04

Directors' remuneration report

This report has been prepared to comply with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, The Companies (Miscellaneous Reporting) Regulations 2018, The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, as well as the Companies Act 2006 and other related regulations.

The following sections were subject to audit: Table of 2019 and 2018 Executive Director total remuneration (the 'single figure') and related notes, salary information table in section entitled Remuneration in respect of performance in 2019, Pension entitlements, Long-term incentives awarded in 2019, Chairman and Non-executive Director remuneration in 2019, Statement of Directors' shareholdings, Outstanding share options, Recruitment arrangements and Payments to past Directors and payments for loss of office.

Annual statement from the Chairman of the Remuneration Committee

Anthony Nightingale CMG SBS JP
Chairman of the Remuneration Committee

Dear shareholder,
I am pleased to present the Remuneration Committee's report for the year to 31 December 2019.

The Committee's report is presented in the following sections:

1 An 'at a glance' summary of the Group's remuneration arrangements on pages 142 and 143. This includes a summary of the key features of operation of the current Directors' remuneration policy and outlines our proposed changes to the policy for 2020. The current policy was approved by shareholders at the 2017 AGM;

2 Our Annual report on remuneration on pages 144 to 173 which describes how the Committee applied the Directors' remuneration policy in 2019 and the decisions it has made in respect of 2020;

3 Our new Directors' remuneration policy on pages 174 to 191 which describes how we propose paying Directors from 14 May 2020. This will be subject to an ordinary resolution of shareholders at the 2020 AGM; and

4 Supplementary information on pages 192 to 195.

By way of preface, I would like to share the context for the key decisions the Committee took during 2019, in particular, the decisions we took in connection with the demerger, how we rewarded performance achieved during the year, the remuneration arrangements for those stepping down from the Board and the decisions relating to remuneration arrangements in 2020 and the new Directors' remuneration policy. In line with our approach to shareholder engagement and given the above, I corresponded with and met the majority of our major shareholders, as well as organisations that represent and advise shareholders during late 2019 and early 2020. I am pleased to say that we have had the benefit of substantive feedback from 41 per cent of our shareholder register and that the majority of shareholders and advisory bodies who provided input were content with our proposals and commended the manner in which we conducted the consultation process. On behalf of the Committee, I would like to thank the shareholders and advisory bodies for their engagement to date and look forward to continuing this open dialogue into the future.

Further, I am delighted to welcome Amy Yip, who joined the Committee in September 2019.

Demerger-related decisions

The M&G plc business demerged from the Group with effect from 21 October 2019. As I described last year, the Committee established a set of principles to underpin decisions on remuneration relating to the demerger, including:

— Executives should not be advantaged or disadvantaged by the demerger; the value of outstanding awards and their key terms (release dates, holding periods, malus and clawback provisions) should be unaffected;

— Where performance conditions need to be revised, the new conditions should be no more or less stretching than those originally attached to the awards; and

— Where the Committee has applied discretion, this will be disclosed clearly.

These principles were the basis for the decisions taken by the Committee, including the treatment of outstanding share awards which was set out in the Shareholder Circular published on 25 September 2019 and voted upon and approved by shareholders at the October 2019 General Meeting. This treatment, together with adjustments made to the targets of in-flight Prudential Long Term Incentive Plan (PLTIP) awards as a result of the demerger, are detailed in 'Remuneration decisions taken in relation to the demerger' section of this report.

Changes to the executive team

The Company made a number of changes to the senior leadership team of the Group in preparation for the demerger. On 16 May 2019, John Foley, Chief Executive of M&GPrudential, Nic Nicandrou, Chief Executive of Prudential Corporation Asia, and Michael Falcon, Chairman and Chief Executive Officer of Jackson Holdings LLC stepped down as Executive Directors of Prudential plc. They did not receive any loss of office payment in respect of their service as Executive Directors. Details of remuneration earned in respect of their service on the Prudential plc Board is provided in this report. When John Foley left the Group on the demerger of M&G plc, his outstanding PLTIP and deferred bonus awards were exchanged for replacement awards over M&G plc shares of an equivalent value and subject to equivalent malus and clawback provisions, and performance conditions which the Remuneration Committee of M&G plc determined were no more or less onerous than those which originally applied. Mr Foley's 2019 bonus will be assessed and determined by M&G plc Remuneration Committee and will be paid by M&G plc.

In July 2019 Mark FitzPatrick, in addition to his role as Group Chief Financial Officer, became Chief Operating Officer while James Turner, Group Chief Risk Officer, became additionally responsible for the Group Compliance function. Their titles were changed to reflect these new duties.

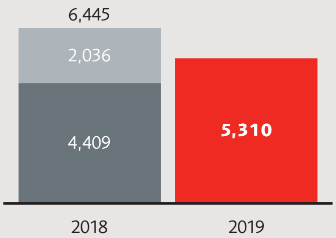
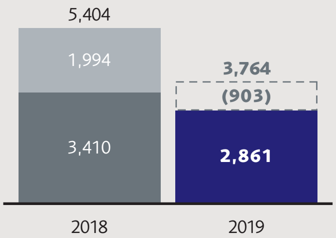
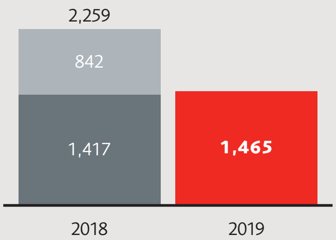
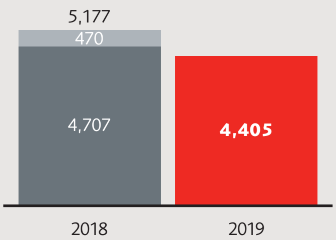
In August 2019, Mr Turner relocated to Hong Kong to support our dialogue with the Hong Kong Insurance Authority (Hong Kong IA), our Group-wide supervisor from the date of the demerger. The Company supported Mr Turner's relocation and, in order to recognise the expansion of his role and his development since joining the Board, he received an uplift in salary of 9 per cent and an increased bonus opportunity from 160 per cent of base salary to 175 per cent from the date of his move. No changes were made to Mr Turner's long-term incentive award level or to Mr FitzPatrick's 2019 remuneration arrangements.

Key
- Continuing
- Discontinued (M&G plc)
- Continuing
- Continuing operations after hedge modelling changes
- Hedge modelling changes

Rewarding 2019 performance

Prudential's executive remuneration arrangements reward the achievement of Group, business, functional and personal targets, provided that this performance is delivered within the Company's risk framework and appetites, and that the conduct expectations of Prudential, our regulators and other stakeholders are met.

As set out in the 'Strategic report' section earlier in this Annual report, the Group delivered results which demonstrate operating earnings growth and the benefits of the diverse portfolio in Asia. These results have been achieved in parallel with the demerger of the M&G plc business. The table below illustrates achievement of KPIs:

Performance measures	*Group performance ($m)*[4]	*2018-2019 growth*[5]	*2019 bonus achievement*[6]
Adjusted operating profit[1] Prudential's primary measure of profitability and a key driver of shareholder value.		**+20%**	**Above target, approaching stretch target level.** Adjusted operating profit accounted for **35 per cent** of Group financial bonus targets.
Group free surplus generation[2,3] A measure of the internal cash generation of our business units.		**+10%** before hedge modelling changes	**Above stretch target level.** Group free surplus generation accounted for **30 per cent** of Group financial bonus targets.
Business unit remittances[7] Cash flows across the Group reflect our aim of achieving a balance between ensuring sufficient net remittances from business units to cover the dividend (after corporate costs) and the use of cash for reinvestment in profitable opportunities.		**+3%**	**Above target, approaching stretch target level.** A cash flow measure was used to determine **20 per cent** of the Group financial bonus targets.
EEV new business profit A measure of the future profitability of the new business sold during the year and indicates the profitable growth of the Group.		**-6%** reflecting economic conditions, US product mix changes and Hong Kong protest disruption. PCA ex Hong Kong +29%	**Above target, approaching stretch target level.** EEV new business profit accounted for **15 per cent** of Group financial bonus targets.

Notes
1. In this report 'adjusted operating profit' refers to adjusted IFRS operating profit based on longer-term investment returns and are as previously reported.
2. For insurance operations, operating free surplus generated represents amounts maturing from the in-force business during the period less investment in new business and excludes non-operating items. For asset management businesses, it equates to post-tax operating profit for the period. Restructuring costs are presented separately from the underlying business unit amount.
3. Operating free surplus generated before US modelling changes. During 2019, as part of the implementation of the NAIC's changes to the US statutory reserve and capital framework enhancements were made to the model used to determine the cost of hedging for US statutory reporting which have been incorporated into the EEV model, resulting in a fall in operating free surplus of $(903) million from a lower expected transfer to net worth. After allowing for this, operating free surplus generated is $2,861 million, down 16 per cent on a constant and actual exchange rate basis.
4. As reported basis.
5. Growth rates on continuing operations.
6. Executive Directors' bonus awards have been assessed against targets that assumed M&G plc performance up to the date of demerger. Targets and the level of achievement are set out in the 'Annual bonus outcomes for 2019' section of the Annual report on remuneration.
7. Group cash flow includes BU remittances net of dividends and corporate costs.

2019 Adjusted operating profit was 20 per cent higher than prior year on a constant exchange rate basis reflecting the performance outlined in the business performance review, which delivered a result approaching the Board approved stretch targets.

Group EEV new business profit was 6 per cent lower than prior year on a constant exchange rate basis. This reflected the significant reduction in interest rates during the year and the challenging trading environment in Hong Kong in the second half of the year as a direct result of political unrest in the region. Excluding Hong Kong, Asia new business profit was 29 per cent above prior year and given the strong performance of NBP absent the Hong Kong protests, the Committee considered it appropriate to adjust the EEV new business profit target to reflect the reduction in Hong Kong sales driven by the protests, which was considered to be outside of management's control. Allowing for this adjustment, Group EEV new business profit was between target and stretch target.

Group free surplus generation was 10 per cent higher than 2018 on a constant exchange rate basis, excluding the impact of EEV methodology changes outlined in the CFO report (Operating Free Surplus Generation is 16 per cent lower than prior year including the impact of EEV methodology changes). This result was above the Board approved stretch target.

All of our business units achieved target remittance levels, which were 3 per cent higher than 2018 for our continuing operations, enabling us to maintain significant cash stock at the centre, after dividends, corporate costs, demerger effects and investing in profitable opportunities within the business units. The business unit remittances contributed to Group cashflow, which approached the stretch target level.

The Group achieved these results while maintaining appropriate levels of capital and while operating within the Group's risk framework and appetites. The Committee believes that the bonuses it awarded to Executive Directors for 2019 (between 93 per cent and 96 per cent of executives' maximum AIP opportunities) appropriately reflect this performance.

Performance in 2019 has continued to deliver on the momentum achieved in recent years. The Group delivered total adjusted operating profits of $19,021 million in the 2017, 2018 and 2019 financial years. Based on this strong cumulative adjusted operating profit performance over the period and performance against our sustainability scorecard, the Committee determined that between 61.75 and 68.75 per cent of the Prudential Long Term Incentive Plan (PLTIP) awards made to Executive Directors in 2017 would vest (depending on the business unit). These awards will be released to participants from April 2020. The portion of the awards related to Prudential's total shareholder return (TSR) lapsed as TSR performance was ranked below median of the peer group.

The total 2019 remuneration or 'single figure' for the Group Chief Executive, Mike Wells, is 11.25 per cent lower than his total restated 2018 'single figure', notwithstanding his exceptional leadership and personal performance. This chiefly reflects his housing support ending in November 2018 and the impact of the lower value of the 2017 PLTIP vesting compared to the 2016 PLTIP vesting due to lower share price growth over the performance period.

Reviewing the Directors' remuneration policy

Ahead of the renewal of the Directors' remuneration policy at the AGM in 2020, the Committee carefully considered and debated a range of potential remuneration models, taking into account the demerger of the M&G plc business from the Group, the views of our shareholders, the UK Corporate Governance Code and the broader regulatory and competitive environment. The Committee concluded that the current model continues to connect remuneration with the achievement of the Group's ambitious goals to build long-term shareholder value by continuing to focus on achieving sustainable, profitable growth and retaining a resilient balance sheet, with a disciplined approach to active capital allocation. In addition, the Committee decided to retain the key features of the current remuneration model since it is appropriate for a growth company, is well understood and drives the right behaviour and outcomes. On this basis, the Committee decided to retain the current remuneration model while making a number of improvements to ensure that it continues to be aligned with the Group's remuneration principles, business priorities and evolving stakeholder expectations.

The proposed new Directors' remuneration policy set out on pages 174 to 191 has been designed to:

1 Align reward with the strategic priorities and capital framework of the post-demerger business

The Committee intends to align the Prudential Long Term Incentive Plan (PLTIP) performance conditions with the strategic priorities of the post-demerger business by introducing a new a return on equity performance measure, operating return on average shareholders' funds, for the 2020 PLTIP awards, incentivising the efficient use of capital as well as shareholder returns. Using this metric alongside our established metrics of Total Shareholder Return (TSR) and a sustainability scorecard will ensure that the full value of long-term incentive awards is attained only where capital is effectively deployed in a way which creates shareholder returns superior to those delivered by peers while conduct and diversity expectations are met.

The proportion of 2019 long-term incentive awards which will vest for threshold performance was reduced to 20 per cent (from 25 per cent for previous awards). This level of threshold vesting is formalised in the 2020 policy and will apply to all future awards.

The proposed new Directors' remuneration policy seeks to reintroduce a financial element to the bonus for the Group Chief Risk and Compliance Officer from 2020, effectively reverting to a similar approach used until 2015. Specifically, it is proposed that the 2020 bonus for this role is based on 40 per cent functional objectives, 40 per cent Group financial measures and 20 per cent personal measures. This is in line with the current draft of the Hong Kong IA's guideline on the remuneration of key persons in control functions and reflects our view that it is important that this role and other control function staff continue to demonstrate long-term commercial sensitivity and are rewarded in a way which allows the Company to recruit the very best talent to these roles.

Following the Hong Kong IA assuming the role of our Group-wide supervisor, Prudential ceased to be subject to Solvency II capital requirements. It is therefore proposed that the Solvency II underpin under the AIP and the Solvency II capital metric within the PLTIP sustainability scorecard are replaced with measures aligned to the Hong Kong IA capital framework.

2 Strengthen the community of interest between executives and other shareholders

The Committee has decided to build on the share ownership guidelines which apply to executives during their employment by introducing a formal, post-employment shareholding guideline. This guideline will require Executive Directors to hold their full in-employment share ownership guideline for a period of two years from the date of their retirement from the Board (or their actual shareholding from this date if lower).

As described above, Mr FitzPatrick's role expanded in July 2019 when he became Chief Operating Officer in addition to his role as Group Chief Financial Officer. In this capacity, he became responsible for a number of key Group functions including Legal, Government Affairs and Communications. In recognition of Mr FitzPatrick's expanded role and responsibilities, together with the Board's view of his strong performance, potential and criticality to the Group, the Committee propose increasing the value of his 2020 long-term incentive award to 300 per cent of base salary (from 250 per cent at present). The Committee chose to recognise the increased scope of Mr FitzPatrick's role in this way to promote stewardship and long-term focus.

It is imperative that incentive payments are based on performance which is well-founded and sustainable. The Committee currently has the scope to reduce, cancel or recover these payments and intends to build on these discretionary powers in the 2020 policy by formalising and extending the circumstances which might trigger the use of malus and clawback to include non-financial issues and personal conduct which falls short of the Company's expectations.

3 Foster alignment between the remuneration of executives and the wider workforce

The Committee is aware that the greater alignment of reward arrangements of executives with those of the wider workforce is an area of attention for many investors, particularly in light of the expectations set out in the UK Corporate Governance Code. The Committee intends to reflect this focus in a number of ways, including those set out below.

The Committee is mindful of the need for continued restraint in base salary increases. With effect from 1 January 2020, salary increases of 2 per cent were awarded for all Executive Directors. 2020 will be the eighth consecutive year in which the increases generally offered to executives have been below or close to the bottom of the salary increase budget ranges for the broader workforce.

Subject to approval of the new Policy, it is proposed that Executive Directors recruited externally or internally from the date of the 2020 AGM will be offered pension benefits of 13 per cent of salary, aligned with the employer pension contribution available to the UK workforce. We also propose to reduce incumbent Executive Directors' pension benefits from 25 per cent to 20 per cent of salary by May 2021. The Committee recognises that pension benefits are an increasingly important area of focus and believe that the proposal is an active step towards aligning executives with the wider workforce whilst recognising the existing contractual commitments in place. This is an area where market practice is evolving rapidly and one which the Committee will keep under close review.

In conclusion

I trust that you will find this report a clear account of the way in which the Committee has implemented the Directors' remuneration policy during 2019 and of the Committee's proposed new Directors' remuneration policy.

Anthony Nightingale, CMG SBS JP
Chairman of the Remuneration Committee

10 March 2020

Our Executive Directors' remuneration at a glance

What performance means for Executive Directors' pay

At Prudential, remuneration packages are designed to ensure a strong alignment between pay and performance. As you can see from the charts within the Annual statement from the Chairman of the Remuneration Committee, we are continuing to deliver profitable growth for our shareholders. This has been reflected in both the annual bonuses paid and the release of long-term incentive awards, as set out in the Annual report on remuneration.

In particular, the long-term incentives awarded to Executive Directors in 2017 had stretching performance conditions attached to vesting and were denominated in shares or ADRs. The value of the performance-related elements of remuneration is added to the fixed packages provided to Executive Directors to calculate the 2019 'single figure' of total remuneration. The total 2019 'single figure' for the Group Chief Executive is 11.25 per cent less than the total 2018 'single figure'. This chiefly reflects his housing support ending in November 2018 and the impact of the lower value of the 2017 PLTIP vesting compared to the 2016 PLTIP vesting due to lower share price growth over the performance period. The values for the current Executive Directors are outlined in the table below:

		Fixed pay		Performance related			
Executive Director	**Role**	**2019 salary**	**Pension and benefits**	**2019 bonus**	**LTIP vesting**	**2019 single figure**	**2018 single figure[1]**
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	£760,000	£339,000	£1,279,000	£1,082,000	£3,460,000	£2,261,000
James Turner[2]	Group Chief Risk and Compliance Officer	£678,000	£507,000	£1,052,000	£303,000	£2,540,000	£1,913,000
Mike Wells	Group Chief Executive	£1,149,000	£513,000	£2,197,000	£2,860,000	£6,719,000	£7,571,000

Notes

1 Revised 2018 single figure, in line with the regulations, reflecting the actual value of 2018 LTIP releases and additional dividends paid as set out in the notes to the 2018 single figure table.

2 Mr Turner relocated to Hong Kong on 1 August 2019 and has since been paid in HK dollars. Exchange rate fluctuations will therefore impact the reported sterling value. Actual amounts paid and the rates of exchange used to convert into a single currency are set out in the Notes to the 'single figure' table in the Annual report of remuneration.

Aligning 2020 pay to performance

The Committee awarded salary increases to the Executive Directors for 2020 of 2 per cent, which was below the lower end of the range of salary increase budgets for the wider workforce.

As discussed in the 'Annual statement from the Chairman of the Remuneration Committee' and in the 'Statement of implementation in 2020' sections, in the interests of recognising Mr FitzPatrick's expanded role and responsibilities and to support the promotion of stewardship and long-term focus, the Committee intends to increase the value of 2020 long-term incentive award to be made to the Group Chief Financial Officer and Chief Operating Officer within the limit provided for by the current Directors' remuneration policy.

Remuneration packages for 2020, effective 1 January 2020, are set out in detail in the Annual report on remuneration and are summarised below:

			Annual Incentive Plan (AIP)		
Executive Director	**Role**	**2020 salary**	**Maximum bonus (% of salary)**	**Bonus deferred (% of bonus)**	**PLTIP award (% of salary)[1]**
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	£776,000	175%	40%	300%
James Turner[2]	Group Chief Risk and Compliance Officer	HK$7,480,000	175%	40%	250%
Mike Wells	Group Chief Executive	£1,172,000	200%	40%	400%

Notes

1 The PLTIP award is subject to a three-year performance period and a holding period which ends on the fifth anniversary of the award.

2 James Turner relocated to Hong Kong on 1 August 2019 and has since been paid in HK dollars.

Summary of proposed changes to the Directors' remuneration policy

Current key elements of remuneration		2020 2021 2022 2023 2024 2025	Key features of operation of the current policy[1]	Outline of proposed changes for 2020
Fixed pay	Salary and benefits		Salaries reviewed annually with increases generally aligned with those of the workforce. Benefits reflect individual circumstances and are competitive in the local market	No change to salary and benefits policy Offer new, externally recruited and promoted Executive Directors pension benefits aligned with the UK workforce at 13% of salary and move incumbent Executive Directors towards a contribution rate of 20% of salary by 14 May 2021
	Pension		Entitled to receive pension contributions and/or a cash supplement up to 25% of salary. Executive Directors based in Hong Kong receive this in addition to contributions into the Hong Kong Mandatory Provident Fund	No change to Hong Kong Mandatory Provident Fund contributions for Executive Directors based in Hong Kong
Short-term variable pay One-year performance assessed on financial or functional objectives and personal objectives, set with reference to business plans approved by the Board. Awards are subject to the achievement of a Solvency II capital underpin	Cash bonus Deferred bonus		The maximum opportunity is up to 200% of salary 40% of bonus is deferred into shares for three years Award is subject to malus and clawback provisions The measures for the Group Chief Risk and Compliance Officer are based on functional and personal targets only	No change to opportunity levels[2], payment scale, level of deferral or malus and clawback Solvency II underpin replaced with a Pillar I capital underpin aligned with the Hong Kong IA[3] capital framework Reintroduce financial measures for the Group Chief Risk and Compliance Officer in line with current draft Hong Kong IA guideline and weight the 2020 bonus measures as follows: 40% Group financial measures, 40% functional objectives and 20% personal measures Formalise and extend the circumstances which might trigger the use of malus and clawback to include non-financial issues and personal conduct which falls short of the Company's expectations
Long-term variable pay Three-year performance assessed on a combination of: — Financial measures; and/or — Total Shareholder Return (TSR) relative to international insurance peers; and — Sustainability scorecard of capital, conduct and diversity measures.	Prudential Long Term Incentive Plan (PLTIP)	Performance period Holding period	Maximum award under the Plan is 550% of salary although regular awards are below this level Awards are subject to a three-year vesting period from date of grant and a further two-year holding period from the end of the vesting period Awards are subject to malus and clawback provisions 2019 awards have relative TSR and sustainability scorecard targets only The proportion of 2019 awards which will vest for threshold performance was reduced to 20% (from 25% for previous awards)	Increase the regular award level for Group Chief Financial Officer and Chief Operating Officer to 300% of salary (from 250% of salary) No change to award levels for other Executive Directors Adopt a Return on Equity (RoE) measure within the PLTIP for all Executive Directors in addition to the relative TSR and the sustainability scorecard measures. In the scorecard, replace Solvency II capital with a measure aligned with the Hong Kong IA capital framework Weight of 2020 PLTIP measures as follows: 50% TSR, 30% RoE and 20% sustainability scorecard No other changes to the sustainability scorecard metrics and the 20% vesting for threshold performance to be formalised Formalise and extend the circumstances which might trigger the use of malus and clawback to include non-financial issues and personal conduct which falls short of the Company's expectations
Share ownership guidelines	Share ownership guidelines		Significant in-employment share ownership guidelines for all Executive Directors as follows: — 400% of salary for the Group Chief Executive — 250% of salary for other Executive Directors Executives have five years from the later of the date of their appointment, or the date of an increase these guidelines, to build this level of ownership	Introduce a requirement that Executive Directors leaving the Board hold the lower of their actual shareholding at their retirement date and their in-employment share ownership guideline for a period of two years, subject to Remuneration Committee discretion

Notes
1 'Policy' refers to the 2017 Directors' remuneration policy.
2 The Group Chief Risk and Compliance Officer's maximum bonus opportunity was increased during 2019 to recognise his expanded role and development since joining the Board.
3 'Hong Kong IA' refers to the Hong Kong Insurance Authority, the Company's Group wide supervisor following the demerger.

Annual report on remuneration

The Board has established Audit, Remuneration, Risk and Nomination & Governance Committees as principal standing committees of the Board. These committees form a key element of the Group governance framework.

The operation of the Remuneration Committee

Members

Anthony Nightingale (Chair of the Committee)
Kai Nargolwala
Philip Remnant
Thomas Watjen
Fields Wicker-Miurin
Amy Yip (member since 2 September 2019)

Individual Directors' attendance at meetings throughout 2019 is set out in the 'Governance' section.

Role and responsibility

The role and responsibilities of the Committee are set out in its terms of reference, which are reviewed by the Committee and approved by the Board on an annual basis, and which can be found on the Company's website. The Committee's role is to assist the Board in meeting its responsibilities regarding the determination, implementation and operation of the overall remuneration policy for the Group, including the remuneration of the Chairman, Executive Directors, Group Executive Committee and Company Secretary, as well as overseeing the remuneration arrangements of other staff within its purview.

The principal responsibilities of the Committee during 2019 were:

- Determining and recommending to the Board for approval, the framework and policy for the remuneration of the Chairman, Executive Directors and other members of the Group Executive Committee;
- Approving the design of performance-related pay schemes operated for the Executive Directors and other members of the Group Executive Committee, and determining the targets and individual payouts under such schemes;
- Reviewing the design and development of all share plans requiring approval by the Board and/or the Company's shareholders;
- Approving the share ownership guidelines for the Chairman and Executive Directors and other members of the Group Executive Committee, and monitoring compliance;
- Reviewing and approving individual packages for the Executive Directors and other members of the Group Executive Committee, and the fees of the Chairman and the Non-executive Directors of the Group's material subsidiaries;
- Reviewing and approving packages to be offered to newly recruited Executive Directors and other members of the Group Executive Committee;
- Reviewing and approving the structure and quantum of any severance package for Executive Directors and other members of the Group Executive Committee to ensure they are fair and do not reward failure;
- Ensuring the process for establishing remuneration policy is transparent and consistent with the Group's risk framework and appetites, encouraging strong risk management and solvency management practices;
- Reviewing the workforce remuneration practices and related policies across the Group when setting the remuneration policy for Executive Directors, as well as the alignment of incentives and awards with culture;
- Monitoring the remuneration and risk management implications of remuneration of senior executives across the Group, other selected roles and those with an opportunity to earn in excess of £1 million in a particular year; and
- Overseeing the implementation of the Group remuneration policy for those roles within scope of the specific arrangements referred to in Article 275 of Solvency II.

In 2019, the Committee met eight times. Key activities at each meeting are shown in the table below:

Meeting	*Key activities*
January 2019	Consider shareholder feedback received from consultation.
Early March 2019	Approve the 2018 Directors' remuneration report; consider 2018 bonus awards for Executive Directors; consider vesting of long-term incentive awards with a performance period ending on 31 December 2018; approve 2019 long-term incentive awards and performance measures; note an update on regulation affecting remuneration; note an update on the Board's review of the Committee's effectiveness; and review the appointment of the Committee's independent adviser.
Mid-March 2019	Confirm 2018 annual bonuses and the vesting of long-term incentive awards with a performance period ending on 31 December 2018, in light of audited financial results; approve the revised total shareholder return (TSR) peer group for the 2019 PLTIP awards; and approve Executive Directors' personal objectives for the 2019 annual incentive plan.
May 2019	Approve the remuneration arrangements for those executives retiring from the Board; approve amendments to share plan rules and the remuneration terms of the Group Chief Risk and Compliance Officer's relocation package; review the remuneration of senior executives across the Group, employees with a remuneration opportunity over £1 million per annum and employees within the scope of the Solvency II remuneration rules; note the remuneration sections of the draft Shareholder Circular and Demerger Agreement; and review the executive remuneration model and its appropriateness for the ongoing international business.
June 2019	Review proposals on Executive Directors' remuneration arrangements; note an update on regulation affecting remuneration; review progress towards share ownership guidelines by the Chairman, Executive Directors and other Group Executive Committee members; and approve the expense approval process for the Group Chief Executive and Chairman; and approve the Chairman's fees.
July 2019	Review an initial draft of the 2020 Directors' remuneration policy; approve the Solvency II Remuneration Policy Statement for the 2018 performance year; and discuss the methodology for converting the dividend-in-specie (the 'demerger dividend') into additional Prudential plc shares for Prudential plc share plan participants.
September 2019	Approve the draft 2020 Directors' remuneration policy and review proposed 2020 remuneration arrangements for Executive Directors ahead of consultation with shareholders; note an update on regulation affecting remuneration; approve minor amendments to the share plan rules and adjustments to outstanding Options; review the indicative incentive outcomes for Group Executive Committee members transferring to M&G plc; and review the workforce remuneration dashboard.
December 2019	Review level of participation in the Company's all-employee share plans and dilution levels resulting from the Company's share plans; approve the Group Executive Committee members' 2020 salaries and incentive opportunities; consider the annual bonus measures and targets to be used in 2020; consider shareholder feedback; review an initial draft of the 2019 Annual report on remuneration and the 2020 Directors' remuneration policy; approve the Committee's 2020 Schedule of Business; approve the fees for independent non-executive directors of Material Subsidiaries; review the Group's remuneration arrangements and approve amendments to the 2020 Group remuneration policy in light of the draft Hong Kong IA Guideline on Group-Wide Corporate Governance; approve the Committee's terms of reference for recommendation to the Board; and note an update on regulation affecting remuneration.

Additionally, a number of resolutions in writing were approved by the Committee between these meetings relating to the remuneration sections of the Circular and Demerger Agreement, the draft 2020 Directors' remuneration policy, and matters relating to the demerger.

The Chairman and the Group Chief Executive attend meetings by invitation. The Committee also had the benefit of advice from:

— Group Chief Risk and Compliance Officer;

— Group Chief Financial Officer and Chief Operating Officer;

— Group Human Resources Director; and

— Director of Group Reward and Employee Relations.

Individuals are not present when their own remuneration is discussed and the Committee is always careful to manage potential conflicts of interest when receiving views from Executive Directors or senior management about executive remuneration proposals.

In line with our approach to shareholder engagement and given the additional context of the demerger and the review of the Directors' remuneration policy, the Chairman of the Committee held meetings with shareholders and the principle advisory bodies (the Investment Association, Institutional Shareholder Services and Glass Lewis) to discuss decisions taken in respect of the demerger; the principle changes proposed as part of the renewal of the Directors' remuneration policy; and Executive Directors' remuneration arrangements for 2020. We have had the benefit of substantive feedback from 41 per cent of our shareholder register and are pleased that the majority of shareholders and advisory bodies who provided input were content with our proposals and commended the manner in which we conducted the consultation process.

During 2019, Deloitte LLP was the independent adviser to the Committee. Deloitte was appointed by the Committee in 2011 following a competitive tender process. As part of this process, the Committee considered the services that Deloitte provided to Prudential and its competitors, as well as other potential conflicts of interest. Deloitte is a member of the Remuneration Consultants' Group and voluntarily operates under their code of conduct when providing advice on executive remuneration in the UK. Deloitte regularly meets with the Chair of the Committee without management present. The Committee is comfortable that the Deloitte engagement partner and team providing remuneration advice to the Committee do not have connections with Prudential that may impair their independence and objectivity. The total fees paid to Deloitte for the provision of independent advice to the Committee in 2019 were £73,250 charged on a time and materials basis. During 2019, Deloitte gave Prudential management advice on remuneration, including advice on the new Directors' remuneration policy, as well as providing guidance on the demerger, the deployment of Workday, capital optimisation, digital and technology, taxation, internal audit, real estate, global mobility and other financial, risk and regulatory matters. Remuneration advice is provided by an entirely separate team within Deloitte. As set out in the table above, the Committee reviewed Deloitte's appointment in March 2019 and considered Deloitte to be independent. The Committee will conduct a competitive tender process for this appointment during 2020.

In addition, management received external advice and data from a number of other providers. This included market data and legal counsel. This advice, and these services, are not considered to be material.

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. During the year, the Company has acted in a manner that is consistent with the appropriate provisions of the UK Corporate Governance Code regarding Directors' remuneration.

Remuneration decisions taken in relation to the demerger

The M&G plc business demerged from the Group with effect from 21 October 2019. As disclosed last year, the Committee established a set of principles to underpin decisions on remuneration relating to the demerger, including:

- Executives should not be advantaged or disadvantaged by the demerger; the value of outstanding awards and their key terms (release dates, holding periods, malus and clawback provisions) should be unaffected;
- Where performance conditions need to be revised, the new conditions should be no more or less stretching than those originally attached to the awards; and
- Where the Committee has applied discretion, this will be disclosed clearly.

These principles formed the basis for the treatment of outstanding share awards which was set out in the Shareholder Circular published on 25 September 2019 and approved by shareholders at the October 2019 General Meeting. In summary, employees of Prudential plc (including the Executive Directors of the Company) have:

- Received the demerger dividend through which the demerger was effected, on their outstanding deferred bonus and long-term incentive awards in the form of additional Prudential plc shares. These will be released on the same timetable and to the same extent as their original share awards. The Committee decided that it was appropriate that, wherever possible, executives should be rewarded in the shares of the business which they continue to lead;
- Received the demerger dividend on the shares they hold outright through the all-employee UK SIP plan in the form of M&G plc shares, in the same way as other shareholders; and
- Had no adjustment made to the Options they hold under the all-employee UK sharesave plan, in line with the rules laid out by the UK tax authorities.

Adjusting in-flight PLTIP performance conditions

The Committee decided that the financial targets for the 2017 and in-flight 2018 PLTIP awards should be adjusted to exclude the M&G plc components of the Plan on which the targets were based, with effect from the date of the demerger, in order to appropriately account for the period they are not part of the Group. The revised targets will be disclosed in the remuneration report for the year in which the awards vest. The 2019 PLTIP award targets exclude M&G plc performance from the point of demerger.

As set out in the announcement of Prudential's 2019 half-year results, post-demerger, the Hong Kong IA assumed the role of the Group-wide supervisor for Prudential plc from the PRA. Prudential therefore ceased to be subject to Solvency II capital requirements and will no longer calculate or disclose a Solvency II position after 30 June 2019. The Group will ultimately be subject to the Group-wide Supervisory framework, which is currently under development by the Hong Kong IA. In the meantime, Prudential will apply and report the Hong Kong IA's local capital summation method (LCSM), which was calculated and reported for the first time at Half Year 2019. LCSM was not calculated in previous Plans and therefore is not available to replace the Solvency II operating capital generation. As an alternative, operating free surplus generation (OFSG) will replace Solvency II operating capital generation for in-flight awards. While there are methodological differences between those two measures, OFSG is the closest proxy to LCSM that is available in the Board approved 2018 – 2020 and 2019 – 2021 Plans and OFSG and LCSM are both prepared using the same underlying local statutory capital positions.

Therefore the Committee agreed the Solvency II metric in the sustainability scorecard for in-flight PLTIP awards should be retained for the period to 30 June 2019 and then, for the remainder of each performance period, be replaced with the OFSG measure. Performance for these in-flight PLTIP awards will be assessed using a weighted average between Solvency II and OFSG achievement to reflect the portion of the performance period for which each was in place.

No changes have been made to the TSR peer groups for outstanding awards held by Prudential plc staff. The TSR peer group for the 2019 PLTIP awards was developed in anticipation of the demerger to reflect the post-demerged business, with extensive input from shareholders.

Demerger share calculation

The demerger of M&G plc from Prudential plc was accomplished through a dividend in specie (the 'demerger dividend'); with shareholders receiving one share in M&G plc for every share they hold in Prudential plc at the record time and date. The Committee approved the approach to converting the demerger dividend into additional Prudential plc shares and ADRs for those with outstanding awards at the date of the demerger. Prudential plc employees who held awards over Prudential shares or ADRs received the value of the demerger dividend in the form of additional Prudential plc shares or ADRs respectively. These additional shares/ADRs are managed in the same way as other dividend equivalents, that is they will vest on the same timetable and to the same extent as the original award.

The Committee considered a number of approaches for converting the demerger dividend into additional Prudential plc shares/ ADRs. It decided to determine the number of additional Prudential plc shares/ADRs to be awarded as a dividend by dividing the average value of M&G plc shares during the five trading days immediately after the demerger by the Prudential plc share price/ADR price over a five-day period starting on the date on which the Prudential plc share and ADR prices reflected the removal of the M&G business. For share plan participants with ADR denominated awards, the sterling to US dollar conversion was based on an exchange rate averaged over five trading days immediately following the demerger.

TSR calculation

The Committee determined that the calculation of TSR for in-flight PLTIP awards should be adjusted to reflect the demerger of M&G plc. This involved the application of an adjustment factor calculated in line with standard methodologies. No changes have been made to the TSR peer groups for outstanding awards held by Prudential plc staff.

Table of 2019 Executive Director total remuneration (the 'single figure')

£000s	2019 salary	2019 taxable benefits*	2019 total bonus†	2019 LTIP releases‡	2019 pension benefits§	2019 Other payments¶	Total 2019 remuneration the 'single figure'^	Total 2019 remuneration the 'single figure' in USD ($000)#
Michael Falcon[1,2,3]	237	126	1,227	–	59	4,950	6,599	8,424
Mark FitzPatrick	760	149	1,279	1,082	190	–	3,460	4,417
John Foley[2,4]	300	114	–	–	75	–	489	624
Nic Nicandrou[2,3,5]	411	141	707	931	103	–	2,293	2,927
James Turner[3,6]	678	338	1,052	303	169	–	2,540	3,242
Mike Wells	1,149	226	2,197	2,860	287	–	6,719	8,577
Total	3,535	1,094	6,462	5,176	883	4,950	22,100	28,211

* Benefits include (where provided) the cost of providing the use of a car and driver, medical insurance, security arrangements, relocation/expatriate benefits and shares awarded due to participation in the Share Incentive Plan (SIP).

† The total value of the bonus, comprising both the 60 per cent delivered in cash and 40 per cent bonus deferred into Prudential plc shares or ADRs for three years. The deferred part of the bonus is subject to malus and clawback in accordance with the malus and clawback policies but no further conditions.

‡ In line with the regulations, the estimated value of the 2019 PLTIP releases for all Executive Directors excluding John Foley has been calculated based on the average share/ADR price over the last three months of 2019 (£13.85/US$36.37) and includes the accumulated dividends delivered in the form of shares/ADRs. The Committee's approach to determining the level of vesting for this award is set out in the 'Remuneration in respect of performance periods ending in 2019' section. The number of Prudential plc shares/ADRs under award have been adjusted in line with the approach set out in the section on 'Remuneration decisions taken in relation to the demerger'. The actual value of vesting PLTIP awards, based on the share price on the date awards are released, will be shown in the 2020 report. In line with the requirements under the UK Companies (Miscellaneous Reporting) Regulations 2018, it is estimated that 6.2 per cent of the value of the 2019 LTIP releases is attributable to share price growth over the vesting period as awards were granted using a share/ADR price of £16.75/US$42.12 for all Executive Directors other than Mark FitzPatrick and £18.005 for Mark FitzPatrick in 2017. The Committee concluded that no discretion will be applied in determining the remuneration resulting from the 2019 LTIP releases as a result of share price appreciation.

§ 2019 pension benefits include cash supplements for pension purposes and contributions into defined contribution schemes as outlined on page 151.

¶ The value of Mr Falcon's buy-out award has been included in its entirety as it was granted without performance conditions during his period of Board service. The award vests in line with the original vesting schedule with the final tranche vesting 30 days commencing on the date of release of Prudential plc's results for 2020.

^ Each remuneration element is rounded to the nearest £1,000 and totals are the sum of these rounded figures. Total remuneration is calculated using the methodology prescribed by Schedule 8 of Statutory Instrument 2013 No. 1981 - The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Total 2019 remuneration has been converted to US dollars using the exchange rate of 1 GBP to USD 1.2765.

Notes

1 Michael Falcon was appointed to the Board on 7 January 2019 as Chairman and Chief Executive Officer, Jackson Holdings LLC.

2 Michael Falcon, Nic Nicandrou and John Foley stepped down from the Board on 16 May 2019. The remuneration above was paid in respect of their service as Executive Directors. While salary and certain monthly paid benefits reflect what was actually delivered during the period, other benefits, bonus, LTIP releases and pension benefits are pro-rata for the period. The 2019 LTIP release for Mr Nic Nicandrou has been pro-rated for 28.5 months of the LTIP's 36 month performance period to reflect his time as an Executive Director during the LTIP's performance period.

3 Michael Falcon, Nic Nicandrou and James Turner are paid in their local currency and exchange rate fluctuations will therefore impact the reported sterling value.

4 John Foley stepped down from the Board on 16 May 2019. He subsequently left the Company on the demerger of M&G plc from Prudential plc on 21 October 2019. As an Executive Director of Prudential plc during 2019 Mr Foley was eligible to receive a 2019 bonus award of up to 180% of salary. Since transferring to M&G plc it was agreed with M&G plc that his 2019 bonus will be assessed and determined by the M&G plc Remuneration Committee and will be paid by M&G plc. No 2019 bonus award has been paid to Mr Foley by Prudential plc.

Mr Foley's 2017-2019 PLTIP award has been exchanged for an equivalent award over M&G plc shares. Under the terms of the Demerger Agreement this replacement award should be of an equivalent value; with the same release schedule; subject to equivalent malus and clawback provisions and subject to performance conditions which are relevant to M&G plc and which are no more or less onerous than those which originally applied.

The amount of any bonus payment (including any deferred component) to John Foley in respect of 2019 (including that awarded for performance and service during the pre-demerger period) and the vesting of Mr Foley's replacement 2017-2019 long-term incentive award are due to be disclosed by M&G plc and described in the M&G plc Directors' remuneration report as set out in the M&G plc 2019 Annual Report. These details were not known by Prudential plc prior to the finalisation of this report.

5 To facilitate Nic Nicandrou's relocation to Hong Kong, benefits include £95,000 to cover accommodation.

6 James Turner relocated to Hong Kong on 1 August 2019 and since has been paid in HK dollars; benefits include £160,000 to cover accommodation.

Table of 2018 Executive Director total remuneration (the 'single figure')

£000s	2018 salary	2018 taxable benefits*	2018 total bonus	Of which: Amount paid in cash	Of which: Amount deferred into Prudential shares†	2018 LTIP releases‡	2018 pension benefits§	Total 2018 remuneration the 'single figure'¶	Total 2018 remuneration the 'single figure' in USD ($000)^
Mark FitzPatrick	745	89	1,241	745	496	–	186	2,261	3,019
John Foley	781	123	1,186	712	474	1,571	195	3,856	5,149
Nic Nicandrou[1,6]	1,023	396	1,692	1,015	677	1,489	258	4,858	6,486
Anne Richards[2]	249	102	–	–	–	–	62	413	551
Barry Stowe[3,6]	867	70	4,935	2,961	1,974	2,983	217	9,072	12,113
James Turner[4]	521	109	793	476	317	360	130	1,913	2,554
Mike Wells[5]	1,126	407	2,133	1,280	853	3,623	282	7,571	10,109
Total	5,312	1,296	11,980	7,189	4,791	10,026	1,330	29,944	39,981

* Benefits include (where provided) the cost of providing the use of a car and driver, medical insurance, security arrangements and relocation/expatriate benefits.
† The deferred part of the bonus is subject to malus and clawback in accordance with the malus and clawback policies, but no further conditions.
‡ In line with the regulations, the estimated value of 2018 LTIP releases has been recalculated based on the actual share/ADR price on the date awards were released, being £15.61 for the April release. The restated value of those awards released in June also reflects dividends paid on those awards in June. In line with the requirements under the UK Companies (Miscellaneous Reporting) Regulations 2018,16.8 per cent of the value of the 2018 LTIP releases is attributable to share price growth over the vesting period as awards were granted using a share/ADR price of £12.99/US$37.29 in 2016. The Committee concluded that no discretion will be applied in determining the remuneration resulting from the 2018 LTIP releases as a result of share price appreciation.
§ 2018 pension benefits include cash supplements for pension purposes and contributions into Defined Contribution (DC) schemes.
¶ Each remuneration element is rounded to the nearest £1,000 and totals are the sum of these rounded figures. Total remuneration is calculated using the methodology prescribed by Schedule 8 of Statutory Instrument 2013 No. 1981 - The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.
^ Total 2018 remuneration has been converted to US dollars using the exchange rate of 1 GBP to USD 1.3352.

Notes
1 To facilitate Nic Nicandrou's relocation to Hong Kong, Nic's benefits include £267,000 to cover accommodation.
2 Anne Richards stepped down from the Board on 10 August 2018. The remuneration above was paid in respect of her service as an Executive Director.
3 Barry Stowe retired from the Board on 31 December 2018.
4 James Turner was appointed to the Board on 1 March 2018.
5 To facilitate his appointment as Group Chief Executive and move to the UK in 2015, Mike Wells's benefits include £311,000 to cover mortgage interest, which ceased effective 30 November 2018.
6 Barry Stowe and Nic Nicandrou are paid in their local currency and exchange rate fluctuations will therefore impact the reported sterling value.

Remuneration in respect of performance in 2019

Base salary

Executive Directors' salaries were reviewed in 2018 with changes effective from 1 January 2019. When the Committee took these decisions it considered:

— The salary increase budgets for other employees, which vary across our business units, reflecting local market conditions;

— The performance and experience of each Executive Director;

— The relative size of each Executive Director's role; and

— The performance of the Group.

As reported last year, after careful consideration by the Committee, all Executive Directors received a salary increase of 2 per cent. The 2019 salary increase budgets for other employees across our business units were between 2 per cent and 5.5 per cent.

To provide context for the market review, information was also drawn from the following market reference points:

Executive	*Role*	*Benchmark(s) used to assess remuneration*
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	— FTSE 40 — International insurance companies
Michael Falcon[1,2]	Chairman and CEO, Jackson Holdings	— Willis Towers Watson US Financial Services Survey — LOMA US Insurance Survey
John Foley[2]	Chief Executive, M&GPrudential	— FTSE 40 — International insurance companies
Nic Nicandrou[2]	Chief Executive, Prudential Corporation Asia	— Willis Towers Watson Asian Insurance Survey
James Turner[3]	Group Chief Risk and Compliance Officer	— FTSE 40 — FTSE 50 insurers
Mike Wells	Group Chief Executive	— FTSE 40 — International insurance companies

Notes
1 Michael Falcon was appointed to the Board on 7 January 2019 as Chairman and CEO, Jackson Holdings LLC. His salary was reviewed on appointment.
2 Michael Falcon, Nic Nicandrou and John Foley stepped down from the Board on 16 May 2019.
3 James Turner relocated to Hong Kong on 1 August 2019. His remuneration was reviewed in light of his relocation.

In July 2019, the Group Chief Risk Officer became additionally responsible for the Group Compliance function and in August 2019, Mr Turner relocated to Hong Kong to support our dialogue with the Hong Kong IA. The Company supported Mr Turner's relocation and, in order to recognise the expansion of his role and his development since joining the Board, the Committee determined an uplift in base salary of 9 per cent and an increased maximum bonus incentive opportunity from 160 per cent to 175 per cent of base salary were appropriate. No other changes were made during the year to Executive Directors' maximum opportunities under either the annual incentive or the long-term incentive plans.

As a result, Executive Directors received the following salary increases:

Executive Director	**2018 salary**	**2019 salary**
Michael Falcon[1]	N/A	$800,000
Mark FitzPatrick	£745,000	£760,000
John Foley[1]	£781,000	£797,000
Nic Nicandrou[1]	HK$10,710,000	HK$10,930,000
James Turner[2]	£625,000	HK$7,330,000
Mike Wells	£1,126,000	£1,149,000

Notes
1 Michael Falcon, John Foley and Nic Nicandrou stepped down from the Board on 16 May 2019. The annualised 2019 salaries above were paid in respect of their service as Executive Directors and pro-rated for the portion of the year for which they were Executive Directors.
2 James Turner was appointed to the Board on 1 March 2018. The 2018 annualised salary above was paid in respect of his service as Group Chief Risk Officer. Mr Turner's salary as at 1 January 2019 was £638,000. He relocated to Hong Kong on 1 August 2019 and his new annualised 2019 salary was paid in Hong Kong dollars. This was an annual base salary of HK$7,330,000.

Pension benefit entitlements

Pension benefit arrangements in 2019 are set out in the table below. The proposed arrangements for 2020 are described in the 'Statement of implementation in 2020' and in the 'New Directors' remuneration policy' sections.

Executive Director	*2019 pension benefit*	*Life assurance provision*
Michael Falcon	Pension supplement of 25 per cent of salary, part of which is paid as a contribution to an approved US retirement plan.	Two times salary
Nic Nicandrou	Pension supplement in lieu of pension of 25 per cent of salary and a HK$18,000 employer payment to the Hong Kong Mandatory Provident Fund.	Eight times salary
James Turner	For the period 1 January 2019 to 31 July 2019: pension contribution to defined contribution plan and/or pension supplement in lieu of pension of 25 per cent of salary.	For the period 1 January 2019 to 31 July 2019: up to four times salary plus a dependants' pension
	For the period 1 August 2019 to 31 December 2019: pension supplement in lieu of pension of 25 per cent of salary and a HK$18,000 employer payment to the Hong Kong Mandatory Provident Fund.	For the period 1 August 2019 to 31 December 2019: eight times salary
UK-based executives	Pension contribution to defined contribution plan and/or pension supplement in lieu of pension of 25 per cent of salary.	Up to four times salary plus a dependants' pension

John Foley previously participated in a non-contributory defined benefit scheme that was open at the time he joined the Company. The scheme provided an accrual of 1/60th of final pensionable earnings for each year of pensionable service. John received pension payments of £16,061 per annum which increased to £16,462 per annum from 1 April 2019, in line with the Consumer Prices Index. The pension will continue to be subject to statutory increases in line with the Consumer Prices Index. Mr Foley left the Company on the demerger of M&G plc from Prudential plc on 21 October 2019.

Annual bonus outcomes for 2019

Target setting

For the financial AIP metrics which comprise 80 per cent of the bonus opportunity for all Executive Directors apart from the Group Chief Risk and Compliance Officer, the performance ranges are set by the Committee prior to, or at the beginning of, the performance period. These ranges are based on the annual business plans approved by the Board and reflect the ambitions of the Group and business units, in the context of anticipated market conditions. The financial element of Executive Directors' 2019 bonuses was determined by the achievement of four Group measures, namely adjusted operating profit, operating free surplus generation, EEV new business profit and cash flow, which are aligned to the Group's growth and cash generation focus. The financial element of 2019 bonus award for the Chief Executive, Prudential Corporation Asia is similarly determined by business unit measures in addition to Group measures. The targets set assumed 10 months of M&G plc performance up to the date of demerger.

Personal objectives comprise 20 per cent of the bonus opportunity for all Executive Directors apart from the Group Chief Risk and Compliance Officer, for whom this accounts for 50 per cent of the total bonus opportunity. These objectives are established at the start of the year and reflect the Company's Strategic Priorities set by the Board. Functional objectives account for the remaining 50 per cent of the Group Chief Risk and Compliance Officer's bonus opportunity. These are based on the Group Risk Plan and are developed with input from the Chairman of the Group Risk Committee.

AIP payments are subject to meeting minimum capital thresholds which are aligned to the Group and business unit risk framework and appetites (as adjusted for any Group Risk Committee and/or business unit risk committees approved counter-cyclical buffers).

The Committee seeks advice from the Group Risk Committee on risk management considerations to inform decisions about remuneration architecture and performance measures to ensure that risk management, culture and conduct are appropriately reflected in the design and operation of Executive Directors' remuneration.

Performance assessment

The Committee determines the overall value of the bonus, taking account of the inputs described above and any other factors which it considers relevant. The table below illustrates the weighting of performance measures for 2019 and the level of achievement under the AIP:

	Weighting of measures (% of total bonus opportunity)			Achievement against performance measures		
Executive Director	**Group financial measures**	**Business unit financial measures**	**Personal / functional objectives**	**Financial measures**	**Personal / functional objectives**	**2019 AIP outcome[1,5] (% of total bonus opportunity)**
Michael Falcon[2,3]	80%	–	20%	96%	91%	95%
Mark FitzPatrick	80%	–	20%	96%	95%	96%
Nic Nicandrou[2]	20%	60%	20%	96%	97%	97%
James Turner[4]	–	–	100%	N/A	93%	93%
Mike Wells	80%	–	20%	96%	92%	96%

Notes

1 All bonus awards are subject to 40 per cent deferral for three years and the deferred bonus will be paid in Prudential plc shares or ADRs.
2 Michael Falcon and Nic Nicandrou stepped down from the Board on 16 May 2019. The bonus awards illustrated in the table above are in relation to their Board service only.
3 Michael Falcon is also eligible to receive 10 per cent of the Jackson bonus pool for 2019.
4 James Turner's maximum bonus opportunity increased from 160 per cent of salary to 175 per cent of salary on 1 August 2019.
5 John Foley stepped down from the Board on 16 May 2019. He subsequently left the Company on the demerger of M&G plc from Prudential plc on 21 October 2019. As an Executive Director of Prudential plc during 2019, Mr Foley was eligible to receive a 2019 bonus award of up to 180 per cent of salary. Since transferring to M&G plc it was agreed with M&G plc that his 2019 bonus will be assessed and determined by the M&G plc Remuneration Committee and will be paid by M&G plc. No 2019 bonus award has been paid to Mr Foley by Prudential plc.

Financial performance

The Committee reviewed performance against the performance ranges at its meeting in February 2020. Group adjusted operating profit was approaching the stretch targets. Group free surplus generation exceeded the stretching targets established by the Board. All of our business units achieved target remittance levels, which were 3 per cent higher than 2018 for our continuing operations, enabling us to maintain significant cash stock at the centre, after dividends, corporate costs, demerger effects and investing in profitable opportunities within the business units. The business unit remittances contributed to Group cashflow, which approached the stretch target level. Group EEV new business profit was 6 per cent lower than prior year on a constant exchange rate basis. This reflected the significant reduction in interest rates during the year and the challenging trading environment in Hong Kong in the second half of the year as a direct result of political unrest in the region. Excluding Hong Kong, Asia new business profit was 29 per cent above prior year and given the strong performance of NBP absent the Hong Kong protests, the Committee considered it appropriate to adjust the EEV new business profit target to reflect the reduction in Hong Kong sales driven by the protests, which was considered to be outside of management's control. Allowing for this adjustment, Group EEV new business profit was between target and stretch target.

The Committee considered a report from the Group Chief Risk and Compliance Officer which had been approved by the Group Risk Committee. This report confirmed that the 2019 results were achieved within the Group's and business units' risk framework and appetite. The Group Chief Risk and Compliance Officer also considered the effectiveness of risk management and internal controls, and specific actions taken to mitigate risks, particularly where these may be at the expense of profits or sales. The report also confirmed that the Group met minimum capital thresholds which were aligned to the Group and business unit risk framework and appetites. The Committee took into account this advice when determining AIP outcomes for Executive Directors.

The level of performance required for threshold, plan and maximum payment against the Group's 2019 AIP financial measures and the results achieved are set out below:

2019 AIP measure	**Weighting**	**Threshold** ($m)	**Target** ($m)	**Stretch target** ($m)	**Achievement** ($m)
Group adjusted operating profit	35%	5,491	5,936	6,381	6,360
Group operating free surplus generated	30%	4,269	4,493	4,718	4,794
Group cash flow	20%	(375)	(118)	53	(7)
Group EEV new business profit	15%	4,388	4,619	4,850	4,713

The Committee had regard to the achievement against the performance measures and the Group Chief Risk and Compliance Officer's report and decided to apply a discretionary adjustment to the arithmetic outcome under the financial element of the 2019 bonus as discussed above. The impact of this adjustment was an increase in bonus awards of approximately 9.8 per cent for the Group Chief Executive and Group Chief Financial Officer and Chief Operating Officer. The Board believes that, due to the commercial sensitivity of the business unit targets, disclosing further details of these targets may damage the competitive position of the Group.

Personal performance

As set out in our Directors' remuneration policy, a proportion of the annual bonus for each Executive Director is based on the achievement of personal objectives including:

— The executive meeting their individual conduct and customer measures;

— The executive's contribution to Group strategy as a member of the Board; and

— Specific goals related to the function for which they are responsible and progress on major projects including the demerger.

For 2019, the Committee decided that, in addition to personal objectives for which they were each accountable, the Executive Directors should be given shared objectives relating to the demerger in light of the importance this had for the Group.

At the end of the year, the Committee considered the performance of all executives eligible for a Prudential plc bonus in respect of their 2019 Board service against objectives established at the start of the year. At its meeting in February 2020, it concluded that there had been a high level of performance against these 2019 objectives. All executives met their individual conduct measures and each Executive Director made a significant contribution to the achievement of Group strategy during 2019.

The below summarises performance against the shared and individual personal objectives for the current Executive Directors:

Key shared 2019 objectives for Executive Directors	***Achievement***
Oversee the maintenance of appropriate financial resilience, within a set framework, across Group pre and post the planned demerger of M&G plc.	— Successfully managed the Group's credit rating agency relationship through the demerger with unchanged ratings, maintaining a resilient balance sheet with a robust shareholder LCSM ratio over Group minimum capital requirement of 309 per cent at 31 December 2019 supported by our conservative approach to risk management and, in particular, to credit risk, through the transition from the PRA to the Hong Kong IA.
Proactively engage with the Hong Kong IA to embed the new risk and capital frameworks, supporting the Hong Kong IA in assuming the role of Group-wide supervisor.	— Significant personal and team engagement in ascertaining, embedding and activating the new risk and capital framework.
Refresh Group Strategy post the demerger. Redevelop and embed the revised approach to Group capital allocation, which integrates risk-based decisions and funding with Group risk appetite and corporate strategy.	— Announced and executed on a clear allocation of future capital resources towards Asia. Made a decision to require Jackson to explore reinsurance and third-party financing for the execution of its future bolt on acquisitions above its internal capacity for capital generation; — Maintained a financial strength rating in the AA- range. This rating derives, in part, from the high level of financial flexibility that we have to issue debt and equity instruments; and — Determined and communicated high and resilient RoE and cash generation from the Asian business model.

Mark FitzPatrick

2019 key objectives	*Achievement*
Execute on all necessary steps to support the demerger of M&G plc from Prudential at the earliest opportunity.	— Took day-to-day execution and management responsibility for the management of the demerger process, in particular designing and executing the process to achieve the required approvals of bond holders, shareholders and regulators.
Build and development of a new Group Treasury function and the material progression of IFRS 17 implementation in a way that aligns to the broader Group strategy and operating model.	— Recruited a new Group Treasurer and the established an effective Treasury team; — Integrated the Treasury team in the existing Group Finance structures; and — Directed the implementation of IFRS 17, overseeing the design, resourcing of central functions and business unit specifications for consistent implementation into the Group's accounting functions groupwide. Sponsored the team to select and manage mobilisation of global implementation partner and system vendors.
Lead Group Strategy formulation and execution ensuring opportunities to evolve the business continue to be explored.	— Led the strategic plan design and process from which was drawn the revised equity story to be used in the demerger documentation.

Recognising Mr FitzPatrick's very strong performance against both his individual and shared personal objectives during 2019, the Committee judged that 19 per cent of a maximum of 20 per cent attributable to personal objectives was appropriate.

James Turner

2019 key objectives	*Achievement*
Act as a trusted adviser and partner to the Group Chief Executive and members of the Board/Group Executive Committee.	— Ensured that key Board decisions in relation to the demerger were supported by clear and concise Risk opinions. These included consideration of external and internal financial and non-financial risks and scenarios relevant to the demerger timeline and readiness decisions, and contributed to the completion of the demerger of M&G plc on 21 October 2019; and — Assessed the risk management considerations to support the Group's early adoption of the NAIC regulatory framework in Q4 2019.
Drive the operation of the Risk and Compliance team as a Group-wide function promoting the collaboration of the teams across location.	— Steered the operation of the combined Risk and Compliance functions, having taken additional responsibility for Group Compliance in July 2019. — Initiated significant operational and structural changes to align the newly formed Group-wide function more closely with the lead regulator and operational businesses in Asia and US; and — Directly supported re-alignment of the function with key operational businesses and the lead regulator with personal relocation to Hong Kong in August 2019.
Lead strategic communications between Prudential and key regulators and oversee the internal regulatory communication policy to ensure that responses are appropriate, complete and timely.	— Positive and proactive engagement with both the PRA and Hong Kong IA ensuring our commitment of timely information flow to both Regulators was met and to support the successful handover of regulatory responsibilities on 21 October 2019; — Concluded discussions to confirm Hong Kong IA regulatory requirements in advance of the demerger; — Throughout 2019, led frequent and productive interaction with the Hong Kong IA and industry peers to support the drafting of Group-wide Supervisory standards which are expected to apply from the second half of 2020; and — Actively engaged with the Hong Kong IA and the Inaugural Regulatory College in October 2019, providing insight into the Prudential Group strategy, operations and risk and compliance frameworks to support the successful and complete transition of Group Regulator responsibilities by 21 October 2019.

Recognising Mr Turner's very strong performance against both his individual and shared personal objectives during 2019, the Committee judged that 47 per cent of a maximum of 50 per cent attributable to personal objectives was appropriate.

Mike Wells

2019 key objectives	*Achievement*
Demonstrate personal leadership which effectively mobilises, secures and directs the team delivering the demerger of M&G plc from Prudential plc.	— Took overall responsibility for the management of the demerger process, in particular gaining the required approvals of senior stakeholders. At the same time, conducted and continued significant relationship building for the PCA and Jackson businesses while focusing business unit leadership on operational delivery.
Develop the capability and effectiveness of the Group, ensuring that the culture fosters delivery, positive internal and external relationships and co-operation across the Group.	— Committed significant time and leadership resource to the extensive roadshow marketing of the demerger process; and — Engaged employees through personal appearances and through the use of video and social media to support the demerger, communicating changes and addressing employees' questions and concerns.
Develop plans to determine the Group's exposure to climate-related risks and opportunities, and Group's actions as a consequence and implement actions to increase connectivity between the Group and business units, including revisions to operating models.	— Enhanced membership of the Environmental, Social and Governance (ESG) Executive Committee to increase business unit representation; — Created a roadmap for the implementation of the recommendations of the Task Force on Climate-Related Financial Disclosures; and — Enhanced access to ESG and climate risk data sources across the Group to support carbon footprinting work and initiated work on the stress-testing of the investment book against different climate change scenarios.

Recognising Mr Wells's very strong performance against both his individual and shared personal objectives during 2019, the Committee judged that 18 per cent of a maximum of 20 per cent attributable to personal objectives was appropriate.

Functional performance

The Group Chief Executive and the Chair of the Group Risk Committee undertakes the assessment of performance against functional objectives for the Group Chief Risk and Compliance Officer. 2019 achievement is summarised below:

Summary of 2019 functional objectives	*Achievement*
Define and provide oversight of the Group's adherence to the framework of the Group-wide risk and compliance policies, risk appetite and limits during 2019 and ensuring oversight responsibilities across the Group and business units, in accordance with internal and regulatory requirements. Establish strong Risk and Compliance capabilities across both in co-ordination with the M&G CRO and the M&G Compliance Director. Deliver regulatory requirements, including those required under Solvency II until the point of demerger and the Hong Kong IA regulatory letter requirements thereafter.	— Led discussions resulting in Board approval of revised Group Risk Appetite Framework, including incorporating revisions to regulatory capital requirements and a clear focus on non-financial risks; — Successfully revised the defined system of policies, risk appetite and limits to reflect the new regulatory environment of the Group from the point of demerger and led the embedding of this across the Group; — Provided key insights and analysis of emerging issues both in relation to the demerger and to broader business operations; — Ensured two strong Risk and Compliance functions within Prudential and M&G in advance of demerger by overseeing the reallocation of resources, including people and technology and the build and revision of key risk framework elements for both businesses in advance of demerger; and — Delivered an extensive set of regulatory requirements under Solvency II until the point of demerger and under the Hong Kong IA regulatory letter from 21 October 2019 with increased frequency (for example to the Group's Own Risk and Solvency Assessment) and significant changes (for example in terms of capital disclosures) as a result of the demerger.

In recognition of James Turner's very strong performance against his functional objectives during 2019, the Committee judged that 46 per cent of a maximum of 50 per cent attributable to functional objectives was appropriate.

The below summarises performance against the personal objectives for the Executive Directors who retired from the Board during the year and who remain employed by the Group:

Michael Falcon

Key objectives	*Achievement*
Prioritise the success of the demerger of M&G plc from Prudential plc and support Group activities and synergy actions for the post-demerger environment.	— Committed significant time and leadership resource to the extensive roadshow marketing of the demerger process.
Develop the capability and effectiveness of the Jackson team, ensuring that the culture fosters delivery, positive internal and external relationships and cooperation across the Group and develop and implement (as appropriate) opportunities to optimise Jackson's capital deployment.	— Refreshed leadership of Jackson in distribution and commercial areas to position for the retirement markets. Enhanced quality and frequency of Group-wide co-ordination for example, with Group Strategy and IT outsourcing; — Delivered organic diversification by driving product and additional distribution initiatives to support Jackson's intent to better balance the overall risk profile, and to provide a higher absolute level of capital thereby optimising Jackson's capital deployment; — Determined and commenced programme from August 2019 of seeking inorganic opportunities with reinsurance and third-party financing, to deliver enhanced value to shareholders, taking into account the interests of customers, regulators, rating agencies and capital providers; — Expanded advisory distribution footprint with Morgan Stanley, DPL Financial Partners, TD Ameritrade and RetireOne; — Awarded 'Contact Center World Class CX Certification' and 'Highest Customer Service for the Financial Industry' awards by The Service Quality Measurement Group, Inc.; and — Actively engaged with FinTech partners including Envestnet, MoneyGuidePro and eMoney.

Recognising Mr Falcon's very strong performance against both his individual and shared personal objectives during the year to 16 May 2019, the Committee judged that 18 per cent of a maximum of 20 per cent attributable to personal objectives was appropriate.

Nic Nicandrou

Key objectives	*Achievement*
Prioritise the success of the demerger of M&G plc from Prudential plc and support Group activities and synergy actions for the post-demerger environment.	— Committed significant time and leadership resource to the extensive roadshow marketing of the demerger process.
Build, deploy and leverage digital enablers for customer proposition, operational efficiency and distribution and evolve the business operating model, improve ways of working and deepen capabilities of strategic importance.	— Commenced execution of Prudential Corporation Asia -wide digital strategy as part of the drive for high quality earnings and management of operating leverage through removal of duplication and modernisation of operating structures; — Launched 'Pulse by Prudential' Health Ecosystem, an all-in-one digital app, and entered into a new strategic partnership with OVO, the largest digital payment platform in Indonesia and commenced the roll-out of this programme over the Prudential Corporation Asia businesses; — Through our Health Ecosystem, collaborated with various partners to offer users a wide range of affordable and easy-to-access value-added services such as health assessments, risk factor identification, triage, telemedicine, wellness and digital payment; — Built on our distribution channels by renewing our regional strategic bancassurance alliance with UOB, entering into an exclusive bancassurance partnership with SeABank and by acquiring a majority stake in Thanachart Fund Management Co., Ltd; — Conducted extensive business renewal of products and the expansion of distribution channels in Indonesia and Hong Kong as well as built execution plans for the fast-growing SME segment; — Continued to expand our presence in China across both the insurance and asset management sectors, establishing a new branch in Shaanxi, our twentieth province launching our first fund offerings in China; — 83 per cent of all new business was submitted through e-point-of-sale technology in 2019, representing an increase of 11 percentage points year-on-year; and — Enhanced our growing scale in Africa by acquiring a majority stake in a leading life insurer operating in Cameroon, Côte d'Ivoire and Togo.

Recognising Mr Nicandrou's very strong performance against both his individual and shared personal objectives during the year to 16 May 2019, the Committee judged that 19 per cent of a maximum of 20 per cent attributable to personal objectives was appropriate.

2019 Jackson bonus pool

In 2019, the Jackson bonus pool was determined by Jackson National Life Insurance Company's profitability, remittances to Group and advisory sales. Financial performance in the period reflects the impact of strong equity markets, lower interest rates, and a more diverse product mix. Further detail on this performance is set out on pages 28 to 33. The Committee also considered performance in a number of key activities and the delivery against certain non-financial Group requirements. As a result of this assessment, the Committee determined that Michael Falcon's share of the bonus pool for his service on the Board was $1,282,000. Forty per cent of this award is deferred into shares for three years.

2019 bonus awards

The Committee determined the following 2019 AIP awards on the basis of the performance of the Group and its business units and its consideration of the total bonus value in light of its view of all relevant circumstances, including:

— The successful completion of the demerger of M&G plc from the Group;

— The overall contribution of the executive; and

— Behavioural, conduct and risk management considerations.

40 per cent of all awards are deferred into shares for three years:

Executive Director	Role	2019 salary[1]	Maximum 2019 AIP (% of salary)	Actual 2019 AIP award (% of maximum opportunity)	2019 bonus award (including cash and deferred elements)
Michael Falcon[2,3]	Chairman and CEO, Jackson Holdings	$302,000	100%	95%	£1,227,000
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	£760,000	175%	96%	£1,279,000
Nic Nicandrou[2]	Chief Executive, Prudential Corporation Asia	HK$4,113,000	180%	96%	£707,000
James Turner[4]	Group Chief Risk and Compliance Officer	£372,000/ HK$3,054,000	160%/ 175%	93%	£1,052,000
Mike Wells	Group Chief Executive	£1,149,000	200%	96%	£2,197,000

Notes

1 Salary paid in respect of services as an Executive Director.

2 Michael Falcon and Nic Nicandrou stepped down from the Board on 16 May 2019. The maximum bonus opportunities shown represent their annual opportunity as an Executive Director. The 2019 bonus awards shown are in respect of their service as Executive Directors.

3 In addition to the AIP, Michael Falcon also participates in the Jackson bonus pool. The figure reflects both payments. 40 per cent of both the AIP and Jackson bonus award pool amounts is deferred.

4 The salary amounts shown above were actually delivered to Mr Turner for the portion of the year he was in the UK and the portion of the year he was in Hong Kong. Mr Turner's maximum bonus opportunity increased from 160 per cent of salary to 175 per cent of salary on 1 August 2019 on his relocation to Hong Kong. The 2019 bonus award was pro-rated to reflect the portion of the year he was in the UK and the portion of the year he was in Hong Kong.

5 John Foley stepped down from the Board on 16 May 2019. He subsequently left the Company on the demerger of M&G plc from Prudential plc on 21 October 2019. As an Executive Director of Prudential plc during 2019, Mr Foley was eligible to receive a 2019 bonus award of up to 180 per cent of salary. Since transferring to M&G plc it was agreed with M&G plc that Mr Foley's 2019 bonus will be assessed and determined by the M&G plc Remuneration Committee and will be paid by M&G plc. No 2019 bonus award has been paid to Mr Foley by Prudential plc.

Remuneration in respect of performance periods ending in 2019

Prudential Long Term Incentive Plan (PLTIP)

Target setting

Our long-term incentive plans have stretching performance conditions that are aligned to the strategic priorities of the Group. In 2017, all Executive Directors were granted awards under the PLTIP. In determining the financial targets the Committee had regard to the stretching nature of the three-year Business Plan for adjusted operating profit and capital positions as set by the Board. Further, in setting the conduct and diversity targets under the sustainability scorecard, the Committee considered input from Group-wide Internal Audit and the Group Chief Risk and Compliance Officer on conduct risk for the conduct measure and had regard to the Company's commitment under the Women in Finance Charter for the diversity measure.

The weightings of the measures are detailed in the table below:

	Weighting of measures					
			Sustainability Scorecard			
Executive Director[1]	**Group TSR**[2]	**Adjusted operating profit (Group or business unit)**[3]	**Solvency II operating capital generation**[4]	**ECap operating capital generation**[5]	**Conduct**[6]	**Diversity**[7]
Mark FitzPatrick	25%	50%	6.25%	6.25%	6.25%	6.25%
Nic Nicandrou[8]	25%	50%	6.25%	6.25%	6.25%	6.25%
James Turner[9]	25%	50%	6.25%	6.25%	6.25%	6.25%
Mike Wells	25%	50%	6.25%	6.25%	6.25%	6.25%

Notes

1 This table includes Executive Directors who served on the Board during 2019 with 2017 PLTIP awards. Nic Nicandrou and John Foley stepped down from the Board on 16 May 2019 and John Foley subsequently left the Company on the demerger of M&G plc from Prudential plc on 21 October 2019. Mr Foley's 2017 PLTIP award was exchanged for an equivalent award of M&G plc shares. The M&G plc Remuneration Committee is responsible for determining, approving and settling the release of the 2017 long-term incentive award to Mr Foley.
2 Group TSR is measured on a ranked basis over three years relative to peers.
3 Adjusted operating profit is measured on a cumulative basis over three years.
4 Solvency II operating capital generation is cumulative three-year Solvency II Group operating capital generation. As set out in the 'Remuneration decisions taken in relation to the demerger' section, Solvency II operating capital generation was replaced with Group free surplus generation from 1 July 2019.
5 This is cumulative three-year ECap Group operating capital generation, less cost of capital (based on the capital position at the start of the performance period).
6 Conduct is assessed through appropriate management action, ensuring there are no significant conduct/culture/governance issues that could result in significant capital add-ons or material fines.
7 Diversity is measured as the percentage of the Leadership Team that is female at the end of 2019. The target for this metric has been based on progress towards the goal that the Company set when it signed the Women in Finance Charter, where 30 per cent of our Leadership Team should be female by the end of 2021.
8 Nic Nicandrou was granted this award when he was in the role of Chief Financial Officer. The performance measures attached to his PLTIP award did not change following his appointment to the role of Chief Executive, Prudential Corporation Asia in 2017.
9 James Turner was granted this award when he was in his previous role of Director of Group Finance.

As discussed in the section on 'Remuneration decisions taken in relation to the demerger', the Committee adjusted the performance conditions attached to the 2017 PLTIP awards in order to take account of the demerger, ensuring that the revised performance conditions are no more or less stretching than those originally attached to the awards. The performance assessment provided overleaf is based on these adjusted targets.

Under the Group TSR measure used for 2017 PLTIP awards, 25 per cent of the award vests for TSR at the median of the peer group increasing to full vesting for performance within the upper quartile. TSR is measured on a local currency basis since this has the benefit of simplicity and directness of comparison. No adjustments to the peer group has been made for the demerger. The peer group for the 2017 awards is set out below:

Aegon	AIA	AIG	Allianz
Aviva	AXA	Generali	Legal & General
Manulife	MetLife	Old Mutual	Prudential Financial
Standard Life	Sun Life Financial	Zurich Insurance Group	

Following the merger of Standard Life and Aberdeen Asset Management during the three-year performance period, the Committee determined that Standard Life would be retained in the peer group for the pre-merger period and the combined entity would be included in the peer group from the date of the merger for all outstanding PLTIP awards. In addition, following the demerger of Quilter from Old Mutual and Old Mutual's delisting from the FTSE on 26 June 2018, the Committee determined that Old Mutual be retained as a TSR peer with no adjustment to its performance during the period prior to its demerger and delisting, and that Old Mutual's TSR performance from the date of its demerger and delisting would track an index of the peers (excluding Prudential plc) for all outstanding PLTIP awards.

Performance assessment

In deciding the proportion of the awards to be released, the Committee considered actual financial results against performance targets. The Committee also reviewed underlying Company performance to ensure vesting levels were appropriate, including an assessment of whether results were achieved within the Group's and business units' risk framework and appetite. The Directors' remuneration policy contains further details of the design of Prudential's long-term incentive plans.

Group adjusted operating profit performance

Under the adjusted operating profit measure, 25 per cent of the 2017 awards vest for meeting the threshold adjusted operating profit target set at the start of the performance period, increasing to full vesting for performance at or above the stretch level. The table below illustrates the cumulative performance achieved over 2017 to 2019 compared to the adjusted Group targets which exclude M&G plc from the point of demerger:

	2017-19 adjusted cumulative targets				
Group	**Threshold**	**Plan**	**Maximum**	**2017-19 cumulative achievement**	**Vesting under the adjusted operating profit element**
Adjusted operating profit	\$15,063m	\$16,737m	\$18,411m	\$19,021m	100%

The Committee determined that the cumulative adjusted operating profit target established for the PLTIP should be expressed using exchange rates consistent with the reported disclosures. Individual business units achieved between 86 per cent and 100 per cent vesting under this element. Details of business unit adjusted operating profit targets have not been disclosed as the Committee considers that these are commercially sensitive and disclosure of targets at such a granular level would put the Company at a disadvantage compared to its competitors.

TSR performance

Prudential's TSR performance during the performance period (1 January 2017 to 31 December 2019) was ranked below median of the peer group. The portion of the awards related to TSR will therefore lapse.

Sustainability scorecard performance

Capital measure – Group Solvency II operating capital generation/Group operating free surplus generation

The vesting profile for the Group Solvency II operating capital generation and Group operating free surplus generation measure is binary, awarding full vesting for achieving plan and no vesting for any level of performance below plan. The weighted average of the adjusted Group Solvency II operating capital generation from 1 January 2017 to 30 June 2019 (target \$7.4bn) and the Group operating free surplus generation from 1 July 2019 to 31 December 2019 (target \$2.2 bn), which excludes M&G plc performance from the point of demerger, was in excess of the cumulative target and therefore generated 100 per cent vesting on this element.

Capital measure – Group ECap operating capital generation

The vesting profile for the Group ECap operating capital generation measure is binary, awarding full vesting for achieving plan and no vesting for any level of performance below plan. The adjusted cumulative Group ECap operating capital generation was below the target of \$8.5bn (which excludes M&G plc from the point of demerger) and therefore generated a zero per cent vesting outcome on this element of the PLTIP.

Details of cumulative achievement under the capital measures have not been disclosed as the Committee considers that these are commercially sensitive and would put the Company at a disadvantage compared to its competitors. The Committee will keep this disclosure policy under review based on whether, in its view, disclosure would compromise the Company's competitive position.

Conduct assessment

The vesting profile of this element is binary with full vesting being awarded where there are no significant conduct/culture/governance issues that result in significant capital add-ons or material fines. On 30 September 2019, the FCA fined M&G plc £23,875,000 for failures related to the non-advised sale of annuities between July 2008 and September 2017. Since this occurred before the demerger of M&G plc from the Group, the Committee determined that the portion of the 2017 PLTIP awards related to conduct held by Group Executive Directors should lapse.

Diversity assessment

On 31 December 2019, 28 per cent of our Leadership Team was female. Since this was above the 27 per cent level required for full vesting, the portion of the awards related to diversity that therefore vested was 100 per cent.

PLTIP vesting

The Committee considered a report from the Group Chief Risk and Compliance Officer which had been approved by the Group Risk Committee. This report confirmed that the financial results were achieved within the Group's and business units' risk framework and appetite. On the basis of this report and the performance of the Group and its business units described above, the Committee decided not to apply a discretionary adjustment to the arithmetic vesting outcome under the 2017 PLTIP awards and determined the vesting of each Executive Director's PLTIP awards as set out below:

Executive Director	Maximum value of award at full vesting[1]	Percentage of the LTIP award vesting	Number of shares vesting[2]	Value of shares vesting[1]
Mark FitzPatrick	£1,730,807	62.5%	78,104	£1,081,740
Nic Nicandrou[3]	£1,882,617	62.5%	67,255	£931,482
James Turner	£485,387	62.5%	21,903	£303,357
Mike Wells	£4,576,469	62.5%	206,517	£2,860,260

Notes
1 The share price used to calculate the value of the PLTIP awards with performance periods which ended on 31 December 2019 and vest in April 2020 for all Executive Directors other than Mark FitzPatrick and in August 2020 for Mark FitzPatrick, was the average share price for the three months up to 31 December 2019, being £13.85. The number of Prudential plc shares under award has been adjusted in line with the approach set out in the section on 'Remuneration decisions taken in relation to the demerger'.
2 The number of shares vesting includes accrued dividends.
3 The vesting of Nic Nicandrou's 2017 PLTIP award is in relation to his service as an Executive Director.
4 John Foley stepped down from the Board on 16 May 2019. He subsequently left the Company on the demerger of M&G plc from Prudential plc on 21 October 2019. Mr Foley's 2017-2019 PLTIP award has been exchanged for an equivalent award over M&G plc shares. Under the terms of the Demerger Agreement this replacement award should be of an equivalent value; with the same release schedule; subject to equivalent malus and clawback provisions and subject to performance conditions which are relevant to M&G plc and which are no more or less onerous than those which originally applied. The vesting of Mr Foley's replacement 2017-2019 long-term incentive award is due to be disclosed by M&G plc and described in the M&G plc Directors' remuneration report as set out in the M&G plc 2019 Annual report. These details were not known by Prudential plc prior to the finalisation of this report.

Long-term incentives awarded in 2019

2019 share-based long-term incentive awards

The table below shows the awards of conditional shares made to Executive Directors who served on the Board in 2019 under the PLTIP and the performance conditions attached to these awards. Further details on the performance measures were disclosed on page 164 of the 2018 Annual Report.

Executive Director	Role	Number of shares or ADRs subject to award*	Face value of award†	Percentage of awards released for achieving threshold targets‡	End of performance period	Weighting of performance conditions	
						Group TSR	Sustainability scorecard§
Michael Falcon[1]	Chairman and Chief Executive Officer, Jackson	78,856	$3,199,976	20%	31 December 2021	75%	25%
Mark FitzPatrick	Chief Financial Officer	123,376	£1,899,990	20%	31 December 2021	75%	25%
John Foley[1,2]	Chief Executive, M&GPrudential	129,383	£1,992,498	20%	31 December 2021	75%	25%
Nic Nicandrou[1]	Chief Executive, Prudential Corporation Asia	172,743	£2,660,242	20%	31 December 2021	75%	25%
James Turner	Group Chief Risk Officer	103,571	£1,594,993	20%	31 December 2021	75%	25%
Mike Wells	Group Chief Executive	298,441	£4,595,991	20%	31 December 2021	75%	25%

* Awards over shares were awarded to all Executive Directors other than Michael Falcon whose awards were over ADRs.
† Awards for Executive Directors are calculated based on the average share price over the three dealing days prior to the grant date, being £15.40 for all Executive Directors other than Michael Falcon and an ADR price of US$40.58 for Michael Falcon.
‡ The percentage of awards released for achieving maximum targets is 100 per cent.
§ Each of the four measures within the sustainability scorecard has equal weighting. They are Group Solvency II operating capital generation, Group ECap operating capital generation, diversity and conduct.

Notes
1 Michael Falcon, Nic Nicandrou and John Foley stepped down from the Board on 16 May 2019.
2 John Foley left the Company on the demerger of M&G plc from Prudential plc on 21 October 2019. His 2017-2019 PLTIP award has been exchanged for an equivalent award over M&G plc shares.

Update on performance against targets for awards made in 2018 and 2019

As set out in the section on 'Remuneration decisions taken in relation to the demerger', the Committee has adjusted the performance conditions attached to the 2018 and 2019 awards in order to take account of the demerger, ensuring that the revised performance conditions are no more or less stretching than those originally attached to the awards. The performance update provided below is based on these adjusted targets.

Group adjusted operating profit

Prudential's Group adjusted operating profit performance between 1 January 2018 and 31 December 2019 was above the stretch target established for the 2018 PLTIP awards. Group adjusted operating profit was not used as a performance measure for the 2019 PLTIP awards.

TSR Performance

As at 31 December 2019, Prudential's TSR performance ranked below the peer group median for the elapsed portions of the 2018 and 2019 performance periods.

Sustainability scorecard of strategic measures

Between 1 January 2018 and 31 December 2019, the Group also made good progress towards meeting the measures under the sustainability scorecard used for the 2018 and 2019 PLTIP awards:

— ***Capital measure – Group Solvency II operating capital generation/Group operating free surplus generation***
For the elapsed portions of the 2018 and 2019 PLTIP performance periods, the Group's Solvency II operating capital generation and the Group's operating free surplus generation was above the established Plan levels for both awards.

— ***Capital measure – Group ECap operating capital generation***
For the elapsed portions of the 2018 and 2019 PLTIP performance periods, the Group's ECap operating capital generation was below the Plan levels established for the both awards.

— ***Conduct measure***
During 2018 and 2019, there were no significant conduct/culture/governance issues that resulted in significant capital add-ons or material fines. This assessment is unaffected by the FCA fine since the issues identified relate to a period which ended in 2017.

— ***Diversity measure***
As at 31 December 2019, 28 per cent of our Leadership Team was female. This represented strong progress against the threshold level that at least 27 per cent of the Leadership Team be female by the end of 2020 for the 2018 PLTIP award, and the threshold level that at least 28 per cent of the Leadership Team be female by the end of 2021 for the 2019 PLTIP award.

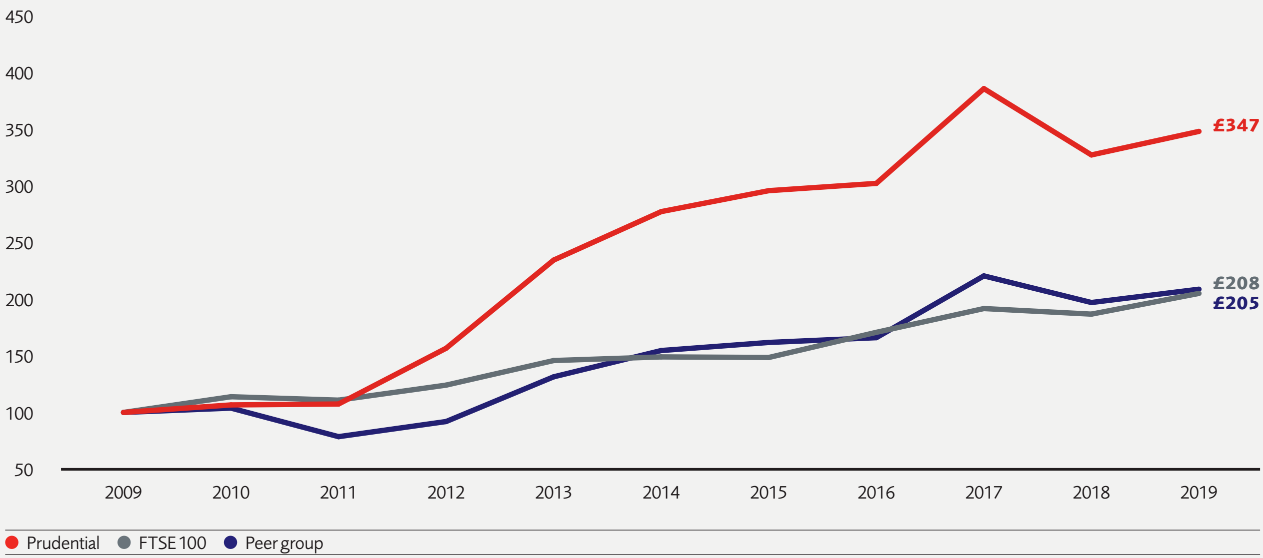
Pay comparisons

Performance graph and table

The chart below illustrates the TSR performance of Prudential, the FTSE 100 (as the Company has a premium listing on the London Stock Exchange) and the peer group of international insurers used to benchmark the Company's performance for the purposes of the 2019 PLTIP awards. The chart illustrates the performance of a hypothetical investment of £100 in ordinary shares of Prudential plc over the 10-year period 1 January 2010 to 31 December 2019 compared to a similar investment in the FTSE 100 or an index of the Company's peers. Total shareholder return is based on Returns Index data calculated on a daily share price growth plus re-invested dividends (as measured at the ex-dividend dates).

Prudential TSR vs FTSE 100 and peer group average – total return per cent over 10 years to December 2019

£



Note

The index of Prudential's peers represents the average daily total shareholder return performance of the peer group used for the 2019 PLTIP awards (excluding companies not listed at the start of the period).

The information in the table below shows the total remuneration for the Group Chief Executive over the same period:

£000	2010	2011	2012	2013	2014	2015	2015	2016	2017	2018	2019
Group Chief Executive	T Thiam	T Thiam	T Thiam	T Thiam	T Thiam	T Thiam[1]	M Wells	M Wells	M Wells	M Wells	M Wells
Salary, pension and benefits	1,189	1,241	1,373	1,411	1,458	613	1,992	2,244	1,872	1,815	1,662
Annual bonus payment	1,570	1,570	2,000	2,056	2,122	704	1,244	2,151	2,072	2,133	2,197
(As % of maximum)	(97%)	(97%)	(100%)	(99.8%)	(100%)	(77.3%)	(99.7%)	(99.5%)	(94%)	(95%)	(96%)
LTIP vesting	2,534	2,528	6,160	5,235	9,838	3,382	4,290	2,975	4,616	3,623	2,860
(As % of maximum)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(70.8%)	(95.8%)	(62.5%)	(62.5%)
Other payments	–	–	–	–	–	–	–	–	–	–	–
Group Chief Executive 'single figure' of total remuneration[2]	5,293	5,339	9,533	8,702	13,418	4,699	7,526	7,370	8,560	7,571	6,719

Notes

1 Tidjane Thiam left the Company on 31 May 2015. Mike Wells became Group Chief Executive on 1 June 2015. The figures shown for Mike Wells's remuneration in 2015 relate only to his service as Group Chief Executive.

2 Further detail on the 'single figure' is provided in the 'single figure' table for the relevant year. The figures provided reflect the value of vesting LTIP awards on the date of their release other than for 2019 (for which an estimate is used).

Percentage change in remuneration

The table below sets out how the change in remuneration for the Group Chief Executive between 2018 and 2019 compared to a wider employee comparator group:

	Salary	Benefits	Bonus
Group Chief Executive	2.0%	(44.5)%	3.0%
All UK employees	3.9%	(3.4)%	6.7%

The employee comparator group used for the purpose of this analysis is all UK employees. This is considered to be an appropriate comparator group as the Group Chief Executive's remuneration arrangements are similar in structure to the majority of these employees and it reflects the economic environment where the Group Chief Executive is employed. For 2018 this group included employees in M&GPrudential and Group Head Office. For 2019, this group included UK-based Group Head Office employees only. Employees in M&G plc have been excluded from the calculation of average pay in 2019 as M&G plc demerged from Prudential plc on 21 October 2019. M&G plc employees are no longer within the Group and Prudential plc does not have any influence over or knowledge of pay decisions, including 2019 bonus awards, for employees within M&G plc. The salary increase includes uplifts made through the annual salary review, as well as any additional changes in the year; for example to reflect promotions or role changes. The decrease in benefits paid to the Group Chief Executive is driven by the cessation of the payment of mortgage interest on 30 November 2018. The decrease in benefits paid to all UK employees is due to the reduction in the cost to the Company of providing certain benefits. There has been no change to the level of taxable benefit coverage received by employees.

Group Chief Executive pay compared with employee pay

To increase further transparency of executive remuneration and its alignment with the pay of other employees, we published our CEO pay ratio one year in advance of the disclosure becoming a requirement under the UK Companies (Miscellaneous Reporting) Regulations 2018 in the 2018 Directors' remuneration report. The employee comparator group used for the purpose of this 2018 analysis was all UK employees comprising employees in M&GPrudential and Group Head Office in 2018. In light of the demerger of the M&G plc business from Prudential plc on 21 October 2019, we have prepared the 2019 CEO pay ratio based on UK-based Group Head Office employees since Prudential plc no longer has any influence over or knowledge of pay decisions, including 2019 bonus awards, for employees within M&G plc. On this basis, the Committee has decided that the 2018 CEO pay ratio will not be restated in this report and that the 2019 CEO pay ratio will form the base year of reporting given the fundamental changes to the UK workforce which have resulted from the demerger.

The table below compares the Group Chief Executive's 'single figure' of total remuneration to that received by three representative UK employees in 2019.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option B	87 : 1	67 : 1	43 : 1

Under the regulations there is a choice of three methodologies to determine the 25th, median and 75th full-time equivalent remuneration of our UK employees. This is the most recently collected data in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and includes all UK employees. The Company has chosen to use the 2019 hourly rate gender pay gap information as this method uses data that is aligned with other disclosures made under our gender pay gap reporting ('Option B' in the table above). The employees used in the calculations were identified using the most recent gender pay gap data for 2019, on 23 January 2020, following the end of the financial year. Base salary and total remuneration for these identified employees has then been calculated based on their actual remuneration for 2019. The Committee determined that the identified employees are reasonably representative since the structure of their remuneration arrangements is in line with that of the majority of employees within the UK-based Group Head Office workforce. The same methodology used for calculating the 'single figure' of the Group Chief Executive has been used for calculating the pay and benefits of these three UK employees.

The salary and total remuneration received during 2019 by the indicative employees used in the above analysis are set out below:

	25th percentile	Median	75th percentile
2019 salary	£56,000	£74,000	£110,000
Total 2019 remuneration	£77,000	£100,000	£155,000

The Committee believes the median pay ratio is consistent with the pay, reward and progression policies for our UK-based Group Head Office employees. The base salary and total remuneration levels for the Group Chief Executive and the median representative employee are competitively positioned within the relevant markets and reflect the operation of our remuneration structures which are effective in appropriately incentivising staff, having regard to our risk framework, risk appetites and to rewarding the 'how' as well as the 'what' of performance.

Gender pay gap
Our UK business, Prudential Services Limited, is the employing entity for almost all of our London Head Office staff including the UK-based Group Chief Executive and his direct reports. Prudential Services Limited has recently reported its 2019 UK gender pay gap data and details can be found on the Group's website. There has been a further narrowing of most of the pay gap figures. Where men and women perform similar roles, they are paid equally but the gender pay gap reflects that men and women are doing different roles. We remain focused on closing the remaining pay gap as soon as possible and on ensuring that we attract applicants from all backgrounds and create opportunities for all our employees to develop and progress in order to ensure that we have the diverse talent needed by the Group to better reflecting the communities we serve. However, the gender pay gap demonstrated the demographic profile of the business (and the financial services sector more widely): there is a greater proportion of males in more senior and front-office roles and a greater proportion of females in more junior, support and back-office non-finance roles. All the Group's businesses are continuing to work on initiatives to increase the proportion of women in senior management and operating roles as part of the Group's strategic focus on diversity and inclusion as described in the diversity and inclusion statement on our website. This important priority is reflected in the Group's reward structure through the diversity measure attached to PLTIP awards granted from 2017 onwards.

Consideration of workforce pay and approach to engagement
During the year, the Committee considered workforce remuneration and related policies in the business units across the Group. Information presented to the Committee, by way of a dashboard, included how the Company's incentive arrangements are aligned with the culture and informed the Committee's decision-making on executive pay and policy. By way of example, business unit salary increase budgets are considered as part of the year-end review of Executive Director compensation and salary increases.

As part of the Board's wider initiatives, which included the appointment of designated Non-executive Directors who led on workforce engagement during the year as detailed in the 'Governance' section earlier in this Annual report, the Committee took additional measures in 2019 to explain how the remuneration of Executive Directors aligns with the wider company pay policy. The Company established a microsite on its intranet that outlines executive pay arrangements during the previous financial year and key areas of change for 2019. It explains to employees that total remuneration for Executive Directors is made up of a number of elements and is governed by both the Directors' remuneration policy and the Group's remuneration policy (which is also published on the Company's website) with the relevant links to these documents.

Relative importance of spend on pay
The table below sets out the amounts payable in respect of 2018 and 2019 on all employee pay and dividends:

	2018	2019	Percentage change
All employee pay including M&G plc ($m)[1,2]	2,454	2,143	(12.7)%
All employee pay excluding M&G plc ($m)[1,3]	1,672	1,466	(12.3)%
Dividends including demerger dividend ($m)[4]	1,638	8,582	423.9%
Dividends excluding demerger dividend ($m)[4]	1,638	1,203	(26.6)%

Notes
1 All employee pay as taken from note B2.1 to the financial statements.
2 This includes the costs of employment for M&G plc employees up to the demerger in October 2019.
3 This excludes the costs of employment of M&G plc employees for 2018 and 2019 in order to present a like for like comparison between the two years.
4 Dividends taken from note B6 to the financial statements.

Chairman and Non-executive Director remuneration in 2019

Chairman's fees

The Chairman's fee was reviewed by the Committee during 2019 and increased by 2 per cent to £765,000 with effect from 1 July 2019 in order to reflect inflation.

Non-executive Directors' fees

The Non-executive Directors' fees were reviewed by the Board during 2019 and the basic fee was increased from £97,000 to £99,000, the Remuneration Committee Chair fee increased from £60,000 to £65,000 while the Nomination & Governance Committee member fee increased from £12,500 to £15,000. No other fees were increased. The Board also introduced a £30,000 fee for each designated Non-executive Director carrying out a workforce engagement role.

Annual fees	From 1 July 2018 (£)	From 1 July 2019 (£)
Basic fee	97,000	99,000
Additional fees:		
Audit Committee Chair	75,000	75,000
Audit Committee member	30,000	30,000
Remuneration Committee Chair	60,000	65,000
Remuneration Committee member	30,000	30,000
Risk Committee Chair	75,000	75,000
Risk Committee member	30,000	30,000
Nomination & Governance Committee Chair[1]	–	–
Nomination & Governance Committee member	12,500	15,000
Senior Independent Director	50,000	50,000
Workforce engagement role	N/A	30,000

Note

1 There is no fee paid for the role of Nomination & Governance Committee Chair.
If, in a particular year, the number of meetings is materially greater than usual, the Company may determine that the provision of additional fees is fair and reasonable.

The resulting fees paid to the Chairman and Non-executive Directors are:

£000s	2019 fees	2018 fees	2019 taxable benefits*	2018 taxable benefits*	Total 2019 remuneration: the 'single figure'†	Total 2019 remuneration: the 'single figure' in USD ($000s)‡	Total 2018 remuneration: the 'single figure'†	Total 2018 remuneration: the 'single figure' in USD ($000s)‡
Chairman								
Paul Manduca	758	742	172	136	930	1,187	878	1,172
Non-executive Directors								
Howard Davies	217	212	–	–	217	277	212	283
David Law	217	212	–	–	217	277	212	283
Kai Nargolwala[1]	173	155	–	–	173	221	155	207
Anthony Nightingale	174	168	–	–	174	222	168	224
Philip Remnant	222	216	–	–	222	283	216	288
Alice Schroeder	158	150	–	–	158	202	150	200
Lord Turner[2]	59	155	–	–	59	75	155	207
Thomas Watjen	173	131	–	–	173	221	131	175
Fields Wicker-Miurin	128	41	–	–	128	163	41	55
Amy Yip[3]	43	–			43	55		–
Total	2,322	2,182	172	136	2,494	3,183	2,318	3,094

* Benefits include the cost of providing the use of a car and driver, medical insurance and security arrangements (including any tax thereon).
† Each remuneration element is rounded to the nearest £1,000 and totals are the sum of these rounded figures. Total remuneration is calculated using the methodology prescribed by Schedule 8 of the Companies Act. The Chairman and Non-executive Directors are not entitled to participate in annual bonus plans or long-term incentive plans.
‡ Total remuneration has been converted to US dollars using the exchange rate of 1 GBP to 1.2765 USD for the 2019 single figure calculations and 1 GBP to 1.3352 USD for the 2018 single figure calculations.

Notes

1 In 2019 Kai Nargolwala also received an annual fee of £250,000 in respect of his non-executive chairmanship of Prudential Corporation Asia Limited.
2 Lord Turner stepped down from the Board on 16 May 2019.
3 Amy Yip joined the Board and the Remuneration Committee on 2 September 2019.

Statement of Directors' shareholdings

The interests of Directors in ordinary shares of the Company are set out below. 'Beneficial interest' includes shares owned outright, shares acquired under the Share Incentive Plan (SIP) and deferred annual incentive awards, detailed in the 'Supplementary information' section. It is only these shares that count towards the share ownership guidelines.

	1 January 2019 (or on date of appointment)	During 2019		31 December 2019 (or on date of retirement)			Share ownership guidelines	
	Total beneficial interest (number of shares)	Number of shares acquired	Number of shares disposed	Total beneficial interest* (number of shares)	Number of shares subject to performance conditions†	Total interest in shares	Share ownership guidelines‡ (% of salary/fee)	Beneficial interest as a percentage of basic salary/basic fees§
Chairman								
Paul Manduca	42,500	–	–	42,500	–	42,500	100%	82%
Executive Directors								
Michael Falcon[1]	–	51,988	–	51,988	157,712	209,700	N/A	N/A
Mark FitzPatrick	28,333	43,968	–	72,301	382,627	454,928	250%	140%
John Foley[2]	329,834	129,385	78,889	380,330	355,323	735,653	N/A	N/A
Nic Nicandrou[3]	295,085	138,162	134,555	298,692	419,946	718,638	N/A	N/A
James Turner	20,876	72,942	13,194	80,624	255,145	335,769	250%	175%
Mike Wells[4]	812,252	313,142	149,122	976,272	946,508	1,922,780	400%	1247%
Non-executive Directors								
Howard Davies	9,514	299	–	9,813	–	9,813	100%	147%
David Law	9,066	–	–	9,066	–	9,066	100%	136%
Kai Nargolwala	70,000	–	–	70,000	–	70,000	100%	1049%
Anthony Nightingale	50,000	–	–	50,000	–	50,000	100%	749%
Philip Remnant	6,916	–	–	6,916	–	6,916	100%	104%
Alice Schroeder[5]	14,500	–	–	14,500	–	14,500	100%	217%
Lord Turner[6]	6,719	–	–	6,719	–	6,719	N/A	N/A
Thomas Watjen[7]	10,340	–	–	10,340	–	10,340	100%	155%
Fields Wicker-Miurin	1,000	3,500	–	4,500	–	4,500	100%	67%
Amy Yip[8]	–	–	–	–	–	–	100%	0%

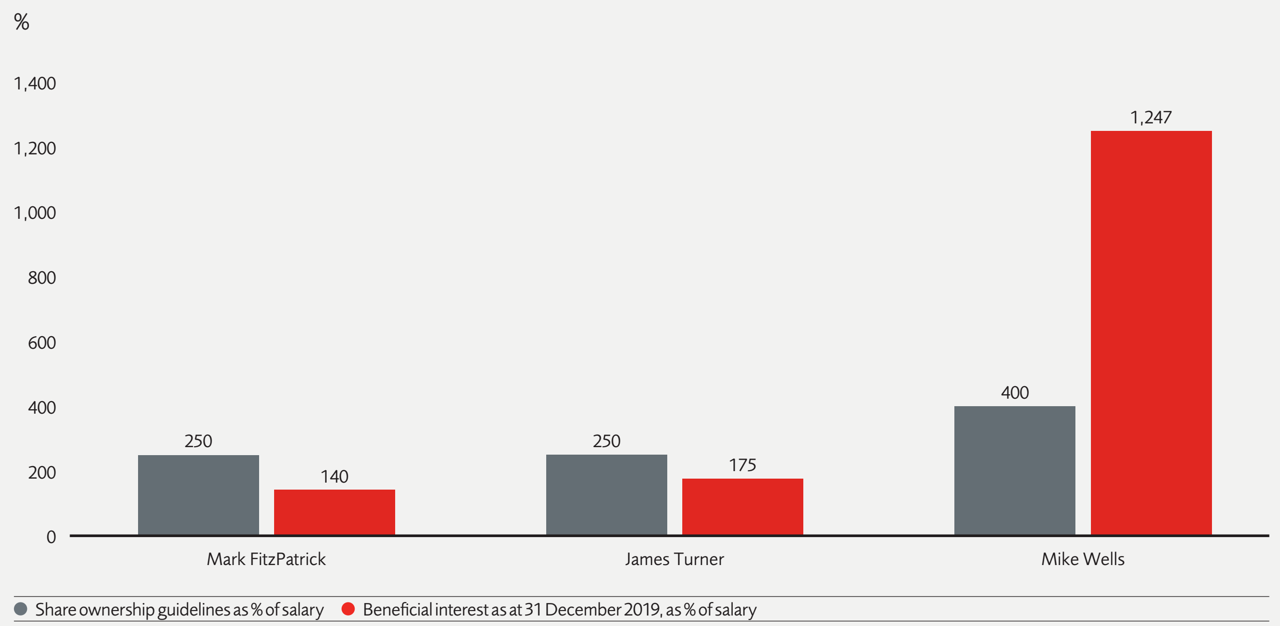
* There were no changes of Directors' interests in ordinary shares between 31 December 2019 and 10 March 2020 with the exception of the UK based Executive Directors due to their participation in the monthly Share Incentive Plan (SIP). Mark FitzPatrick acquired a further 42 shares in the SIP and Mike Wells acquired a further 43 shares in the SIP during this period.
† Further information on share awards subject to performance conditions are detailed in the 'Share-based long-term incentive awards' section of the Supplementary information.
‡ Holding requirement of the Articles of Association (2,500 ordinary shares) must be obtained within one year of appointment to the Board. The increased guidelines for Executive Directors were introduced with effect from January 2013 and increased again in 2017. Executive Directors normally have 5 years from this date (or date of joining or role change, if later) to reach the enhanced guideline. The guideline for Non-executive Directors was introduced on 1 July 2011. Non-executive Directors normally have 3 years from their date of joining to reach the guideline. During 2019, the periods available to reach the guidelines for Executive Directors and Non-executive Directors were revised to recognise that shares they beneficially held in M&G post demerger no longer counted towards the guideline. Directors are expected to rebuild the value of their shareholding in line with the share ownership guidelines within a reasonable timeframe.
§ Based on the average closing price for the six months to 31 December 2019 £14.68.

The Company and its Directors, Chief Executives and shareholders have been granted a partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO). As a result of this exemption, Directors, Chief Executives and shareholders do not have an obligation under the SFO to notify the Company of shareholding interests, and the Company is not required to maintain a register of Directors' and Chief Executives' interests under section 352 of the SFO, nor a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with the Stock Exchange of Hong Kong Limited any disclosure of interests notified to it in the United Kingdom.

Notes

1 Michael Falcon was appointed to the Board on 7 January 2019. He stepped down from the Board on 16 May 2019. Total interest in shares is shown at the date he stepped down from the Board. For the 16 May 2019 figure, Michael Falcon's beneficial interest in shares is made up of 25,994 ADRs (representing 51,988 ordinary shares).
2 John Foley stepped down from the Board on 16 May 2019. Total interest in shares is shown at this date.
3 Nic Nicandrou stepped down from the Board on 16 May 2019. Total interest in shares is shown at this date.
4 For the 1 January 2019 figure, Mike Wells's beneficial interest in shares is made up of 297,320 ADRs (representing 594,640 ordinary shares) and 217,612 ordinary shares. For the 31 December 2019 figure, his beneficial interest in shares is made up of 297,320 ADRs (representing 594,640 ordinary shares) and 381,632 ordinary shares.
5 For the 1 January 2019 figure, Alice Schroeder's beneficial interest in shares is made up of 7,250 ADRs (representing 14,500 ordinary shares). For the 31 December 2019 figure, the beneficial interest in shares is made up of 7,250 ADRs (representing 14,500 ordinary shares).
6 Lord Turner stepped down from the Board on 16 May 2019. Total interest in shares is shown at this date.
7 For the 1 January 2019 figure, Thomas Watjen's beneficial interest in shares is made up of 5,170 ADRs (representing 10,340 ordinary shares). For the 31 December 2019 figure, the beneficial interest in shares is made up of 5,170 ADRs (representing 10,340 ordinary shares).
8 Amy Yip was appointed to the Board on 2 September 2019.

The bar chart below illustrates the Executive Directors' shareholding as a percentage of base salary versus the share ownership guideline.



Outstanding share options

The following table sets out the share options held by the Executive Directors in the UK Savings-Related Share Option Scheme (SAYE) as at the end of the period. No other directors participated in any other option scheme.

	Date of grant	Exercise price (pence)	Market price at 31 Dec 2019 (pence)	Exercise period: Beginning	Exercise period: End	Number of options: Beginning of period	Granted	Exercised	Cancelled	Forfeited	Lapsed	End of period
Mark FitzPatrick	21 Sep 17	1455	1449	01 Dec 22	31 May 23	2,061	–	–	–	–	–	2,061
James Turner	21 Sep 17	1455	1449	01 Jan 21	30 Jun 21	1,237	–	–	–	–	–	1,237

Notes

1 No Directors exercised SAYE options in 2019.
2 No price was paid for the award of any option.
3 The highest and lowest closing share prices during 2019 were £17.90 and £12.80 respectively.
4 All exercise prices are shown to the nearest pence.

Directors' terms of employment and external appointments

Details of the service contracts of each Executive Director are outlined in the table below. The Directors' remuneration policy contains further details of the terms included in Executive Director service contracts. Subject to the Group Chief Executive's or the Chairman's approval, Executive Directors are able to accept external appointments as non-executive directors of other organisations. Fees payable are retained by the Executive Directors.

	Service contracts: Date of contract	Notice period to the Company	Notice period from the Company	External appointment: External appointment during 2019	Fee received in the period the Executive Director was a Group Director
Executive Directors					
Michael Falcon	11 October 2018	12 months	12 months	–	–
Mark FitzPatrick	17 May 2017	12 months	12 months	–	–
John Foley	8 December 2010	12 months	12 months	–	–
Nic Nicandrou	27 April 2009	12 months	12 months	–	–
James Turner	1 March 2018	12 months	12 months	Yes	£60,000
Mike Wells	21 May 2015	12 months	12 months	–	–

Directors served on the boards of educational, charitable and cultural organisations without receiving a fee for these services.

Details of changes to the Board of Directors during the year are set out in the 'Governance' report.

Letters of appointment of the Chairman and Non-executive Directors

Details of Non-executive Directors' individual appointments are outlined below. The Directors' remuneration policy contains further details on their letters of appointment.

Chairman/Non-executive Director	Appointment by the Board	Notice period	Time on the Board at 2020 AGM
Chairman			
Paul Manduca	15 October 2010 (Chairman from July 2012)	12 months	9 years 7 months
Non-executive Directors			
Philip Remnant	1 January 2013	6 months	7 years 4 months
Howard Davies	15 October 2010	6 months	9 years 7 months
David Law	15 September 2015	6 months	4 years 8 months
Kai Nargolwala	1 January 2012	6 months	8 years 4 months
Anthony Nightingale	1 June 2013	6 months	6 years 11 months
Alice Schroeder	10 June 2013	6 months	6 years 11 months
Thomas Watjen	11 July 2017	6 months	2 years 10 months
Fields Wicker-Miurin	3 September 2018	6 months	1 year 8 months
Amy Yip	2 September 2019	6 months	8 months

Note
On 10 December 2019 and 30 January 2020 the Company announced the appointment of Non-executive Directors, Jeremy Anderson and Shriti Vadera, to the Board effective 1 January 2020 and 1 May 2020 respectively.

Recruitment and relocation arrangements

In making decisions about the remuneration arrangements for those joining the Board, the Committee worked within the current Directors' remuneration policy approved by shareholders and was mindful of:

— The skills, knowledge and experience that each new Executive Director brought to the Board;

— The need to support the relocation of executives to enable them to assume their roles; and

— Its commitment to honour legacy arrangements.

Appointing high-calibre executives to the Board and to different roles on the Board is necessary to ensure the Company is well positioned to develop and implement its strategy and deliver long-term value. As the Company operates in an international market place for talent, the best internal and external candidates are sometimes asked to move location to assume their new roles. Where this happens, the Company will offer relocation support. The support offered will depend on the circumstances of each move but may include paying for travel, shipping services, the provision of temporary accommodation and other housing benefits. Executives may receive support with the preparation of tax returns, but no current Executive Director is tax equalised.

Michael Falcon

Michael Falcon was appointed as Chairman and Chief Executive Officer, Jackson National Holdings LLC and joined the Board on 7 January 2019. Details of his remuneration arrangements on appointment, including the terms of his buy-out awards, were disclosed in the 2018 Directors' Remuneration Report.

Details of the remuneration he received during 2019 in his role as Executive Director of Prudential plc, including his buy-out award, are set out in the 2019 'single figure' table.

James Turner

James Turner relocated to Hong Kong in August 2019 in order to support our dialogue with the Hong Kong IA. Relocation support was provided in line with the current Directors' remuneration policy and included shipping of personal effects from the UK, temporary accommodation, a housing allowance for his permanent Hong Kong residence and support for visa applications and the preparation of necessary Hong Kong tax returns. Ongoing benefits will be provided in line with the local Prudential Corporation Asia policies. Since Mr Turner has moved with his school-aged child, he received education support on the same basis as other executives based in Hong Kong.

Details of the remuneration he received during 2019 in his role as Group Chief Risk and Compliance Officer, including this relocation support are set out in the 2019 'single figure' table.

Payments to past Directors and payments for loss of office

The Committee's approach when exercising its discretion under the policy is to be mindful of the particular circumstance of the departure and the contribution the individual made to the Group.

On 21 May 2019, the Company confirmed that John Foley, Chief Executive of M&GPrudential, Nic Nicandrou, Chief Executive of Prudential Corporation Asia, and Michael Falcon, Chairman and Chief Executive Officer, Jackson Holdings LLC, stepped down as members of the Prudential plc Board at the end of the Annual General Meeting on 16 May 2019 as part of our progress towards the demerger of M&G plc. They remained in their executive roles and continued to be members of the Group Executive Committee with Mr Foley leaving the Group on 21 October 2019 on the demerger of M&G plc.

The remuneration of these executives was managed in line with the currently approved Directors' remuneration policy and they have not received any loss of office payment in respect of their service as Directors.

Michael Falcon

An annual incentive award has been paid to Michael Falcon for the whole of 2019 as he remained a member of the Group Executive Committee after leaving the Board. This award was determined on performance achieved when the 2019 results were known. Sixty per cent of it was paid in cash in the usual way, and 40 per cent was deferred into Prudential ADRs (to be released in the Spring of 2023). In addition, he was eligible to receive a 10 per cent share of the Jackson bonus pool of which 40 per cent is similarly deferred. These awards continue to be subject to malus and clawback provisions.

Mr Falcon's 2019 PLTIP award will vest in line with the original vesting date, subject to the satisfaction of the original performance conditions. These awards will also continue to be subject to the original malus and clawback provisions, and awards will remain subject to a two-year holding period following the end of the three-year performance period. The terms of Mr Falcon's buy-out awards as disclosed in the 2018 Directors' remuneration report have not been changed and awards will vest in line with the original vesting schedule. The number of Prudential ADRs over which options have been granted has been adjusted in line with the approach set out in the section on 'Remuneration decisions taken in relation to the demerger'. In November 2019, Mr Falcon exercised the first tranche of this replacement award. The gross value of the award exercised (which included dividend equivalents) was $464,198. Mr Falcon is the sole participant in this arrangement and no further awards will be made to Mr Falcon under this plan.

Details of the remuneration received during 2019 in respect of his role as an Executive Director are set out in the 2019 single figure table.

John Foley

Following his retirement from the Board on 16 May 2019, John Foley's employment with the Group ended on 21 October 2019 on the demerger of M&G plc and he continued as the Chief Executive Officer, M&G plc. The Committee determined that Mr Foley would not receive a bonus from Prudential plc for any part of the 2019 performance year. On the demerger date, Mr Foley's unvested awards under the Prudential deferred AIP and the PLTIP were cancelled by Prudential plc. These awards were converted by M&G plc into awards over M&G plc shares in line with the M&G plc Directors' remuneration policy. Further information on Mr Foley's 2019 remuneration arrangements may be found in the M&G plc 2019 Directors' remuneration report.

Nic Nicandrou

An annual incentive award has been paid to Nic Nicandrou for the whole of 2019 as he remained a member of the Group Executive Committee after leaving the Board. This award was determined on performance achieved when the 2019 results were known. Sixty per cent of it was paid in cash in the usual way, and 40 per cent was deferred into Prudential plc shares (to be released in the Spring of 2023). This award continues to be subject to malus and clawback provisions.

Details of the remuneration received during 2019 in respect of his role as an Executive Director are set out in the 2019 'single figure' table.

Mr Nicandrou's unvested awards under the Prudential deferred AIP will be released on the original timetable and remain subject to malus and clawback provisions. Outstanding long-term incentive awards will vest in line with the original vesting dates, subject to the satisfaction of the original performance conditions. The number of Prudential plc shares under award have been adjusted in line with the approach set out in the section on 'Remuneration decisions taken in relation to the demerger'. These awards will also continue to be subject to the original malus and clawback provisions, and awards will remain subject to a two-year holding period following the end of the three-year performance period.

Barry Stowe

Barry Stowe retired as Chairman and Chief Executive, NABU on 31 December 2018. He remained as an adviser to the Group until his employment ended on 31 December 2019. Mr Stowe received US$1,466,000 in respect of salary, benefits, and pension between 1 January and 31 December 2019. As disclosed in the 2018 Directors' remuneration report, the Committee exercised its discretion in accordance with the approved Directors' remuneration policy and determined that Mr Stowe should be allowed to keep his unvested 2017 and 2018 PLTIP awards which will vest in line with the original vesting dates, subject to the satisfaction of the performance conditions under the plan rules, remain subject to malus and clawback provisions, and will be pro-rated for service to the date Mr Stowe retired from the Board to 31 December 2018. Mr Stowe was not eligible for a 2019 bonus and was not granted a 2019 PLTIP award.

As set out in the section 'Remuneration in respect of performance in 2019' the performance conditions attached to Mr Stowe's 2017 PLTIP awards were partially met and 68.75 per cent will be released in 2020. The number of Prudential plc ADRs under award have been adjusted in line with the approach set out in the section on 'Remuneration decisions taken in relation to the demerger'. The details of Mr Stowe's award are set out below:

Award	Number of ADRs vesting[1]	Value of ADRs vesting[2]
Prudential LTIP	62,395	£1,777,756

Notes
1 The number of ADRs vesting include accrued dividends.
2 The ADR price used to calculate the value was the average ADR price for the three months up to 31 December 2019, being US$36.37.

Tony Wilkey

Tony Wilkey stepped down from the Board on 17 July 2017 and his employment ended with the Group on 17 July 2018. As disclosed in the 2017 Directors' remuneration report, the Committee exercised its discretion in accordance with the approved Directors' remuneration policy and determined that Mr Wilkey should be allowed to keep his unvested PLTIP awards granted in 2017. This award will vest in accordance with the original timetable, subject to the original performance conditions, remain subject to malus and clawback provisions, and will be pro-rated for service. This is the last PLTIP award that will vest to Mr Wilkey.

As set out in the section 'Remuneration in respect of performance in 2019' the performance conditions attached to Mr Wilkey's 2017 PLTIP awards were partially met and 61.75 per cent will be released in 2020. The number of Prudential plc shares under award have been adjusted in line with the approach set out in the section on 'Remuneration decisions taken in relation to the demerger'. The details of Mr Wilkey's award are set out below:

Award	Number of shares vesting[1]	Value of shares vesting[2]
Prudential LTIP	44,969	£622,821

Notes
1 The number of shares vesting include accrued dividend shares.
2 The share price used to calculate the value was the average share price for the three months up to 31 December 2019, being £13.85.

Other Directors

A number of former Directors receive retiree medical benefits for themselves and their partner (where applicable). This is consistent with other senior members of staff employed at the same time. A de minimis threshold of £10,000 has been set by the Committee; any payments or benefits provided to a past Director above this amount will be reported.

Statement of voting at general meeting

At the 2017 Annual General Meeting, shareholders were asked to vote on the current Directors' remuneration policy and at the 2019 Annual General Meeting, shareholders were asked to vote on the 2018 Directors' remuneration report. Each of these resolutions received a significant vote in favour by shareholders and the Committee is grateful for this support and endorsement by our shareholders. The votes received were:

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Total votes cast	Votes withheld
To approve the Directors' remuneration policy (2017 AGM)	1,773,691,171	90.71	181,582,497	9.29	1,955,273,668	45,820,585
To approve the Directors' remuneration report (2019 AGM)	1,948,451,528	95.71	87,313,483	4.29	2,035,765,011	6,608,034

Statement of implementation in 2020

Base salary

Executive Directors' remuneration packages were reviewed in 2019 with changes effective from 1 January 2020. When the Committee took these decisions, it considered the salary increases awarded to other employees in 2019 and the expected increases in 2020. The external market reference points used to provide context to the Committee were similar to those used for 2019 salaries.

All Executive Directors received a salary increase of 2 per cent. The 2020 salary increase budgets for other employees across the Group's business units were between 2.5 per cent and 5.1 per cent.

Pension entitlements from 2020

As set out in the Annual statement from the Chairman of the Remuneration Committee, externally or internally-recruited Executive Directors appointed on or after the date of the 2020 AGM will be offered pension benefits of 13 per cent of salary, aligned with the employer pension contribution available to the UK workforce and broadly reflecting the pension benefits for the workforce in locations across Asia and the US. The Committee intends to reduce incumbent Executive Directors' pension benefits from 25 per cent to 20 per cent of salary on the following basis:

- From 14 May 2020 (the effective date of the new policy), incumbent Executive Directors' pension benefits will be reduced to 22.5 per cent of base salary; and
- From 14 May 2021, incumbent Executive Directors' pension benefits will be reduced to 20 per cent of base salary.

In addition, statutory contributions will continue to be made into mandatory pension arrangements in the country in which the Executive Directors are based, in line with the local requirements.

Annual bonus

No changes have been made to the bonus opportunities for Executive Directors for 2020.

In recent years, bonuses for the Group Chief Risk and Compliance Officer have been based entirely on a combination of personal and functional measures, an approach aligned with Solvency II remuneration requirements under the PRA. In 2020 the Committee has introduced a financial element in the bonus for the Group Chief Risk and Compliance Officer. The 2020 bonus for this role will be based on 40 per cent Group financial measures, 40 per cent functional objectives and 20 per cent personal measures. This is in line with the current draft of the Hong Kong IA's guideline on the remuneration of key persons in control functions. It reflects the Committee's view that it is important that this role and other control function staff continue to demonstrate long-term commercial sensitivity and are rewarded in a way which allows the Company to recruit the very best talent to these roles.

AIP payments for all Executive Directors have been previously subject to meeting Solvency II minimum capital thresholds which were aligned to the Group and business unit risk framework and appetites (as adjusted for any Group Risk Committee and/or business unit risk committees approved counter-cyclical buffers). This will be replaced with LCSM minimum capital thresholds aligned to the Group and business unit framework and appetites. No other changes have been made to the bonus performance measures and weightings for the other Executive Directors.

2020 share-based long-term incentive awards

Award levels

No change to the PLTIP award levels of the Group Chief Executive of 400 per cent of base salary or the Group Chief Risk and Compliance Officer of 250 per cent of base salary are proposed. In recognition of Mark FitzPatrick's expanded role and responsibilities in 2019, together with the Board's view of his strong performance, potential and criticality to the Group, the Committee intends to increase the value of his long-term incentive award within the current policy limit for 2020 to 300 per cent of base salary (from 250 per cent at present). This approach is also considered to support the promotion of stewardship and long-term focus.

Performance conditions

The post-demerger Prudential Group is focused on capturing the structural growth opportunity across the Asian and African markets under Prudential Corporation Asia, its Asian business unit. In the US, its business unit, Jackson, will seek to benefit from the growing retirement market and to provide enhanced cash generation to the post-demerger Prudential Group.

The Executive Directors' long-term incentive awards will continue to be made under the PLTIP. The Company will look to build long-term shareholder value by continuing to focus on achieving sustainable, profitable growth and retaining a resilient balance sheet, with a disciplined approach to active capital allocation. As set out in the 2018 Directors' remuneration report and following our conversations with investors last year, the vesting of the major part of 2019 awards under the PLTIP is dependent on the achievement of a relative TSR target. As also indicated in last year's report, this was appropriate in the context of the demerger and the Committee intended to develop performance measures for 2020 and subsequent years in light of the evolving priorities of the business.

To this end, the Committee will introduce a new return on equity performance measure, operating return on average shareholders' funds, for the 2020 PLTIP awards, incentivising the efficient use of capital as well as shareholder returns. Using this metric alongside TSR and a sustainability scorecard will ensure that the full value of long-term incentive awards is attained only where capital is effectively deployed in a way that creates shareholder returns superior to those delivered by peers while conduct and diversity expectations are met. The weighting of measures for the 2020 PLTIP awards will be as follows:

— Relative TSR (50 per cent of award);

— A return on equity measure (30 per cent of award); and

— Sustainability scorecard of strategic measures (20 per cent of award).

The proportion of 2020 long-term incentive awards which will vest for threshold performance will remain at 20 per cent. This level of threshold vesting is formalised in the proposed 2020 Directors' remuneration policy.

Since these measures are in line with the remuneration requirements for control staff under the draft Hong Kong IA Corporate Governance Guideline, the weightings of the Group Chief Risk and Compliance Officer's PLTIP performance targets will be the same as that of the other Executive Directors.

Relative TSR

Under the Group TSR measure, 20 per cent of the award will vest for TSR at the median of the peer group, increasing to full vesting for performance within the upper quartile. TSR is measured on a local currency basis since this has the benefit of simplicity and directness of comparison. A comprehensive review of the TSR peer group which anticipated the Group's post-demerger footprint was undertaken for the 2019 PLTIP awards. The companies were selected based on organisational size, product mix and geographical footprint. The peer group for 2020 PLTIP awards is the same as that used for 2019 and is set out below:

Aegon	AIA	AXA Equitable	China Taiping Insurance
Great Eastern	Lincoln National	Manulife	MetLife
Ping An Insurance	Principal Financial	Prudential Financial	Sun Life Financial

Operating return on average shareholders' funds

Operating return on average shareholders' funds is calculated as adjusted IFRS operating profit based on longer-term investment returns ('adjusted operating profit') after tax and net of non-controlling interests divided by average shareholders' funds, is assessed at Group level. 20 per cent of the award will vest for achieving the threshold level of performance of 16.7 per cent, increasing to full vesting for reaching the stretch level of at least 22.9 per cent.

Sustainability scorecard
Under the 2020 sustainability scorecard, performance will be assessed for each of the four measures, at the end of the three-year performance period. Performance will be assessed on a sliding scale. Each of the measures has equal weighting and the 2020 measures are set out below:

Capital measure:	Cumulative three-year ECap Group operating capital generation relative to plan, less cost of capital (based on the capital position at the start of the performance period).
Vesting basis:	20 per cent vesting for achieving Plan, increasing to full vesting for performance above stretch level. The plan figure for this metric will be published in the Annual Report for the final year of the performance period.
Capital measure:	Cumulative three-year LCSM operating capital generation relative to plan
Vesting basis:	20 per cent vesting for achieving Plan, increasing to full vesting for performance above stretch level. The plan figure for this metric will be published in the Annual Report for the final year of the performance period.
Conduct measure:	Through strong risk management action, ensure there are no significant conduct/culture/governance issues that result in significant capital add-ons or material fines.
Vesting basis:	20 per cent vesting for partial achievement of the Group's expectations, increasing to full vesting for achieving the Group's expectations.
Diversity measure:	Percentage of the Leadership Team that is female at the end of 2022. The target for this metric will be based on progress towards the goal that the Company set when it signed the Women in Finance Charter, specifically that 30 per cent of our Leadership Team will be female by the end of 2021.
Vesting basis:	20 per cent vests for meeting the threshold of at least 27 per cent of our Leadership Team being female at the end of 2022, increasing to full vesting for reaching the stretch level of at least 33 per cent being female at that date.

Changes in line with the 2020 Directors' remuneration policy
Post-directorship share ownership
The Committee is building on the share ownership guidelines which apply to executives during their employment by introducing a formal, post-employment shareholding guideline. Executive Directors will, on leaving the Board, be required to maintain their in-employment share ownership guideline for a period of two years or their actual shareholding on the date of their retirement from the Board if lower. This obligation will be implemented by requiring retiring Executive Directors to obtain clearance to deal in the Company's shares during the two years following their retirement in the same way as they must during the time on the Board. No changes have been made to Executive Directors' in-employment share ownership guidelines.

Chairman and Non-executive Directors
Fees for the Chairman and Non-executive Directors were reviewed in 2019 with changes effective from 1 July 2019, as set out under the 'Chairman and Non-executive Director remuneration in 2019' section. The next review will be effective 1 July 2020. Fees for the Chairman will be paid in US dollars from May 2020.

New Directors' remuneration policy

This section sets out the revised Directors' remuneration policy which will be put forward to shareholders for a binding vote at the 2020 AGM on 14 May 2020. If approved this policy will apply immediately for three years following the AGM. This policy has evolved from the current policy which was approved at the AGM held on 18 May 2017 and has applied from that date.

As discussed in the Annual statement from the Chairman of the Remuneration Committee, the current policy has operated as intended. Full details of the existing policy can be found on pages 135 to 150 of the 2016 Annual Report or on our website at www.prudentialplc.com/investors/governance-and-policies/directors-remuneration-policy

During 2019, the Committee reviewed the policy, taking into account the demerger, the views of our shareholders, the new UK Corporate Governance Code, evolving market practice and the broader regulatory and competitive environment. It also considered workforce remuneration and related policies in the business units across the Group, including how the Company's incentive arrangements are aligned with culture. Input was sought from the management team, while ensuring that conflicts of interest were suitably mitigated.

In reviewing the policy, alternative remuneration structures were considered. Following careful consideration, the Committee decided to retain the key features of the current remuneration model since it is appropriate for a growth company, is well understood and drives the right behaviour and outcomes. However, as described in the Chairman's letter, the Committee felt that it was important to make changes to specific components in order to:

— Align reward with the strategic priorities and capital framework of the post-demerger business;

— Strengthen the community of interest between executives and other shareholders; and

— Foster alignment between the remuneration of executives and the wider workforce.

Fixed pay policy for Executive Directors

Component and purpose	*Operation*	*Opportunity*
Base salary Paying salaries at a competitive level enables the Company to recruit and retain key executives.	Prudential's policy is to offer all Executive Directors base salaries that are competitive within their local market. The Committee reviews salaries annually with changes normally effective from 1 January. In determining base salary for each executive, the Committee considers factors such as: — Salary increases for other employees across the Group; — The performance and experience of the executive; — The size and scope of the role; — Group financial performance; — Internal relativities; and — External factors such as economic conditions and market data, taking into account the geographies and markets in which the Company operates. While salaries are typically paid in the local currency of the country where the executive is based, the Committee may determine that the salary of an executive is set or paid in an alternative currency.	Annual salary increases for Executive Directors will normally be in line with the increases for other employees unless there is a change in role or responsibility.

Component and purpose	Operation	Opportunity
Benefits Provided to executives to assist them in carrying out their duties efficiently. Expatriate and relocation benefits allow Prudential to attract high calibre executives in the international talent market and to deploy them appropriately within the Group.	Prudential's policy is for the Committee to have the discretion to offer Executive Directors benefits which reflect their individual circumstances and are competitive within their local market, including: — Health and wellness benefits; — Protection and security benefits; — Transport benefits; — Family and education benefits; — All employee share plans and savings plans; — Relocation and expatriate benefits; and — Reimbursed business expenses (including any tax liability) incurred when travelling overseas in performance of duties.	The maximum paid will be the cost to the Company of providing these benefits. The cost of these benefits may vary from year to year but the Committee is mindful of achieving the best value from providers.
Provision for an income in retirement Pension benefits provide executives with opportunities to save for an income in retirement.	Prudential's policy is to offer all Executive Directors a pension provision that is competitive and appropriate in the context of pension benefits for the wider workforce. Executives have the option to: — Receive payments into a defined contribution scheme; and/or — Take a cash supplement in lieu of contributions. In addition, Executive Directors may receive statutory contributions to mandatory pension arrangements in the country in which they are based in line with local requirements.	New Executive Directors, either externally recruited or promoted from within the Company, will be entitled to receive pension contributions or a cash supplement (or a combination of the two) of 13 per cent of base salary. Current Executive Directors are entitled to receive pension contributions or a cash supplement (or combination of the two) of 22.5 per cent of base salary from the date of this Policy (a reduction from 25 per cent of base salary in the previous Policy) and 20 per cent of base salary from 14 May 2021. In addition, statutory contributions will be made to mandatory pension arrangements in the country in which the Executive Directors are based, in line with the local requirements.

Annual bonus policy for Executive Directors

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

Operation	Currently all Executive Directors participate in the AIP. The AIP payments for all Executive Directors are subject to the achievement of financial, functional and/or personal objectives.
Form and timing of payment	All Executive Directors are required to defer a percentage of their total annual bonus into Prudential shares. Currently all Executive Directors defer 40 per cent of their bonus for three years, with the remaining proportion of their bonus paid in cash following the end of the performance year. The release of deferred bonus awards is not subject to any further performance conditions. Deferred bonus awards carry the right to accumulate an amount to reflect the dividends paid on the released shares during the deferral period. These dividend equivalents will normally be settled in shares, but there is the flexibility to deliver them in cash. The Committee has the authority to apply clawback and/or a malus adjustment to all, or a portion of, the cash and deferred award elements of the bonus. More details about clawback and malus are set out below. See the 'Policy on corporate transactions' section for details of the Committee's powers in the case of corporate transactions.

Determining annual bonus awards	In assessing financial performance, the Committee determines the AIP award for each Executive Director with reference to the performance achieved against approved performance ranges. In assessing performance, the Committee will take into account the personal performance of the Executive Director and the Group's risk framework and appetite, as well as other relevant factors. To assist them in their assessment the Committee considers advice from the Group Risk Committee on adherence to the Group's risk framework and appetite and to all relevant conduct standards. The Committee may adjust the formulaic outcome based on the performance targets to reflect the underlying performance of the Company by applying discretion within the limits of the Policy. The Committee will disclose in the next Directors' Remuneration Report where discretion is used.
Opportunity	The maximum AIP opportunity is up to 200 per cent of salary for Executive Directors. Annual awards are disclosed in the relevant Annual report on remuneration.
Performance measures	The Committee has the discretion, for each Executive Director, to determine the specific performance conditions attached to each AIP cycle and to set annual targets for these measures with reference to the business plans approved by the Board. The financial measures used for the AIP will typically include profit and cash flow targets and payments depend on the achievement of minimum capital thresholds and operation within the Board approved risk framework and appetite. For the measures to be used in 2020, please refer to the Annual report on remuneration. No bonus is payable under the AIP for performance at or below the threshold level, increasing to 100 per cent for achieving or exceeding the maximum level. The weightings of the performance measures for 2020 for all Executive Directors, other than the Group Chief Risk and Compliance Officer, are 80 per cent Group financial measures and 20 per cent personal measures. For the Group Chief Risk and Compliance Officer, the weightings of performance measures for 2020 are 40 per cent Group financial measures, 40 per cent functional objectives and 20 per cent personal measures. The Committee retains the discretion to adjust and/or set different performance measures and/or targets if events occur (such as a change in strategy, a material acquisition and/or divestment of a Group business, a change in share capital of the Company, a change in the capital framework, or the requirements of the Company's regulators or a change in prevailing market conditions) which cause the Committee to determine that the measures and/or targets are no longer appropriate and that amendment is required so that they achieve their original purpose (or comply with such regulatory requirements).
Amendments	The Committee may make amendments to the rules of the deferred bonus plan which it considers appropriate (such as amendments which benefit the administration of the plan) but it will not make any amendments which are incompatible with the approved Directors' remuneration policy.
Committee discretions	In determining awards under the AIP, the Committee retains the discretion to adjust the formulaic outcome against any or all measures if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or any member of the Group over the performance period and/or there exists any other reason why an adjustment is appropriate, taking into account such factors as the Committee considers relevant.

Long-term incentive policy for Executive Directors

Prudential Long Term Incentive Plan (PLTIP)

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

— Longer-term business plans;

— Sustainable long-term returns for shareholders; and

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

Operation	Currently all Executive Directors participate in the PLTIP. Prudential's policy is that Executive Directors may receive long-term incentive awards with full vesting only achieved if the Company meets stretching performance targets. The rules of the PLTIP were approved by shareholders in 2013. Subsequent to this, minor amendments have been made to the rules to incorporate clawback provisions, provide for a holding period and to ensure participants were no better or no worse off as a result of the demerger of M&G plc from Prudential plc.
Granting awards	The PLTIP is a conditional share plan: the shares which are awarded will ordinarily vest after three years to the extent that performance conditions have been met. If performance conditions are not achieved, the unvested portion of any award lapses and performance cannot be retested. The PLTIP has a three-year performance period (although the Committee has the discretion to apply shorter or longer performance periods when the PLTIP is used for buy-out awards on recruitment – see the 'Approach to recruitment remuneration' section).
Holding period	Awards made under this Policy are normally subject to a holding period which ends on the fifth anniversary of the award (except for buyout awards made under the PLTIP or, for example, in the case of the death of an executive). The Company may sell such number of shares as is required to satisfy any tax liability that arises on vesting. The balance of shares will be subject to the holding period.
Determining the release of the award	The Committee has the authority to apply clawback and/or a malus adjustment to all, or a portion of, a PLTIP award. More details about clawback and malus are set out below. Awards carry the right to accumulate an amount to reflect the dividends paid on the released shares, during the period between the awards being granted and the award vesting. Dividend equivalents will normally be settled in shares, but there is the flexibility to deliver them in cash.
Opportunity	The value of shares awarded under the PLTIP (in any given financial year) may not exceed 550 per cent of the executive's annual basic salary. Awards made in a particular year are usually significantly below this limit. In 2020, the Committee intends to make awards at the following levels under the PLTIP (as a percentage of base salary): Group Chief Executive — 400 per cent Group Chief Financial Officer and Chief Operating Officer — 300 per cent Group Chief Risk and Compliance Officer — 250 per cent The Committee would consult with major shareholders before making any increase to current award levels. Award levels are disclosed in the relevant Annual report on remuneration. The maximum vesting under the PLTIP is 100 per cent of the original share award plus accrued dividend equivalents.

Performance measures

The performance conditions attached to PLTIP 2020 awards for all Executive Directors are:

— Relative TSR (50 per cent of award);

— A Return on Equity measure (30 per cent of award); and

— Sustainability scorecard measures (20 per cent of award).

Using a Return on Equity metric alongside TSR and a sustainability scorecard will ensure that the full value of long-term incentive awards is attained only where capital is effectively created and deployed in a way which creates shareholder returns superior to those delivered by peers while conduct and diversity expectations are met.

The Committee may decide to attach different performance conditions and/or change the conditions' weighting for future PLTIP awards. The performance conditions attached to each award will be disclosed in the relevant Annual report on remuneration.

Relative TSR is measured over three years. 20 per cent of this portion of each award will vest for achieving the threshold level of median, increasing to full vesting for meeting the stretch level of upper quartile. TSR is measured against a peer group of international insurers similar to Prudential in size, geographic footprint and products. The peer group for each award is disclosed in the relevant Annual report on remuneration.

Three year cumulative Return on Equity, defined as Operating return on average shareholder funds, calculated as adjusted IFRS operating profit based on longer-term investment returns ('adjusted operating profit') after tax and net of non-controlling interests divided by average shareholder funds, is assessed at Group level. Threshold and maximum achievement levels will be set at the beginning of the performance periods in line with the three-year business plan. 20 per cent of this portion of the award will vest for achieving threshold performance increasing to full vesting for meeting stretch targets.

Performance against the measures in the scorecard of sustainability measures is assessed at the end of the three-year performance period. For the 2020 awards these measures will be equally weighted. 20 per cent of this portion of the award will vest for achieving threshold performance increasing to full vesting for meeting stretch targets. The scorecard measures for each award are disclosed in the relevant Annual report on remuneration for the year of grant.

The Committee also considers advice from the Group Risk Committee on whether results were achieved within the Group's and business units' risk framework and appetite and to all relevant conduct standards.

Committee discretions

For any award made under the PLTIP to vest, the Committee must be satisfied that the quality of the Company's underlying financial performance justifies the level of reward delivered at the end of the performance period. The Committee receives data about factors such as risk management and the cost of capital to support their decision. The Committee has the discretion to alter or disapply the holding period if it believes that it is appropriate. See the 'Policy on corporate transactions' section for details of the Committee's powers in the case of corporate transactions.

The Committee retains the ability to amend the performance conditions and/or targets attached to an award and/or set different performance measures (or to revise the weighting of measures) which apply to new or outstanding long-term incentive awards if:

— events occur which cause the Committee to determine that circumstances relevant to the performance conditions have changed such that the measures described in this section are no longer appropriate; and

— that amendment is required so that they achieve their original purpose, provided the Committee is satisfied that the amended measure and/or target range will be a fairer measure of performance and no more or less demanding than the original condition.

Examples of such events could include a change in strategy, a material acquisition and/or divestment of a Group business or a change in the share capital of the Company, a change in the requirements of the Company's regulators or a change in prevailing market conditions. The Committee would seek to consult with major shareholders before revising performance conditions on outstanding awards under the PLTIP.

It is the intention of the Committee that PLTIP awards should normally reflect the outcomes of performance measures set. However, the Committee may, in its discretion, adjust (including by reducing to nil) the formulaic outcome under the PLTIP if it considers that:

(i) the extent to which any performance condition has been met does not reflect the underlying financial or non-financial performance of the participant or any member of the Group over the performance period; or

(ii) there exists any other reason why an adjustment is appropriate, taking into account such factors as the Committee considers relevant, including the context of circumstances that were unexpected or unforeseen at the date of grant.

Amendments

The Committee may make amendments to the rules of the Plan which are minor and benefit the administration of the Plan, which take account of any changes in legislation, and/or which obtain or maintain favourable tax, exchange control or regulatory treatment. Otherwise no amendments may be made to certain key provisions of the PLTIP to the advantage of participants without prior shareholder approval.

Share ownership guidelines for Executive Directors

It is imperative that the Company's remuneration arrangements align the interests of executives and other shareholders. The following reinforces this alignment.

In-employment guidelines	Under the Articles of Association, all Executive Directors are required to hold at least 2,500 shares and have one year, from their date of appointment to the Board, to acquire these. The share ownership guidelines for the Executive Directors during their employment are: — 400 per cent of salary for the Group Chief Executive; — 250 per cent of salary for the Group Chief Financial Officer and Chief Operating Officer; and — 250 per cent of salary for the Group Chief Risk and Compliance Officer. Executives normally have five years from the later of the date of their appointment or promotion, or the date of an increase in these guidelines, to build this level of ownership. Shares earned and deferred under the AIP are included in calculating the Executive Director's shareholding for these purposes, as are shares held by members of an Executive Director's household. Unvested share awards under long-term incentive plans are not included but vested share awards under long-term incentive plans which are subject to the holding period are included. Progress against the share ownership guidelines is detailed in the 'Statement of Directors' shareholdings' section of the Annual report on remuneration. Should an Executive Director not meet the share ownership guidelines, the Remuneration Committee retains the discretion to determine how this should be addressed, taking account all of the prevailing circumstances. In the absence of mitigating circumstances, if an Executive Director fails to comply with the share ownership guideline in the required timeframe and has not (in the opinion of the Remuneration Committee) taken reasonable steps to achieve compliance, despite encouragement to do so, then the Remuneration Committee may take steps including preventing the individual from selling shares/ADRs or mandating the use of any cash bonuses to buy Prudential plc shares/ADRs.
Post Directorship guidelines	When an Executive Director leaves the Board, they will be required to hold the lower of their actual shareholding on the date of their retirement from the Board and their in-employment share ownership guideline for a period of two years. The Committee has the discretion to disapply or reduce this requirement in extenuating circumstances, for example if the Executive Director takes up a role with a Regulator or for compassionate reasons (such as genuine financial hardship or on death).

Malus and clawback policy

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

	Circumstances when the Committee may exercise its discretion to apply malus or clawback to an award
Malus (applies in respect of any annual bonus or long-term incentive award) Allows unvested shares awarded under deferred bonus and LTIP plans to be forfeited or reduced in certain circumstances.	Where a business decision taken during the performance period by the business which the participant leads has resulted in a material breach of any law, regulation, code of practice or other instrument that applies to companies or individuals within the business. Where there is a materially adverse restatement of the accounts for any year during the performance period of (i) the business unit in which the participant worked at any time in that year; and/or (ii) any member of the Group which is attributable to incorrect information about the affairs of that business unit; or (iii) for awards made in 2020 or later, it becomes apparent that the calculation of payments was based on erroneous or misleading data or otherwise incorrect. Where an individual's personal conduct during the relevant performance period has resulted in the Company, or any member of the Group, suffering significant reputational or financial damage; the potential to cause significant reputational or financial damage; and/or the material breach of the Group's business code of conduct or law. Where any matter arises which the Committee believes affects or may affect the reputation of the Company or any member of the Group.
Clawback Allows cash and share awards, including shares subject to the holding period, to be recovered before or after release in certain circumstances.	Clawback may be applied: — For the PLTIP, where at any time before the fifth anniversary of the award date, and — For the AIP, where at any time before the fifth anniversary of the end of the bonus performance period where either (i) there is a materially adverse restatement of the Company's published accounts in respect of any financial year which (in whole or part) comprised part of the performance period; or (ii) it becomes apparent that a material breach of a law or regulation took place during the performance period which resulted in significant harm to the Company or its reputation, and the Committee considers it appropriate, taking account of the extent of the participants' responsibility for the relevant restatement or breach, that clawback be applied to the relevant participant; or (iii) for awards made in 2020 or later, it becomes apparent that the calculation of payments was based on erroneous or misleading data or otherwise incorrect. Where an individual's personal conduct during the relevant performance period has resulted in the Company, or any member of the Group, suffering significant reputational or financial damage; the potential to cause significant reputational or financial damage; and/or the material breach of the Group's business code of conduct or law.

Notes to the remuneration policy table for Executive Directors

Committee's judgement

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

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

Determining the performance measures

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

AIP

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

PLTIP
Awards made under the PLTIP in 2020 are subject to the achievement of Return on Equity, relative TSR and a sustainability scorecard :

— Return on Equity was selected as a performance measure for the PLTIP because it is a familiar measure for investors, is comparable across the market and also aligns performance incentives to the generation of long-term shareholder value.

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

— A sustainability scorecard was selected to ensure an alignment with the Group's strategic objectives, which are approved by the Board each year, and to reflect Prudential's cultural values.

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

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

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

Targets used to determine annual bonus outcomes will be disclosed in the Directors' remuneration report for the year for which the bonus is paid.

Wherever possible, the targets attached to long-term incentive awards will be disclosed prospectively at the time of the award. Where long-term incentive targets are commercially sensitive, they will be published in the Annual Report for the final year of the performance period.

Key differences between Directors' remuneration and the remuneration of the wider workforce
Across the Group, remuneration is reviewed regularly with the intention that all employees are paid appropriately in the context of their local market and given their individual skills, experience and performance. The Committee regularly receives information on workforce remuneration and related policies and takes this into account when determining Executive Director remuneration, for example it considers salary increase budgets for the workforce when determining the salaries of Executive Directors.

The remuneration principles that apply to Executive Directors are cascaded to employees as appropriate. Employees are regularly provided with an explanation of how decisions on executive pay are made and how they reflect the wider Company remuneration policy.

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

References to 'shares'
In this policy, references to shares include American Depositary Receipts (ADRs). Directors may receive awards denominated in ADRs rather than shares.

Scenarios of total remuneration

The chart below provides an illustration of the future total remuneration for each Executive Director in respect of their remuneration opportunity for 2020. Four scenarios of potential outcome are provided based on underlying assumptions shown in the notes to the chart.

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

— Financial performance must exceed the Group's stretching business plan;

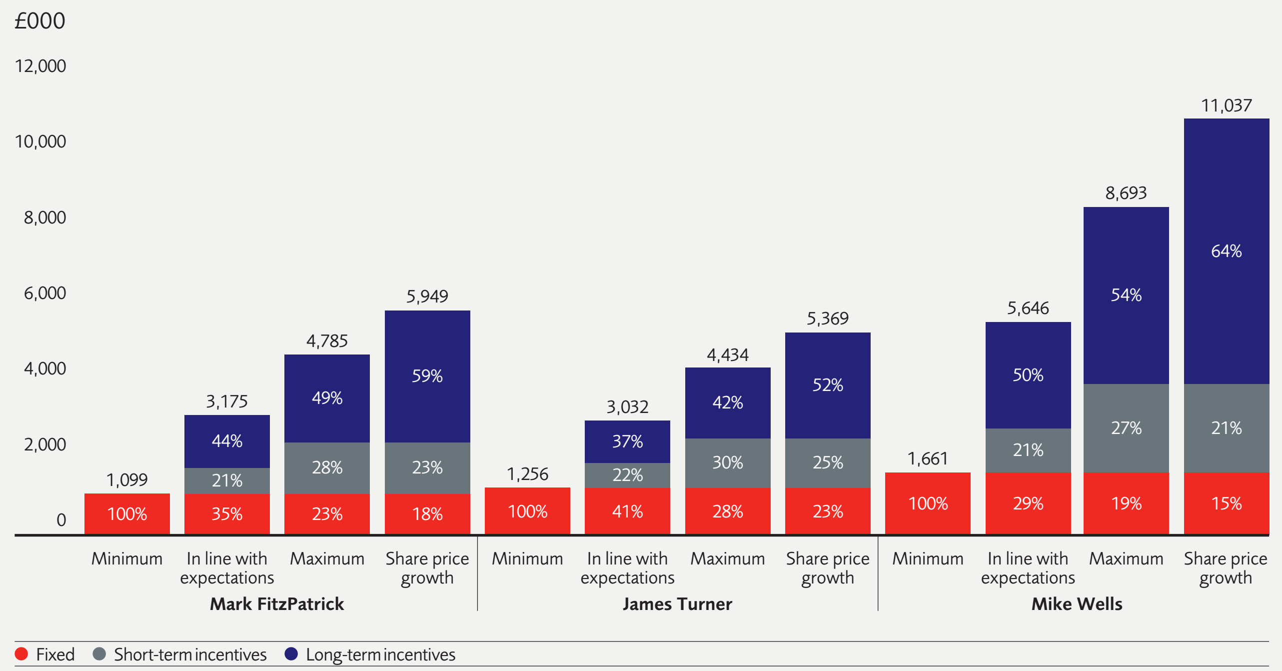
— Relative TSR must be at or above the upper quartile relative to the peer group;

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

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

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

The fourth scenario below illustrates the maximum potential remuneration (shown in the third scenario) on the assumption that the Company's share price grows by 50 per cent over three years.



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

	Minimum	**In line with expectations**	**Maximum**	**Share price growth**
Fixed pay	Base salary at 1 January 2020. Pension allowance for the year has been calculated at 22.5% of salary in line with this policy Estimated value of benefits based on amounts paid in 2019. James Turner is paid in HK$ and figures have been converted to GBP for the purposes of this chart.			
Annual bonus	No bonus paid.	50% of maximum AIP.	100% of maximum AIP.	
Long-term incentives (excludes dividends)	No PLTIP vesting.	Vesting of 60% of award under PLTIP (midway between threshold and maximum)	Vesting of 100% of award under PLTIP.	Vesting of 100% of award under PLTIP plus share price growth of 50 per cent over three years.

Approach to recruitment remuneration

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

The approach to recruiting a Non-executive Director or a Chairman is outlined on page 188.

Element	*Principles*	*Potential variations*
Base pay	The salary for a new Executive Director will be set using the approach set out in the fixed pay policy table on page 174.	
Benefits and pension	The benefits for a new Executive Director will be consistent with those outlined in the fixed pay policy table.	
Variable remuneration opportunity	The variable remuneration opportunities for a new Executive Director would be consistent with the limits and structures outlined in the variable pay policy table.	
Awards and contractual rights forfeited when leaving previous employer	On joining the Board from within the Group, the Committee may allow an executive to retain any outstanding deferred bonus and/or long-term incentive awards and/or other contractual arrangements that they held on their appointment. These awards (which may have been made under plans not listed in this policy) would remain subject to the original rules, performance conditions and vesting schedule applied to them when they were awarded. If an externally-appointed Executive Director forfeits one or more bonuses (including outstanding deferred bonuses) on leaving a previous employer, these payments or awards may be replaced in either cash, Prudential shares or options over Prudential shares with an award of an equivalent value. Replacement awards will normally be released on the same schedule as the foregone bonuses. If an externally-appointed Executive Director forfeits one or more long-term incentive awards on leaving a previous employer, these may be replaced with Prudential awards with an equivalent value. Replacement awards will generally be made under the terms of a long-term incentive plan approved by shareholders, and vest on the same schedule as the foregone awards. Where foregone awards were subject to performance conditions, performance conditions will normally be applied to awards replacing foregone long-term incentive awards; these will usually be the same as those applied to the long-term incentive awards made to Prudential executives in the year in which the forfeited award was made.	The Committee may consider compensating a newly-appointed executive for other relevant contractual rights forfeited when leaving their previous employer. The use of Listing Rule 9.4.2 to facilitate the recruitment of an Executive Director is now only relevant in 'unusual circumstances'. The Committee does not anticipate using this rule on a routine basis but reserves the right to do so in an exceptional circumstance. For example, this rule may be required if, for any reason, like-for-like replacement awards on recruitment could not be made under existing plans. This provision would only be used to compensate for remuneration forfeited on leaving a previous employer.

Policy on payment on loss of office

Element	*Principle*	*Potential variations*
Notice periods	The Company's policy is that Executive Directors' service contracts will not require the Company to give an executive more than 12 months' notice without prior shareholder approval. A shorter notice period may be offered where this is in line with market practice in an executive's location. The Company is required to give to, and to receive from, each of the current Executive Directors 12 months' notice of termination. An Executive Director whose contract is terminated would be entitled to 12 months' salary and benefits in respect of their notice period. The payment of the salary and benefits would either be phased over the notice period or, alternatively, a payment in lieu of notice may be made. In agreeing the terms of departure for any Executive Director, other than on death or disablement, the Company will have regard to the need to mitigate the costs for the Company, which would be reduced or cease if departing Executives secure alternative paid employment during the notice period.	If an Executive Director is dismissed for cause their contract would be terminated with immediate effect and they would not receive any payments in relation to their notice period. Should an executive die, their estate would not be entitled to receive payments and benefits in respect of their notice period – provisions are made under the Company's life assurance scheme to provide for this circumstance. Should an Executive Director step down from the Board but remain employed by the Group, they would not receive any payment in lieu of notice in respect of their service as a Director.
Outstanding deferred bonus awards	The treatment of outstanding deferred bonuses will be decided by the Committee taking into account the circumstances of the departure including the performance of the Executive Director. Deferred bonus awards are normally retained by participants leaving the Company. Awards will vest on the original timetable and will not normally be released early on termination. Prior to release, awards remain subject to the malus terms originally applied to them. The clawback provisions will continue to apply.	Any Executive Director dismissed for cause would forfeit all outstanding deferred bonus awards. Should an executive die, outstanding deferred bonus awards will be released as soon as possible after the date of death. Should an Executive Director step down from the Board but remain employed by the Group, they would retain any outstanding deferred bonus awards. These awards would remain subject to the original rules and vesting schedule applied to them when they were awarded.
Unvested long-term incentive awards	The treatment of unvested long-term incentives will be decided by the Committee taking into account the circumstances of the departure including the performance of the Executive Directors. Where an Executive Director is determined to be a good leaver, unvested long-term incentive awards will normally subsist. These awards will ordinarily be pro-rated based on time employed, will vest on the original timescale and will remain subject to the original performance conditions assessed over the entire performance period. Good leavers are defined as injury or disability, retirement with the approval of the employing company, the employing company ceasing to be a member of the Group, the business in which the individual is employed being transferred to a transferee that is not a member of the Group, or any other circumstances at the discretion of the Committee. Individuals who die in service will also be treated as good leavers. Where an individual is not determined to be a good leaver, unvested long-term incentive awards will lapse on cessation of employment. Prior to release, awards remain subject to the malus and clawback terms and holding periods originally applied to them.	Any Executive Director dismissed for cause would forfeit all unvested long-term incentive awards. If the Committee has judged that the departing Executive Director should retain their unvested long-term incentive awards with the expectation that: (i) the Executive Director is retiring from their professional executive career; and/or (ii) the Executive Director will not be seeking to secure alternative employment with another organisation of comparable size as the Company or that is within the financial services sector the Committee retains the power to lapse all unvested long-term incentive awards should the Committee deem that the Executive Director has secured similar paid executive employment elsewhere. On death, disablement and in other exceptional circumstances, the Committee has discretion to release unvested long-term incentive awards earlier than the end of the vesting period. The malus and clawback provisions will continue to apply. Should an Executive Director step down from the Board but remain employed by the Group, an executive would retain any outstanding long-term incentive awards which they held on their change of role. These awards would remain subject to the original rules, performance conditions and vesting schedule.

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

Policy on corporate transactions

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

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

Copies of the service contract between the Prudential Group and each of the Executive Directors are available for inspection at Prudential's registered office during normal hours of business and will also be available at any General Meeting of the Company. Details of the duration of the Executive Directors' service contracts are set out in the 'Directors' terms of employment and external appointments' section of the Annual report on remuneration.

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

Prudential does not specifically consult with employees when setting the Directors' remuneration policy: Prudential is a global organisation with employees and agents in multiple business units and geographies. We do have a mechanism for designated Non-executive Directors to gather employees' views on a range of topics and for these views to be represented to the Board. As many employees are also shareholders, they are able to participate in binding votes on the Directors' remuneration policy and annual votes on the Annual report on remuneration.

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

Remuneration policy for Non-executive Directors and the Chairman

	Fees	*Benefits*	*Share Ownership Guidelines*
Non-executive Directors	All Non-executive Directors receive a basic fee for their duties as a Board member. Additional fees are paid for added responsibilities such as chairmanship and membership of committees, acting as the Senior Independent Director or designation to carry out the workforce engagement role. Fees are paid to Non-executive Directors, subject to the appropriate deductions. The basic and additional fees are reviewed annually by the Board with any changes effective from 1 July. In determining the level of fees the Board considers: — The time commitment and other requirements of the role; — Group financial performance; — Salary increases for all employees; and — Market data. If, in a particular year, the number of meetings is materially greater than usual, the Company may determine that the provision of additional fees in respect of that year is fair and reasonable. Should a new committee be formed, or the remit of an existing committee be materially expanded, the new or additional fees paid for the chairmanship or membership of the committee will be commensurate with the new or additional responsibilities and time commitment involved. Non-executive Directors are not eligible to participate in annual bonus plans or long-term incentive plans.	Non-executive Directors do not currently receive benefits or a pension allowance or participate in the Group's employee pension schemes. Travel and business expenses for Non-executive Directors are incurred in the normal course of business, for example, in relation to attendance at Board and Committee meetings. The costs associated with these are all met by the Company, including any tax liabilities arising on these business expenses.	Under the Articles of Association, all Non-executive Directors are required to hold at least 2,500 shares and have one year, from their date of appointment to the Board, to acquire these. It is further expected that Non-executive Directors will hold shares with a value equivalent to one times the annual basic fee (excluding additional fees for chairmanship and membership of any committees). Non-executive Directors will normally be expected to attain this level of share ownership within three years of their date of appointment.

	Fees	*Benefits*	*Share Ownership Guidelines*
Chairman	The Chairman receives an annual fee for the performance of their role. This fee is agreed by the Committee and is paid to the Chairman in cash, subject to the appropriate deductions. On appointment, the fee may be fixed for a specified period of time. Following the fixed period (if applicable) this fee will be reviewed annually. Changes in the fee are effective from 1 July. In determining the level of the fee for the Chairman the Committee considers: — The time commitment and other requirements of the role; — The performance and experience of the Chairman; — Internal relativities; — Company financial performance; and — Market data. The Chairman is not eligible to participate in annual bonus plans or long-term incentive plans.	The Chairman may be offered benefits including: — Health and wellness benefits; — Protection and security benefits; — Transport benefits; — Reimbursement of business expenses (and any associated tax liabilities) incurred when travelling overseas in performance of duties; and — Relocation and expatriate benefits (where appropriate). The maximum paid will be the cost to the Company of providing these benefits. The Chairman is not eligible to receive a pension allowance or to participate in the Group's employee pension schemes.	Under the Articles of Association, the Chairman is required to hold at least 2,500 shares and has one year, from their date of appointment to the Board, to acquire these. The Chairman has a share ownership guideline. This is currently one times the annual fee and it is normally expected that this level of share ownership would be attained within five years of the date of appointment.

Recruitment of a new Chairman or Non-executive Director

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

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

Notice periods – Non-executive Directors and Chairman

Non-executive Directors are appointed pursuant to letters of appointment with notice periods of six months without liability for compensation. A contractual notice period of 12 months by either party applies for the Non-executive Chairman. The Chairman would not be entitled to any payments for loss of office. Details of the individual appointments of the Chairman and Non-executive Directors are set out in the 'Letters of appointment of the Chairman and Non-executive Directors' section of the Annual report on remuneration.

For information on the terms of appointment for the Chairman and Non-executive Directors please see page 168.

Changes from 2017 policy

The proposed Directors' remuneration policy generally reflects that approved by shareholders in May 2017. The principal differences are set out below. Additionally, minor changes have been made to provide alignment with the UK Corporate Governance Code and to generally improve clarity.

- The Solvency II capital metric in the AIP and PLTIP scorecard is to be replaced with a Pillar I capital metric;
- The weightings of the AIP performance measures for the Group Chief Risk and Compliance Officer are 40 per cent Group financial measures, 40 per cent functional objectives and 20 per cent personal measures. In the 2017 policy, the measures were entirely based on a combination of personal and functional measures;
- A Return on Equity measure replaces the operating profit measure in the PLTIP;
- Under the PLTIP, 20 per cent of each portion of the award will vest for achieving threshold performance. This change was implemented for 2019 PLTIP awards and it is now reflected in this policy. For prior awards, threshold performance resulted in 25 per cent of awards vesting;
- The Committee intends to make a 2020 PLTIP award of 300 per cent of salary to the Group Chief Financial Officer and Chief Operating Officer (increased from 250 per cent of salary);
- From the date of this policy, current Executive Directors will receive pension contributions of 22.5 per cent of base salary, reducing to 20 per cent of base salary from 14 May 2021. New Executive Directors, either externally recruited or promoted from within the Company, will be entitled to receive pension contributions or a cash supplement (or a combination of the two) of 13 per cent of base salary. In addition, statutory contributions will continue to be made to mandatory pension arrangements in the country in which the Executive Directors are based in line with the local requirements. The 2017 policy offered all Executive Directors pension benefits of 25 per cent of salary; and
- Executive Directors will, on leaving the Board, be required to hold the lower of their actual shareholding on the date of their retirement from the Board and their in-employment share ownership guideline for a period of two years.

Principles underlying the policy

In particular, when determining the new Directors' remuneration policy the Committee had regard to a number of key principles as illustrated below and opposite:

Simplicity	The Committee has decided to retain the key features of the current policy. It continues to consist of fixed remuneration, annual and long-term incentives only.
	Stakeholders are familiar with the operation of current reward arrangements and there is a demonstrable link between performance and reward outcome.
Risk	The Group Risk Committee formally provides advice to the Committee on risk management considerations to inform decisions over bonus payments and long-term incentive vesting levels.
	The current policy provides the Committee with substantial flexibility to adjust incentive outcomes, to reduce or cancel unvested awards and to reclaim both bonus and long-term incentive payments. The Committee's discretionary powers have been formalised and additional malus and clawback triggers for personal conduct introduced in relation to the AIP and PLTIP to take into account non-financial and individual factors.
	The time horizon for our long-term incentives extends for five years, including the holding period on awards.
	There are currently significant in-employment share ownership guidelines for all Executive Directors providing a material connection to the sustained success of the Company. Executives have five years from the later of the date of their appointment, or the date of an increase these guidelines, to build this level of ownership.
	A post-employment shareholding requirement has been introduced for Executive Directors leaving the Board to maintain their in-employment share ownership guideline for a period of two years or their actual shareholding on the date of their retirement from the Board if lower, subject to Committee discretion. This obligation will be implemented by requiring Executive Directors retiring from the Board to obtain clearance to deal in the Company's shares during the two years following their retirement.
Alignment to culture	Executive Directors recruited externally or internally from the date of the 2020 AGM will be offered pension benefits of 13 per cent of salary, aligned with the employer pension contribution available to the UK workforce. For existing Directors, pension benefits will be reduced from 25 per cent to 20 per cent of salary by May 2021.
	The conduct measure in the PLTIP rewards for appropriate management action in ensuring that there are no significant conduct/culture/governance issues that result in significant capital add-ons or material fines.
	The pay arrangements for Executive Directors are aligned with that of the senior leadership team.
	The vesting period attached to the long-term incentives reflects the time horizon of the business plan. The additional post-vesting holding period and post-employment shareholding requirement strengthens the community of interests between Executives and other stakeholders.

Clarity	The Committee has consulted with the Company's largest shareholders and their advisers on the changes to the policy and executive pay decisions before they are implemented.
	Details on Executive Director pay are clearly set out in the Annual report on remuneration.
Proportionality	There are no incentive awards for below threshold performance. Financial targets are set against the Board approved Plan.
	Under the PLTIP, 20 per cent of each portion of the award will vest for achieving threshold performance.
	The Committee approves the termination arrangements of Executive Directors to ensure that there is no reward for failure.
	The PLTIP leaver rules are another safeguard that there is no reward for failure under this plan.
	The Committee's discretionary powers have been formalised and additional malus and clawback triggers for personal conduct introduced in relation to the AIP and PLTIP to take into account non-financial and individual factors.
Predictability	The level of awards under incentive awards to Executive Directors at threshold, on-target and maximum levels are defined and have been outlined in the scenarios of total remuneration charts for the new policy.

Signed on behalf of the Board of Directors

Anthony Nightingale, CMG SBS JP
Chair of the Remuneration Committee

10 March 2020

Paul Manduca
Chairman

10 March 2020

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Directors' outstanding long-term incentive awards

Share-based long-term incentive awards

	Plan name	Year of award	Conditional share awards outstanding at 1 Jan 2019 (Number of shares)	Conditional awards in 2019 (Number of shares)	Demerger adjustment in 2019[1]	Market price at date of award (pence)	Dividend equivalents on vested shares[2] (Number of shares released)	Rights exercised in 2019	Rights lapsed in 2019	Conditional share awards outstanding at 31 Dec 2019 (Number of shares)	Date of end of performance period
Mark FitzPatrick	PLTIP	2017	101,360		15,687	1828				117,047	31 Dec 19
	PLTIP	2018	106,611		16,499	1750				123,110	31 Dec 20
	PLTIP	2019		123,376	19,094	1605.5				142,470	31 Dec 21
			207,971	123,376	51,280		–	–	–	382,627	
James Turner	PLTIP	2016	33,116			1279	1,905	20,697	12,419	–	31 Dec 18
	PLTIP	2017	27,940		4,324	1672				32,264	31 Dec 19
	PLTIP	2018	89,439		13,842	1750				103,281	31 Dec 20
	PLTIP	2019		103,571	16,029	1605.5				119,600	31 Dec 21
			150,495	103,571	34,195		1,905	20,697	12,419	255,145	
Mike Wells	PLTIP	2016	332,870			1279	19,174	208,043	124,827	–	31 Dec 18
	PLTIP	2017	263,401		40,765	1672				304,166	31 Dec 19
	PLTIP	2018	257,813		39,900	1750				297,713	31 Dec 20
	PLTIP	2019		298,441	46,188	1605.5				344,629	31 Dec 21
			854,084	298,441	126,853		19,174	208,043	124,827	946,508	

Notes

1 The table above reflects the adjustments made to outstanding awards at the time of the demerger.

2 A dividend equivalent was accumulated on these awards.

Other share awards

The table below sets out Executive Directors' deferred bonus share awards:

	Year of grant	Conditional share awards outstanding at 1 Jan 2019 (Number of shares)	Conditionally awarded in 2019 (Number of shares)	Dividends accumulated in 2019[1] (Number of shares)	Shares released in 2019 (Number of shares)	Demerger adjustment[2]	Conditional share awards outstanding at 31 Dec 2019 (Number of shares)	Date of end of restricted period	Date of release	Market price at date of award (pence)	Market price at date of vesting or release (pence)
Mark FitzPatrick											
Deferred 2017 annual incentive award	2018	28,119		907		4,492	33,518	31 Dec 20		1750	
Deferred 2018 annual incentive award	2019		32,223	1,040		5,148	38,411	31 Dec 21		1605.5	
		28,119	**32,223**	**1,947**	**–**	**9,640**	**71,929**				
James Turner											
Deferred 2015 group deferred bonus plan award	2016	5,440			5,440		–	31 Dec 18	01 Apr 19	1279	1557
Deferred 2018 annual incentive award	2019		20,605	664		3,291	24,560	31 Dec 21		1605.5	
		5,440	**20,605**	**664**	**5,440**	**3,291**	**24,560**				
Mike Wells											
Deferred 2015 annual incentive award	2016	112,720			112,720		–	31 Dec 18	01 Apr 19	1279	1557
Deferred 2016 annual incentive award	2017	54,060		1,744		8,636	64,440	31 Dec 19		1672	
Deferred 2017 annual incentive award	2018	48,664		1,570		7,774	58,008	31 Dec 20		1750	
Deferred 2018 annual incentive award	2019		55,394	1,787		8,849	66,030	31 Dec 21		1605.5	
		215,444	**55,394**	**5,101**	**112,720**	**25,259**	**188,478**				

Notes

1 A dividend equivalent was accumulated on these awards.

2 The table above reflects the adjustments made to outstanding awards at the time of the demerger.

All-employee share plans

It is important that all employees are offered the opportunity to own shares in Prudential, connecting them both to the success of the Company and to the interests of other shareholders. Executive Directors are invited to participate in these plans on the same basis as other staff in their location.

Save As You Earn (SAYE) schemes

UK-based Executive Directors are normally eligible to participate in the HM Revenue and Customs (HMRC) approved Prudential Savings-Related Share Option Scheme. This scheme allows all eligible employees to save towards the exercise of options over Prudential plc shares with the option price set at the beginning of the savings period at a discount of up to 20 per cent of the market price.

Since 2014 participants have been able to elect to enter into savings contracts of up to £500 per month for a period of three or five years. At the end of this term, participants may exercise their options within six months and purchase shares. If an option is not exercised within six months, participants are entitled to a refund of their cash savings plus interest if applicable under the rules. Shares are issued to satisfy those options which are exercised. No options may be granted under the schemes if the grant would cause the number of shares which have been issued, or which remain issuable pursuant to options granted in the preceding 10 years under the scheme and any other option schemes operated by the Company, or which have been issued under any other share incentive scheme of the Company, to exceed 10 per cent of the Company's ordinary share capital at the proposed date of grant. In anticipation of the demerger of the M&G plc business the Company did not operate the SAYE in 2018 and it was relaunched in November 2019.

Details of Executive Directors' rights under the SAYE scheme are set out in the 'Outstanding share options' table.

Share Incentive Plan (SIP)

UK-based Executive Directors are also eligible to participate in the Company's Share Incentive Plan (SIP). Since April 2014, all UK-based employees have been able to purchase Prudential plc shares up to a value of £150 per month from their gross salary (partnership shares) through the SIP. For every four partnership shares bought, an additional matching share is awarded which is purchased by Prudential plc on the open market. Dividend shares accumulate while the employee participates in the plan. If the employee withdraws from the plan, or leaves the Group, matching shares may be forfeited.

The table below provides information about shares purchased under the SIP together with matching shares (awarded on a 1:4 basis) and dividend shares:

	Year of initial grant	**Share Incentive Plan awards held in Trust at 1 Jan 2019** (Number of shares)	**Partnership shares accumulated in 2019** (Number of shares)	**Matching shares accumulated in 2019** (Number of shares)	**Dividend shares accumulated in 2019** (Number of shares)	**Share Incentive Plan awards held in Trust at 31 Dec 2019** (Number of shares)
Mark FitzPatrick	2017	214	119	30	9	372
James Turner	2011	709	76	19	25	829
Mike Wells	2015	548	120	30	21	719

Cash-settled long-term incentive awards

This information has been prepared in line with the reporting requirements of the Hong Kong Stock Exchange and sets out Executive Directors' outstanding share awards and share options. For details of the cash-settled long-term incentive awards held by one Executive Director, please see our 2018 Annual report on remuneration.

Dilution

Releases from the Prudential Long Term Incentive Plan and the Prudential Agency Long Term Incentive Plan are satisfied using new issue shares rather than by purchasing shares in the open market. Shares relating to options granted under all-employee share plans are also satisfied by new issue shares. The combined dilution from all outstanding shares and options at 31 December 2019 was 1 per cent of the total share capital at the time. Deferred bonus awards will continue to be satisfied by the purchase of shares in the open market.

Remuneration of the five highest-paid individuals and the remuneration of senior management

In line with the requirements of the Stock Exchange of Hong Kong Limited, the following table sets out, on an aggregate basis, the annual remuneration of i) the five highest-paid employees, and ii) senior management for the year ended 31 December 2019.

Of the five individuals with the highest emoluments in 2019, one was an Executive Director for the full year whose emoluments are disclosed in this report. The aggregate of the emoluments of the other four individuals for 2019 were are set out in the table below. In light of a change to the Board's definition of senior management during 2019, senior management comprised the Executive Directors, plus from 1 August 2019, members of the Group Executive Committee. The table sets outs the aggregate of the emoluments paid to the senior management team:

	Five highest paid		Senior management	
Components of remuneration	HK$000	£000	HK$000	£000
Base salaries, allowances and benefits in kind	28,727	2,872	63,251	6,324
Pension contributions	4,598	460	11,777	1,178
Performance related pay	124,502	12,448	152,481	15,246
Payments made on appointment	49,505	4,950	49,505	4,950
Payments made on separation	62,681	6,267	–	–
Total	270,013	26,997	277,014	27,698

Their emoluments for 2019 were within the following bands:

		Number of employees	
Remuneration band HKD	**Remuneration band GBP equivalent**	**Five highest paid**	**Senior management**
7,500,001 – 8,000,000	749,888 – 799,880	–	1
8,500,001 – 9,000,000	849,873 – 899,865	–	1
10,000,001 – 10,500,000	999,850 – 1,049,843	–	1
25,000,001 – 25,500,000	2,499,625 – 2,549,618	–	1
34,500,001 – 35,000,000	3,449,483 – 3,499,475	–	1
39,500,001 – 40,000,000	3,949,408 – 3,999,400	–	1
48,000,001 – 48,500,000	4,799,280 – 4,849,273	1	–
62,500,001 – 63,000,000	6,249,063 – 6,299,055	1	–
67,000,001 – 67,500,000	6,698,995 – 6,748,988	1	1
83,500,001 – 84,000,000	8,348,748 – 8,398,740	–	1
92,000,001 – 92,500,000	9,198,620 – 9,248,613	1	–