



Governance



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Robust and transparent governance supporting our long-term sustainable success

Dear shareholder

Good governance encourages decisions to be made in a way that is most likely to promote the long-term sustainable success of the Company for the benefit of its members, taking into account the views and interests of the Group's wider stakeholders. We aim to achieve this through a governance framework that supports decision-making, facilitates challenge, is continuously updated to meet the Group's business needs, and encompasses a prudent system of internal controls and rigorous processes for identifying, managing and mitigating key risks.

Set out below are some of the principal strategic and governance items the Board has considered over 2019.

The demerger of M&G plc

Following the announcement in 2018 of the Board's intention to demerge M&G plc from the remainder of the Prudential Group, the demerger was completed on 21 October 2019 on an accelerated timetable. The effort by management and employees during the year to achieve this milestone should not be underestimated and the Board is grateful for the efforts of all those involved across the business.

During 2019, the Board has been focused on overseeing the execution of the demerger in a manner that promotes the long-term sustainable success of both groups. A number of workshops were held outside the usual cycle of meetings to facilitate more detailed discussions about the execution of the demerger, taking into account all stakeholder interests and ensuring the effective delivery of this complex transaction, and to consider the challenges and opportunities facing both groups post-demerger. The Board has found these workshops to be valuable and intends to continue this approach, as appropriate, when addressing key strategic matters, to ensure that additional time to discuss and challenge is available.

Time was spent ensuring M&G plc would have in place a suitable governance framework for a listed group at the point of demerger, including establishing a board with the desired skills and experience to progress M&G's strategic aims. Consideration was also given to the allocation of capital and resources between the two groups. As part of these discussions the Board considered and managed potential conflicts of interests between the two groups in order to create a fair outcome.

As Prudential no longer has operations in the UK and Europe, the Hong Kong Insurance Authority (the Hong Kong IA) has assumed the role of Group-wide supervisor. However, our long-standing governance framework has remained in place.

Our purpose, culture and values

Prudential has been delivering on its purpose throughout its 171 year history and we have taken the opportunity presented by the demerger of M&G plc to improve the articulation and communication of this purpose. We help people de-risk their lives and deal with their biggest financial concerns, providing them with the freedom to face the future with confidence. We deliver economic and social benefits for our customers, our employees and the communities in which we operate, while creating financial benefits and delivering growing returns for our investors. A description of how Prudential considers and delivers on this purpose is set out in the ESG report on pages 72 to 87.

We recognise that culture is an important contributor to long-term success and sustainable growth. The Board dedicated time in 2019 to reviewing Prudential's culture, focusing as part of our preparations for the demerger on the transition to our new operating environment and challenges. We made progress in defining and communicating our culture, recognising and rewarding behaviours that embody our culture, and measuring progress.

Now that the demerger is complete, we are focusing in more detail on how to shape our culture to support our changing business model and embrace new ways of thinking, working and leading. It is one of our key objectives to ensure that Prudential continues to be guided by its values and behaviours and demonstrates ongoing commitment to our stakeholders and to innovation, performance and excellence in execution.

We are developing plans for assessing and monitoring culture as we move forward, including regular reporting to the Board. Developing a shared culture and behaviours across multiple jurisdictions presents a number of challenges and so we are focusing efforts on developing a Group-wide culture framework, which includes a common purpose and shared mindsets, behaviours and capabilities but allows tailoring for local context.

Details of our risk governance and culture can be found in the Group Chief Risk and Compliance Officer's Report on pages 51 to 71. Our Group-wide Internal Audit function considers the risk and control culture of the organisation throughout its activities, and our Group Code of Business Conduct underlies everything we do, shaping our culture and linking culture explicitly to values and behaviours.

Looking after our stakeholders and wider community initiatives

At Prudential, we recognise that our stakeholders are key to our long-term success. We seek to engage proactively with them, to understand their views and to take these views into account when making decisions.

In response to the emphasis that the UK Corporate Governance Code places on wider stakeholders, the Board has designated two Non-executive Directors to represent the workforce at Board level and is taking action to improve oversight of workforce policies and practices in order to help ensure consistency with the Group's culture and values, including a review of relevant policies to be completed in 2020. Further information about how the Board has taken into account the views of the Group's key stakeholders, including employees, can be found on pages 73 to 76 and 81 to 84.

Our ESG Executive Committee has responsibility for identifying ESG themes and overseeing ESG reporting. This management Committee provides updates to the Nomination & Governance Committee. You can read more about our corporate social responsibility actions in the ESG summary and in our 2019 ESG report which will be published on our website.

Board composition

The Nomination & Governance Committee has undertaken significant work during 2019 to ensure that the Board's skills and experience remain appropriate to formulate and oversee delivery of the strategy for the Group following the demerger and that there is an orderly and planned succession strategy in place for key roles.

We announced last year that my tenure as Chairman had been extended until May 2021 in order both to help oversee the demerger of M&G plc and to ensure continuing smooth governance afterwards. The early delivery of the demerger has focused the Board's attention on succession planning. Following an extensive search which considered both internal and external candidates and which was led by Philip Remnant in his capacity as Senior Independent Director, we announced the appointment of Shriti Vadera as a Non-executive Director with effect from 1 May 2020. I intend to step down from the Board with effect from 31 December 2020 and Shriti is expected to succeed me and become Chair of the Board and Chair of the Nomination & Governance Committee on 1 January 2021. I believe that Shriti is an excellent choice and I look forward to working with her during the transition to her becoming Chair.

I would also like to welcome Amy Yip and Jeremy Anderson to the Board and to thank Howard Davies, who will step down from the Board at the conclusion of the 2020 Annual General Meeting, for his significant contribution during his tenure and his leadership of the Risk Committee since inception. As announced on 11 March 2020, Jeremy will succeed Howard Davies as Chair of the Risk Committee at the conclusion of the Annual General Meeting in May 2020.

I would also like to note the expansion of the roles of Mark FitzPatrick and James Turner, as announced on 10 July 2019, in preparation for the demerger. Mark's role is now Group Chief Financial Officer and Chief Operating Officer. This extension of his responsibilities encompasses oversight of key Group support functions including Legal, Government Relations and Communications. James assumed responsibility for Compliance and became Group Chief Risk and Compliance Officer.

I am pleased we have strengthened the Board's composition further to ensure the Group is well-placed to develop and deliver on our strategic objectives post-demerger.

Effective governance is based on the appropriate level of oversight and challenge. As such, the methodology and results of our 2019 Board evaluation are set out on pages 102 and 103 and I hope reading this report will demonstrate to you the work that we have done in ensuring that oversight and challenge continue to ensure that the Board is promoting the long-term success of the Company.

I hope that this report and the reports of my fellow Committee Chairs will demonstrate to you the work we have undertaken over the course of the year as well as the tangible and positive impact this has had on our business.



Paul Manduca
Chairman

Board of Directors



Paul Manduca

Chairman

Appointments

Board: October 2010

Chairman of the Board: July 2012

N&G: July 2012

Age: 68

Chairman

Relevant skills and experience

Paul will continue to draw on his extensive experience in leadership roles and his knowledge of the Group's core businesses, international markets and industry sectors, and his technical knowledge, to provide effective leadership during a period of change for the Group.

Paul has held a number of senior leadership roles. Notable appointments include serving as chairman of the Association of Investment Companies (1991 to 1993), acting as founding CEO of Threadneedle Asset Management Limited (1994 to 1999), global CEO of Rothschild Asset Management (1999 to 2002), directorships of Eagle Star and Allied Dunbar, holding the offices of European CEO of Deutsche Asset Management (2002 to 2005), chairman of Bridgewater Group plc and a director of Henderson Smaller Companies Investment Trust plc.

Other previous appointments include the chairmanship of Aon UK Limited and JPM European Smaller Companies Investment Trust Plc. From September 2005 until March 2011, Paul was a non-executive director of Wm Morrison Supermarkets Plc, including as senior independent director, audit committee chairman and remuneration committee chairman. He was a non-executive director and audit committee chairman of KazMunaiGas Exploration & Production until the end of September 2012 and chairman of Henderson Diversified Income Limited until July 2017.

Paul is the Chairman of the Board. He initially joined the Board in October 2010 as the Senior Independent Director and member of the Audit and Remuneration Committees, roles he held until his appointment as Chairman in July 2012. On becoming Chairman, Paul was also appointed Chair of the Nomination & Governance Committee, having been a member of the Committee since January 2011.



Michael Wells

Group Chief Executive

Appointments

Board: January 2011

Group Chief Executive: June 2015

Age: 59

Chief Executive

Relevant skills and experience

Mike continues to develop the operational management of the Group on behalf of the Board, implementing Board decisions and leading the Executive Directors and senior executives in the management of all aspects of the day-to-day business of the Group.

Mike has more than three decades' experience in insurance and retirement services, having started his career at the US brokerage house Dean Witter, before going on to become a managing director at Smith Barney Shearson.

Mike joined the Prudential Group in 1995 and became Chief Operating Officer and Vice-Chairman of Jackson in 2003. In 2011, he was appointed President and Chief Executive Officer of Jackson, and joined the Board of Prudential.

During his leadership of Jackson, Mike was responsible for the development of Jackson's market-leading range of retirement solutions. He was also part of the Jackson teams that purchased and successfully integrated a savings institute and two life companies.

Mike is Group Chief Executive, a position he has held since June 2015.

Other appointments

- International Advisory Panel of the Monetary Authority of Singapore
- San Diego University Advisory Board

Following the change of Group-wide supervisor in October 2019 to the Hong Kong Insurance Authority, the composition of the Prudential Corporation Asia Limited board of directors mirrors the Prudential Board.

Key to Committee membership

Chair	Chair
Audit	Audit
N&G	Nomination & Governance
Rem	Remuneration
Risk	Risk

Board changes

Non-executive Directors

As announced on 28 February 2019, Lord Turner stepped down from the Board with effect from the conclusion of the 2019 AGM held on 16 May 2019.

As announced on 10 May 2019, Amy Yip was appointed to the Board as a Non-executive Director and member of the Remuneration Committee with effect from 2 September 2019.

As announced on 10 December 2019, Jeremy Anderson was appointed to the Board as a Non-executive Director and member of the Risk and Audit Committees with effect from 1 January 2020.

As announced on 30 January 2020, Shriti Vadera will join the Board as a Non-executive Director and member of the Nomination & Governance Committee with effect from 1 May 2020.

Executive Directors

As announced on 28 February 2019, in preparation for the demerger of M&G plc, Michael Falcon, John Foley and Nic Nicandrou ceased to be Directors of Prudential plc at the conclusion of the 2019 AGM held on 16 May 2019. Michael Falcon and Nic Nicandrou maintained their positions as chief executives of their respective business units and as members of the Group Executive Committee. As the chief executive of M&G plc, John Foley ceased to be a member of the Group Executive Committee at demerger on 21 October 2019.

Executive Directors



Mark FitzPatrick CA

Group Chief Financial Officer and Chief Operating Officer

Appointment

Board: July 2017

Age: 51

Relevant skills and experience

Mark has a strong background across financial services, insurance and investment management, encompassing wide geographical experience relevant to the Group's key markets.

Mark previously worked at Deloitte for 26 years, building his industry focus on insurance and investment management globally. During this time, Mark was managing partner for Clients and Markets, a member of the executive committee and a member of the board of Deloitte UK. He was a vice chairman of Deloitte for four years, leading the CFO Programme and developing the CFO Transition labs.

Mark previously led the Insurance & Investment Management audit practice and the insurance industry practice.

Mark is Group Chief Financial Officer and Chief Operating Officer, a position he has held since July 2019. He joined the Board as Chief Financial Officer in July 2017.



James Turner FCA FCSI FRM

Group Chief Risk and Compliance Officer

Appointment

Board: March 2018

Age: 50

Relevant skills and experience

Having held senior positions at Prudential for a number of years, James has a wide-ranging understanding of the business and draws on previous experience across internal audit, finance and compliance, as well as technical knowledge, relevant to his role.

James has led internal audit teams in UBS in both the UK and Switzerland. Prior to joining Prudential, James was the deputy head of compliance for Barclays plc. He also held a number of senior internal audit roles across the Barclays group, leading teams that covered the UK, the US, Western Europe, Africa and Asia retail and commercial banking activities.

James joined Prudential in November 2010 as the Director of Group-wide Internal Audit and was appointed Director of Group Finance in September 2015, with responsibility for delivery of the Group's internal and external financial reporting, business planning, performance monitoring and capital and liquidity planning. He also led the development of the Group's Solvency II internal model.

James joined the Board as an Executive Director and Group Chief Risk Officer in March 2018. Prior to the demerger of M&G plc, he led the discussions with Hong Kong IA on the revised capital framework for the Group and in July 2019 assumed responsibility for Group Compliance, becoming the Group Chief Risk and Compliance Officer, relocating to Hong Kong in August 2019.

Other appointment

— West Bromwich Building Society (non-executive director)

Non-executive Directors



**The Hon. Philip Remnant
CBE FCA**

Senior Independent Director

Appointments

Board: January 2013

Audit : January 2013

N&G : January 2013

Rem : January 2013

Age: 65

Relevant skills and experience

Philip contributes experience across a number of sectors and in particular listed company experience and the financial services industry, including asset management, in the UK and Europe.

Philip was a senior adviser at Credit Suisse and a vice chairman of Credit Suisse First Boston (CSFB) Europe and head of the UK Investment Banking Department. He was twice seconded to the role of director general of the Takeover Panel. Philip also served on the board of Northern Rock plc and as chairman of the Shareholder Executive. Until July 2018, he also served on the board of UK Financial Investments Limited.

Philip joined the Board in January 2013 as a Non-executive Director, as Senior Independent Director and as a member of each of the Audit Committee, the Remuneration Committee and the Nomination & Governance Committee. He also chaired the M&G Group Limited board from April 2016 until October 2018.

Other appointments

- Severn Trent plc
- City of London Investment Trust (chairman)
- Takeover Panel (deputy chairman)



Jeremy Anderson CBE

Appointments

Board: January 2020

Audit : January 2020

Risk : January 2020

Age: 61

Relevant skills and experience

Jeremy contributes substantial leadership experience of the financial services sector across Asia and the US. He has extensive technical knowledge on audit and risk management, particularly concerning international companies.

Jeremy joined KPMG Consulting in 1985 and held the role of Chief Executive Officer in 2001 before being appointed as head of UK operations at Atos Origin and a member of the Management Board of Atos Origin SA in 2002. From 2006, following two years as head of financial services at KPMG UK, Jeremy held the role of KPMG's head of financial services for Europe followed by head of clients & markets in 2008. He served as KPMG's Chairman of Global Financial Services until 2017. Jeremy also served on the board of the UK Commission for Employment and Skills, and now serves as a non-executive director and chairman of the audit committee of UBS Group AG.

Jeremy joined the Board in January 2020 as a Non-executive Director and member of the Audit and Risk Committees.

Other appointments

- UBS Group AG (chairman of audit committee)
- The Productivity Group
- The Kingham Hill Trust



Sir Howard Davies

Appointments

Board: October 2010

Audit : November 2010

N&G : July 2012

Risk : October 2010

Age: 68

Relevant skills and experience

Howard has a wealth of experience in the financial services industry, across the Civil Service, consultancy, asset management, regulatory and academia. He also contributes his detailed knowledge of the Group's key international markets including the UK, Europe, North America and Asia as well as international regulatory experience.

Howard was previously chairman of the Phoenix Group and an independent director of Morgan Stanley Inc.

Howard joined the Board in October 2010 as a Non-executive Director and Chair of the Risk Committee. He joined the Audit Committee in November 2010 and the Nomination & Governance Committee in July 2012.

Other appointments

- Royal Bank of Scotland (chairman)
- China Banking and Insurance Regulatory Commission international advisory board
- China Securities Regulatory Commission international advisory board (chairman)
- Institut d'Études Politiques (Sciences Po)
- Millennium LLC regulatory advisory board

Key to Committee membership

Chair	Chair
Audit	Audit
N&G	Nomination & Governance
Rem	Remuneration
Risk	Risk



David Law ACA

Appointments

Board: September 2015

Audit : May 2017

Risk : May 2017

N&G : May 2017

Age: 59



Kaikushru Nargolwala FCA

Appointments

Board: January 2012

Rem : January 2012

Risk : January 2012

Employee Engagement

Director: May 2019

Age: 69



Anthony Nightingale CMG SBS JP

Appointments

Board: June 2013

N&G : May 2015

Rem : May 2015

Age: 72

Relevant skills and experience

David has experience across the Group's key international markets including North America and Asia, and across a number of industry sectors. He contributes extensive technical knowledge of audit, accounting and financial reporting essential to his role as Chair of the Audit Committee.

David was the global leader of PricewaterhouseCoopers (PwC) insurance practice, a partner in PwC's UK firm, and worked as the lead audit partner for multi-national insurance companies until his retirement in 2015. During his time at PwC David's responsibilities also included leadership of PwC's insurance and investment management assurance practice in London and the firm's Scottish assurance division. David's role as a director and CEO of L&F Holdings Limited and its subsidiaries (the professional indemnity captive insurance group which serves the PwC network and its member firms), ceased in July 2019.

David joined the Board in September 2015 as a Non-executive Director and member of the Audit Committee. David was appointed Chair of the Audit Committee and a member of the Risk Committee and of the Nomination & Governance Committee in May 2017.

Other appointment

- University of Edinburgh (Member of the court and policy and resources committee)

Relevant skills and experience

Kai has experience across some of the Group's key international markets, particularly Hong Kong and the wider Asian market. In addition to his experience with listed groups, he contributes knowledge of the financial services sector.

Kai spent 19 years at Bank of America and was based in Hong Kong in roles as group executive vice president and head of the Asia Wholesale Banking Group from 1990 to 1995. He spent 10 years working for Standard Chartered PLC in Singapore as group executive director responsible for Asia governance and risk from 1998 to 2007. Kai was chief executive officer of the Asia Pacific Region of Credit Suisse AG from 2008 to 2010 and now serves as director and chairman of their remuneration committee.

Kai has served on a number of other boards, including Singapore Telecommunications and Tate and Lyle plc.

Kai joined the Board in January 2012 as a Non-executive Director and member of the Remuneration and Risk Committees. Kai acts as a designated Non-executive Director for employee engagement matters as set out in the UK Code, for the Group's workforce in Asia and Africa.

Other appointments

- Clifford Capital Pte. Ltd (chair)
- Credit Suisse Group AG
- PSA International Pte Ltd
- Co-Chair of Sustainable Finance Steering Committee formed by Temasek (effective 1 March 2020)

Relevant skills and experience

Anthony has long executive experience of listed companies and, in particular, extensive knowledge of Asian markets.

Anthony spent his career in Asia, where he joined the Jardine Matheson Group in 1969, holding a number of senior positions before joining the board of Jardine Matheson Holdings in 1994. He was managing director of the Jardine Matheson Group from 2006 to 2012. He was a member of the Hong Kong-APEC trade policy study group until 2018 and a member of the UK-ASEAN Business Council until 2019.

Anthony joined the Board in June 2013 as a Non-executive Director and member of the Remuneration Committee. He became Chair of the Remuneration Committee and a member of the Nomination & Governance Committee in May 2015.

Other appointments

- Jardine Matheson Holdings (and other Jardine Matheson group companies)
- Schindler Holding Limited (until 19 March 2020)
- Shui On Land Limited
- Vitasoy International Holdings Limited
- The Innovation and Strategic Development Council in Hong Kong

Non-executive Directors continued



Alice Schroeder

Appointments

Board: June 2013
Audit : June 2013
Risk : March 2018

Age: 63

Relevant skills and experience

Alice has experience across the insurance, asset management, technology and financial services industries in the US.

Alice began her career as a qualified accountant at Ernst & Young. She joined the Financial Accounting Standards Board as a manager in 1991, overseeing the issuance of several significant insurance accounting standards.

From 1993, she led teams of analysts specialising in property-casualty insurance as a managing director at CIBC Oppenheimer, PaineWebber (now UBS) and Morgan Stanley. Alice was also an independent board member of the Cetera Financial Group and held the office of CEO and chair of WebTuner (now Showfer Media LLC), until its sale in 2017. She was also a director of Bank of America Merrill Lynch International until December 2018.

Alice joined the Board in June 2013 as a Non-executive Director and member of the Audit Committee. She became a member of the Risk Committee in March 2018.

Other appointments

- Quorum Health Corporation
- Natus Medical Incorporated



Thomas Watjen

Appointments

Board: July 2017
Rem : July 2017
Risk : November 2018

Employee Engagement Director: May 2019

Age: 65

Relevant skills and experience

Tom has experience across the insurance, asset management and financial services industries as well as experience with listed companies in the UK and the US.

Tom started his career at Aetna Life and Casualty before joining Conning & Company, an investment and asset management provider, where he became a partner in the consulting and private capital areas. He joined Morgan Stanley in 1987, and became a managing director in its insurance practice.

In 1994 he was appointed executive vice president and chief financial officer of Provident Companies Inc.

He was a key member of the team associated with Provident's merger with Unum in 1999 and was appointed president and chief executive officer of the renamed Unum Group in 2003, a role he held until May 2017. Tom also served on the board of Sun Trust Banks from 2010 until April 2019. In 2019, Tom joined the boards of LocatorX, Inc and in 2020 he joined the board of Arch Capital Group Limited.

Tom joined the Board in July 2017 as a Non-executive Director and member of the Remuneration Committee. He became a member of the Risk Committee in November 2018. Tom acts as a designated Non-executive Director for employee engagement matters as set out in the UK Code, for the Group's workforce in the US and UK.

Other appointments

- Arch Capital Group Limited
- LocatorX, Inc



Fields Wicker-Miurin OBE

Appointments

Board: September 2018
Rem : September 2018

Age: 61

Relevant skills and experience

Fields has extensive international boardroom experience, combining knowledge of the Group's key geographic markets with experience across the global financial services industry.

Fields started her career at Philadelphia National Bank in 1982 before joining Strategic Planning Associates (now Oliver Wyman) as a senior partner in 1989. She became chief financial officer and director of strategy at the London Stock Exchange in 1994, leader of the global markets practice of AT Kearney in 1998 and managing director of Vesta Capital Advisors in 2000. She was appointed to Nasdaq's Technology Advisory Council in 2000 and was a member of the panel of experts advising the European Parliament on financial markets harmonisation for four years from 2002. She became a non-executive director and chair of the audit committee of Savills plc in 2002 and a non-executive director and chair of the investment committee of the Royal London Group in 2003. Fields was also a non-executive board member at the Department for Digital, Culture, Media & Sport from January 2016 until January 2020.

Fields joined the Board in September 2018 as a Non-executive Director and member of the Remuneration Committee.

Other appointments

- BNP Paribas
- SCOR SE
- Leaders' Quest (partner)

Key to Committee membership

Chair	Chair
Audit	Audit
N&G	Nomination & Governance
Rem	Remuneration
Risk	Risk



Amy Yip

Appointments

Board: September 2019

Rem : September 2019

Age: 68

Relevant skills and experience

Amy has extensive experience of China and South-east Asia following a 40-year career in banking, insurance, asset management and government.

Amy started her career at Morgan Guaranty Trust of New York in 1978 before joining the Management Analysis Centre in Boston and Hong Kong as a consultant in 1986. She became executive director of Rothschild Asset Management in Hong Kong in 1988, vice president of Citibank Private Bank North Asia in 1991 and executive director (Reserves Management) of the Hong Kong Monetary Authority in 1996. She was group head of wealth management of DBS Bank, chair of DBS Asset Management and chief executive officer of DBS Bank Hong Kong between 2006 and 2010. Since 2011 she has been an adviser to Vita Green, a health supplements provider based in Hong Kong, and a founder and partner of RAYS Capital Partners, a Hong Kong investor in Asian equities.

Amy became a non-executive director of AIG Insurance Hong Kong Limited in 2011 and chair of its audit committee in 2017, a non-executive director and member of the compensation and nomination committees of Temenos Group AG in 2014, a non-executive director and member of the Technology Committee of Deutsche Börse AG in 2015 and a non-executive director of Fidelity Funds in 2017. In August 2019, she became the chair of the Asia Pacific advisory board of EFG Bank International.

Amy joined the Board in September 2019 as a Non-executive Director and member of the Remuneration Committee.

Other appointments

- AIG Insurance Hong Kong Limited
- Deutsche Börse AG
- Fidelity Funds
- RAYS Capital Partners (founder partner)
- Temenos Group AG

Group Executive Committee

The Group Executive Committee (GEC) comprises the Executive Directors, the Chief Executive of each of Prudential Corporation Asia and Jackson Holdings LLC, the Group Human Resources Director and Group Chief Digital Officer. The GEC is a management committee constituted to support the Group Chief Executive, who also chairs the GEC. For the purposes of the Hong Kong Listing Rules, Senior Management is defined as the members of the GEC.

Jolene Chen

Group Human Resources Director

Appointment to the GEC: June 2019

Age: 60

Relevant skills and experience

Jolene is the Group Human Resources Director and Chief Human Resources Officer for Prudential Corporation Asia. She is also a member of the Prudential Corporation Asia Executive Board and a Councillor of Prudence Foundation, the community investment arm of Prudential in Asia.

Jolene has more than 30 years' experience, including eight as Chief Human Resources Officer for Prudential Corporation Asia. Prior to joining us she spent over 21 years with multinational companies in a variety of resourcing, organisational design, talent management, learning and development and human resources roles.

Michael Falcon

Chief Executive Officer,
Jackson Holdings LLC

Appointment to the GEC: January 2019

Age: 57

Relevant skills and experience

Michael is Chief Executive Officer of Jackson Holdings LLC, which includes Jackson's US subsidiaries and affiliates. Before joining Prudential in January 2019, he was based in Hong Kong as chief executive officer of Asia Pacific for J.P. Morgan Asset Management, a role he held from 2015, and was head of Asia Pacific funds from 2014. Michael is also a director of a number of Group subsidiaries within Jackson.

Michael joined J.P. Morgan Asset Management in New York as head of retirement in 2010, before which he was at Merrill Lynch in a number of roles including as head of the retirement group. He has served as a trustee and executive committee member of the Employee Benefit Research Institute (EBRI) and was founding chairman of the Advisory Board of EBRI's Center for Retirement Income Research.

Nicolaos Nicandrou

Chief Executive,
Prudential Corporation Asia

Appointment to the GEC: October 2009

Age: 54

Relevant skills and experience

Nic became Chief Executive of Prudential Corporation Asia in July 2017 and is responsible for Prudential Corporation Asia's life insurance and asset management business across 14 markets in Asia. Nic is also the chairman of CITIC-Prudential Life Insurance Limited.

Nic started his career at PricewaterhouseCoopers (PwC). Before joining Prudential as an Executive Director and Chief Financial Officer in 2009, he worked at Aviva, where he held a number of senior finance roles, including as Norwich Union Life's finance director and board member, Aviva group financial control director, Aviva group financial management and reporting director and CGNU group financial reporting director.

Al-Noor Ramji

Group Chief Digital Officer

Appointment to the GEC: January 2016

Age: 65

Relevant skills and experience

Al-Noor, who joined Prudential in 2016 in the newly-created role of Group Chief Digital Officer, is responsible for developing and executing an integrated, long-term digital strategy for the Group.

Before joining Prudential, he worked at Northgate Capital, a venture capital firm in Silicon Valley, where he ran the technology-focused funds. Prior to that, Al-Noor was at Misys, the financial services software group, and he has previously held leading technology and innovation roles at BT Group, Qwest Communications, Dresdner Kleinwort Benson and Swiss Bank Corporation.

How we operate

This section tells you more about the Group's governance, operation of the Board and Board roles.

Group governance

Corporate governance codes – statement of compliance

The Company has dual primary listings in London (premium listing) and Hong Kong and has therefore adopted a governance structure based on the UK and Hong Kong Corporate Governance Codes (the UK and HK Codes). This report explains how the principles set out in the UK and HK Codes have been applied.

The Board confirms that, for the year under review, the Company has complied with the principles and provisions of the UK Code. In respect of provision 38 of the UK Code, Prudential has committed to aligning the level of pension contributions for newly appointed Executive Directors with that of the workforce. As recognised by the FRC's Board Effectiveness Guidance, there are practical considerations in amending arrangements for incumbents. Accordingly, Executive Directors who were in office before the 2018 UK Code came into force will have their pension contributions reduced over time, as described on page 171 of the Directors' remuneration report.

The Company has also complied with the provisions of the HK Code other than as follows: Provision B.1.2(d) of the HK Code requires companies, on a comply or explain basis, to have a remuneration committee which makes recommendations to a main board on the remuneration of non-executive directors. This provision is not compatible with provision 34 of the UK Code which recommends that the board determines the remuneration of non-executive directors. Prudential has chosen to adopt a practice in line with the recommendations of the UK Code.

The UK Code is available from:
www.frc.org.uk

The HK Code is available from:
www.hkex.com.hk

Our governance framework

The Group has established a governance framework for the business, which is approved by the Board, and is designed to promote appropriate behaviours across the Group. The Nomination & Governance Committee reviews the Group Governance framework annually.

The governance framework includes the key mechanisms through which the Group sets strategy, plans its objectives, monitors performance, considers risk management, holds business units to account for delivering on business plans and arranges governance.

The Group Governance Manual (the Manual) sets out the policies and procedures under which the Group operates, taking into account statutory, regulatory and other relevant matters. The Manual includes the Group Code of Business Conduct which is regularly reviewed by the Board. The Audit Committee monitors compliance with the Manual and the Risk Committee approves the Group risk framework and monitors compliance with it across the Group.

Business units manage and report compliance with the Group-wide mandatory requirements set out in the Manual through annual attestations. This includes compliance with our risk management framework, details of which are set out on pages 108 and 109 of this report.

The content of the Manual is reviewed regularly, reflecting the developing nature of both the Group and the markets in which it operates, with significant changes on key policies reported to the relevant Board Committee.

Subsidiary governance

Following the demerger of M&G plc, the Group is reviewing subsidiary governance to ensure this remains appropriate to the business and regulatory environment in which the Group operates. Reflecting changes in that environment, the composition of the Prudential Corporation Asia Limited board of directors now mirrors the Prudential Board and Board meetings are held concurrently. As part of demerger preparations, Prudential Corporation Asia Limited became the intermediate holding company for the Group's subsidiaries in the US and Africa.

Dialogue between the Group Chair, Group Risk Committee Chair and Group Audit Committee Chair and their counterparts at subsidiary level provided an effective information flow throughout the year and these arrangements continue where relevant. Each of the Group Chair, Group

Risk Committee Chair and Group Audit Committee Chair report to the Board or relevant Group Committee on the outcome of those dialogues, with any urgent issues being escalated between meetings as required.

The Nomination & Governance Committee is responsible for oversight of governance arrangements for the material subsidiaries. This and other activities of the Nomination & Governance Committee during 2019 are described on pages 110 to 117.

Regulatory environment

Prior to the demerger of M&G plc on 21 October 2019, the Group was subject to the consolidated supervision of the UK's Prudential Regulation Authority (PRA) under Solvency II. Following completion of the demerger, the Group-wide supervisor is now Hong Kong's Insurance Authority (Hong Kong IA).

Prior to demerger, Prudential undertook to maintain the Group-wide corporate governance framework for the Group post-demerger. This included maintaining appropriate internal controls for the oversight of the businesses, including in relation to conduct of business, the identification and mitigation of conflicts of interest and intra-group transactions. Prudential also undertook to maintain its group-wide risk management system and independent risk management function.

Individual regulated entities within the Group continue to be subject to entity-level regulatory requirements in the relevant jurisdictions in which they carry on business.

Interactions with regulators shape the Group's governance framework and the Chairman and Group Chief Executive play a leading role in representing the Group to regulators and ensuring our dialogue with them is constructive.

Terms of reference for each of the Board's principal Committees have been updated to ensure their duties align with the post-demerger business and regulatory regime.

Stakeholder engagement

The Board has identified the Group's key stakeholders as including customers, investors, employees, regulators, civil society and suppliers. Examples of Board

engagement and discussion on stakeholder views as part of the Board decision-making process can be found on pages 73 to 76. Additional information can be found on our website at www.prudentialplc.com/about-us/esg/our-approach

Employee voice

Having considered the suggested methods for strengthening workforce engagement as described in the UK Code, the Board concluded that the most appropriate method for achieving effective engagement, taking into account the international nature of the business and the geographic spread of the workforce, would be to designate a Non-executive Director based in Asia and a Non-executive Director based in the US to represent the workforce in those regions. During the year, the Board designated responsibility to Kai Nargolwala for engagement with the workforce in Asia, as well as in Africa, and to Tom Watjen for engagement with the workforce in the US, as well as staff in London.

An initial framework of activities was established, combining both formal and informal interactions with employees as well as access to relevant material. In particular, during the course of the year Kai Nargolwala attended townhall sessions with staff in Singapore and Hong Kong, and Tom Watjen visited staff in Nashville in 2019 and in London in January 2020. The key focus of those discussions was the impact on staff of organisational changes following the demerger. In addition, Tom Watjen and Kai Nargolwala received briefings from the Group HR Director on workforce-related matters.

The Board received an initial update in December 2019 on activities undertaken during the year. The framework will be expanded in 2020 to provide the designated Non-executive Directors with further opportunities for interactions with the workforce and includes regular reporting to the Board on a six-monthly basis. This will include updates on activities undertaken and themes arising for the Board to consider. If necessary, key items will be escalated outside of the six-monthly reporting cycle and in addition, Kai Nargolwala and Tom Watjen will offer their insight to Board discussions and decisions as part of the Board's consideration of the workforce as key stakeholders. They will also continue to work with the Group HR Director and the Company Secretary to identify key issues requiring engagement with the workforce, the most appropriate means of doing so and reporting on these activities.

Shareholders

The Board recognises the importance of maintaining an appropriate level of two-way communication with shareholders.

Throughout 2019, Prudential engaged with institutional shareholders, focusing primarily on matters relating to the demerger of M&G plc and strategic direction following the demerger. The executive management team of the Group, Prudential Corporation Asia and Jackson met with key target investors as part of a demerger marketing programme. In October 2019, a General Meeting was convened to allow shareholders to consider and approve the demerger of M&G plc. Shareholders demonstrated their overwhelming support for the demerger resolution which received 99.4 per cent of votes in favour.

These demerger-related activities were held in addition to the Group's usual full global programme of engagement with shareholders, potential investors and analysts, in the UK and overseas, which is conducted each year by the Group Chief Executive and the Group Chief Financial Officer and Chief Operating Officer, led by the Investor Relations team. The Group intends to maintain its regular engagement with investors and analysts which provides opportunity for the executive team to communicate progress and strategy outside of the financial reporting cycle. Going forward, this may include investor conferences or more specific events focused on particular aspects of our business.

The Group Chief Executive, Group Chief Financial Officer and Chief Operating Officer and Investor Relations team also attend major financial services conferences to present to, and meet with, the Company's shareholders.

In 2019, as part of the investor relations and demerger marketing programme, over 320 meetings were held with around 300 individual institutional investors in the UK, continental Europe, the US and Asia.

The Group holds an ongoing programme of regular contact with major shareholders, conducted by the Chairman, to discuss their views on the Group's governance. The Senior Independent Director offers meetings to major shareholders as needed. Engagement with institutional investors on the Directors' Remuneration Policy and implementation is led by the Remuneration Committee Chair on an annual basis. This has allowed key investors to provide feedback on the Directors' Remuneration

Policy prior to its adoption proposed to shareholders at the 2020 Annual General Meeting. All Non-executive Directors, and in particular Committee Chairs, are available to meet with major shareholders on request.

Shareholder feedback and key issues from these meetings are communicated to the Board.

The Annual General Meeting is an opportunity for further shareholder engagement, for the Chairman to explain the Company's progress and, along with other members of the Board, to answer any questions. The Committee Chairs each attend the Annual General Meeting and are available for shareholders who wish to ask questions on the activities of their respective Committees.

Further information, including aggregate shareholdings, details of the 2019 Annual General Meeting and General Meeting as well as the 2020 Annual General Meeting, dividend payment dates, and confirmation of sufficiency of public float can be found in the shareholder information section on pages 400 to 402.

Operation of the Board How the Board leads the Group

The Group is headed by a Board led by the Chairman.

The Board consists of 14 Directors, of which a majority, excluding the Chairman, are independent Non-executive Directors. Biographical details of each of the Directors can be found on pages 92 to 97 and further details of the roles of the Chairman, Group Chief Executive, Senior Independent Director, Committee Chairs and the Non-executive Directors can be found on pages 104 to 106.

The Board is collectively responsible to shareholders for the long-term sustainable success of the business through:

- Approving the Group's long-term strategic objectives, annual budgets and business plans, as recommended by the Group Chief Executive, and any material changes to them;
- Monitoring the implementation of strategic objectives, annual budgets and business plans;
- Establishing the Company's purpose, values and strategy and satisfying itself that these are aligned with the Group's culture; and
- Assessing and monitoring culture, including alignment with policy, practices, behaviours and risk appetite.

HOW WE OPERATE
CONTINUED

Specific matters are reserved for decision by the Board, including:

- Approving dividend policy and determination of dividends;
- Approval of strategic projects;

— Approval of the three-year business and financial plan;

- Approval of the Group's full and half-yearly results announcements and any other periodic financial reporting;

— Responsibility for an effective system of internal control and risk management;

- Overseeing the Group's corporate social responsibility programmes; and
- Ensuring effective engagement with, and encouraging participation from, key stakeholder groups.

Key areas of focus – how the Board spent its time

The Board held 10 meetings during 2019. The table below gives an indication of the key topics considered at each meeting.

	Feb	Mar ¹	May	Jun	Jul	Aug	Sep	Oct	Dec
Strategy and implementation									
Approval and review of strategic priorities	●	○	○	○	○	○	○	○	○
Strategic priorities monitoring	○	○	●	○	●	○	●	○	●
Approval of three-year operating plan	○	○	○	○	○	○	○	○	●
Strategic projects ²	●	●	●	●	●	●	●	●	●
Group Chief Executive's report	●	○	●	○	●	○	●	●	●
Report from Committee Chairs									
Audit	●	●	●	●	●	●	●	●	●
Nomination & Governance	●	○	○	○	○	○	○	●	○
Remuneration	●	○	●	●	●	○	●	○	●
Risk	●	○	●	○	●	○	○	●	●
Financial reporting and dividends									
Group Chief Financial Officer's performance report	●	○	●	●	●	○	●	●	●
Full-year and 2018 second interim dividend	●	●	○	○	○	○	○	○	○
Half-year and 2019 first interim dividend	○	○	○	○	●	●	○	○	○
Cash, capital and operations reports	●	○	●	○	●	○	●	●	●
Business unit Chief Executive updates									
Prudential Corporation Asia	●	○	●	○	●	○	●	●	●
Jackson	●	○	●	○	●	○	●	●	●
M&G ³	●	○	●	○	●	○	●	○	○
Risk, regulatory and compliance									
Relationship with Regulators and Regulatory and compliance updates	●	●	●	●	●	○	●	●	●
Group Chief Risk and Compliance Officer's report	●	○	●	○	●	○	●	●	●
Government relations	●	○	●	○	●	○	●	●	●
Governance and stakeholders									
Governance updates	●	●	●	●	●	○	●	●	●
Culture and employee engagement	○	○	●	○	○	○	○	○	●
Board evaluation and actions tracking	●	○	○	○	○	○	●	○	○
Succession planning	●	●	○	○	●	○	○	○	●
Corporate responsibility reporting and ESG	○	●	○	○	○	○	○	○	○
Diversity and inclusion	○	○	○	○	●	○	○	○	○
Non-executive Directors' fees	○	○	○	●	○	○	○	○	○
Investor updates including feedback on investor meetings	●	○	●	○	○	○	●	●	●

Notes

¹ The Board held two meetings in March 2019.

² Strategic projects considered during the year included the demerger of M&G plc, the acquisition of fund manager Thanachart in Thailand, entering into an exclusive bancassurance arrangement with Southeast Asia Commercial Joint Stock Bank, an IT outsourcing project as well as other confidential matters.

³ The effective date of the demerger of M&G plc was 21 October 2019.

The Board held a separate two-day strategy event in June in the US. The Board also held four workshops during the year to discuss key strategic matters, focusing on the demerger of M&G plc and strategy for the Prudential Group post-demerger, facilitating more in-depth discussion and challenge ahead of formal meetings and decisions. One of the Board meetings in

March 2019 was to consider the Group's 2018 full-year report only and the meeting in August 2019 was primarily to consider the Group's 2019 half-year report and accounts. In addition to the March Board meeting, the Board received a separate in-depth update from the management team of Prudential Corporation Asia covering progress against strategic

priorities, key risks facing the business in Asia, future opportunities, customer-orientated initiatives, brand, culture, the Eastspring business and the activities of the Prudence Foundation.

Between meetings, the Board is provided with monthly update reports from management.

Board and Committee meeting attendance throughout 2019

Individual Directors' attendance at meetings throughout the year is set out in the table below.

		Board 10 meetings	Audit Committee 12 meetings	Nomination & Governance Committee 3 meetings	Remuneration Committee 8 meetings	Risk Committee 5 meetings	Joint Audit and Risk Committee 1 meeting	General Meetings ¹ 2 meetings
Chairman	Paul Manduca ²	●●●●●●●●●●		● ●				●●
Executive Directors	Mike Wells	●●●●●●●●●●						●●
	Mark FitzPatrick	●●●●●●●●●●						●●
	James Turner	●●●●●●●●●●						●●
	Michael Falcon ³	●●●●●						●
	John Foley ³	●●●●●						●
	Nic Nicandrou ³	●●●●●						●
Non- executive Directors	Philip Remnant	●●●●●●●●●●	●●●●●●●●●●	●●●	●●●●●●●●		●	●●
	Howard Davies	●●●●●●●●●●	●●●●●●●●●●	●●●		●●●●●●	●	●
	David Law	●●●●●●●●●●	●●●●●●●●●●	●●●		●●●●●●	●	●
	Kai Nargolwala	●●●●●●●●●●			●●●●●●●●	●●●●●●	●	●
	Anthony Nightingale	●●●●●●●●●●		●●●	●●●●●●●●			●
	Alice Schroeder	●●●●●●●●●●	●●●●●●●●●●			●●●●●●	●	●
	Lord Turner ⁴	●●●●●	●●●●●			●●	●	●
	Tom Watjen	●●●●●●●●●●			●●●●●●●●	●●●●●●	●	●
	Fields Wicker-Miurin	●●●●●●●●●●			●●●●●●●●			●
Amy Yip ⁵		●●			●●			

Notes

- In addition to the Annual General Meeting held in May each year, a General Meeting of shareholders was held on 15 October 2019. The purpose of the General Meeting was for shareholders to vote on the proposed demerger of M&G plc and election of Amy Yip as a Director of the Company. The nature of the business of the meeting meant that it was not considered necessary for the entire Board to be present. In addition to the Chairman and Senior Independent Director, each of the Executive Directors was present at the General Meeting and available to answer questions from shareholders about the business of the meeting.
- Paul Manduca recused himself from a meeting of the Nomination & Governance Committee which was convened to discuss his succession plans. Further information about Paul Manduca's succession may be found in the Nomination & Governance Committee report.
- Michael Falcon, John Foley and Nic Nicandrou stepped down from the Board with effect from the conclusion of the AGM held on 16 May 2019. Michael Falcon and Nic Nicandrou each continue in their role as chief executive of their respective business units as well as their membership of the Group Executive Committee. John Foley maintained his position as chief executive of M&G plc and continued as a member of the Group Executive Committee until demerger on 21 October 2019.
- Lord Turner stepped down from the Board with effect from the conclusion of the AGM held on 16 May 2019.
- Amy Yip was appointed a member of the Board and of the Remuneration Committee with effect from 2 September 2019.

Board and Committee papers are usually provided one week in advance of a meeting. Where a Director is unable to attend a meeting, his or her views are canvassed in advance by the Chairman of that meeting where possible.

Board effectiveness

Actions during 2019 arising from the 2018 review

The performance evaluation of the Board and its principal Committees for 2018 was conducted internally at the end of 2018 through a questionnaire. The findings were presented to the Board in February 2019 and an action plan agreed to address areas of focus identified by the evaluation.

The review confirmed that the Board continued to operate effectively during the year and no major areas requiring improvement were highlighted.

Set out below are the themes, summary of actions and progress updates:

Theme	Summary of actions	Progress
Board composition and process	<ul style="list-style-type: none"> — Continuing work on Board succession with a focus on gender and geographic diversity. — Reduction in Board and Committee paper volume. 	<ul style="list-style-type: none"> — During the year, Amy Yip joined the Board, strengthening the overall diversity of skills, gender and experience. — Diversity remains a key factor in ongoing succession planning. The Nomination & Governance Committee reviews the diversity policy and how diversity initiatives align with strategic objectives. — Management is considering whether paper volumes can be further decreased as part of changes to the meeting structure post-demerger.
Risk, capital and audit	<ul style="list-style-type: none"> — Cyber risk focus for Board agenda for 2019. — Board training on the Hong Kong IA regulatory regime. 	<ul style="list-style-type: none"> — A cyber risk update was provided to a joint meeting of the Risk and Audit Committees in April 2019, to which all Board members were invited. — Board members were briefed on the new regulatory regime in December 2019.
Stakeholders	<ul style="list-style-type: none"> — Review of stakeholder groups. — Review of workforce voice and its representation at Board level. 	<ul style="list-style-type: none"> — Stakeholder groups are reviewed and reported on in the ESG Report, which was approved by the Board in March 2020. — Workforce engagement mechanisms were approved by the Board during the year and a report on engagement activities was reviewed at the Board meeting in December 2019. This will be an area of continued focus in 2020 as the framework of Non-executive Director engagement is developed and their reporting to the Board embedded.
People	<ul style="list-style-type: none"> — Develop diversity and inclusion reporting to the Board. — Ensure overseas and 'home' Boards give scope for Non-executives to meet colleagues below Group Executive Committee level. 	<ul style="list-style-type: none"> — The Board received an update on key initiatives to promote diversity and invest in talent for the long-term success of the Company. — The Nomination & Governance Committee will receive more reporting in this area going forward given its extended remit. — Both the Board visit to Hong Kong in March and the Board strategy session in Lansing in June provided opportunities for Non-executive Directors to meet with management below the Group Executive Committee level as part of presentations by Prudential Corporation Asia and Jackson management and in informal settings. — Non-executive Directors continue to engage directly with management as part of their meeting preparations, particularly for Committee meetings.

2019 review and actions for 2020

The performance evaluation of the Board and its principal Committees for 2019 was conducted internally at the end of 2019 through a questionnaire. The findings were presented to the Board in February 2020 and an action plan agreed to address areas of focus identified by the evaluation.

The review confirmed that the Board continued to operate effectively during the year and no major areas requiring improvement were highlighted.

Theme	Summarised actions
Board composition and process	<ul style="list-style-type: none"> — Continue to use workshops, as appropriate, to support discussions. — Monitor Board meeting arrangements in the post-demerger context and ensure strategic focus areas, including culture and values, continue to receive appropriate agenda time.
Risk, capital and audit	<ul style="list-style-type: none"> — Keep Board training in this area under review and schedule additional sessions as appropriate.
Stakeholders	<ul style="list-style-type: none"> — Continue to develop and embed reporting by the designated Non-executive Directors on workforce engagement.
People	<ul style="list-style-type: none"> — Continue to develop reporting on talent management, succession pipeline and Diversity & Inclusion, utilising the expanded role of the Nomination & Governance Committee.

In accordance with the UK Code, the 2020 Board evaluation will be externally facilitated. The process for identifying and appointing the external evaluator will be overseen by the Nomination & Governance Committee.

Committee effectiveness and evaluation

Committee Chairs have responsibility for ensuring each Committee operates effectively. In order for Committees to provide effective challenge to management, the Committee Chairs each encourage open debate and contributions from all Committee members.

The effectiveness of each Committee is monitored via the annual Board effectiveness programme. Each Committee was found to be operating effectively. More details are set out in each of the Committee reports.

Director evaluation

The performance of the Non-executive Directors and the Group Chief Executive during 2019 was evaluated by the Chairman in individual meetings.

Philip Remnant, the Senior Independent Director, led the Non-executive Directors in a performance evaluation of the Chairman.

Executive Directors are subject to regular review and the Group Chief Executive individually appraised the performance of each of the Executive Directors as part of the annual Group-wide performance evaluation of all employees. The Chair of the Risk Committee provides feedback to the Group Chief Executive on the performance of the Group Chief Risk and Compliance Officer.

The outcome of each of these evaluation processes is reported to the Nomination & Governance Committee in February each year in order to inform the Committee's recommendation for Board members to be put forward for re-election by shareholders.

Executive Director performance is also reviewed by the Remuneration Committee as part of its deliberations on bonus payments.

Directors
Board roles and governance

Chairman – Paul Manduca

The Chairman is responsible for the leadership and governance of the Board, ensuring its smooth and effective running in discharging its responsibilities to the Group's stakeholders and managing Board business.

Managing Board business

- Responsible for setting the Board agenda, ensuring the right issues are brought to the Board's attention through collaboration with the Group Chief Executive and the Company Secretary
- Facilitating open, honest and constructive debate among Directors. When chairing meetings, ensuring there is sufficient time to consider all topics, all views are heard and all Board members, and in particular Non-executive Directors, have an opportunity to constructively challenge management
- Meeting with Non-executive Directors throughout the year. In 2019, the Chairman met with Non-executive Directors without Executive Directors being present on four occasions and also met with each Non-executive Director individually
- Ensuring information brought to the Board is accurate, clear, timely and contains sufficient analysis appropriate to the scale and nature of the decisions to be made
- Promoting effective reporting of Board Committee business at Board meetings through regular Committee Chair updates

Membership and composition of the Board

- Leading the Nomination & Governance Committee in succession planning and the identification of potential candidates, having regard to the skills and experience the Board needs to fulfil its strategy, and making recommendations to the Board
- Considering the development needs of the Directors so that Directors continually update their skills and knowledge required to fulfil their duties, including the provision of a comprehensive induction for new Directors
- Maintaining an effective dialogue with the Non-executive Directors to encourage engagement and maximise their contributions

Governance

- Leading the Board's determination of appropriate corporate governance and business values, including ethos, values and culture at Board level and throughout the Group
- Working with the Company Secretary to ensure continued good governance
- Acting as key contact for independent chairs of Material Subsidiaries¹
- Meeting with the independent chairs of the Group's Material Subsidiaries¹ on a regular basis and reporting to the Board on the outcome of those meetings

Relationship with the Group Chief Executive

- Discussing broad strategic plans with the Group Chief Executive prior to submission to the Board
- Ensuring the Board is aware of the necessary resources to achieve the strategic plan
- Providing support and advice to the Group Chief Executive

Relations with shareholders and other stakeholders

- Representing the Board externally at business, political and community level. Presenting the Group's views and positions as determined by the Board
- Playing a major role in the Group's engagement with regulators
- Balancing the interests of different categories of stakeholders, preserving an independent view and ensuring effective communication
- Engaging in a programme of meetings with key shareholders throughout the year and reporting to the Board on the issues raised at those meetings

External positions

- Approving Directors' external appointments prior to them being accepted, taking into account the required time commitment and escalating consideration of conflicts of interests to the Nomination & Governance Committee as needed

Group Chief Executive – Mike Wells

The Group Chief Executive leads the Executive Directors and senior executives and is responsible for the operational management of the Group on behalf of the Board on a day-to-day basis:

- Responsible for the implementation of Board decisions
- Establishes processes to ensure operations are compliant with regulatory requirements
- Sets policies, provides day-to-day leadership and makes decisions on matters affecting the operation, performance and strategy of the Group, seeking Board approval for matters reserved to the Board
- Supported by the Group Executive Committee which he chairs and which receives reports on performance and implementation of strategy for each business unit and discusses major projects and other activities related to the attainment of strategy
- Chairs the Chief Executive's Committee meetings which are held weekly to review matters requiring approval under the Group's framework of delegated authorities
- Keeps in regular contact with the Chairman and briefs him on key issues
- Meets with key regulators worldwide
- Leads on day-to-day effective stakeholder engagement

Senior Independent Director – Philip Remnant

The Senior Independent Director acts as an alternative conduit to the Board for shareholder concerns and leads the evaluation of the Chairman:

- Acts as a sounding board for the Chairman, providing support in the delivery of the Chairman's objectives
- Leads the Non-executive Directors in conducting the Chairman's annual evaluation and leads the Chairman's succession planning
- Holds meetings with Non-executive Directors without management being present, typically at least once a year to evaluate the performance of the Chairman
- Offers meetings to major shareholders to provide them with an additional communication point on request and is generally available to any shareholder to address concerns not resolved through normal channels

Committee Chairs

Each of the Committee Chairs is responsible for the effective operation of their respective Committees:

- Responsible for the leadership and governance of their Committee
- Sets the agenda for Committee meetings
- Reports to the Board on the activities of each Committee meeting and the business considered, including, where appropriate, seeking Board approval for actions in accordance with the Committees' terms of reference
- Works with the Company Secretary to ensure the continued good governance of each Committee during the year

In addition to Committee duties, the Chairs of the Audit and Risk Committees act as key contact points for the independent chairs of the audit and risk committees of the Material Subsidiaries¹

Non-executive Directors

All of the Non-executive Directors are deemed to be independent and together have a wide range of experience which can be applied to attain the strategic aims of the Group through:

- Constructive and effective challenge
- Providing strategic guidance and offering specialist advice
- Scrutinising and holding to account the performance of management in meeting agreed goals and objectives
- Serving on at least one of the Board's principal Committees
- Engaging with Executive Directors and other senior management at Board and Committee meetings as well as at training sessions and on an informal basis
- Taking part in one-to-one meetings with the Group Strategy team and participation in the annual strategy session

The Board has established four principal Committees. These Committees form a key element of the Group governance framework, providing effective independent oversight of the Group's activities by the Non-executive Directors. Each Committee Chair provides an update to the Board on the matters covered at each Committee meeting, supported by a short written summary. The terms of reference for each Committee are reviewed at least annually. The functions of the principal Committees are summarised below.

Nomination & Governance Committee	Remuneration Committee	Audit Committee	Risk Committee
<p>Chair Paul Manduca</p> <ul style="list-style-type: none"> — Keeps leadership needs under review in support of the Group's strategic objectives — Develops succession planning for the Board and senior executives based on merit against objective criteria promoting diversity in all areas — Oversees development of a diverse pipeline in succession planning — Monitors the Group's diversity initiatives — Recommends appointments to the Board, its principal Committees and appointments of non-executive chairs to the boards of Material Subsidiaries¹ — Oversees the governance of Material Subsidiaries¹ and the Group's overall governance framework <p>➤ See Nomination & Governance Committee Report on pages 110 to 117</p>	<p>Chair Anthony Nightingale</p> <ul style="list-style-type: none"> — Ensures there is a formal and transparent process for establishing the Directors' Remuneration Policy — Approves individual remuneration packages of the Chairman, Executive Directors, senior executives and Material Subsidiary¹ non-executive directors — Approves the overall Remuneration Policy for the Group — Reviews the design and development of share plans and approves and assesses performance targets where applicable and ensures alignment with the Group's culture — Reviews workforce remuneration practices and policies when setting executive remuneration <p>➤ See Remuneration Committee Report on pages 136 to 195</p>	<p>Chair David Law</p> <ul style="list-style-type: none"> — Responsible for the integrity of the Group's financial reporting, including scrutinising accounting policies — Monitors the effectiveness of internal control and risk management systems — Monitors the effectiveness and objectivity of internal and external auditors — Approves the internal audit plan — Recommends the appointment of the external auditor <p>➤ See Audit Committee Report on pages 118 to 126</p>	<p>Chair Howard Davies</p> <ul style="list-style-type: none"> — Leads on and oversees the Group's overall risk appetite, risk tolerance and strategy — Approves the Group's risk management framework and monitors its effectiveness — From 2020 the Committee has full responsibility for all aspects of compliance — Supports the Board and management in embedding and maintaining a supportive culture in relation to the management of risk — Provides advice to the Remuneration Committee on risk management considerations to inform remuneration decisions <p>➤ See Risk Committee Report on pages 127 to 132</p>

Terms of reference for the principal Committees can be accessed at www.prudentialplc.com/investors/governance-and-policies/board-and-committees-governance

The Board has established a Standing Committee which can meet as required to assist with any business of the Board. It is typically used for ad hoc or urgent matters which cannot be delayed until the next scheduled Board meeting.

All Directors are members of the Standing Committee and have the right to attend all meetings and receive papers.

Notice of a Standing Committee meeting is sent to all Directors and if an individual is unable to attend, he/she can give comments to the Chairman or Company Secretary ahead of the meeting for consideration by the Standing Committee. Before taking decisions on any matter, the Standing Committee must first determine that the business it is considering is appropriate for a Committee of the Board and does not properly need to be brought before the whole Board. All Standing Committee meetings are reported in full to the next scheduled Board meeting.

This governance structure allows for fast decision-making where necessary, while ensuring that the full Board has oversight of all matters under consideration and all Non-executives can contribute. Over 2019, the Company held three meetings of the Standing Committee.

Note

¹ Following the demerger of M&G plc, the Group is reviewing subsidiary governance to ensure this remains appropriate to the business and regulatory environment in which the Group operates.

Building Directors' knowledge Induction – new Directors

Amy Yip received a comprehensive induction, tailored to reflect her experience and position as a Non-executive Director. A summary of the general and specific induction programme for Amy Yip is set out below:

General induction programme relevant to new Non-executive Directors		
Understanding our governance	Understanding our business	Role-specific induction programme for Amy Yip
<ul style="list-style-type: none"> — Meetings with the Chairman and Group Chief Executive separately — Explanation of Prudential's corporate structure, Board and Executive Committee structure — Briefings on Group governance framework and key policies — Training as needed on the rules and governance requirements of the London and Hong Kong Stock Exchanges and on fulfilling the statutory duties of a Director 	<ul style="list-style-type: none"> — Explanation of the Group's strategy and business plan — Tailored briefings with each business unit to gain a comprehensive understanding of each of their business models, product suites, pricing arrangements and governance structures — Tailored meetings with all Group functions — Comprehensive briefings on the regulatory environment in which the Group operates — Briefings on top risks and internal controls — Induction briefings and training as a whole give Directors an understanding of the interests of the Group's key stakeholders 	<ul style="list-style-type: none"> — Orientation to the work and role of the Remuneration Committee — Updates on current UK remuneration topics — Meeting with the Chair of the Remuneration Committee to discuss the annual cycle of Committee work, its current focus and focus for 2020 and beyond

Jeremy Anderson was appointed to the Board as a Non-executive Director with effect from 1 January 2020. His induction commenced in early 2020 and included a particular focus on risk matters to support his role as a member of the Risk Committee.

Continuing development of knowledge and skills

During 2019, the Board and its Committees received a number of technical and business updates as part of their scheduled meetings, providing information on external developments relevant to the Group and on particular products or operations. Below is an overview of how Directors are kept up to date:

- The Board holds an annual strategy session, which allows for detailed updates on each of the business units and deep dives on strategic direction and objectives for the Group. In 2019, these included a particular focus on the demerger of M&G plc and updates on the views of investors and other stakeholders;
- The Board receives updates on brand, environment, health and safety, culture, diversity and inclusion and employee engagement activities, usually once a year;
- The Board receives updates on corporate governance, political and regulatory developments in the US, UK, Europe and Asia and the dynamics of equity and currency markets at every scheduled meeting. Governance topics included gender pay gap reporting, the BEIS committee report on the future of audit and the Government's response to it, the Hampton-Alexander review publication, guidelines from investment institutions, the Financial Reporting Council's Lab report on climate-related corporate reporting and the publication of the updated Stewardship Code. The Board was also updated on the impact of the discontinuation of LIBOR;
- In April 2019, the Group ran a focused cyber security and information security update for members of the Risk and Audit Committees, which was particularly aimed at developing the knowledge of the Non-executive Directors;
- The Board reviews each business unit in depth at least once a year and conducts periodic site visits as part of this. In 2019, the Board received a presentation on Jackson Holdings. Other training included an overview of Jackson's distribution and products;
- The Nomination & Governance Committee received updates on the Climate Change and TCFD implementation as part of its expanded ESG remit;
- The Board and the Risk Committee receive regular updates on market developments and key risks. The Risk Committee reviews top risks on an annual basis and deep dives into specific topics in response to the identification of key risks. This review covers the financial, operational and strategic risks, whilst also identifying and addressing business environment and insurance risks within the Group;
- The Risk Committee received updates on regulatory developments focusing on the supervision of the Prudential Regulation Authority and discussions with the Hong Kong IA on the new Group-wide regulatory framework. A deep-dive review of artificial intelligence and digital transformation was undertaken as well as updates on civil unrest in Hong Kong;
- The Audit Committee received updates on developments affecting financial reporting and the work of audit committees more widely. In 2019, this included financial reporting disclosure developments and audit industry updates. These updates included consideration of the accounting treatment of the M&G Group, information security, financial crime and fraud prevention, working capital arrangements and the implementation of IFRS 17; and
- The Remuneration Committee receives updates on regulatory and governance developments affecting the Group's remuneration arrangements. In 2019, these included updates on discussions with the Hong Kong IA on the new regulatory regime, compliance with the UK Corporate Governance Code 2018 and guidelines from investment institutions.

All Directors have the opportunity to discuss their individual development needs as part of the annual Board effectiveness review and are encouraged to request specific updates during the year. At the start of the year, suggested topics are shared with the Board for feedback. Directors are asked to provide a record of training received externally on an annual basis. All Directors have the right to obtain professional advice at Prudential's expense. Board training materials are also made available, as relevant, to Group Executive Committee members, who have an opportunity to request any additional training as needed.

Risk management and internal control

The Board is responsible for ensuring that an appropriate and effective system of risk management and internal control is in place across the Group. The framework of risk management and internal control centres on clear delegated authorities to ensure Board oversight and control of important decisions. The framework is underpinned by the Group Code of Business Conduct, which sets out the ethical standards the Board requires of itself, employees, agents and others working on behalf of the Group. The framework is designed to monitor and manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal control

The Group Governance Manual (the Manual) sets out delegated authorities and establishes the requirements for subsidiaries to seek approvals from, or report to, Group Head Office. Group-wide policies are included within the Manual, and standards are established through these policies and other governance arrangements. Internal controls and processes, based on the provisions established in the Manual, are in place across the Group. These include controls covering the preparation of financial reporting. The operation of these controls and processes facilitates the preparation of reliable financial reporting and the preparation of local and consolidated financial statements in accordance with the applicable accounting standards, and requirements of the Sarbanes-Oxley Act. These controls include certifications by the Chief Executive and Chief Financial Officer of each business unit with respect to the

accuracy of information provided for use in preparation of the Group's consolidated financial reporting, and the assurance work carried out in respect of US reporting requirements.

The Board has delegated authority to the Audit Committee to review the framework and effectiveness of the Group's systems of internal control. The Audit Committee is supported in this responsibility by the assurance work carried out by Group-wide Internal Audit and the work of the business unit audit committees, which oversee the effectiveness of controls in each respective business unit. Details of how the Audit Committee oversees the framework of controls and their effectiveness on an ongoing basis, is set out more fully in the report on pages 118 to 126.

Risk management

A key component of the Manual is the Group Risk Framework, which requires all business units to establish processes for identifying, evaluating and managing the risks facing the business.

The Board determines the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board has delegated authority to the Risk Committee to assist it in providing leadership, direction and oversight of the Group's overall risk appetite, risk tolerance and strategy, overseeing and advising on the current and potential future risk exposures of the Group, reviewing and approving the Group's risk management framework, including changes to risk limits within the overall Board-approved risk appetite, monitoring the effectiveness of the risk management framework and adherence to the various risk policies.

Regular activities are detailed in the report on pages 127 to 132.

The Group's risk governance arrangements, which support the Board, the Risk Committee and the Audit Committee, are based on the principles of the 'three lines of defence' model: risk taking and management, risk control and oversight, and independent assurance.

Formal review of controls

A formal evaluation of the systems of risk management and internal control is carried out at least annually. Prior to the Board reaching a conclusion on the effectiveness of the systems in place, the report is considered by the Disclosure Committee and Audit Committee, with risk specific disclosures within the report also reviewed by the Risk Committee. This evaluation takes place prior to the publication of the Annual Report.

As part of the evaluation, the Chief Executive and Chief Financial Officer of each business unit, including Group Head Office, certify compliance with the Group's governance policies and the risk management and internal control requirements. The Group Risk function facilitates a review of the matters raised in this certification process. This includes the assessment of any risk and control issues reported during the year, risk and control matters identified and reported by the other Group oversight functions and the findings from the reviews undertaken by Group-wide Internal Audit, which carries out risk-based audit plans across the Group. Issues arising from any external regulatory engagement are also taken into account.

First line of defence (risk taking and management)

- Takes and manages risk exposures in accordance with the risk appetite, mandate and limits set by the Board;
- Identifies and reports the risks that the Group is exposed to, and those that are emerging;
- Promptly escalates any limit breaches or any violations of risk management policies, mandates or instructions;
- Identifies and promptly escalates significant emerging risk issues; and
- Manages the business to ensure full compliance with the Group risk management framework as set out in the Manual, which among other requirements, includes the Group Risk Framework and associated policies as well as approval requirements.

Second line of defence (risk control and oversight)

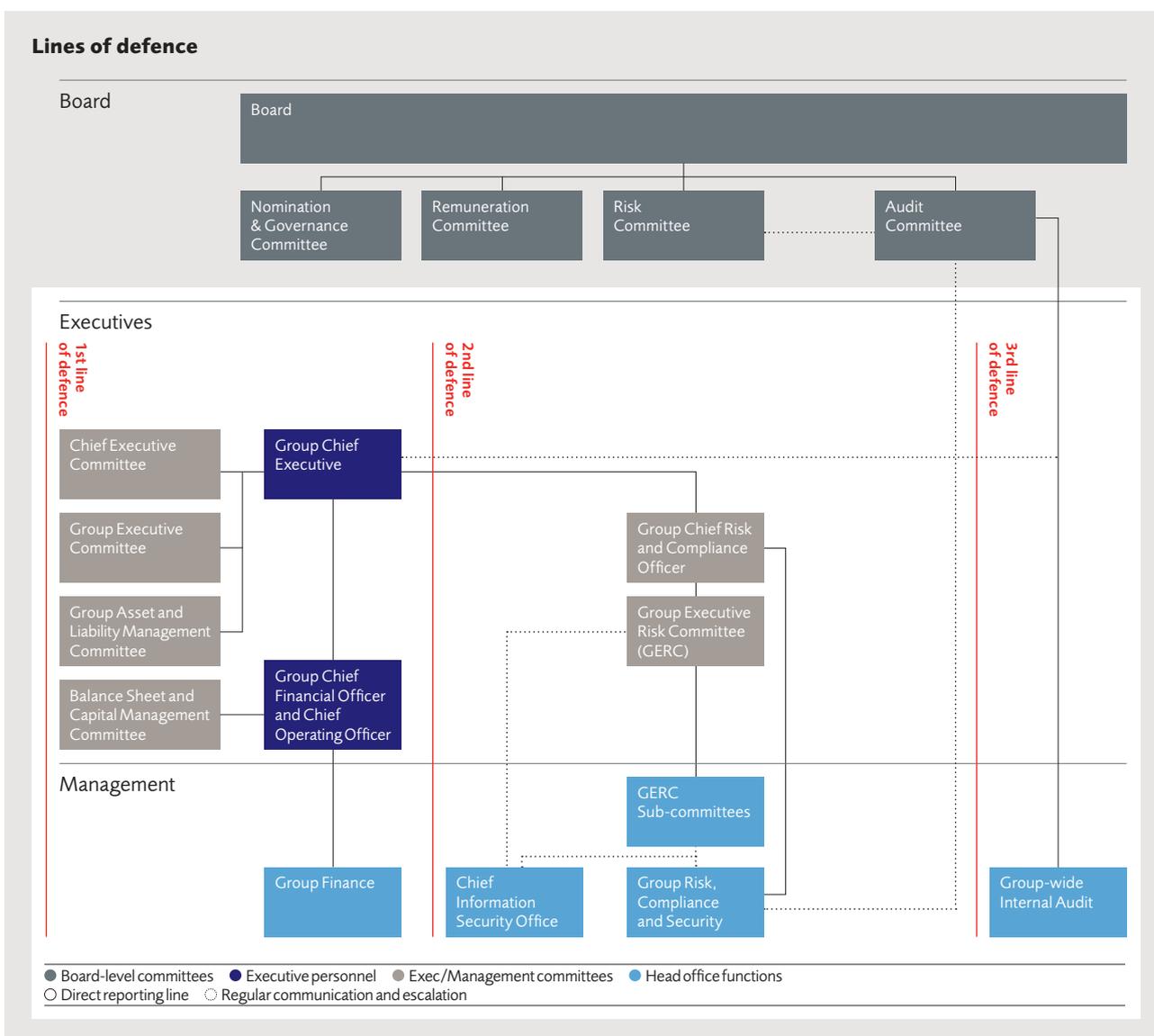
- Assists the Board to formulate the risk appetite and limit framework, risk management plans, risk policies, risk reporting and risk identification processes; and
- Reviews and assesses the risk-taking activities of the first line of defence, providing risk opinions and where appropriate challenging the actions being taken to manage and control risks.

Third line of defence (independent assurance)

- Provides independent assurance on the design, effectiveness and implementation of the overall system of internal control, including risk management and compliance.

Each business unit is required to implement a governance structure based on the three lines of defence model, proportionate to its size, nature and complexity, and to the risks that it manages.

Lines of defence



For the purposes of the effectiveness review, the Group has followed the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. In line with this guidance, the certification outlined above does not apply to certain material joint ventures where the Group does not exercise full management control. In these cases, the Group satisfies itself that suitable governance and risk management arrangements are in place to protect the Group's interests. However, the relevant Group company which is party to the joint venture must, in respect of any services it provides in support of the joint venture, comply with the requirements of the Group's internal governance framework.

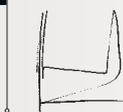
Effectiveness of controls

In accordance with provision 29 of the UK Code and provisions C.2.1, C.2.2 and C.2.3 of the HK Code, the Board reviewed the effectiveness and performance of the systems of risk management and internal control during 2019. This review covered all material controls, including financial, operational and compliance controls, risk management systems, budgets and the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions. The review identified a number of areas for improvement, and the necessary actions have been or are being taken. The Audit Committees at Group and subsidiary level collectively monitor outstanding actions regularly and

ensure sufficient resource and focus is in place to resolve them within a reasonable time frame. This included oversight of M&G plc whilst it was a subsidiary of the Group.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, including the demerged M&G plc business prior to 21 October 2019, which has been in place throughout the period and up to the date of this report, and confirms that the system remains effective.

Committee reports



Paul Manduca

Chair of the Nomination & Governance Committee

Committee members

- Paul Manduca (Chair)
- Howard Davies
- David Law
- Anthony Nightingale
- Philip Remnant

Regular attendees

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

Number of meetings in 2019:

Three. (Two regular meetings and an additional meeting to consider Chair succession, held in September.)

Nomination & Governance Committee report

Dear shareholder

This report highlights some of the key areas of focus considered by the Committee during 2019.

The Committee's role has expanded recently to include taking a wider role in overseeing diversity initiatives, the wider talent pipeline, and receiving updates on ESG matters. Accordingly, the number of regular Committee meetings in 2020 will increase to three.

Ongoing succession planning

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

A significant part of the Committee's activities over 2019 was focused on determining the most appropriate combination of skills and experience needed by the Board to drive the strategic focus of the Group post-demerger as well as supporting the creation of the M&G plc board prior to demerger. This included consideration of my successor as Chair of the Board and as Committee Chair. Philip Remnant led discussions on my succession in his capacity as Senior Independent Director culminating in the announcement of the appointment of Shriti Vadera. A separate report from Philip is set out below. As a member of the Committee and ultimately as the new Chair of the Group, Shriti will have an opportunity to shape the future composition of the Board.

In accordance with the UK Code, Howard Davies, who has been a member of the Board and Chair of the Risk Committee since its inception in 2010, will not be standing for re-election at the 2020 Annual General Meeting. The Committee has therefore been focused on identifying a suitable successor and recommended the appointment of Jeremy Anderson, who contributes substantial leadership and international experience in financial services, particularly in audit and risk. Having appointed Jeremy as a Non-executive Director with effect from January 2020, we subsequently announced that he would assume the role of Risk Committee Chair from the conclusion of the 2020 Annual General Meeting.

During the year, the Committee also recommended the appointment of Amy Yip to the Board as a Non-executive Director. Amy brings 40 years of experience in insurance, asset management and government gained across China and South-east Asia.

Diversity

Improving gender diversity at Board level continues to receive considerable attention from the Committee and diversity in its wider sense is an important factor in identifying candidates for Board level succession. The Committee considers this when making recommendations and talent search agencies are briefed on the Group's requirements in this respect when identifying candidates. Gender representation has improved at Board level during 2019, however there remains scope for improvement in this important area. Progress has been made via the appointment of Non-executive Directors and there is a continuing focus on the executive talent pipeline in order to increase diversity, in its widest sense, on both the Group Executive Committee and ultimately the Board. The Board exceeds the recommendation of the Parker review in respect of ethnic diversity. The Committee also considers the diversity of experience on the Board, including expertise across the geographical markets in which the post-demerger Group operates.

The Committee has responsibility for reviewing and monitoring diversity initiatives across the Group as a whole. I am pleased that the Group remains on target by the end of 2021 to achieve 30 per cent representation of women in senior leadership roles in accordance with our commitment to the HM Treasury Women in Finance Charter.

ESG considerations

The Committee received updates on primary ESG-related reporting developments and the proposed approach to ESG reporting, and reports from the newly created ESG Executive Committee. The Committee also received updates on progress against implementing the Task Force on Climate-related Financial Disclosures, including how to quantify risks and their potential financial impact on the Group.

Governance

Further changes have been made to the Committee's Terms of Reference to reflect the Committee's oversight of the process surrounding the annual evaluation of the effectiveness of the Board and its Committees. Committee members have taken a more active role in planning the Board evaluation in respect of 2019 and reviewed the actions arising from that evaluation. In 2020, the Committee will oversee the process for the appointment of an external specialist to conduct the next Board evaluation.

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

The effectiveness of the Committee was reviewed as part of the annual Board evaluation, which confirmed that the Committee continued to operate effectively during the year and no major areas requiring improvement or action points were highlighted. Committee members noted that the focus in 2020 should include continuing enhancements on Diversity and Inclusion reporting in respect of the executive pipeline and developing the Committee's role in monitoring ESG strategy and reporting.

How the Committee spent its time during 2019

	Feb	Sep	Oct
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 Chairman and Non-executive Directors	●	○	○
Review relevant disclosures in the Annual Report and Accounts	●	○	○
Recommend election of Directors by shareholders	●	○	○
Succession planning, diversity and appointments			
Chairman	●	●	●
Non-executive Directors	●	○	●
Group Chief Executive	○	○	●
Executive Directors	○	○	●
Group Executive Committee composition	○	○	●
Risk Committee Chair	○	○	●
Succession pipeline, diversity and inclusion governance	○	○	●
Governance and ESG			
Membership review of principal Board Committees	●	○	○
Committee terms of reference	○	○	●
Group governance framework	○	○	●
ESG, climate change and TCFD implementation update	●	○	●
Material Subsidiary governance			
Subsidiary governance arrangements, board composition, non-executive succession planning and appointments	●	○	○
Subsidiary board, chair and director evaluations	●	○	○

Report from Philip Remnant



Philip Remnant
Senior Independent Director

As announced on 30 January 2020, Shriti Vadera will join the Board with effect from 1 May 2020 as a Non-executive Director and member of the Nomination & Governance Committee, and is expected to succeed Paul Manduca as Chair of the Board and Chair of the Nomination & Governance Committee on 1 January 2021. Paul will step down as Chair and as a Director with effect from 31 December 2020.

Paul was first appointed to the Board in October 2010, meaning that the UK Code would have prescribed his retirement in October 2019. As I reported last year, the Board considered that it would have been disruptive for Paul to step down as Chair during a time of substantial change associated with the oversight and execution of the demerger itself and also for a period afterwards. It was expected that a search for a suitable successor to Paul would commence in 2020, with the intention that he would not stand for re-election at Prudential's Annual General Meeting in May 2021.

However, the accelerated completion of the demerger meant it was considered appropriate to bring this timing forward.

The search for suitable candidates was influenced by the views of the Board, taking account of the strategic needs of the post-demerger Group. Paul provided his views on the scope of the role and the individual attributes required. However, he recused himself from further discussions about the selection process.

I am delighted that Prudential has been able to secure such a high calibre individual to succeed Paul. Shriti was the unanimous choice of the Board following a rigorous assessment of internal and external candidates from around the world. She has senior boardroom experience at complex organisations with extensive international operations, and strong strategic and financial services experience.

Key matters considered during the year

<i>Why it is important to Prudential</i>	<i>How is this considered</i>	<i>Key outcomes</i>
<p>Succession planning</p> <p>Board composition</p> <p>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.</p>	<p>The Committee keeps succession plans for Executive and Non-executive Directors under review throughout the year and also considers the ongoing appointment of all Board members.</p> <p>Succession plans are supported and informed by the results of the annual Board evaluation and individual Director evaluations.</p> <p>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, skills and experience.</p> <p>Succession planning includes both longer-term options and emergency cover.</p>	<p>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.</p> <p>The Committee considered 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.</p> <p>Accordingly, the Committee recommended to the Board those Directors standing for election at the 2020 Annual General Meeting.</p>

Key matters considered during the year continued

<i>Why it is important to Prudential</i>	<i>How is this considered</i>	<i>Key outcomes</i>
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.	<p>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.</p> <p>The Committee made use of a skills map which identifies skills, experience by sector, geography and technical skills, which are desirable for the Board as a whole, taking account of the Group's strategic objectives.</p> <p>Succession planning for Non-executive Directors is supported by Egon Zehnder and Ridgeway Partners.</p>	<p>During the year, the Committee recommended the appointment of Amy Yip as a Non-executive Director and member of the Remuneration Committee with effect from 2 September 2019.</p> <p>The Committee also recommended the appointment of Jeremy Anderson to the Board as a Non-executive Director and member of the Audit and Risk Committees with effect from 1 January 2020.</p> <p>Biographical details for Amy Yip and Jeremy Anderson are set out on pages 94 and 97.</p>
	<p>The Committee regularly reviews the membership of all principal Board Committees and makes recommendations to the Board as appropriate.</p> <p>This year, the Committee considered the requirements for the role of Risk Committee Chair as Howard Davies will not stand for re-election at the 2020 Annual General Meeting as his nine-year tenure will have ended.</p> <p>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.</p>	<p>The appointment of Amy Yip to the Remuneration Committee and Jeremy Anderson to the Audit and Risk Committees helped to refresh the membership of these Committees.</p> <p>Given his extensive experience in risk management, the Committee recommended that Jeremy Anderson succeed Howard Davies as Chair of the Risk Committee with effect from the conclusion of the 2020 Annual General Meeting.</p> <p>Shriti Vadera will join the Committee on her appointment in May 2020 to facilitate her transition to Chair of the Board and of the Committee, effective from 1 January 2021.</p>
Executive Directors, Group Chief Executive and Group Executive Committee		
Executive succession planning helps to ensure continuous and effective leadership of the Group.	<p>The Committee reviews the succession plans in place for the Group Chief Executive, other Executive Directors and Group Executive Committee roles annually.</p> <p>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. External mapping is undertaken for Executive Directors to identify possible external candidates. Planning for emergency cover for Executive Directors 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>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>The Committee also directed development and renewal of these plans through the Group HR Director, supported by Egon Zehnder in the case of the Group Chief Executive and by Talent Intelligence in the case of the other Executive Directors and Group Executive Committee roles.</p> <p>The Committee discussed the changes to the Group Executive Committee roles brought about by the demerger and consequent shift in priorities and operating model, and agreed updates to succession plans as a result.</p>

Key matters considered during the year continued

<i>Why it is important to Prudential</i>	<i>How is this considered</i>	<i>Key outcomes</i>
Senior leadership below Group Executive Committee		
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.	The Committee considered succession planning for senior management below Group Executive Committee level which is supported by an annual update on talent and diversity at different levels of the organisation and includes consideration of risk retention mitigation initiatives such as leadership development programmes. This review is usually undertaken and reported on in the fourth quarter of each year and prior to 2019, was undertaken by the Board. Reporting on activities in 2019 was moved to February 2020 in order to allow for a fuller review of talent succession planning across the post-demerger business.	The focus was on building new capabilities to support the changing business model and future direction of the business. The internal pipeline was being rebuilt in support of new roles, new capability and increased complexity.
Diversity Board and Group Executive Committee		
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 from different backgrounds, with diverse experience, perspective and skills. The diversity not only contributes to Board effectiveness but is essential for successfully delivering the strategy of an international business.	<p>The Group's Diversity and Inclusion policy applies at all levels of the business including the Board and Group Executive Committee.</p> <p>The Committee is responsible for overseeing a diverse pipeline for the Board and other senior executives.</p> <p>The Board does not endorse quotas but is committed to recruiting the best available talent and appointing the most suitable candidate for each role, while at the same time aiming for appropriate diversity on the Board.</p> <p>Succession plans are based on merit against clear objective criteria and promote diversity across gender, social and ethnic background and cognitive and personal strengths.</p> <p>An element of Executive Directors' remuneration is based on achieving a diversity target. Further information is set out in the Directors' remuneration report.</p>	<p>The Board considers that its diversity of experience and skills set has increased as a result of Board level succession in 2019.</p> <p>The diversity of the Board, including skills and experience, of each Director is set out in the individual biographies of Directors on pages 92 to 97.</p> <p>The Committee considers the pipeline for diverse talent below the Group Executive Committee level which remains strong, with 32 per cent female representation of those who report directly to the Group Executive Committee.</p> <p>Further details of the gender make-up of the Board, the Group Executive Committee, management and employees can be found on page 81.</p>

Process for appointing new Directors

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

Contemporaneously 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 necessary.

Note

In addition to acting as search consultant in respect of the appointment of the Chair, the Chair of the Risk Committee and certain executive hires, Egon Zehnder also provides support for senior development assessments. Talent Intelligence also provides additional succession planning support to the Group below Group Executive Committee level. Ridgeway Partners also provided support for succession planning in respect of certain subsidiary company board committees.

Key matters considered during the year continued

Why it is important to Prudential	How is this considered	Key outcomes
<p>Group-wide oversight</p> <p>Following an update to its terms of reference in December 2018, the Committee's remit includes reviewing the Group's diversity initiatives to see that these are in line with strategic objectives.</p>	<p>The Group's Diversity and Inclusion policy aims to provide equal opportunities for all who apply and who perform work for our organisation, irrespective of sex, race, age, ethnic origin, educational, social and cultural background, marital status, pregnancy and maternity, civil partnership status, any gender reassignment, religion or belief, sexual orientation, disability, or part time/fixed term work.</p> <p>The Committee keeps this under review across all its succession planning.</p>	<p>In line with the Committee's expanded remit, consideration was given to updating and developing the approach to overseeing talent development and Diversity and Inclusion initiatives across the Group. A review of the approach was subsequently provided to the Committee in February 2020, including an update on activities across the Group's business units and details of the 2020 Diversity & Inclusion and Talent strategy.</p> <p>A description of the Group's activities on Diversity and Inclusion can be found in the ESG summary.</p>
	<p>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. We have set a gender diversity target of 30 per cent women in senior management by the end of 2021.</p>	<p>As at 31 December 2019 the percentage of women in senior management was 28 per cent and the Group remains on track to meet the 30 per cent target by the end of 2021.</p>
<p>Non-executive Directors, independence, time commitment and terms of appointment</p>		
<p>Independence</p> <p>Monitoring and safeguarding the independence of the Non-executive Directors is essential to comply with their statutory and regulatory obligations.</p> <p>Independence helps ensure effective scrutiny of management and individual Executive Directors against agreed objectives.</p>	<p>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.</p> <p>Each Non-executive Director provides an annual confirmation of his or her independence as required under the HK Listing Rules.</p> <p>Prior to his appointment as a Non-executive Director, the Committee carefully considered the independence of Jeremy Anderson. In particular, the Committee reviewed the potential impact of his former position as a partner at KPMG (including any financial interest) which ended with effect from 31 December 2017 and noted that he had not been involved in any way in the audit of Prudential plc or its subsidiaries.</p> <p>The Committee considered Jeremy Anderson's independence with reference to the UK Code and HK Listing Rules, alongside relevant auditor independence and ethical guidance applicable in the UK and the US which generally recommend that independence of an external auditor is maintained by prohibiting a former partner from becoming a Director of an audit client for a period of two years after their employment has ceased.</p>	<p>All Non-executive Directors were considered to be independent, taking into account UK and HK requirements.</p> <p>Although Howard Davies has exceeded the nine-year tenure suggested by the UK Code and Kai Nargolwala will exceed from January 2021 (subject to re-election of Kai by shareholders in May 2020), both continue to demonstrate independence of judgement.</p> <p>Amy Yip and Shriti Vadera were deemed to be independent on appointment.</p> <p>Prudential also deems Jeremy Anderson to be independent in accordance with the UK and HK Codes, notwithstanding his former position as a partner at KPMG, having taken account of all circumstances set out in the UK Code and other applicable guidance in other jurisdictions. On balance, the Committee and the Board concluded that Jeremy Anderson could be expected to demonstrate objectivity and independence of judgement noting that two years had elapsed since his position at KPMG (including any financial interest) ended.</p>
	<p>In line with US regulatory requirements, the Committee annually reviews the independence of the Audit Committee with reference to the requirements of the Sarbanes-Oxley legislation.</p>	<p>The members of the Audit Committee were considered to be independent within the meaning of the Sarbanes-Oxley legislation.</p>

Key matters considered during the year continued

<i>Why it is important to Prudential</i>	<i>How is this considered</i>	<i>Key outcomes</i>
<p>Time commitment</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>The Committee considers the external commitments of Non-executive candidates and on appointment, all Non-executive Directors confirm they are able to devote sufficient time to the Group's affairs to meet the demands of the role.</p>	<p>The Committee concluded that the expected time commitment of 32.5 days per annum remained appropriate.</p> <p>The external commitments of Directors were considered as part of the Committee's recommendation of Directors' election at the next Annual General Meeting. Prudential recognises the need for Non-executive Directors to dedicate sufficient time to their role while also developing a wide range of experience and skills through seeking external appointments.</p>
	<p>All Non-executive Directors are required to discuss any additional commitments which might impact the time which he or she is able to devote to their role with the Chairman prior to accepting and the Chairman escalates to the Committee as appropriate.</p>	<p>The Committee considered and approved the appointment of Tom Watjen as a non-executive director of Arch Capital Group Ltd., a specialist financial services group with shares listed in Bermuda. The Committee considered the expected time commitment of the role and, taking into account any other commitments, concluded that he continued to have sufficient time to commit to his duties as a Non-executive Director. No conflicts of interest were identified in connection with the proposed appointment.</p>
<p>Terms of appointment</p> <p>It is important that the Non-executive Directors have clear terms of appointment which set out their duties towards 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.</p> <p>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 terms of the Non-executive Directors' letters of appointment and the terms of Executive Directors' service contracts.</p> <p>The tenure of each Non-executive Director is shown in the Directors' remuneration report.</p>	<p>Kai Nargolwala, Anthony Nightingale, Philip Remnant and Alice Schroeder have all been in office for six years or more. When considering their re-election at the next AGM, 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>Both Amy Yip and Jeremy Anderson were provided with letters of appointment confirming their duties and obligations. These letters are on standard terms applicable to all Non-executive Directors.</p>

Key matters considered during the year continued

Why it is important to Prudential	How is this considered	Key outcomes
<p>Conflicts of interest</p> <p>Directors have a statutory duty to exercise independent judgement when carrying out their role and to avoid conflicts of interests.</p> <p>The Company has in place procedures to identify and, where necessary, mitigate potential conflicts of interest.</p> <p>These processes help to ensure decisions are made in the best interests of the Company.</p>	<p>The Board has delegated authority to the Committee to identify and, where necessary, authorise any actual or potential conflicts of interest.</p> <p>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.</p> <p>The Chairman considers potential conflicts of interest in connection with proposed external appointments and escalates to the Committee for authorisation where a conflict or potential conflict could arise.</p>	<p>The Committee confirmed the authorisations with updates as appropriate.</p> <p>The Committee considered the external positions of Amy Yip, Jeremy Anderson and Shriti Vadera prior to recommending their appointment to the Board.</p> <p>The Board considers that the procedures for dealing with conflicts of interests operate effectively.</p>
<p>Subsidiary governance</p> <p>The Committee has an important role in reviewing the Group's governance arrangements.</p>	<p>The Committee had oversight of the search for and appointment of candidates to the M&G plc board in preparation for the demerger.</p> <p>During the year, the Committee carried out various activities relating to subsidiary governance, which encompassed M&G Group Limited, The Prudential Assurance Company Limited, Jackson National Life Insurance Company, and Prudential Corporation Asia Limited until demerger, including:</p> <ul style="list-style-type: none"> — Reviewing succession planning arrangements for non-executive directors of the Group's main subsidiaries; — Considering the outputs of the 2018 performance review of the Group's main subsidiary boards, chairs and directors. The effectiveness of the subsidiary boards were assessed using an internal process utilising questionnaires; 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 in the context of the demerger, reflecting that the composition of the Prudential Corporation Asia Limited board now mirrors the Prudential Board and Board meetings are held concurrently. <p>The Committee continues to oversee governance arrangements for the Group's subsidiaries to ensure they remain appropriate for the post-demerger Group.</p>	<p>In 2019, the Committee considered the outcomes of the board effectiveness reviews and individual non-executive director evaluations for each of Jackson National Life Insurance Company, Prudential Corporation Asia Limited, M&G Group Limited and The Prudential Assurance Company Limited. The Committee concluded that each of these boards remained effective and also approved the continued appointments of the non-executive directors.</p> <p>The Committee was provided an update on the governance arrangements for Jackson National Life and Prudential Corporation Asia in October 2019.</p>



A handwritten signature in black ink that reads "David Law". The signature is written in a cursive style and is positioned over a white rectangular background.

David Law

Chair of the Audit Committee

Committee members

- David Law (Chair)
- Jeremy Anderson (from January 2020)
- Howard Davies
- Philip Remnant
- Alice Schroeder

Regular attendees

- Chairman of the Board
- Group Chief Executive
- Group Chief Financial Officer and Chief Operating Officer
- Group Chief Risk and Compliance Officer
- Director of Group Finance
- Director of Group Financial Accounting and Reporting
- Company Secretary
- Director of Group Compliance (until January 2020)
- Group Chief Internal Auditor
- External Audit Partner

Number of meetings in 2019:

Twelve. (Nine regular meetings were held, including four shorter meetings to discuss full-year and half-year reporting matters, and three additional meetings to consider demerger related activities. A joint meeting was also held with the Risk Committee.)

Audit Committee report

Dear shareholder

As Chair of the Audit Committee, I am pleased to present this report on the Committee's activities during 2019. The Committee provides the Board with assurance as to the integrity of the Group's financial reporting and, together with the Risk Committee, monitors the effectiveness of the second and third lines of defence, which are an integral part of our internal control environment.

With regard to the Group's financial reporting, the Committee's work is focused on ensuring appropriate financial accounting policies are adopted and implemented, and on assessing key judgements and disclosures. We also have throughout the year received updates on the programme to implement IFRS 17 given the significant system and accounting changes it entails.

The Committee held additional meetings during the year to focus on matters relating to the demerger of M&G plc. The Committee supported the Board's review of the shareholder Circular and reviewed the various supporting processes and assurances received. When considering matters relating to the demerger, the Committee was conscious of the need to balance potential conflicts of interests between Prudential and M&G. The Committee also discussed the appropriate governance arrangements for the Group's subsidiary audit committees post-demerger, together with associated transitional arrangements. I worked closely with the chair of the M&G plc audit committee to ensure a smooth transition of the oversight of the M&G business between the two committees.

External auditor

An important part of the Committee's work consists of overseeing the Group's relationship with KPMG LLP (KPMG), including safeguarding independence, approving non-audit fees and satisfying ourselves that it is in the best interests of shareholders to recommend the re-appointment of KPMG. During the year, we enhanced the review of their effectiveness by adding an interview process conducted by a senior KPMG partner, independent of the audit team, with senior management across the Group and with Committee members. The results were discussed directly with the Committee. Overall feedback was positive and the KPMG audit team is following up on areas where potential enhancements were highlighted.

The Committee also requested earlier an enhanced review of the M&G half year key judgements, particularly longevity, in advance of the half year results announcement.

Under the relevant audit tender rules the Group is required to change audit firm no later than the 2023 financial year end. The Committee has previously agreed that in light of the significant change to the Group being undertaken, with the demerger of M&G plc, and the introduction of a new insurance accounting standard (IFRS 17) in the near term, that a new auditor should be engaged for the 2023 year end but that a competitive tender for the 2023 audit should commence in the first half of 2020. Planning for the tender has commenced and meetings with audit firms (not restricted to the 'Big-Four') have been held to assess their ability to tender in relation to the complexity of Prudential's geographically diverse business and their barriers to becoming independent. A formal tender process to identify KPMG's successor will be undertaken in the first half of 2020 and a Board decision is expected in July.

Internal audit

Throughout 2019, the Committee continued to receive regular briefings from the Group Chief Internal Auditor. During the year, Group-wide Internal Audit (GwIA) undertook a programme of risk-based audits covering matters across the business units in addition to assurance work on the demerger and significant change programmes. The work undertaken by GwIA during the year was important in supporting the demerger, the Group maintaining a stable control environment through a period of significant change and the creation of two appropriately-sized, resourced and experienced independent internal audit functions.

The effectiveness of GwIA was assessed in 2019, together with a review of progress against suggested enhancements identified by the external review undertaken by Deloitte in 2017. I have met regularly with the Group Chief Internal Auditor and the Group-wide Quality Assurance Audit Director to discuss internal audit work and matters arising. The Committee has also asked that management responsible for rectifying some of the issues identified attend the Committee to ensure that appropriate action was being taken. The Committee also approved the 2019 and 2020 internal audit plans, which have taken account of the business and organisational changes arising from the demerger.

Compliance

The Committee received updates on matters arising from the annual Compliance Plan throughout 2019. The plan focused on a number of areas to help strengthen the compliance framework, which is intended to aid the Group in meeting regulatory obligations, including monitoring compliance with key elements of the compliance framework such as conflicts of interest, anti-money laundering and anti-bribery and corruption policies. Following a change in management responsibility, Howard Davies and I agreed that, the Risk Committee should take on responsibility for all aspects of overseeing the compliance function with effect from 1 January 2020.

Committee governance

The Committee works closely with the Risk Committee to make sure both Committees are updated and aligned

on matters of common interest. Where responsibilities are perceived to overlap between the two Committees, Howard Davies and I agree the most appropriate Committee to consider the matter. During 2019, there was one joint session which, similar to the prior year, focused on cyber and information security, more details of which are set out in the Risk Committee report on page 127.

In advance of each of the main Committee meetings, I speak to the chairs of our main subsidiary audit committees and update the Committee on important points raised. I also report to the full Board after each Committee meeting on the main matters discussed.

In April we held a private session as a Committee to discuss our evaluation and key objectives for the year. We assessed our performance against these objectives

and I am pleased with the feedback received. The demerger, IFRS 17 and key accounting judgements were particular areas of focus. One area we will monitor for the future is how we are kept abreast of Asian market developments. One of my key focuses over the past two years has been the Group's whistleblowing procedures. I regularly meet privately with the Group Resilience Director to discuss whistleblowing cases and their resolution. These are also discussed in private sessions with the Committee or the relevant local audit committee. The Committee also meets privately with GwIA and KPMG.

The effectiveness of the Committee was reviewed as part of the annual Board evaluation, which confirmed that the Committee continued to operate effectively during the year and no major areas requiring improvement were highlighted.

How the Committee spent its time during 2019

	Feb ¹	Mar ¹	Apr	May	Jun	Jul	Aug	Sep	Oct	Dec
Financial reporting and external auditor										
Periodic financial reporting including:										
— Full and half-yearly report and accounts										
— Key accounting judgements and disclosures, including tax	●	●	●	●	●	●	●	●	●	●
— Solvency II results and governance processes (up to the demerger)										
— Associated audit reports										
Audit planning, fees, independence, effectiveness and reappointment	●	○	●	○	○	●	○	●	●	●
Environmental, social and governance reporting	○	○	●	○	○	○	○	○	○	○
Internal control framework										
Internal control framework including effectiveness	●	○	○	●	○	●	○	○	○	●
Internal audit										
Status updates and effectiveness	●	○	●	○	○	●	○	○	●	●
Internal audit plan	○	○	○	○	○	●	○	○	○	●
Compliance										
Status updates	●	○	○	○	○	●	○	○	●	●
Compliance plan	○	○	○	○	○	●	○	○	○	○
Financial crime and whistleblowing										
Financial crime prevention and whistleblowing – regular updates	●	○	●	○	○	●	○	○	●	●
Governance and reporting										
Updates from main subsidiary level audit committees	●	○	●	○	○	●	●	○	●	●
Internal governance framework including effectiveness	●	○	●	○	○	●	○	●	●	●
Business unit audit committee effectiveness and terms of reference	●	○	○	○	○	○	○	○	●	○
Committee terms of reference and effectiveness	●	○	○	○	○	○	○	○	●	○

Note

¹ Two meetings were held in each of February and March 2019.

Key matters considered during the year

Matter considered

How the Committee addressed the matter

Financial reporting

Overview

One of the Committee's key responsibilities is to monitor the integrity of the financial statements and any other periodic financial reporting. This has primarily focused on the Annual Report and Accounts but also covers the Group's environmental, social and governance report and Tax Strategy Report. The Committee also reviewed the 2018 Solvency and Financial Condition Report and associated Pillar 3 returns submitted to the Prudential Regulation Authority as required under the Solvency II regime. Post-demergers, this regime is no longer applicable.

In reviewing these and other items, the Committee received reports from management and, as appropriate, reports from internal and external assurance providers, which in some cases were provided at the explicit request of the Committee.

When considering financial reporting, the Committee assesses compliance with relevant accounting standards, regulations and governance codes. During 2019, the Group adopted IFRS 16 'Leases' and, as described in note A3, this resulted in a recognition of \$895 million right-of-use asset and an equivalent amount of lease liabilities on the balance sheet on day one. The Committee continued to receive updates on the Group's plans to implement IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts', which are not expected to be effective before 2022. The approach to adopting these standards is further discussed in note A3.

The following sections set out the key assumptions, judgements and other matters considered as part of their review of the 2019 Annual Report and Accounts.

Key assumptions and judgements

The Committee reviewed the key assumptions and judgements supporting the Group's IFRS results, including those made in valuing the Group's investments, insurance liabilities and deferred acquisition costs under IFRS, together with reports on the operation of internal controls to derive these amounts. It also reviewed the assumptions underpinning the Group's European Embedded Value (EEV) metrics.

Assumption setting

The measurement of insurance liabilities are based on estimates of future cash flows, including those to and from policyholders, over a long period of time. These estimates can, depending on the type of business, be highly judgemental. The Committee considered changes to assumptions and other estimates used to derive IFRS insurance liabilities and EEV reporting. Peer benchmarking was considered where available. The key assumptions reviewed were:

- Persistency, mortality, morbidity (including in relation to medical inflation) and expense assumptions within the Asia life businesses;
- Policyholder behaviour (eg guaranteed benefit utilisation and persistency) and mortality assumptions affecting the measurement of Jackson guaranteed liabilities (see note C4.2(b) of the IFRS financial statements);
- Economic assumptions, including investment return and associated discount rates; and
- Changes to the allowance within EEV for future hedge costs in connection to the Jackson variable annuity business. This is discussed further in note 7 of the EEV basis results.

The Committee was satisfied that the assumptions adopted by management were appropriate. Further information on the effects of material changes to insurance assets and liabilities is included in note B3 to the IFRS financial statements and in the EEV basis results.

Valuation of investments

The Committee received information on the carrying value of investments in the Group's balance sheet including information on how those values were calculated for those investments which require more judgement (for example private placement loans). Further information on the valuation of assets is contained in note C3 of the IFRS financial statements. The Committee satisfied itself that overall investments were valued appropriately.

Intangible assets including deferred acquisition costs (DAC)

The Committee received information to enable it to review the more material intangible asset balances. This included the assumptions that supported the amortisation profile of the DAC balance in the US, as described in note A4.1 'Other items requiring application of critical estimates or judgements' and whether there had been any indication of impairment of the Group's distribution rights assets. The Committee was satisfied that there was no impairment of the Group's intangibles at 31 December 2019. Further information is contained in note C5 of the IFRS financial statements.

Key matters considered during the year continued

Matter considered	How the Committee addressed the matter
Other financial reporting matters	<p>Demerger of M&G plc</p> <p>The Committee reviewed the Class 1 Shareholder Circular prepared by management in accordance with the UK's Listing Rules for the demerger of M&G plc in October 2019. Assurance was sought from external parties including the Group's reporting accountant and financial advisers. The Committee reviewed the procedures undertaken to support the verification of material statements made in the Circular. The Committee reviewed drafts of documents throughout 2019 and so were able to comment on the approach and content throughout the process.</p> <p>Change in presentation currency of the Group financial statements</p> <p>Following the demerger of M&G plc, the Audit Committee approved management's proposal to change the Group's presentation currency in these financial statements from pounds sterling to US dollars. Given that a significant majority of the Group's earnings post demerger are denominated in US dollars, the Group believes that the presentation currency change will give investors and other stakeholders a clearer understanding of Prudential's performance over time. The Committee reviewed the methodology and process for the currency conversion as explained in note A1 of the IFRS financial statements. It also reviewed and agreed that, from 31 December 2019, the functional currency of the parent company had changed to US dollars from pounds sterling given the change to loans and dividend payments arising at that date.</p> <p>Taxation</p> <p>The Committee regularly receives updates on the Group's tax matters and provisions for certain open tax items including tax matters in litigation. The Committee was satisfied that the level of provisioning adopted by management was appropriate. See note B4 of the IFRS financial statements.</p> <p>Going concern and viability statements</p> <p>The Committee considered various analyses from management regarding Group and subsidiary capital and liquidity prior to recommending to the Board that it could conclude that the financial statements should continue to be prepared on the going-concern basis and that the disclosures on the Group's longer-term viability were both reasonable and appropriate. The Committee considered information on the risks to the Group's liquidity and capital position when making this assessment.</p> <p>Fair, balanced and understandable requirement</p> <p>The Committee carried out a formal review of whether the Annual Report and Accounts were 'fair, balanced and understandable' as required by the UK Corporate Governance Code. In particular, they considered whether the report gave a full picture of the Group's performance in the year with important messages appropriately highlighted, the level of consistency between financial statements and narrative sections and whether performance measures were clearly explained. They also considered the prominence of alternative performance measures.</p> <p>After completion of its detailed review, the Committee was satisfied that, taken as a whole, the Group's Annual Report and Accounts were fair, balanced and understandable.</p> <p>Parent company financial statements</p> <p>The Committee reviewed the parent company profit and loss account and balance sheet, which included the recoverability of the parent company's investment in subsidiaries by assessing whether the net assets of the relevant subsidiaries, being an approximation of their minimum recoverable amount, were in excess of their carrying value at the balance sheet date and whether those subsidiaries have historically been profit making.</p>

Key matters considered during the year continued

Matter considered

How the Committee addressed the matter

External audit

Review of effectiveness, non-audit services and auditor reappointment

External audit effectiveness

The Group's external auditor is KPMG LLP (KPMG) and oversight of the relationship with them is one of the Committee's key responsibilities. The Committee reviews the effectiveness of the audit throughout the year taking into account:

- The detailed audit strategy for the year and coverage of the highlighted risks;
- Group materiality and how that is applied to the individual business units;
- Insight around the key accounting judgements, including benchmarking, and the way KPMG applied constructive challenge and professional scepticism in dealing with management;
- The outcome of management's internal evaluation of the auditor as discussed below; and
- Other external evaluations of KPMG, with a focus on the Financial Reporting Council's Annual Quality Review.

There is an open dialogue on emerging risks and issues between the Group Lead Partner and Committee members via a regular schedule of meetings aligned to key reporting milestones. The Committee formally meets with the Group Lead Partner without management present.

Internal evaluation of KPMG was conducted using a questionnaire that was circulated to the Committee members, Material Subsidiary audit committee members, the Group Chief Financial Officer and the Group's senior financial leadership for completion. A key component of the evaluation is the degree of challenge and robustness of approach to the audit. The survey asked 27 questions over four categories (audit quality and execution, team performance, process and communication) in relation to the 2018 audit.

As noted above the Committee enhanced the 2019 effectiveness review by arranging for a series of interviews to be conducted by a senior partner independent from the engagement team.

KPMG were given the opportunity to respond to the findings in the reports. As a result of the reports, KPMG proposed enhancements to the audit and team.

Key matters considered during the year continued

Matter considered	How the Committee addressed the matter
Auditor independence and objectivity	<p>The Committee has responsibility for monitoring auditor independence and objectivity and is supported in doing so by the Group's Auditor Independence Policy (the Policy). The Policy is updated annually and approved by the Committee. It sets out the circumstances in which the external auditor may be permitted to undertake non-audit services and is based on four key principles which specify that the auditor should not:</p> <ul style="list-style-type: none"> — Audit its own firm's work; — Act as management or employees for the Group; — Have a mutual or conflicting interest with the Group; or — Be put in a position of being an advocate for the Group. <p>The Policy has two permissible service types: those that require specific approval by the Committee on an engagement basis and those that are pre-approved by the Committee with an annual monetary limit capped at no more than 5 per cent of the Group audit fee in the proposed year and capped at \$65,000 (£50,000) individually. In accordance with the Policy, the Committee approved these permissible services, classified as either audit or non-audit services, and monitored the usage of the annual limits on a quarterly basis. Non-audit services undertaken by KPMG were agreed prior to the commencement of work and were confirmed as permissible for the external auditor to undertake in accordance with the Policy which complies with the rules and regulations of the UK Financial Reporting Councils' Ethical Standard (2016), the US Securities and Exchange Commission (SEC) and the standards of the Public Company Accounting Oversight Board (PCAOB).</p> <p>The Committee considered potential impacts on independence that could have arisen from the increase in non-audit services during the year, with the non-audit fee ratio increasing to 43 per cent (2018: 12 per cent). The increase was driven by non-audit services completed by KPMG in their role as reporting accountant for the demerger of M&G plc. The Committee concluded that as the Group's auditor it was appropriate for KPMG to act as reporting accountant and this did not impair their independence. The audit partner was not involved in the delivery of services as the reporting accountant for the demerger and neither he nor members of the audit team are incentivised on, or rewarded in respect of, the provision of non-audit services to Prudential plc.</p> <p>In keeping with professional ethical standards, KPMG also confirmed their independence to the Committee and set out the supporting evidence for their conclusion in a report that was considered by the Committee prior to publication of the financial results.</p> <p>During the year, the Committee considered the proposals put forward by the Financial Reporting Council in December 2019 in a revision to its Ethical Standard and Auditing Standards on the Policy. The Committee agreed to implement their proposals for the 2020 year end. The key change is to establish a specific 'white-list' of non-audit services that the external auditor will be permitted to perform. The Committee will continue to monitor developments to ensure the Group's policies and processes around audit effectiveness and independence evolve in line with market practice.</p>
Fees paid to the auditor	<p>The fees paid to KPMG for the year ended 31 December 2019 amounted to \$30.4 million (2018: \$24.4 million) of which \$13.0 million (2018: \$3.0 million) was payable in respect of non-audit services. Non-audit services accounted for 43 per cent (2018: 12 per cent) of total fees payable. A breakdown of the fees payable to KPMG can be found in note B2.4 to the IFRS financial statements. Of the \$13.0 million (2018: \$3.0 million) non-audit services fees, \$11.7 million (2018: \$1.0 million) was for one-off services associated with the demerger of M&G plc. Excluding these one-off fees associated with the demerger, non-audit services accounted for 7 per cent (2018: 9 per cent) of total fees payable.</p> <p>The remaining \$1.3 million (2018: \$1.5 million out of the remaining \$2.0 million) of non-audit services fees was in respect of other assurance services. These services covered assurance over the Group's assurance reports on internal controls of certain Group companies that are made available for third parties, comfort letter procedures to support debt raising in the year and Solvency II external disclosures up to the demerger. In all these cases, the audit firm was considered the most appropriate to carry out the work, given its knowledge of the Group and the synergies that arise from running these engagements alongside its main audit.</p> <p>All non-audit services were pre-approved by the Committee and were in line with the Policy discussed above.</p>

Key matters considered during the year continued

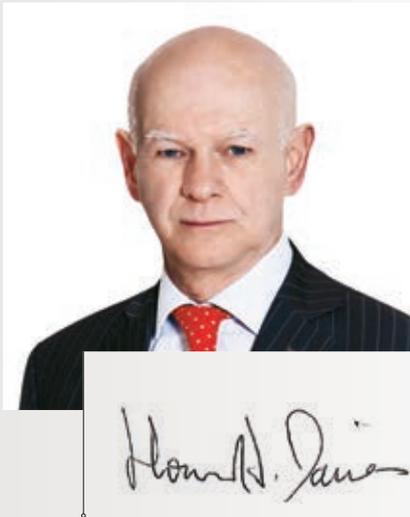
<i>Matter considered</i>	<i>How the Committee addressed the matter</i>
Reappointment	Based on the outcome of the effectiveness evaluation and all other considerations, the Committee concluded that there was nothing in the performance of the auditor which would require a change. The Committee therefore recommended that KPMG be reappointed as the auditor. A resolution to this effect will be proposed to shareholders at the 2020 Annual General Meeting.
Audit tender	<p>The Committee acknowledges the provisions contained in the UK Code in respect of audit tendering, along with European rules on mandatory audit rotation and audit tendering. In conformance with these requirements, the Company will be required to change audit firm no later than for the 2023 financial year end. The external audit was last put out to competitive tender in 1999 when the present auditor, KPMG, was appointed. Since 2005, the Committee has annually considered the need to retender the external audit service.</p> <p>The Audit Committee assessed in February 2019 that in light of the significant change to the Group being undertaken, with the demerger of M&G plc, and the introduction of a new insurance accounting standard (IFRS 17) in the near term, that a new auditor should be engaged in time for the 2023 year end. In conducting this review, the Committee concluded that it would be appropriate to commence a competitive tender for the 2023 audit in the first half of 2020. The planning for this tender process has commenced with the Committee Chair meeting with a number of firms, including firms outside of the 'Big Four', to assess interest and ability to tender for the audit, with focus on capability and resource to service the key Asian business units. This was supplemented by a formal request for information to those firms who indicated they would be interested in tendering. A formal invitation to tender will be issued to those firms that confirmed they are able to undertake the audit in March 2020, with the Committee's recommendation of which firm to appoint to be considered for approval by the Board in July 2020. The tender process is being led by the Audit Committee with the support of Internal Audit and while the selection criteria are yet to be formally set, audit quality will be at the core of the decision.</p> <p>The auditor tender timeline takes into account the complexity of the Group and the expected timing of the introduction of IFRS 17 and allows the appointee time to ensure they meet the audit independence requirements to which the Group is subject. The timing remains subject to the Committee's normal annual review of auditor performance and recommendation to shareholders.</p> <p>The Company has complied throughout the 2019 financial year with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 issued by the Competition and Markets Authority.</p> <p>In line with the Financial Reporting Council's Ethical Standard, the rules and regulations of the SEC and the standards of the PCAOB, a new Group Lead Partner, Philip Smart, was appointed in respect of the 2017 financial year. Mr Smart is expected to be in place for a five-year term until the completion of the 2021 reporting cycle. A new Group Lead Partner will be required for the 2022 audit and an appropriate transition plan developed.</p>
Second line oversight	
Compliance, financial crime prevention, whistleblowing	
Compliance oversight	<p>The Group Compliance Director provided the Committee with regular reports that included updates on: the progress against the 2019 Compliance Plan; key Compliance activities; the effectiveness of the Compliance function; results of Compliance monitoring reviews; material regulatory issues; and the impact of any regulatory change and the establishment of the Hong Kong IA as the Group-wide supervisor.</p> <p>From 1 January 2020, the Risk Committee assumed responsibility for Compliance oversight from the Committee in order to align governance with changes to management's reporting responsibilities.</p>
Financial crime prevention	The Committee received the Annual Financial Crime Report that assessed the effectiveness of the Group's systems and controls to manage financial crime risks. In addition the Committee received regular updates on anti-bribery and corruption, anti-money laundering and sanctions screening.

Key matters considered during the year continued

Matter considered	How the Committee addressed the matter
Whistleblowing	<p>The Group continues to operate a Group-wide whistleblowing programme ('Speak Out'), hosted by an independent third party (Navex). The Speak Out programme received ad hoc reports from a wide variety of channels, including a web portal, hotline, email and letters. Reports are captured, confidentially recorded by Navex, and flagged for investigation by the appropriate team.</p> <p>The Committee is responsible for oversight of the effectiveness of the Group's whistleblowing arrangements. The Committee received regular reports on the most serious cases and other significant matters raised through the programme and the actions taken to address them. The Committee was also briefed on emerging Speak Out trends and themes. The Committee may, and has, requested further reviews of particular areas of interest.</p> <p>The Committee reviews the Group's Speak Out programme annually, satisfying itself that it continues to comply with regulatory and governance requirements. The Committee also considered the consistency of approach adopted across subsidiary audit committees. The Speak Out programme has been further strengthened during the year by enhanced training for managers and staff; improved mechanisms for reporters to feed back on their experience and case management workflow improvements that focus on tracking (post-investigation) management action and, where relevant, the Committee requested information on the sharing of lessons learnt.</p> <p>The Chair and Committee spent time privately with the Group Resilience Director to understand outcomes of investigations, ensure that investigations were adequately resourced and appropriately managed, that there had been no retaliation against anyone making a report and that investigations were not improperly influenced.</p> <p>A review of the Speak Out programme and its oversight is being undertaken in 2020.</p>
Third line oversight Internal audit Regular reporting	<p>The Committee received regular updates from GwIA on audits conducted and management's progress in addressing audit findings within agreed timelines. Any delays in implementing remediation actions were escalated to the Committee and given particular scrutiny.</p> <p>The independent assurance provided by GwIA formed a key part of the Committee's deliberations on the Group's overall control environment. During 2019, the areas reviewed included: change management and transformation (in particular relating to the demerger), financial controls, outsourcing and third-party supply, customer outcomes, cyber risk, compliance and regulatory and second line of defence. In addition, GwIA performed more business monitoring during 2019 to obtain a broader view of the business and enable more regular assessments of emerging risks and changes in the control environment. This has been achieved through a variety of methods including stakeholder discussions and an increasing use of data analytics.</p> <p>The Group Chief Internal Auditor reports functionally to the Committee Chair and for management purposes to the Group Chief Executive, and also has direct access to the Chair of the Board. In addition to formal Committee meetings, the Committee meets with the Group Chief Internal Auditor in private to discuss matters relating to, for example, the effectiveness of the internal audit function, significant audit findings and the risk and control culture of the organisation.</p> <p>The Committee Chair also meets with GwIA's Quality Assurance Director to discuss the outcome of the quality reviews of GwIA's work and actions arising.</p>
Annual internal audit plan and focus for 2020	<p>GwIA now operates a rolling six-month approach to audit planning. The Committee approved the plan for the second half of 2019. It also considered and approved the Internal Audit Plan, resource and budget for the first half of 2020.</p> <p>The 2020 Internal Audit Plan was formulated based on a bottom-up risk assessment of audit needs mapped against various metrics combined with top-down challenge. The plan was then mapped against a series of risk and control parameters, including the top risks identified by the Risk Committee, to verify that it is appropriately balanced between financial, business change, regulatory and operational risk drivers and provides appropriate coverage of key risk areas and audit themes within a risk-based cycle of coverage. Key areas of focus for 2020 include: strategic change initiatives, customer outcomes, cyber security, financial risk and financial controls, culture, outsourcing and digitisation.</p>

Key matters considered during the year continued

<i>Matter considered</i>	<i>How the Committee addressed the matter</i>
Effectiveness of Internal Audit	<p>The Committee is responsible for approval of the GwIA charter, audit plan, resources, and for monitoring the effectiveness of the function. In addition, the Committee approved the new, post-demerger target operating model for internal audit in Prudential plc.</p> <p>The Committee also assesses the effectiveness of GwIA through a combination of External Quality Assessment reviews, required every five years, and an annual internal effectiveness review.</p> <p>A 2019 Internal Effectiveness review, performed by the GwIA Quality Assurance Director, was conducted in accordance with the professional practice standards of the Chartered Institute of Internal Auditors (CIIA) and assessed continued conformance with the CIIA guidance for Effective Internal Audit in the Financial Services (the CIIA Code). The review concluded that GwIA continued to comply with the requirements of internal audit policies, procedures and practices, and standards in all material respects relating to audit planning and execution, and continued to be aligned with its mandated objectives and maintained general conformance with the CIIA Code.</p> <p>During 2019, GwIA also continued to develop its practices with enhancements to methodology, approaches to audits and the use of data analytics. In preparation for the demerger, the function successfully completed the creation of two appropriately skilled and sized, independent internal audit functions, where previously there had been a single function.</p>
Internal control	
Internal control and risk management systems	<p>The Committee is responsible for reporting and making recommendations to the Board on the effectiveness of Group-wide internal control and risk management systems.</p> <p>The Committee considered the outcome of the annual review of the systems of internal control and risk management. This considered M&G plc to the extent it was relevant to the amounts disclosed within the Group 2019 financial statements. The review identified a number of areas for improvement and the necessary actions that have been, or are being, taken. The audit committees at Group and subsidiary level collectively monitor outstanding actions regularly and ensure sufficient resource and focus is in place to resolve them within a reasonable time frame.</p>
Governance	
Group governance framework	<p>The Group Governance Manual sets out the policies and procedures by which the Group operates within its framework of internal governance, taking into account relevant statutory and regulatory matters. It is a platform for mandating specific ways of working across the Group and each business unit attests annually to compliance with:</p> <ul style="list-style-type: none"> — Mandatory requirements set out in Group-wide policies, including matters which must be reported to the Group functions; and — Matters requiring prior approval from those parties with delegated authority. <p>The Committee reviewed the results of the Group Governance Manual annual content review and the results of the year end certification of compliance with Group Governance Manual requirements for the year ended 31 December 2019.</p>
Competence and experience	<p>In relation to the provisions of the UK Code and HK Listing Rules, the Board is satisfied that David Law has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sectors in which the business operates.</p> <p>Full biographies of the Committee members including experience and professional qualifications, are set out on pages 94 to 96.</p> <p>The Board has determined that David Law qualifies as the Audit Committee financial expert under the requirements of Form 20-F.</p>



Howard Davies
Chair of the Risk Committee

Committee members

- Howard Davies (Chair)
- Jeremy Anderson (from January 2020)
- David Law
- Kai Nargolwala
- Alice Schroeder
- Tom Watjen

Regular attendees

- Chairman of the Board
- Group Chief Executive
- Group Chief Risk and Compliance Officer
- Group Chief Financial Officer and Chief Operating Officer
- Company Secretary
- Group Chief Internal Auditor
- Chief risk officers of the main subsidiaries and members of the Group Risk Leadership Team are invited to attend each meeting as appropriate.

Number of meetings in 2019:

Five. (In addition a joint meeting was held with the Audit Committee in April 2019.)

Risk Committee report

Dear shareholder

As Chair of the Risk Committee, I am pleased to report on the Committee's activities and focus during 2019.

This will be my last report as Risk Committee Chair. Having served as a Non-executive Director and chaired the Committee since October 2010, I will not offer myself for re-election at the 2020 Annual General Meeting. I would like to take this opportunity to thank my fellow Committee members for their diligence and also everyone on the Prudential team who has supported me and the Committee over the years. As announced on 11 March 2020, Jeremy Anderson will succeed me as Chair of the Committee.

Committee operation

The Committee assists the Board in providing leadership, direction and oversight of the Group's overall risk appetite, limits and strategy. It also oversees and advises the Board on current and future risk exposures of the Group, including those which have the potential to impact on the delivery of the Group's Business Plan. The Committee reviews the Group Risk Framework and recommends changes to it for approval by the Board to ensure that it remains effective in identifying and managing the risks faced by the Group.

The Committee received regular reports from the Group Chief Risk and Compliance Officer (CRCO), who is advised by the Group Executive Risk Committee (GERC). I provided feedback on the performance of the CRCO to the Group Chief Executive Officer as part of the annual evaluation of the Board and its members. The Committee also received regular reports from the Group-wide Internal Audit function and updates from other areas of the business as needed.

Regulatory matters

On 25 March 2019 the Hong Kong Insurance Authority (Hong Kong IA) and the Group signed a Regulatory Letter, which outlines the interim supervision framework applicable to the Group until the Hong Kong IA's Group-wide Supervision (GWS) Framework becomes effective. The required legislative process is expected to be finalised in the second half of 2020. The Committee considered the capital aspects of the Regulatory Letter as well as considering regular updates on GWS developments over the year.

The CRCO briefed the Committee regularly on developments in systemic risk regulation and the Insurance Capital Standards (ICS). We considered the results of ICS field testing in July and the implications of the IAIS announcement in November of a unified path to convergence of comparable group capital standards across jurisdictions. During the year, the Group remained subject to the policy requirements resulting from its prior designation in 2016 as a Global Systemically Important Insurer (G-SII). The Committee therefore considered and approved the Group's 2019 Systemic Risk Management Plan, Liquidity Risk Management Plan and Recovery Plan.

Transformation risk, including the demerger, and other in-depth reviews

During 2019, a key area of consideration for the Committee was the risk associated with the Group's portfolio of key strategic change initiatives, which included the demerger of M&G plc, as well as, notably, those related to IFRS 17, the Group's digital transformation, LIBOR transition and further implementation of the Aladdin system. During the year, the Committee considered updates, risk opinions, guidance and assurance on this critical change activity. Ongoing reviews were also performed on the financial and non-financial risks to the execution of the demerger. The Committee considered and recommended for approval the risk disclosures included in the Prudential plc shareholder Circular published on 25 September 2019.

In-depth reviews were performed in existing and emerging high risk areas including the interest rate risk profile and asset liability management of our Asia business; Prudential's artificial intelligence and digital transformation initiatives and their associated risks, ethical considerations and governance; together with the reinsurance arrangements in place across the Group.

Risk appetite and principal risks

During 2019, the Committee reviewed the Group's risk policies and proposed changes to the Group risk appetite statements. Aligned with these reviews, proposals to amend associated limits were also considered. The amendments were recommended and approved to reflect the changes in the Group's risk profile and the evolving regulatory environment following the demerger.

The Committee also considered the principal risks facing the Group and received updates on these through the course of the year as well as reports from the chief risk officers of our main subsidiaries, who regularly attend Committee meetings. A fuller explanation of principal risks facing the Group and the way in which the Group manages these is set out in the Group Chief Risk and Compliance Officer's report on pages 51 to 71. During 2019, the Committee considered risk assessments and opinions on key areas covering the risks associated with the Group's Business Plan, the Group's revised dividend policy and executive remuneration, further details of which are noted below.

In respect of our principal risks, we continued to focus on the risks to the Group's financial viability and non-financial sustainability including those arising from the external business and macroeconomic environment in which it operates; risks arising from the nature of the Group's business and industry; and the risks around global legal and regulatory compliance. We regularly reviewed the strength of our capital and liquidity positions (including the results of stress and scenario analyses) and the impact of the transition to the Hong Kong IA's Local Capital Summation Method (LCSM) in determining the Group's regulatory capital requirements.

Information security and privacy

Information security and data privacy also received attention from the Committee in 2019. We reviewed progress achieved on the implementation of the Group's information security and privacy operating model and received updates on the Group's compliance with the EU's General Data Protection Regulation (GDPR). In April 2019, a joint session with the Audit Committee on cyber security included an update on progress against the Group's key 2019 objectives in this area and included training aimed at enhancing the knowledge of Non-executive Directors on both the increasing regulatory expectations and the threats faced by the Group.

Committee governance

The Committee works closely with the Audit Committee to ensure both Committees are updated and aligned on matters of common interest. Where responsibilities are perceived to overlap between the two Committees, David Law and I agree the most appropriate Committee to consider the matter. Aligned with the consolidation of the Risk, Compliance and Security functions under the leadership of the CRCO during 2019, the Committee assumed responsibility for Compliance oversight from the Audit Committee with effect from 1 January 2020. The Committee considered and approved the Risk and Compliance plan for the first half of 2020 and will receive a plan for the second half of 2020 at mid-year.

The effectiveness of the Committee was reviewed as part of the annual Board evaluation, which confirmed that the Committee continued to operate effectively during the year and no major areas requiring improvement were highlighted.

How the Committee spent its time during 2019

	Feb	Apr	Jul	Oct	Nov
Markets and Group risk updates					
Group risk updates	●	●	●	●	●
Main subsidiary updates	●	●	●	●	●
Risk Management					
Group principal risk identification	●	○	○	○	○
Principal risk discussions	●	●	●	●	●
Business unit specific risk matters	●	●	●	●	●
Risk assessment of Business Plan	○	○	○	○	●
Risk function effectiveness	●	○	○	○	○
Risk oversight of remuneration	●	○	●	●	●
Transformation risk	●	●	●	●	●
Demerger financial viability and operation resilience	●	●	●	●	○
Information security and privacy	●	●	●	●	●
Regulatory matters					
Regulatory matters	●	●	●	●	●
Risk framework					
Internal model development and changes	●	●	●	○	○
Group risk appetite review	○	●	●	○	○
Risk limit updates	○	○	●	○	●
Risk policy framework refresh and updates	●	○	●	○	●
Risk-related compliance policies	○	○	●	●	○
Group-wide Internal Audit update	●	●	●	●	●
Governance and reporting					
Full and half-year risk disclosure	●	○	●	○	○
Global Systemically Important Insurer: Liquidity Risk Management Plan, Systemic Risk Management Plan and Recovery Plan	○	○	○	●	○
Own Risk and Solvency Assessment	○	●	○	●	○
Full and half-year ECap results	○	●	○	○	●
Group Regulatory and Compliance reporting	●	●	●	●	●
Committee terms of reference	○	○	○	○	●

Key matters considered during the year

<i>Matter considered</i>	<i>How the Committee addressed the matter</i>
Risk framework	<p>The Group Risk Framework and risk policies were subject to both an annual review and a further specific update to ensure compliance with the Hong Kong IA Regulatory Letter. Changes were recommended by the Committee for approval by the Board.</p> <p>Annually, business units are required to assess and certify their compliance with the Group Risk Framework and associated policies as part of the annual Group Governance Manual certification process. The certification process is facilitated by Group Risk and Compliance and subject to oversight by the Committee.</p> <p>The Committee conducted its annual review of risk effectiveness in February. It also considered the effectiveness of, and approved updates to, the Group Risk Mandate which formally sets out the purpose and responsibilities of the Group Risk function and its effectiveness in overseeing the key risks to the Group.</p> <p>The Committee also reviewed the methodology and calibration of the Group internal model.</p>
Risk appetite	<p>The Committee is responsible for recommending changes in the Group's overall risk appetite and tolerance to the Board for approval.</p> <p>The Committee considered the revised Group Risk Appetite Statement and associated limits that would apply after the demerger of M&G plc. These were defined in aggregate for financial and non-financial risks by the setting of objectives for its liquidity, capital requirements and non-financial risk exposure.</p>
Hong Kong Insurance Authority (IA)	<p>In August 2018, it was announced that the Hong Kong IA would become the Group-wide supervisor for Prudential plc after the demerger of M&G plc.</p> <p>Key updates on the discussions with the Hong Kong IA on the regulatory requirements applying immediately following the demerger, and those anticipated in the longer term, were provided to the Committee as part of the CRCO's regular reporting.</p>
Business Plan	<p>As part of its role in overseeing and advising the Board on future risk exposures and strategic risks, the Committee reviewed Group Risk's assessment of the Business Plan, which included key financial risks (including those associated with the macroeconomic environment, such as prolonged low interest rates) and non-financial risks (including those from the regulatory environment) to the post-demerger Group. The analysis reviewed included sensitivity assessments of the impact of various plausible scenarios.</p> <p>As part of its review of the risk assessment of the Business Plan, the Committee approved proposed changes to Group Approved Limits.</p>
Own Risk and Solvency Assessment (ORSA)	<p>The ORSA is a key ongoing process for identifying, assessing, controlling, monitoring and reporting the risks to which the Group is exposed and assessing capital adequacy over the business planning horizon.</p> <p>In April, the Committee considered the Group's ORSA report, based on the Business Plan, prior to its approval by the Board. An additional ORSA report was considered by the Committee in October which included a forward-looking assessment of the demerged Group's capital and liquidity position, and the outcome of a range of stress and scenario testing to inform the Committee of potential future capital solvency and liquidity levels.</p>
Stress and scenario testing	<p>The Committee is responsible for reviewing the outcome and results of stress and scenario testing, which is a key risk identification, measurement and management tool for the Group.</p> <p>Stress and scenario testing is a key component of the Group's ORSA and the risk assessment of the Business Plan, as described above, as well as its Recovery Planning and Reverse Stress Testing (RST).</p> <p>The Group's Recovery Plan, considered by the Committee in October, included an assessment of the effectiveness of the post-demerger business's recovery options under market and idiosyncratic scenarios. An updated year-end 2018 RST exercise was performed for the post-demerger Group, which confirmed that it remains resilient to all business model failure scenarios considered. The Committee recommended the Group's Recovery Plan and RST Report for approval by the Board.</p>

Key matters considered during the year continued

Matter considered	How the Committee addressed the matter
Global Systemically Important Insurer (G-SII)	<p>The FSB has endorsed a new Holistic Framework for systemic risk management to be implemented by the IAIS in 2020 and suspended G-SII designations until a review is undertaken in 2022.</p> <p>In 2019, the Group remained subject to G-SII measures due to its prior designation in 2016. The Committee therefore considered, and recommended for approval by the Board, updated deliverables associated with this designation. These included the Systemic Risk Management Plan, Recovery Plan and Liquidity Risk Management Plan. Many of the G-SII measures have been adopted into the Insurance Core Principles and ComFrame – the common framework for the supervision of Internationally Active Insurance Groups (IAIGs). As Prudential is expected to satisfy the criteria of an IAIG these measures are anticipated to continue for the Group.</p>
Transformation activity and demerger of M&G plc	<p>During 2019, a key area of consideration for the Committee was the demerger of M&G plc from the rest of the Group, which contributed to the portfolio of key strategic change activity across the Group. The Committee's work included overseeing the conflict management process around the demerger. The Committee also discussed the appropriate governance arrangements for the Group's subsidiary risk committees post-demerger and associated transitional arrangements.</p> <p>The Committee was provided with updates on demerger and transformation activity throughout the year, and considered the results of risk opinions, guidance and assurance work. It received regular updates on the Group's portfolio of key strategic change initiatives, including those related to IFRS 17, the Group's digital transformation, LIBOR transition and implementation of the Aladdin system.</p> <p>Ongoing analyses of the key financial risks to the execution of the demerger under various stress scenarios were provided to the Committee, as well as progress updates on operational separation activity.</p> <p>In particular, the Committee considered and approved changes to the following items, which were all updated to appropriately reflect the position of the demerged Group: risk assessment of the Group Business Plan; risk framework and policies; risk appetite and associated limits; ORSA report; and G-SII deliverables.</p> <p>The Committee also considered the risk disclosures included in the Prudential plc shareholder Circular in advance of its publication.</p>
Group principal risks	<p>The Committee evaluated the Group's principal risks, considering recommendations for promoting additional risks and changes in the scope of existing risks. The Committee received regular reporting on principal and emerging risks, external events such as the UK's exit from the EU and the Hong Kong protests and mitigating actions over the course of the year within the Group CRCO's regular report to the Committee. Further information about how the Group identifies emerging and principal risks can be found in the Group Chief Risk and Compliance Officer's report.</p> <p>These reports also provided the Committee with: regulatory updates; developments in the Group's internal model; the implications of the developing global capital standards including the engagement with the Hong Kong IA on the development of an industry group capital and risk management framework; and developments in relation to the Group's designation as a G-SII.</p>
Deep dives	<p>As part of its risk oversight responsibilities, the Committee also considers the result of 'deep dive' risk reviews performed over the year.</p> <p>In 2019, these focused on risks embedded within the assets and liabilities and the portfolio of products in our US and Asia businesses and the Group's digital transformation initiatives.</p>
Information security and privacy	<p>During 2019, updates were provided to the Committee on progress made in the implementation of the operating model for information security and privacy.</p> <p>In April, in a joint session of the Risk and Audit Committee, an update on cyber security was provided on the latest regulatory expectations, an assessment of the threats facing the Group and the means to enable appropriate oversight.</p> <p>The Committee received regular updates on Group-wide information security and privacy metrics providing a view of security posture across the businesses.</p> <p>Specifically in the key area of data privacy, the Committee received an update in February on progress on residual Group-wide activity to ensure compliance with General Data Protection Regulations. In November, the Committee was provided with an update on Group-wide privacy activities and emerging privacy regulations in the US and Asia.</p>

Key matters considered during the year continued

<i>Matter considered</i>	<i>How the Committee addressed the matter</i>
Jackson oversight	<p>The Committee received regular updates on the Jackson business throughout 2019 including in relation to the financial risk oversight of the business, which remains a key area of focus. Updates were provided to each Committee meeting on the effectiveness of the hedging programme and the impact of market movements on Jackson's estimated Risk Based Capital ratio.</p> <p>The Committee approved changes to limits used in the monitoring of the market and credit risks of the Jackson business.</p> <p>Additionally, the Committee considered the results of in-depth reviews performed on the methodology and assumptions of a tool for the estimation of Jackson capital adequacy under stress. In October, the Committee approved Jackson's adoption of the NAIC Variable Annuity Reform Framework.</p>
Remuneration	<p>The Committee has a formal role in the provision of advice to the Remuneration Committee on risk management considerations in respect of executive remuneration. It considered risk management assessments of proposed executive remuneration structures and outcomes during the year, making related recommendations to the Remuneration Committee for their consideration. The assessments considered included those relating to executives of M&G plc at the point of demerger and proposals relating to the Jackson bonus pool.</p>
Compliance and audit reporting	<p>The Committee received regular reporting on key compliance risks and mitigation activity throughout the year. It also reviewed and approved updates to regulatory compliance risk-related policies including changes to the regulatory communications policy in advance of the transfer of Group-wide supervisory responsibilities from the PRA to the Hong Kong IA in October.</p> <p>The Committee received updates from Group-wide Internal Audit throughout the year relating to effectiveness of risk management and internal control systems and other matters relating to its responsibilities.</p>

Statutory and regulatory disclosures

Financial reporting

The Directors have a duty to report to shareholders on the performance and financial position of the Group and are responsible for preparing the financial statements on pages 196 to 318 and the supplementary information on pages 330 to 357. It is the responsibility of the auditor to form independent opinions, based on its audit of the financial statements and its audit of the EEV basis supplementary information, and to report its opinions to the Company's shareholders and to the Company. Its opinions are given on pages 320 to 329 and page 359.

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial affairs of the Company and of the Group. The criteria applied in the preparation of the financial statements are set out in the Statement of Directors' responsibilities on pages 319 and 358. Company law also requires the Board to approve the Strategic report. In addition, the UK Code requires the Directors' statement to state that they consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors are further required to confirm that the Strategic report includes a fair review of the development and performance of the business, with a description of the principal risks and uncertainties. Such confirmation is included in the statement of Directors' responsibilities on page 319.

The Strategic report provides, on pages 10 to 87, a description of the Group's capital position, financing and liquidity. The risks facing the Group's business are discussed in the Group Chief Risk and Compliance Officer's report of the risks facing our business and how these are managed on pages 51 to 71.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware;

each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Going concern

In accordance with the guidance issued by the Financial Reporting Council in September 2014, 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', after making sufficient enquiries the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue their operations for a period of at least 12 months from the date that the financial statements are approved. In support of this expectation, the Company's business activities, together with the factors likely to affect its future development, successful performance and position in the current economic climate, are set out in the Strategic report on pages 10 to 87. The risks facing the Group's capital and liquidity positions are referred to in the Strategic report on pages 51 to 71 with further information on capital (including sensitivities) set out in note I(i) 'Group Capital Position' within Additional unaudited financial information. In addition, the Directors considered the macro-economic environment and geopolitical risks in the markets which the Group operates, as well as the impact of the outbreak of coronavirus ('COVID-19'). The Group's IFRS financial statements include the details of the Group's borrowings in note C6 on pages 280 and 281, the market risks and liquidity analysis associated with the Group's assets and liabilities can be found in note C3.4(a) on pages 256 to 258, policyholder liability maturity profile by business units in notes C4.2(iii) and C4.3(ii) on pages 266 and 267 respectively, cash flow details in the consolidated statement of cash flows and provisions and contingencies in notes C11 and D3. The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 December 2019.

Powers of the Board

The Board may exercise all powers conferred on it by the Company's Articles and the Companies Act 2006. This includes the powers of the Company to borrow money and to mortgage or charge any of its assets (subject to the limitations set out in the Companies Act 2006 and the Company's Articles) and to give a guarantee, security or indemnity in respect of a debt or other obligation of the Company.

Rules governing the appointment of Directors

The appointment and removal of Directors is governed by the provisions in the Articles of Association (the Articles), the UK Code, the HK Code (as appended to the Hong Kong Listing Rules) and the Companies Act 2006.

Director indemnities

Subject to the provisions of the Companies Act 2006, the Company's Articles permit the Directors and officers of the Company to be indemnified in respect of liabilities incurred as a result of their office. Suitable insurance cover is in place in respect of legal action against directors and senior managers of companies within the Group.

Qualifying third-party indemnity provisions are also available for the benefit of the Directors of the Company and certain other such persons, including certain directors of other companies within the Group. These indemnities were in force for 2019 and remain so. Prior to the demerger of M&G plc qualifying pension scheme indemnity provisions were in place for the benefit of certain pension trustee directors within the Group.

Contract of significance

At no time during the year did any Director hold a material interest in any contract of significance with the Company or any subsidiary undertaking.

Securities dealing and inside information

Prudential has adopted securities dealing rules relating to transactions by Directors on terms no less exacting than required by Appendix 10 to the HK Listing Rules and by relevant UK regulations. Having made specific enquiry of all Directors, the Directors have complied with these rules throughout the period.

The Group has adopted an Inside Information Policy which includes guidance and procedures for the identification, dissemination and escalation of inside information as well as appropriate controls on the disclosure of such information in line with regulatory requirements. All staff are made aware of the policy and receive communications reminding them of their obligations when they work on any confidential matters in the business or are notified when the Company enters or exits a closed period.

Requirements of Listing Rule 9.8.4

Information to be included in the Annual Report and Accounts under Listing Rule 9.8.4 may be found as follows:

Listing Rule	Description	Page
9.8.4 (4)	Details of long-term incentive schemes required by Listing Rule 9.4.3	168
9.8.4 (10)	Contracts of Significance involving a Director	134
9.8.4 (12)	Details of shareholder waiver of dividends	401
9.8.4 (13)	Details of shareholder waiver of future dividends	401

US regulation and legislation

As a result of its listing on the New York Stock Exchange, the Company is required to comply with the relevant provisions of the Sarbanes-Oxley Act 2002 as they apply to foreign private issuers and have adopted procedures to ensure such compliance. In particular, in relation to Section 302 of the Sarbanes-Oxley Act 2002 which covers disclosure controls and procedures, a Disclosure Committee has been established, reporting to the Group Chief Executive, chaired by the Chief Financial Officer and comprising members of head office management. The work of the Disclosure Committee supports the Group Chief Executive and Chief Financial Officer in making the certifications regarding the effectiveness of the Group's disclosure procedures.

Change of control

Under the agreements governing Prudential Corporation Holdings Limited's life insurance and fund management joint ventures with China International Trust & Investment Corporation (CITIC), if there is a change of control of the Company, CITIC may terminate the agreements and either, (i) purchase the Company's entire interest in the joint venture or require the Company to sell its interest to a third party designated by CITIC, or (ii) require the Company to purchase all of CITIC's interest in the joint venture. The price of such purchase or sale is to be the fair value of the shares to be transferred, as determined by the auditor of the joint venture.

Customers

The five largest customers of the Group constituted in aggregate less than 30 per cent of its total revenue from sales for each of 2019 and 2018.

Index to principal Directors' report disclosures

Information required to be disclosed in the Directors' report may be found in the following sections:

<i>Information</i>	<i>Section in Annual Report</i>	<i>Page number(s)</i>
Disclosure of information to auditor	Statutory and regulatory disclosures	133
Directors in office during the year	Board of Directors	92 to 97
ESG summary	ESG summary	72 to 87
Employment practices	ESG summary	72 to 87
Greenhouse gas emissions	ESG summary	72 to 87
Charitable donations	ESG summary	86
Political donations and expenditure	ESG summary	87
Remuneration Committee report	Directors' remuneration report	136 to 173
Directors' interests in shares	Directors' remuneration report	166
Agreements for compensation for loss of office or employment on takeover	Directors' remuneration report	186
Details of qualifying third-party indemnity provisions	Governance report	133
Internal control and risk management	Governance report	108 and 109
Powers of Directors	Governance report	133
Rules governing appointment of Directors	Governance report	133
Significant agreements impacted by a change of control	Governance report	134
Future developments of the business of the Company	Group Chief Executive's report	6 to 9
Post-balance sheet events	Note D4 of the notes on the Group financial statements	298
Rules governing changes to the Articles of Association	Shareholder information	400
Structure of share capital, including changes during the year and restrictions on the transfer of securities, voting rights and significant shareholders	Shareholder information and note C10 of the notes on the Group financial statements	400, 401 and 290
Business review	Group overview and Strategic report	3 to 87
Changes in borrowings	Strategic report and note C6 of the notes on the Group financial statements	63, 64 and 280
Dividend details	Group overview and Strategic report	4 and 40
Financial instruments	Strategic report and Additional information	51 to 71 and 388 to 390
Corporate governance codes – statement of compliance	How we operate	98

In addition, the risk factors set out on pages 388 to 395 and the additional unaudited financial information set out on pages 362 to 387, are incorporated by reference into the Directors' report.

The Directors' report is signed on behalf of the Board of Directors by



Tom Clarkson
Company Secretary
10 March 2020