chief Risk Officer: — Relative TSR (50 per cent of award); — Group IFRS profit (20 per cent of award); and — Balanced scorecard of sustainability measures (30 per cent of award). The Committee may decide to attach different performance conditions and/or change the conditions' weighting for future PLTIP awards. The performance conditions attached to each award are dependent on the role of the executive and will be disclosed in the relevant Annual report on remuneration. Relative TSR is measured over three years. 25 per cent of this portion of each award will vest for achieving the threshold level of median, increasing to full vesting for meeting the stretch level of upper quartile. TSR is measured against a peer group of international insurers similar to Prudential in size, geographic footprint and products. This peer group was reviewed during 2016 to ensure the group remains a relevant comparator group. The peer group for each award is disclosed in the relevant Annual report on remuneration. Three-year cumulative IFRS operating profit is assessed at Group or business unit level. Threshold and maximum achievement levels will be set at the beginning of the performance periods in line with the three-year business plan. 25 per cent of this portion of the award will vest for achieving threshold performance increasing to full vesting for meeting stretch targets. The target for Group IFRS operating profit will be disclosed when the performance period ends. Performance against the measures in the scorecard of sustainability measures is assessed at the end of the three-year performance period. The four measures have an equal weighting. 100 per cent of each measure in this portion of the award will vest for full achievement of that measure and no portion will vest if the measure is not achieved in full. The scorecard measures for each award are disclosed in the relevant Annual report on remuneration for the year of grant. The Committee also considers a report from the Group Chief Risk Officer on whether the results were achieved within the Group's and business units' risk framework and appetite. The Group Chief Risk Officer also considers the effectiveness of risk management and internal controls, and specific actions taken to mitigate risks, particularly where these may be at the expense of profits or sales. The Committee may adjust the formulaic outcome based on the performance targets to reflect the underlying performance of the Company.

Long-term incentive policy for Executive Directors continued

Committee discretions	For any award made under the PLTIP to vest, the Committee must be satisfied that the quality of the Company's underlying financial performance justifies the level of reward delivered at the end of the performance period. The Committee receives data about factors such as risk management and the cost of capital to support their decision. The Committee has the discretion to alter or disapply the holding period if it believes that it is appropriate. See the Policy on corporate transactions section for details of the Committee's powers in the case of corporate transactions.
For awards made in 2016 and previous years	The Committee has the discretion to amend the performance conditions attached to an award if circumstances relevant to the performance conditions have changed, and the Committee is satisfied that the amended measure will be a fairer measure of performance and no more or less demanding than the original condition. The Committee would seek to consult with major shareholders before revising performance conditions on outstanding awards under the PLTIP.
For awards made in 2017 and subsequent years	The Committee retains the ability to amend the performance conditions attached to an award and/or set different performance measures (or to revise the weighting of measures) which apply to new or outstanding long-term incentive awards if events occur which cause the Committee to determine that circumstances relevant to the performance conditions have changed such that the measures described in this section are no longer appropriate and that amendment is required so that they achieve their original purpose, provided the Committee is satisfied that the amended measure will be a fairer measure of performance and no more or less demanding than the original condition. Examples of such events could include a change in strategy, a material acquisition and/or divestment of a Group business, or a change in the share capital of the Company or a change in prevailing market conditions or to meet the requirements of the Company's regulators. The Committee would seek to consult with major shareholders before revising performance conditions on outstanding awards under the PLTIP.
Amendments	The Committee may make amendments to the rules of the Plan which are minor and benefit the administration of the Plan, which take account of any changes in legislation, and/or which obtain or maintain favourable tax, exchange control or regulatory treatment. Otherwise no amendments may be made to certain key provisions of the PLTIP to the advantage of participants without prior shareholder approval.

Share ownership guidelines for Executive Directors

Operation	The share ownership guidelines for the Executive Directors are: — 400 per cent of salary for the Group Chief Executive; and — 250 per cent of salary for other Executive Directors. Executives have five years from the later of the date of their appointment or promotion, or the date of an increase in these guidelines, to build this level of ownership. Shares earned and deferred under the Annual Incentive Plan are included in calculating the Executive Director's shareholding for these purposes. Unvested share awards under long-term incentive plans are not included but vested share awards under long-term incentive plans which are subject to the two-year holding period are included. Progress against the share ownership guidelines is detailed in the Statement of Directors' shareholdings section of the Annual report on remuneration.

New Directors' remuneration policy
Continued

Malus and clawback policy

As detailed in the policy table, the Committee may apply clawback and/or a malus adjustment to variable pay in certain circumstances as set out below. The Committee can delay the release of awards pending the completion of an investigation which could lead to the application of malus or clawback.

	Circumstances when the Committee may exercise its discretion to apply malus or clawback to an award
Malus (applies in respect of any annual bonus or long-term incentive award) Allows unvested shares awarded under deferred bonus and LTIP plans to be forfeited or reduced in certain circumstances.	Where a business decision taken during the performance period by the business unit by which the participant was employed has resulted in a material breach of any law, regulation, code of practice or other instrument that applies to companies or individuals within the business unit. There is a materially adverse restatement of the accounts for any year during the performance period of (i) the business unit in which the participant worked at any time in that year; and/or (ii) any member of the Group which is attributable to incorrect information about the affairs of that business unit. Any matter arises which the Committee believes affects or may affect the reputation of the Company or any member of the Group.
Clawback Allows cash and share awards to be recovered before or after release in certain circumstances.	Where at any time before the fifth anniversary of the start of the performance period, either (i) there is a materially adverse restatement of the Company's published accounts in respect of any financial year which (in whole or part) comprised part of the performance period; or (ii) it becomes apparent that a material breach of a law or regulation took place during the performance period which resulted in significant harm to the Company or its reputation, and the Committee considers it appropriate, taking account of the extent of the participants' responsibility for the relevant restatement or breach, that clawback be applied to the relevant participant.

Notes to the remuneration policy table for Executive Directors

Committee's judgement

The Committee is required to make judgements when assessing Company and individual performance under the Directors' remuneration policy. In addition, the Committee has discretions under the Company's share plans, for example, determining if a leaver should retain or lose their unvested awards and whether to apply malus or clawback to an award. Exercise of such discretion during the year will be reported and explained in the next Annual report on remuneration.

The Committee may approve payments in excess of, in a different form to, or calculated or delivered other than as described above, where the Committee considers such changes necessary to meet regulatory requirements. If these changes are considered by the Committee to be material, the Company will seek to consult with its major shareholders.

Determining the performance measures

The Committee selected the performance measures that currently apply to variable pay plans on the following basis:

AIP

The performance measures are selected to incentivise the delivery of the Group's business plan, specifically to ensure that financial objectives are delivered while maintaining adequate levels of capital. Executives are also rewarded for the achievement of functional and/or personal objectives. These objectives include the executive's contribution to Group strategy as a member of the Board, specific goals related to their functional and/or business unit role and achievement of the Group's strategic priorities.

PLTIP

Awards made under the PLTIP are currently subject to the achievement of IFRS profit targets, relative TSR and, from 2017, a balanced scorecard of measures:

— IFRS profit was selected as a performance measure for the PLTIP (as well as the AIP) because it is central to the management of the business and a key driver of shareholder value;

— Relative TSR was selected as a performance measure because it focuses on the value delivered to shareholders – aligning the long-term interests of shareholders with those of executives; and

— From 2017, a balanced scorecard of measures was selected to ensure an alignment with the Group's strategic objectives, which are approved by the Board each year, and reflect Prudential's cultural values.

The Committee may decide to attach different performance conditions and/or change the conditions' weighting for future PLTIP awards.

Setting the performance ranges for financial targets

Where variable pay has performance conditions based on business plan measures (for example the financial metrics of the AIP and the IFRS profit element of the PLTIP) the performance ranges are set by the Remuneration Committee prior to, or at the beginning of, the performance period. Performance is based on annual and longer-term plans approved by the Board. These reflect the long-term ambitions of the Group and business units, in the context of anticipated market conditions.

For market-based performance conditions (eg relative TSR) the Committee requires that performance is in the upper quartile, relative to Prudential's peer group, for awards to vest in full.

Key differences between Directors' remuneration and the remuneration of other employees

Across the Group, remuneration is reviewed regularly with the intention that all employees are paid appropriately in the context of their local market and given their individual skills, experience and performance. Each business unit's salary increase budget is set with reference to local market conditions. The Remuneration Committee considers salary increase budgets in each business unit when determining the salaries of Executive Directors.

The principles that apply to Executive Directors are cascaded to other employees in their business unit. Senior leaders in the Group participate in annual bonus schemes which have performance conditions that mirror the CEO for their business unit. In addition, they are eligible to receive awards under the long-term incentive plans with performance conditions appropriate for their role.

Legacy payments

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before 15 May 2014 (the date the Company's first shareholder-approved Directors' remuneration policy came into effect); (ii) before this policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming or having been a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

References to 'shares'

In this report, references to shares include American Depository Receipts (ADRs). Directors may receive awards denominated in ADRs rather than shares, depending on their location.

New Directors' remuneration policy
Continued

Scenarios of total remuneration

The chart below provides an illustration of the future total remuneration for each Executive Director in respect of their remuneration opportunity for 2017. Three scenarios of potential outcome are provided based on underlying assumptions shown in the notes to the chart.

The Committee is satisfied that the maximum potential remuneration of the Executive Directors is appropriate. Prudential's policy is to offer Executive Directors remuneration which reflects the performance and experience of the executive, internal relativities and Group and/or business unit financial performance. In order for the maximum total remuneration to be payable:

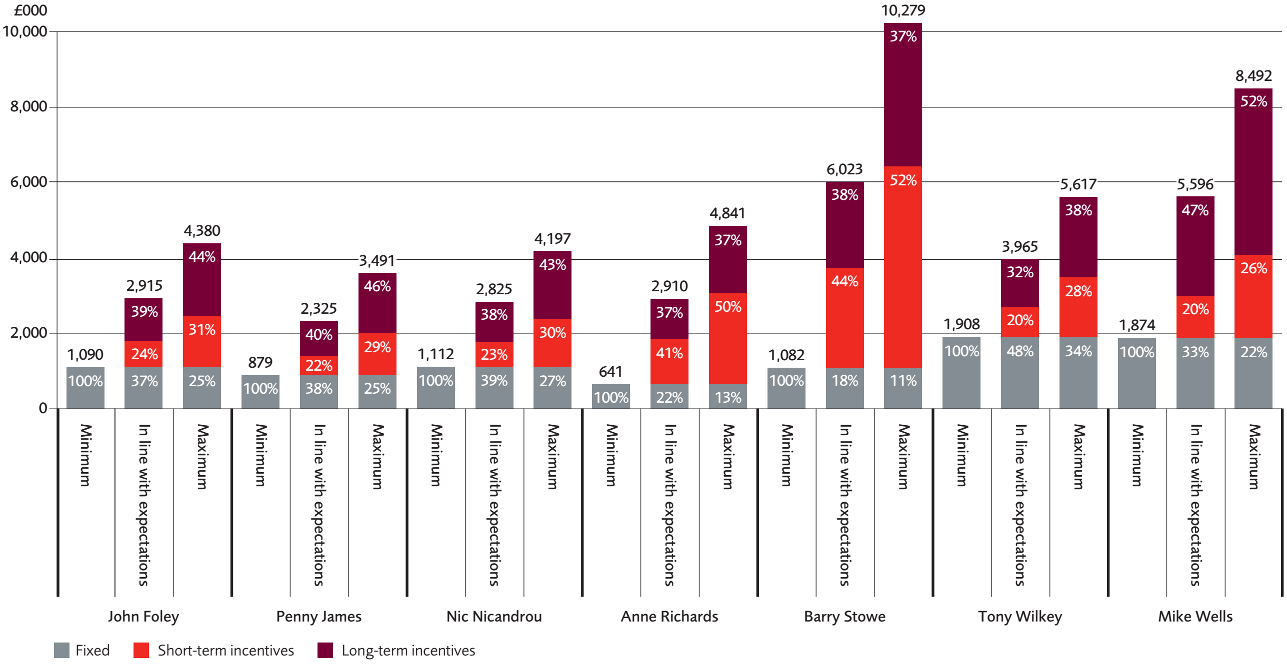
— Financial performance must exceed the Group and/or business unit's stretching business plan;

— Relative TSR must be at or above the upper quartile relative to the peer group;

— The sustainability scorecard, aligned to the Group's strategic priorities, must be fully satisfied;

— Functional and personal performance objectives must be fully met; and

— Performance must be achieved within the Group's and business units' risk framework and appetite.



Notes

The scenarios in the chart above have been calculated on the following assumptions:

	Minimum	**In line with expectations**	**Maximum**
Fixed pay	Base salary at 1 January 2017. Pension allowance at 1 January 2017. Estimated value of benefits based on amounts paid in 2016. Tony Wilkey and Barry Stowe are paid in HK$ and US$ respectively and figures have been converted to GBP for the purposes of this chart.		
Annual bonus	No bonus paid.	50% of maximum AIP. Jackson bonus pool at the average of the last three years.	100% of maximum AIP. Jackson bonus pool at highest of the last three years.
Long-term incentives (excludes share price growth and dividends)	No PLTIP vesting.	59.38% (or 58.75% for the Group Chief Risk Officer) of award under PLTIP (midway between threshold and maximum).	100% of award under PLTIP.

Approach to recruitment remuneration

The table below outlines the approach that Prudential will take when recruiting a new Executive Director. This approach will also apply to internal promotions.

The approach to recruiting a Non-executive Director or a Chairman is outlined on page 148.

Element	Principles	Potential variations
Base pay	The salary for a new Executive Director will be set using the approach set out in the fixed pay policy table on page 135.	
Benefits and pension	The benefits for a new Executive Director will be consistent with those outlined in the fixed pay policy table.	
Variable remuneration opportunity	The variable remuneration opportunities for a new Executive Director would be consistent with the limits and structures outlined in the variable pay policy table.	
Awards and contractual rights forfeited when leaving previous employer	On joining the Board from within the Group, the Committee may allow an executive to retain any outstanding deferred bonus and/or long-term incentive awards and/or other contractual arrangements that they held on their appointment. These awards (which may have been made under plans not listed in this policy) would remain subject to the original rules, performance conditions and vesting schedule applied to them when they were awarded. If a newly-appointed Executive Director forfeits one or more bonuses (including outstanding deferred bonuses) on leaving a previous employer, these payments or awards may be replaced in either cash, Prudential shares or options over Prudential shares with an award of an equivalent value. Replacement awards will normally be released on the same schedule as the foregone bonuses. If a newly-appointed Executive Director forfeits one or more long-term incentive awards on leaving a previous employer, these may be replaced with Prudential awards with an equivalent value. Replacement awards will generally be made under the terms of a long-term incentive plan approved by shareholders, and vest on the same schedule as the foregone awards. Where foregone awards were subject to performance conditions, performance conditions will be applied to awards replacing foregone long-term incentive awards; these will be the same as those applied to the long-term incentive awards made to Prudential executives in the year in which the forfeited award was made.	The Committee may consider compensating a newly-appointed executive for other relevant contractual rights forfeited when leaving their previous employer. The use of Listing Rule 9.4.2 to facilitate the recruitment of an Executive Director is now only relevant in 'unusual circumstances.' The Committee does not anticipate using this rule on a routine basis but reserves the right to do so in an exceptional circumstance. For example, this rule may be required if, for any reason, like-for-like replacement awards on recruitment could not be made under existing plans. This provision would only be used to compensate for remuneration forfeited on leaving a previous employer.

New Directors' remuneration policy
Continued

Policy on payment on loss of office

Element	Principle	Potential variations
Notice periods	The Company's policy is that Executive Directors' service contracts will not require the Company to give an executive more than 12 months' notice without prior shareholder approval. A shorter notice period may be offered where this is in line with market practice in an executive's location. The Company is required to give to, and to receive from, each of the current Executive Directors 12 months' notice of termination. An Executive Director whose contract is terminated would be entitled to 12 months' salary and benefits in respect of their notice period. The payment of the salary and benefits would either be phased over the notice period or, alternatively, a payment in lieu of notice may be made. In agreeing the terms of departure for any Executive Director, other than on death or disablement, the Company will have regard to the need to mitigate the costs for the Company.	If an Executive Director is dismissed for cause their contract would be terminated with immediate effect and they would not receive any payments in relation to their notice period. Should an executive die they would not be entitled to receive payments and benefits in respect of their notice period – provisions are made under the Company's life assurance scheme to provide for this circumstance (see 'Benefits' in the policy table). Should an Executive Director step down from the Board but remain employed by the Group, they would not receive any payment in lieu of notice in respect of their service as a Director.
Outstanding deferred bonus awards	The treatment of outstanding deferred bonuses will be decided by the Committee taking into account the circumstances of the departure including the performance of the Executive Director. Deferred bonus awards are normally retained by participants leaving the Company. Awards will vest on the original timetable and will not normally be released early on termination. Prior to release, awards remain subject to the malus terms originally applied to them. The clawback provisions will continue to apply.	Any Executive Director dismissed for cause would forfeit all outstanding deferred bonus awards. Should an executive die, outstanding deferred bonus awards will be released as soon as possible after the date of death. Should an Executive Director step down from the Board but remain employed by the Group, they would retain any outstanding deferred bonus awards. These awards would remain subject to the original rules and vesting schedule applied to them when they were awarded.
Unvested long-term incentive awards	The treatment of unvested long-term incentives will be decided by the Committee taking into account the circumstances of the departure including the performance of the Executive Directors. Executive Directors will normally retain their unvested long-term incentive awards. These awards will ordinarily be pro-rated based on time employed, will vest on the original timescale and will remain subject to the original performance conditions assessed over the entire performance period. Prior to release, awards remain subject to the malus terms and holding periods originally applied to them.	Any Executive Director dismissed for cause would forfeit all unvested long-term incentive awards. On death, disablement and in other exceptional circumstances, the Committee has discretion to release unvested long-term incentive awards earlier than the end of the vesting period. The clawback provisions will continue to apply. Awards made under the M&G Executive LTIP will be released immediately should the Executive Director leave due to disablement or death and would be pro-rated based on time employed. Should an Executive Director step down from the Board but remain employed by the Group, an executive would retain any outstanding long-term incentive awards which they held on their change of role. These awards would remain subject to the original rules, performance conditions and vesting schedule.

Policy on payment on loss of office continued

Element	Principle	Potential variations
Vested long-term incentive awards, subject to the holding period	The treatment of vested long-term incentives will be decided by the Committee taking into account the circumstances of the departure. Executive Directors will normally retain their vested long-term incentive awards that remain subject to the holding period. Normally these awards will be released in accordance with the original timescale and will remain subject to the holding period. Prior to release, awards remain subject to the malus terms originally applied to them.	On death, disablement and in other exceptional circumstances, the Committee has discretion to release vested long-term incentive awards earlier than the end of the holding period. The clawback provisions will continue to apply. Should an Executive Director step down from the Board but remain employed by the Group, they would retain any vested long-term incentive awards that remain subject to the holding period. These awards would remain subject to the original rules and release schedule applied to them when they were awarded (ie the holding period will continue to apply).
Bonus for final year of service	The payment of a bonus for the final year of service will be decided by the Committee giving full consideration to the circumstances of the departure including the performance of the Executive Director. The Committee may award a departing executive a bonus which will usually be pro-rated to reflect the portion of the final financial year in which they served which had elapsed on the last day of their employment. Any such bonus would be calculated with reference to financial, functional and/or personal performance measures in the usual way. The normal portion of any such bonus awarded must be deferred.	Any Executive Director dismissed for cause would not be eligible for any bonus that has not been paid. Should an Executive Director die whilst serving as an employee a time pro-rated bonus may be awarded. In such circumstances, deferral will not be applied and the payment will be made solely in cash. The Committee may decide to award an executive stepping down from the Board but remaining with the Group a bonus pro-rated to reflect the portion of the financial year which had elapsed on the date of their change of role. This would be calculated with reference to financial and personal or functional and personal performance measures in the usual way. The Committee may determine that a portion of such a bonus must be deferred.
Other payments	Consistent with other employees in their business unit, Executive Directors may receive payments to compensate them for the loss of employment rights on termination. Payments may include: — A nominal amount for agreeing to non-solicitation and confidentiality clauses; — Directors and Officers insurance cover for a specified period following the executives' termination date; — Payment for outplacement services; — Reimbursement of legal fees; and — Repatriation assistance. The Committee reserves the right to make additional exit payments where such payments are made in good faith: — In discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or — By way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.	

New Directors' remuneration policy
Continued

Policy on corporate transactions

	Treatment
Deferred Annual Incentive Plan Awards	In the event of a corporate transaction (eg takeover, material merger, winding up etc), the Remuneration Committee will determine whether awards will: — Vest in part or in full; and/or — Continue in accordance with the rules of the plan; and/or — Lapse and, in exchange, the participant will be granted an award under any other share or cash incentive plan which the Remuneration Committee considers to be broadly equivalent to the award; and/or — Be exchanged for replacement awards of equal value.
Prudential Long Term Incentive Plan	In the case of a corporate transaction (eg takeover, material merger, winding up etc), the Remuneration Committee will determine whether awards will: — Be exchanged for replacement awards (either in cash or shares) of equal value unless the Committee and successor company agree that the original award will continue; or — Be released. Where awards are released the Remuneration Committee will have regard to the performance of the Company, the time elapsed between the date of grant and the relevant event and any other matter that the Remuneration Committee considers relevant or appropriate.

Service contracts
Executive Directors' service contracts provide details of the broad types of remuneration to which they are entitled, and about the kinds of plans in which they may be invited to participate. The service contracts offer no certainty as to the value of performance-related reward and confirm that any variable payment will be at the discretion of the Company.

Statement of consideration of conditions elsewhere in the Company
Across the Group, remuneration is reviewed regularly with the intention that all employees are paid appropriately in the context of their local market and given their individual skills, experience and performance. Each business unit's salary increase budget is set with reference to local market conditions. The Remuneration Committee considers salary increase budgets in each business unit when determining the salaries of Executive Directors.

Prudential does not consult with employees when setting the Directors' remuneration policy: Prudential is a global organisation with employees, and agents in multiple business units and geographies. As such, there are practical challenges associated with consulting with employees directly on this matter. The Committee will keep this under review. As many employees are also shareholders, they are able to participate in binding votes on the Directors' remuneration policy and annual votes on the Annual report on remuneration.

Statement of consideration of shareholder views
The Remuneration Committee and the Company undertake regular consultation with key institutional investors on the Directors' remuneration policy and implementation. This engagement is led by the Remuneration Committee Chairman and is an integral part of the Company's investor relations programme. The Committee is grateful to shareholders for the feedback that is provided and takes this into account when determining executive remuneration.

Remuneration policy for Non-executive Directors and the Chairman

	Fees	Benefits	Share ownership guidelines
Non-executive Directors	All Non-executive Directors receive a basic fee for their duties as a Board member. Additional fees are paid for added responsibilities such as chairmanship and membership of committees or acting as the Senior Independent Director. Fees are paid to Non-executive Directors, subject to the appropriate deductions. The basic and additional fees are reviewed annually by the Board with any changes effective from 1 July. In determining the level of fees the Board considers: — The time commitment and other requirements of the role; — Group financial performance; — Salary increases for all employees; and — Market data. If, in a particular year, the number of meetings is materially greater than usual, the Company may determine that the provision of additional fees in respect of that year is fair and reasonable. Should a new committee be formed, or the remit of an existing committee be materially expanded, the new or additional fees paid for the chairmanship or membership of the committee will be commensurate with the new or additional responsibilities and time commitment involved. Non-executive Directors are not eligible to participate in annual bonus plans or long-term incentive plans.	Non-executive Directors do not currently receive benefits, a pension allowance or participate in the Group's employee pension schemes. Travel and business expenses for Non-executive Directors are incurred in the normal course of business, for example, in relation to attendance at Board and Committee meetings. The costs associated with these are all met by the Company, including any tax liabilities arising on these business expenses.	It is expected that Non-executive Directors will hold shares with a value equivalent to one times the annual basic fee (excluding additional fees for chairmanship and membership of any committees). Non-executive Directors will be expected to attain this level of share ownership within three years of their date of appointment.

New Directors' remuneration policy
Continued

Remuneration policy for Non-executive Directors and the Chairman continued

	Fees	Benefits	Share ownership guidelines
Chairman	The Chairman receives an annual fee for the performance of their role. This fee is agreed by the Remuneration Committee and is paid to the Chairman in cash, subject to the appropriate deductions. On appointment, the fee may be fixed for a specified period of time. Following the fixed period (if applicable) this fee will be reviewed annually. Changes in the fee are effective from 1 July. In determining the level of the fee for the Chairman the Committee considers: — The time commitment and other requirements of the role; — The performance and experience of the Chairman; — Internal relativities; — Company financial performance; and — Market data. The Chairman is not eligible to participate in annual bonus plans or long-term incentive plans.	The Chairman may be offered benefits including: — Health and wellness benefits; — Protection and security benefits; — Transport benefits; — Reimbursement of business expenses (and any associated tax liabilities) incurred when travelling overseas in performance of duties; and — Relocation and expatriate benefits (where appropriate). The maximum paid will be the cost to the Company of providing these benefits. The Chairman is not eligible to receive a pension allowance or to participate in the Group's employee pension schemes.	The Chairman has a share ownership guideline of one times his annual fee and is expected to attain this level of share ownership within five years of the date of his appointment.

Recruitment of a new Chairman or Non-executive Director

The fees for a new Non-executive Director will be consistent with the current basic fee paid to other Non-executive Directors (as set out in the Annual report on remuneration for that year) and will be reflective of their additional responsibilities as chair and/or members of Board committees.

The fee for a new Chairman will be set with reference to the time commitment and other requirements of the role, the experience of the candidate, as well as internal relativities among the other Executive and Non-executive Directors. To provide context for this decision, data would be sought for suitable market reference point(s).

Notice periods – Non-executive Directors and Chairman

Non-executive Directors are appointed pursuant to letters of appointment with notice periods of six months without liability for compensation. A contractual notice period of 12 months by either party applies for the Chairman. The Chairman would not be entitled to any payments for loss of office.

For information on the terms of appointment for the Chairman and Non-executive Directors please see page 133 of the Corporate governance report.

Additional information: legacy long-term incentive plans for Executive Directors

M&G Executive LTIP

Operation Granting awards	The Chief Executive, M&G received annual awards under the M&G Executive LTIP in the period up to and including 2016. Under this plan an annual award of phantom shares was made with a notional starting share price of £1. The phantom share price at vesting is determined by the performance of M&G over the three-year performance period.
Determining the release of the award	Awards are settled in cash. The Committee has the authority to apply clawback and/or a malus adjustment to all, or a portion of, an M&G Executive LTIP award. More details about clawback and malus are set out above.
Corporate transactions	In the event of a change of control, the Committee may determine that the award will vest immediately or continue until the original vest date. See pages 143 to 145 for details of the Committee's powers in respect of M&G Executive LTIP participants joining or leaving the Group.
Opportunity	The Chief Executive, M&G received an award with an initial value of 300 per cent of salary under the M&G Executive LTIP. The maximum vesting under the M&G Executive LTIP is 100 per cent of the number of phantom shares originally awarded.
Performance measures	The phantom share price at vesting is determined by the increase or decrease in M&G's profitability with profit and investment performance adjustments also applied. Where the investment performance of M&G's funds is in the top two quartiles during the three-year performance period, the value of phantom shares vesting will be enhanced. The value of phantom shares may be doubled if performance is in the top quartile. Investment performance in the bottom quartile will result in awards being forfeited, irrespective of any profit growth. If profits in the third year of the performance period are less than the average annual profit generated over the performance period the award will be reduced, potentially down to zero.

Buy-out award for the Chief Executive, M&G (the Prudential plc 2016 Recruitment Plan)

In line with the announcement made on 1 February 2016, the Company entered into an agreement with Anne Richards to compensate her for unvested share awards that she forfeited as a consequence of joining Prudential.

This arrangement was put in place in accordance with Listing Rule 9.4.2, which allows an individual scheme to be put in place to assist with the recruitment of an Executive Director, and is consistent with the previous Directors' remuneration policy approved by shareholders in 2014. Anne is the sole participant in this arrangement and no further awards will be made to Anne under the arrangement.

Details of this award are set out on page 129 of the Annual report on remuneration.

Changes to Directors' remuneration policy approved at 2014 AGM

Component	Changes to policy approved at 2014 AGM	Reason for changes
Benefits	Under both the current and proposed new policy, benefits included health and wellness benefits, protection and security benefits, transport benefits, family and education benefits, all employee share plans and savings plans and relocation and expatriate benefits. In addition, under the proposed new policy, benefits also include reimbursed business expenses (including any associated tax liability) incurred when travelling overseas in performance of duties.	Reimbursed business expenses, and associated tax liabilities (such as, taxes levied by country revenue services on short-term business travellers eg when overseas-based Directors travel to Board meetings held in the UK) are included as a benefit for the avoidance of doubt. As this tax is incurred in performance of the Directors' duties, and is in addition to the tax paid by the Director in the country in which he or she is resident, the Company pays this tax. The Company does not pay the tax due on salary in the country in which the Director is resident.
Annual cash bonus	The Committee has the power to recover all, or a portion of, deferred bonus awards made since 2015 in specific circumstances and within a defined time frame.	In line with the requirements of the UK Corporate Governance Code, the Committee has had the power to recover (clawback) awards made since 2015 in specific circumstances and within a defined time frame. For clarity, this power is now reflected in the policy.

New Directors' remuneration policy
Continued

Changes to Directors' remuneration policy approved at 2014 AGM continued

Component	Changes to policy approved at 2014 AGM	Reason for changes
Long-term incentives	The Committee has the power to recover all, or a portion of, awards made since 2015 in specific circumstances and within a defined time frame. Executive Directors are required to hold their net of tax vested PLTIP shares, awarded in 2017 and subsequent years, for two years following the end of the three-year performance period, creating a five-year performance and holding period. The M&G Executive LTIP has been replaced with a commensurate PLTIP award for the Chief Executive, M&G.	In line with the requirements of the UK Corporate Governance Code, the Committee has had the power to recover (clawback) awards made since 2015 in specific circumstances and within a defined time frame. For clarity, this power is now reflected in the policy. The two-year holding period is consistent with investor guidance for shares to have at least a five-year performance and holding period. Shareholders are in favour of simplification, in particular, using a single long-term incentive plan for Executive Directors and the Committee shared this view. Delivering more of the Chief Executive, M&G incentive in Prudential shares strengthens her alignment with the Company's shareholders and is consistent with the way in which other Executive Directors are rewarded.
Share ownership guidelines	The share ownership guidelines have been updated as follows: — Increased from 350 per cent of base salary to 400 per cent of base salary for the Chief Executive; and — Increased from 200% of base salary to 250% of base salary for other Executive Directors.	Shareholding guidelines among large listed companies have continued to increase over recent years and the Committee wanted to recognise this and to maximise the Executive Directors' community of interest with the Company's shareholders.
Approach to recruitment remuneration	The policy on replacement awards on recruitment of an Executive Director has been clarified to: — Specifically include options over Prudential shares (in addition to cash and Prudential shares); and — Clarify that performance conditions will be applied where foregone awards were subject to performance conditions.	The updates to the policy are intended to give the Committee a range of approaches which might be used in replacing awards forfeited by a newly-appointed Director on their departure from their previous employer. This is in line with our overriding principle that replacement awards should, as far as possible, reflect the terms of those forfeited.
Policy on payment of loss of office	The policy on payment of loss of office has been clarified to: — Specifically state that should an Executive Director die while serving as a Director, a time pro-rated bonus may be awarded but deferral would not be applied; and — Repatriation assistance may be provided consistent with other employees.	The updates to the policy are intended to clarify the treatment of leavers in specific circumstances.
Corporate transactions	A new section has been added to the policy to cover corporate transactions and the Committee's discretion in these circumstances to: — Allow full or partial vesting or continuation or lapse and exchange of deferred bonus awards; and — Exchange or release (taking into account performance, time elapsed and other relevant matters) of PLTIP awards.	This new section has been added in response to a request from shareholders to set out the Committee's discretion on corporate transactions. These provisions appear in the Rules of the PLTIP which were approved by shareholders in 2013 but are now included in the policy for completeness.
Policy for Non-executive Directors	The policy on Non-executive Directors' fees has been clarified to permit new or additional fees should a new committee be formed or the remit of an existing committee expanded.	The updates to the policy are intended to clarify how it would be applied should the number or remit of Committees of the Board change.