

# Directors' remuneration report

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This report has been prepared to comply with Schedule 8 of 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 2020 and 2019 Executive Director total remuneration (the 'single figure') and related notes (including details of all fixed and variable remuneration elements shown in the single figure table), Pension entitlements, Long-term incentives awarded in 2020, Chair of the Board and Non-executive Director remuneration in 2020 and 2019, Statement of Directors' shareholdings and Payments to past Directors and payments for loss of office.









# Directors' remuneration report

**Anthony Nightingale CMG SBS JP**  
Chair of the Remuneration Committee



## Annual statement from the Chair of the Remuneration Committee

**Dear shareholder,**

**I am pleased to present our Directors' remuneration report for the year to 31 December 2020 on behalf of the members of the Remuneration Committee.**

By way of preface, I would like to share the context for the key decisions the Committee took during 2020 and for the developments in our arrangements planned for 2021.

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In the Committee's 2019 report, we presented a new Directors' remuneration policy. In April 2020, in light of the Covid-19 pandemic and the need for continued restraint in executive remuneration, the Committee clarified how we intended to operate the new policy, as described in the 'Aligning pay and performance in the context of Covid-19' section of this report. These clarifications included reversing salary increases awarded for 2020, reducing pension benefits of incumbent Executive Directors from 25 per cent to 13 per cent of salary in line with the UK workforce and reversing the proposed increase in the Prudential Long Term Incentive Plan (PLTIP) award level for the Group Chief Financial Officer and Chief Operating Officer. The 2020 Directors' remuneration policy was approved by shareholders at the 2020 AGM with 95.8 per cent votes cast in favour. During 2021, the Committee intends to operate within the 2020 policy and in line with our previous clarifications.

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As described below, a number of changes are planned in the application of the policy for 2021 to maintain the strong connection between incentive arrangements and the Group's evolving strategy. I have had the opportunity during late 2020 and early 2021 to discuss these changes with many of our major shareholders, as well as the organisations that represent and advise them. I am pleased to say that we have had the benefit of substantive feedback from over 40 per cent of our shareholder register and that the majority of shareholders and advisory bodies who provided input are supportive of the remuneration arrangements that we proposed for 2021. These arrangements are in line with our approved 2020 remuneration policy. 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 useful dialogue into the future.

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### **Reflecting 2020 financial 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, despite the unexpected challenges throughout 2020 the Group delivered positive operating results as we continue to develop our capabilities and presence in our chosen Asia and Africa markets. The table below illustrates achievement of KPIs:

Performance measures	Group performance (\$m) <sup>3</sup>		2020 bonus achievement <sup>4</sup>
<b>Adjusted operating profit from continuing operations<sup>1</sup></b> Prudential's primary measure of profitability and a key driver of shareholder value.  Adjusted operating profit accounted for 35 per cent of Group financial bonus targets.	5,310 2019	5,507 2020	▲ 4%  Above target level, approaching stretch target level
<b>Life new business profit from continuing operations</b> A measure of the future profitability of the new business sold during the year and an indicator of the profitable growth of the Group.  New business profit accounted for 15 per cent of Group financial bonus targets.	4,405 2019	2,802 2020	▼ 36%  Below minimum threshold
<b>Operating free surplus generated from continuing operations<sup>2</sup></b> A measure of the internal cash generation of our business units.  Operating free surplus generated accounted for 30 per cent of Group financial bonus targets.	2,861 2019	2,886 2020	▲ 1%  Above stretch target level
<b>Business unit remittances<sup>5</sup></b> Cash flows across the Group <sup>6</sup> 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.  A cash flow measure was used to determine 20 per cent of the Group financial bonus targets.	1,465 2019	771 2020	▼ 47%  Below minimum threshold

#### Notes

- 1 In this report 'adjusted operating profit' refers to adjusted IFRS operating profit based on longer-term investment returns from continuing operations.
- 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 year.
- 3 As reported basis.
- 4 Targets and the level of achievement are set out in the 'Annual bonus outcomes for 2020' section of the Annual report on remuneration.
- 5 2019 business unit remittances exclude remittances from discontinued remittances.
- 6 Group cash flow includes business unit remittances net of dividends and corporate costs.

2020 adjusted operating profit was 4 per cent higher than prior year on an actual exchange rate basis (and on a constant exchange rate basis) reflecting the performance outlined in the Strategic report, and delivered a result that is above the approved targets.

Life new business profit was 36 per cent lower than prior year on an actual exchange rate basis (37 per cent on a constant exchange rate basis). This reflected the change in geographical sales mix, most notably the fall in Hong Kong APE, as a result of the challenging trading environment caused by the Covid-19 pandemic. This result was below the minimum threshold.

Operating free surplus generation was 1 per cent higher than 2019 on an actual exchange rate basis (and on a constant exchange rate basis) and this result was above the approved stretch target.

Business units remittance levels were 47 per cent lower than 2019 and were below minimum threshold. Holding company cash was \$1.5 billion at the year end, after dividends, corporate costs and strategic investment in Asia, though, reflecting the lower level of remittances received from the business units, the Group cash flow measure was below the minimum threshold level.

The Group achieved these results while maintaining appropriate levels of capital and while operating within the Group's risk framework and appetites in the challenging market environment.

### Reflecting stakeholders' 2020 experiences

In reaching its decisions for 2020, the Committee considered the experience of the Company's stakeholder groups, particularly in the context of the pandemic. More details can be found in the ESG section of the Strategic report:

#### Investors

- At the half year, the Company announced a change in the dividend policy, aligned with the revised Group strategy to focus on value creation through growth. Dividends are expected to grow broadly in line with the growth in Asia and will be set taking into account financial prospects, investment opportunities and market conditions.
- While the Company's share price reduced by 7 per cent during 2020, our one-year TSR performance has been stronger than our comparators, outperforming the median of the 2020 PLTIP peer group (Prudential, (8.6) per cent compared with the peer group median of (12.5) per cent on a point to point basis).
- On 28 January 2021, Prudential announced that it was considering an equity raise of around \$2.5-3 billion to increase financial flexibility and take advantage of Asia growth opportunities.

#### Governments and Regulators

- Group has not sought any government support during the pandemic. A job support payment inadvertently received from one government was repaid in full.
- The Group has engaged frequently with its Lead Regulator on the development of the proposed Group-wide Supervision (GWS) framework which is expected to become effective from March 2021.

#### Customers

- Customer service processes made claiming easier with dedicated hotlines, fast-track claims processing and policy premium grace period extensions.
- Free limited-time Covid-19 cover was offered in Asia and the 'Pulse by Prudential' app put artificial intelligence-powered medical symptom checking, wellness advice and tele-medicine into people's hands.
- A total of \$4.2 million was spent on goodwill payments.

#### Our people

- Almost all employees have spent at least part of 2020 working remotely, in line with local restrictions and guidance.
- No employees were furloughed or made redundant as a result of the pandemic. Our remuneration programmes operated as usual during the pandemic period with medical insurance coverage extended to offer free Covid testing where necessary. Employees received their regular remuneration during any periods of shielding or self-isolation.
- In July 2020 the Global Diversity & Inclusion Council was established to empower employees and create a sense of belonging by respecting and appreciating differences.
- A range of initiatives was launched to support employees' wellbeing and mental health, including the Group's first global wellbeing day held on World Mental Health day.

#### Suppliers

- All London Head Office suppliers with fewer than 100 employees were automatically switched to 10-day payment terms.
- Human rights and modern slavery considerations are embedded across all supplier and supply chain arrangements.

#### Society

- The Group created a \$2.5 million Covid-19 relief fund.
- The Prudence Foundation Safe Steps Covid-19 campaign provided practical advice about safety in the pandemic and reached over 250 million people daily across Asia and 80 million people a month across Africa.
- Significant progress was made in redefining the Group's ESG ambition and strategy including the creation of the Responsibility and Sustainability Working Party of the Board.

### Rewarding 2020 performance

The Committee determined remuneration outcomes having considered the financial performance of the Group, its delivery to stakeholders and the personal contribution of executives.

As set out above, 2020 saw the Group perform well against its key operating profit and operating free surplus generation targets in the face of difficult external conditions. This performance, combined with his effective personal leadership, resulted in an overall bonus outcome for Mr Wells of 66 per cent of his maximum opportunity. However, the Committee and Mr Wells recognised the impact on investors of elements of the Group's announcement on 28 January 2021 with respect to Jackson and the Committee exercised its discretion to reduce Mr Wells's 2020 bonus outcome by 30 per cent (from 66 to 46 per cent of his maximum opportunity).

The Committee believes that the bonuses it awarded to the other Executive Directors for 2020 (between 70 per cent and 80 per cent of executives' maximum Annual Incentive Plan (AIP) opportunities) appropriately reflect underlying Company performance, individual and/or functional performance and wider factors.

Over the longer term, the Group has demonstrated positive operating results delivering total cumulative adjusted operating profits of \$18,472 million in the 2018, 2019 and 2020 financial years. Based on this strong cumulative adjusted operating profit performance over the period and performance against our sustainability scorecard, the Committee determined that 68.75 per cent of the Prudential Long Term Incentive Plan (PLTIP) awards made to Executive Directors in 2018 would vest. These awards will be released to participants from April 2021, but remain subject to a two-year post-performance holding period. The portion of the awards related to Prudential's total shareholder return (TSR) lapsed as TSR performance was ranked below the median of the peer group.

The total 2020 remuneration or 'single figure' for the Group Chief Executive, Mike Wells, is 11 per cent lower than his total restated 2019 'single figure', notwithstanding his exceptional leadership and personal performance. This chiefly reflects the reduction in the value of his 2020 bonus and the decrease in the pension contribution from 25 per cent to 13 per cent of salary.

### Preparing for the intended separation and divestment of Jackson

As the Group prepares for the proposed separation and divestment of the Jackson business, the Committee established a set of principles to underpin decisions on remuneration relating to the separation, including:

- Executives should not be advantaged or disadvantaged by the separation;
- The value of outstanding awards and their key terms (vesting dates, holding periods, malus and clawback provisions) should be unaffected;
- If performance conditions are 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 clearly disclosed.

These principles are consistent with those adopted in respect of the 2019 demerger of the M&G business and will be the basis for the decisions which will be taken by the Committee and disclosed in due course, including the treatment of outstanding share awards.



### Engaging shareholders on 2021 remuneration arrangements

In late 2020 and early 2021, we consulted with our major shareholders and the main institutional voting agencies on the proposed implementation of our Directors' remuneration policy in 2021. We had constructive conversations about our approach to remuneration and received broad support for our proposals, as summarised below:

- We proposed rebalancing the AIP metrics for 2021 with an increased weight assigned to the EEV new business profit, in line with our strategy of driving growth in profitable new business.
- On the PLTIP, we proposed that RoEV replaces the RoE measure for 2021 awards to reflect the focus on achieving sustained growth in embedded value per share while the TSR peer group is revised to reflect the footprint of the post-separation Group. These changes ensure the strong alignment of remuneration structures with the Group's strategic priorities.
- The Committee has taken the decision not to award salary increases to Executive Directors for 2021. Details of the proposed operation of the incentive plans in 2021 are included in the 'Statement of implementation of remuneration policy in 2021' section. 2021 will be the ninth 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.

In 2020 and 2021, non-financial incentive measures included a shared annual ESG objective and the Conduct and Diversity elements in the Sustainability Scorecard. Looking further ahead, I anticipate that the Group's renewed focus on measuring its ESG impact (described in our ESG Report) may result in further ESG measures being used within the Company's incentive plans. This is something that the Committee has considered and that I have discussed with shareholders. The Committee will take advice from the newly established Responsibility and Sustainability Working Party about how we might develop robust and stretching incentive targets which are meaningfully connected with the Group's ESG strategy.

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 2020 and of the proposed Directors' remuneration arrangements for 2021.

**Anthony Nightingale, CMG SBS JP**  
Chair of the Remuneration Committee

2 March 2021

# Our Executive Directors' remuneration at a glance

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## What performance means for Executive Directors' pay

At Prudential, remuneration packages are designed to ensure strong alignment between pay and performance. 2020 saw the Group perform well against its key operating profit and operating free surplus generation targets in the face of difficult external conditions. 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.

The value of the performance-related elements of remuneration is added to the fixed packages provided to Executive Directors to calculate the 2020 'single figure' of total remuneration. The total 2020 'single figure' for the Group Chief Executive is 11 per cent less than the total 2019 'single figure'. This chiefly reflects the reduction in the value of his 2020 bonus and the decrease in the pension contribution from 25 per cent to 13 per cent of salary. The values for the current Executive Directors are outlined in the table below:

Executive Director	Role	Fixed pay		Variable pay		2020 single figure <sup>1</sup> (\$'000)	2019 single figure <sup>2</sup> (\$'000)
		2020 salary (\$'000)	Pension and benefits (\$'000)	2020 bonus (\$'000)	PLTIP vesting (\$'000)		
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	980	410	1,186	1,405	3,981	4,316
James Turner <sup>3</sup>	Group Chief Risk and Compliance Officer	950	812	1,322	729	3,813	3,146
Mike Wells	Group Chief Executive	1,481	646	1,355	3,398	6,880	7,671

### Notes

- 1 The 2020 single figure is presented in USD (the Company's reporting currency).
- 2 The revised 2019 single figure reflects the actual PLTIP value for awards with performance period ending in 2019, valued using the share price on the date of vesting of £10.21 (£12.60 for Mark FitzPatrick), and including additional dividends paid. The 2019 single figure has been converted to USD.
- 3 Mr Turner relocated to Hong Kong on 1 August 2019 and has since been paid in HK dollars, while Messrs Wells and FitzPatrick are paid in sterling. Exchange rate fluctuations will therefore impact the reported values. 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 on remuneration.

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## Aligning pay and performance in the context of Covid-19

Prudential has a highly resilient business model and remains well placed to support its customers and distribution partners, and deliver profitable growth for its shareholders. Nevertheless, in light of the challenges presented by Covid-19 and the need for continued restraint in executive remuneration, in April 2020 Prudential's Executive Directors proposed the following changes to their remuneration, which were accepted by the Remuneration Committee:

- A reduction in the salaries of Executive Directors to the level on 31 December 2019, reversing the 2 per cent salary increase with effect from 1 April 2020.
- A reduction in the pension benefits of incumbent Executive Directors from 25 per cent to 13 per cent of salary, with effect from 14 May 2020, a level in line with the employer pension contribution available to the UK workforce.
- The Group Chief Financial Officer and Chief Operating Officer's 2020 PLTIP award was maintained at 250 per cent instead of moving to the level of 300 per cent of salary provided by the policy.

In recognition of the continued focus on pay restraint and after due deliberation, the Committee considered there should be no salary increases for the Executive Directors for 2021. The factors taken into account by the Committee when determining that the pay freeze should apply included treatment of all Company stakeholders and pay fairness. 2021 will be the ninth 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.

Remuneration packages for 2021, effective 1 January 2021, are set out in detail in the Annual report on remuneration and are summarised below:

Executive Director	Role	2021 salary (Local currency)	2021 salary (USD) <sup>1</sup>	Annual Incentive Plan (AIP)		
				Maximum bonus (% of salary)	Bonus deferred (% of bonus)	PLTIP award (% of salary) <sup>2</sup>
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	£760,000	\$975,000	175%	40%	250%
James Turner	Group Chief Risk and Compliance Officer	HKD7,330,000	\$945,000	175%	40%	250%
Mike Wells	Group Chief Executive	£1,149,000	\$1,473,000	200%	40%	400%

### Notes

- 1 The exchange rate used to convert pay to USD is the reporting rate during 2020 of 1.2824:1 for GBP and 1:7.7560 for HKD. All salaries are rounded to the nearest \$1,000/£1,000 or HKD 10,000.
- 2 The PLTIP award is subject to a three-year performance period and a holding period which ends on the fifth anniversary of the award.

# Summary of the current Directors' remuneration policy

The current Directors' remuneration policy was approved at the AGM on 14 May 2020 and is expected to fully apply until the 2023 AGM, when shareholders will be asked to approve a revised Directors' remuneration policy. The Committee is comfortable that the current Policy operated as intended and that the overall 2020 remuneration paid to Executive Directors set out below was appropriate.

The pages that follow present a summary of the current Directors' remuneration policy. The complete policy is available on the Company's website at [www.prudentialplc.com/investors/governance-and-policies/policies-and-statements](http://www.prudentialplc.com/investors/governance-and-policies/policies-and-statements).



## Summary of the Directors' remuneration policy

Current key elements of remuneration		2020	2021	2022	2023	2024	2025	Key features of operation of the current policy	How we implemented the policy in 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	A 2% salary increase was made with effect from 1 January 2020 followed by a reduction to the 31 December 2019 level from 1 April 2020
	Pension							Pension contributions and/or a cash supplement up to 22.5% of salary (20% from 14 May 2021). Executive Directors based in Hong Kong receive this in addition to contributions into the Hong Kong Mandatory Provident Fund	Pension contributions for the incumbent Executive Directors reduced to 13% of salary from 14 May 2020, in line with the employer pension contribution available to the UK workforce
Short-term variable pay One-year performance assessed on financial, functional and personal objectives, set with reference to business plans approved by the Board. Awards are subject to the achievement of a Pillar I capital underpin aligned with the Hong Kong Insurance Authority capital framework	Cash bonus							The maximum opportunity is up to 200% of salary	The Group Chief Executive was awarded a maximum bonus opportunity of 200% of salary
	Deferred bonus							40% of bonus is deferred into shares for three years  Award is subject to malus and clawback provisions, including in circumstances where there are non-financial issues and personal conduct which falls short of the Company's expectations	Other Executive Directors were awarded a maximum opportunity of 175% of salary  2020 bonuses were paid based on financial and personal objectives and, in the case of the Group Chief Risk & Compliance Officer, functional objectives
Long-term variable pay Three-year performance assessed on a combination of: — Financial measures; — Total Shareholder Return (TSR) relative to international insurance peers; and — Sustainability scorecard of capital, conduct and diversity measures	Prudential Long Term Plan (PLTIP)							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, including in circumstances where there are non-financial issues and personal conduct which falls short of the Company's expectations  The proportion of awards which will vest for threshold performance is 20%	Awards in 2020 were below the plan limits: — Group Chief Executive: 400% of salary — Other Executive Directors: 250% of salary  Weight of 2020 PLTIP measures was as follows: 50% TSR, 30% Operating return on average shareholders' funds (RoE) and 20% sustainability scorecard  On vesting, the Committee will review awards to ensure that participants do not benefit from windfall gains. The Committee will consider Prudential's stretching performance targets, share price performance of Prudential and its peers, the prices of the indices on which Prudential is listed and any other factors deemed relevant
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 in these guidelines, to build this level of ownership  Executive Directors leaving the Board are required to 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	The post-employment shareholding requirement is 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



### Principles underlying the policy

When determining the 2020 Directors' remuneration policy, the Committee had regard to a number of key principles as illustrated below:

Current key elements of remuneration	How we implemented the policy in 2020
<b>Simplicity</b>	<p>The Committee is comfortable that the current remuneration structure is simple as it consists of fixed remuneration, annual and long-term incentives only.</p> <p>This structure is largely unchanged from our previous policy. Stakeholders are familiar with the operation of reward arrangements and there is a demonstrable link between performance and reward outcome.</p>
<b>P</b> <b>Risk</b>	<p>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.</p> <p>The 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.</p> <p>The time horizon for our long-term incentives extends for five years, including the holding period on awards.</p> <p>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 in these guidelines, to build this level of ownership.</p> <p>A post-employment shareholding requirement for Executive Directors provides continued alignment with the success of the Company and stakeholder interests even after leaving the Board. 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.</p>
<b>P</b> <b>Alignment to culture</b>	<p>New and existing Executive Directors are offered pension benefits of 13 per cent of salary, aligned with the employer pension contribution available to the UK workforce.</p> <p>The conduct measure in the PLTIP rewards for appropriate management action and ensures that there are no significant conduct/culture/governance issues that result in significant capital add-ons or material fines.</p> <p>The pay arrangements for Executive Directors are aligned with those of the senior leadership team.</p> <p>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.</p>
<b>Q</b> <b>Clarity</b>	<p>The Committee has consulted with the Company's largest shareholders and their advisers on the current policy and executive pay decisions before they are implemented.</p> <p>Details on Executive Director pay are clearly set out in the Annual report on remuneration.</p>
<b>Q</b> <b>Proportionality</b>	<p>There are no incentive awards for below threshold performance. Financial targets are set against the Board-approved Plan.</p> <p>Under the PLTIP, 20 per cent of each portion of the award will vest for achieving threshold performance.</p> <p>The Committee approves the termination arrangements of Executive Directors to ensure that there is no reward for failure.</p> <p>The PLTIP leaver rules are another safeguard that there is no reward for failure under this plan.</p> <p>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.</p>
<b>Q</b> <b>Predictability</b>	<p>The levels of awards under incentive arrangements to Executive Directors at threshold, on-target and maximum performance points are clearly defined and presented in relevant sections of this report.</p>

# 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

Individual Directors' attendance at meetings throughout 2020 is set out in the 'Governance' section.



### Role and responsibilities

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 a periodic basis, and which can be found on the Company's website at [www.prudentialplc.com/~media/Files/P/Prudential-V3/content-pdf/gremco-tor-at-01-01-2021-v2.pdf](http://www.prudentialplc.com/~media/Files/P/Prudential-V3/content-pdf/gremco-tor-at-01-01-2021-v2.pdf). 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 Chair of the Board, Executive Directors, Group Executive Committee members and the Company Secretary, as well as overseeing the remuneration arrangements of other staff within its purview.

The principal responsibilities of the Committee set out in their terms of reference during 2020 were:

- Approving the operation of performance-related pay schemes operated for the Executive Directors, other members of the Group Executive Committee and the Company Secretary, and determining the targets and individual payouts under such schemes;
- Reviewing the operation and awards made under all share plans requiring approval by the Board and/or the Company's shareholders;
- Monitoring compliance of the Chair and Executive Directors and other members of the Group Executive Committee with share ownership guidelines;
- Reviewing and approving individual packages for the Executive Directors and other members of the Group Executive Committee, and the fees of the Chair. Similarly, reviewing and approving fees for the Non-executive Directors of the Group's material subsidiaries;
- Reviewing 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;
- Reviewing and approving the content and format of the UK gender pay gap report;
- Monitoring the remuneration and risk management implications of remuneration of senior executives across the Group and other selected roles; and
- Overseeing the implementation of the Group remuneration policy for those roles within scope of the specific arrangements referred to in the draft Hong Kong IA GWS Framework.



In 2020, the Committee met five times. Key activities at each meeting are shown in the table below:

Meeting	Key activities
<b>February 2020</b>	Approve the 2020 Directors' remuneration policy and the 2019 Directors' remuneration report; consider 2019 bonus awards for Executive Directors; note the personal and functional objectives to be used for the 2020 Annual Incentive Plan; consider vesting of long-term incentive awards with a performance period ending on 31 December 2019; approve 2020 long-term incentive awards and performance measures; approve the content and format of the UK Gender Pay Gap Report; note an update on the Board's review of the Committee's effectiveness; and review the appointment of the Committee's independent adviser and approve the remuneration package of the Company Secretary.
<b>March 2020</b>	Ratify 2019 bonus outcome and 2017 PLTIP vesting level approved at the February meeting in light of audited financial results.
<b>June 2020</b>	Note shareholder, voting agency and media reaction to the 2020 Directors' remuneration policy and 2019 Directors' remuneration report; approve the policy for authorising expense claims submitted by the Group Chief Executive and Chair; note an update on market trends; note the governance report on the remuneration of staff within the Committee's purview; review progress towards share ownership guidelines by the Chair of the Board, Executive Directors and other Group Executive Committee members; approve the Chair of the Board's fee; review the Committee's remit against all applicable legislative and regulatory requirements, including GWS; discuss the TSR peer group to be used for 2021 and subsequent PLTIP awards; and discuss the process for the Committee adviser tender.
<b>September 2020</b>	<b>E</b> Review the workforce remuneration dashboard (including the Group's response to the Covid pandemic); review proposed 2021 salaries for Executive Directors; approve the content and process for consulting shareholders on remuneration proposals; approve amendments to the Committee's Terms of Reference for recommendation to the Board; approve remuneration-related proposals and documentation connected with the intended separation of Jackson; note a report of the Company's performance against competitors; review proposals for performance measures for 2021 incentive plans; and approve the appointment terms of the Chair of the Board in contemplation of her appointment.
<b>December 2020</b>	Consider shareholder consultation feedback; approve Group Executive Committee members' 2021 salaries; approve the financial performance conditions, drawing on advice from the Group Risk Committee, to be attached to 2021 bonuses; review the first draft of the 2020 Annual report on remuneration; note an update on regulatory changes with implications for remuneration arrangements; approve the criteria to identify staff covered by the Hong Kong IA GWS Framework for the 2021 performance year and approve changes to the Group Remuneration Policy; review the draft of the Gender Pay Gap report; review the level of participation in the Company's all employee share plans and dilution levels resulting from the Company's share plans; and approve remuneration-related proposals and documentation connected with the intended separation of Jackson.

The Chair 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.

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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.

As part of our broader programme of shareholder engagement, the Chair of the Committee held meetings with shareholders and the principle advisory bodies to discuss decisions taken in respect of the Executive Directors' remuneration arrangements for 2021. We have had the benefit of substantive feedback from over 40 per cent of our shareholder register and are pleased that the majority of shareholders and advisory bodies who provided input were supportive of our proposals and commended the manner in which we conducted the consultation process.

During 2020, 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 2020 were £75,500 charged on a time and materials basis. During 2020, Deloitte provided Prudential management advice on remuneration, capital optimisation, digital and technology, taxation, internal audit, real estate, global mobility and other financial, ESG, risk and regulatory matters. Remuneration advice is provided by an entirely separate team within Deloitte. The Committee reviewed Deloitte's appointment in March 2019 and considered Deloitte to be independent. As disclosed in the 2019 Directors' remuneration report, the Committee agreed to review the appointment of its independent adviser during 2020. In light of the restrictions resulting from Covid-19, the tender process commenced in late 2020 and will be completed during 2021.

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.

As set out in the Governance section of this Annual report, in 2020 the Board conducted an external valuation of its effectiveness which included an assessment of the Remuneration Committee. The Committee was found to be functioning effectively. 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.

### Table of 2020 Executive Director total remuneration (the 'single figure')

\$000s	2020 salary	2020 taxable benefits*	2020 total bonus†	2020 PLTIP releases‡	2020 pension benefits§	Total 2020 fixed remuneration~	Total 2020 variable remuneration^	Total 2020 remuneration the 'single figure'^^	Total 2020 remuneration the 'single figure' in GBP (£000)#
Mark FitzPatrick	980	239	1,186	1,405	171	1,390	2,591	3,981	3,104
James Turner <sup>1</sup>	950	643	1,322	729	169	1,762	2,051	3,813	2,973
Mike Wells	1,481	388	1,355	3,398	258	2,127	4,753	6,880	5,364
Total	3,411	1,270	3,863	5,532	598	5,279	9,395	14,674	11,441

\* 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 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 performance conditions.

‡ In line with the regulations, the estimated value of the 2020 PLTIP releases for all Executive Directors has been calculated based on the average share price over the last three months of 2020 (£11.95) and includes the accumulated dividends delivered in the form of shares. 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 2020' section. 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' of the 2019 Directors' remuneration report. The actual value of vesting PLTIP awards, based on the share price on the date awards are released, will be shown in the 2021 report. Due to the share price depreciation over the vesting period, the estimated value per share of the 2018 PLTIP awards is 32% lower than the value per share at grant. As a result, no value is attributable to share price appreciation. Therefore, no adjustment to vesting levels has been proposed as a result of the share price appreciation.

§ 2020 pension benefits include cash supplements for pension purposes and contributions into defined contribution schemes as outlined in the 'pension benefit entitlement' section.

~ Total fixed remuneration includes salary, taxable benefits and pension benefits. Total variable remuneration includes total bonus and PLTIP releases.

^ 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 2020 remuneration has been converted to US dollars using the exchange rate of 1.2824:1 for GBP and 1:7.7560 for HKD. Exchange rate fluctuations will therefore impact the reported value.

# Total 2020 remuneration has been converted to GBP using the exchange rate of 1 GBP to 9.9461 HKD.

#### Note

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

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

We note that this table was presented in sterling in the 2019 Annual Report. All amounts have been restated to reflect the transition to US dollars as the main reporting currency.

\$000s	2019 salary	2019 taxable benefits*	2019 total bonus†	2019 LTIP releases‡	2019 pension benefits§	2019 Other payments¹	Total 2019 fixed remuneration~	Total 2019 variable remuneration^	Total 2019 remuneration the 'single figure'^^	Total 2019 remuneration the 'single figure' in GBP (£000)#
Michael Falcon <sup>1,2,3</sup>	\$303	\$161	\$1,566	\$0	\$75	\$6,319	\$539	\$7,885	\$8,424	£6,599
Mark FitzPatrick	\$970	\$190	\$1,633	\$1,280	\$243	\$0	\$1,403	\$2,913	\$4,316	£3,381
John Foley <sup>2,4</sup>	\$383	\$146	\$0	\$0	\$96	\$0	\$625	\$0	\$625	£489
Nic Nicandrou <sup>2,3,5</sup>	\$525	\$180	\$902	\$895	\$131	\$0	\$836	\$1,797	\$2,633	£2,063
James Turner <sup>3,6</sup>	\$865	\$431	\$1,343	\$291	\$216	\$0	\$1,512	\$1,634	\$3,146	£2,465
Mike Wells	\$1,467	\$288	\$2,804	\$2,746	\$366	\$0	\$2,121	\$5,550	\$7,671	£6,010
Total	\$4,513	\$1,396	\$8,248	\$5,212	\$1,127	\$6,319	\$7,036	\$19,779	\$26,815	£21,007

\* 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 performance conditions.

‡ The value of the 2019 PLTIP releases for all Executive Directors has been calculated using the share price at vesting of £10.21 (£12.60 for Mark FitzPatrick, who was granted the 2017 PLTIP award in August 2017, on appointment) and includes the accumulated dividends delivered in the form of shares/ADRs. 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' in the 2019 Annual Report. Due to the share price depreciation over the vesting period, the value per share of the 2017 PLTIP awards is 39% lower (30% lower for Mark FitzPatrick) than the value per share at grant. As a result, no value is attributable to share price appreciation. Therefore, no adjustment to vesting levels has been proposed as a result of the share price appreciation. 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.

§ 2019 pension benefits include cash supplements for pension purposes and contributions into defined contribution schemes as outlined in the 'pension benefit entitlement' section of the 2019 Directors' remuneration report.

¹ 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.

~ Total fixed remuneration includes salary, taxable benefits and pension benefits. Total variable remuneration includes total bonus, PLTIP releases and other payments.

^ 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 1.2765 for GBP and 7.8351 for HKD.

# Total 2019 remuneration has been converted to GBP using the exchange rate of 1 GBP to 10.0015 HKD and 1 GBP to 1.2765 USD.



**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 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 values.
- 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 would be assessed and determined by the M&G plc Remuneration Committee and would be paid by M&G plc. No 2019 bonus award was paid to Mr Foley by Prudential plc.
- Mr Foley's 2017-2019 PLTIP award was 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 were 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.
- 5 To facilitate Nic Nicandrou's relocation to Hong Kong, benefits included £95,000 to cover accommodation.
- 6 James Turner relocated to Hong Kong on 1 August 2019 and since has been paid in HK dollars; 2019 benefits included £160,000 to cover accommodation.

**Remuneration in respect of performance in 2020****Base salary**

(R)

Executive Directors' salaries were reviewed in 2019 with changes effective from 1 January 2020. 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.

After careful consideration by the Committee, all Executive Directors received a salary increase of 2 per cent. The 2020 salary increase budgets for other employees across our business units were between 2.5 per cent and 5.1 per cent.

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

Executive	Role	Benchmarks used to assess remuneration
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	FTSE 40 International insurance companies
James Turner	Group Chief Risk and Compliance Officer	FTSE 40 International insurance and financial services companies with operations in Asia
Mike Wells	Group Chief Executive	FTSE 40 International insurance companies

As announced by the Company in April 2020, after careful consideration by the Committee, salaries for Executive Directors were reduced to December 2019 levels from 1 April 2020 in light of the Covid-19 pandemic and its impact on the communities Prudential serves globally.

As a result, Executive Directors received the following salaries in 2020:

Executive Director	2020 salary (local currency) from 1 January 2020	2020 salary (USD) <sup>1</sup> from 1 January 2020	2020 salary (local currency) from 1 April 2020	2020 salary (USD) <sup>1</sup> from 1 April 2020
Mark FitzPatrick, Group Chief Financial Officer and Chief Operating Officer	£776,000	\$995,000	£760,000	\$975,000
James Turner <sup>1</sup> , Group Chief Risk and Compliance Officer	HKD 7,480,000	\$964,000	HKD 7,330,000	\$945,000
Mike Wells, Group Chief Executive	£1,172,000	\$1,503,000	£1,149,000	\$1,473,000

**Note**

- 1 2020 salaries were converted to US dollars using an exchange rate of 1 GBP to 1.2824 US Dollar and the exchange rate of 1 USD to 7.7560 HKD. All salaries are rounded to the nearest \$1,000/£1,000 or HKD 10,000.

## Pension benefit entitlements

Pension benefit arrangements which became effective on 14 May 2020 are set out in the table below.

Executive Director	2020 pension benefit <sup>1</sup>	Life assurance provision
James Turner	Pension supplement in lieu of pension of 13 per cent of salary and a HKD18,000 employer payment to the Hong Kong Mandatory Provident Fund.	Eight times salary.
Mark FitzPatrick and Mike Wells	Pension supplement in lieu of pension of 13 per cent of salary.	Four times salary plus an additional four times salary dependants' pension.

### Note

<sup>1</sup> Pension contributions for all incumbent Executive Directors were reduced from 25% of salary to 13% of salary from 14 May 2020, in line with the employer pension contribution available to the UK workforce. The table above shows the effective 2020 pension contribution rates applicable from 14 May 2020.

## Annual bonus outcomes for 2020

### Target setting

Financial AIP metrics comprise 80 per cent of the bonus opportunity for all Executive Directors apart from the Group Chief Risk and Compliance Officer, for whom this accounts for 40 per cent of the bonus opportunity. The performance ranges are based on the annual business plans approved by the Board and reflect the ambitions of the Group, in the context of anticipated market conditions. The financial element of Executive Directors' 2020 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.

Personal objectives comprise 20 per cent of the bonus opportunity for all Executive Directors. These objectives were established at the start of the year and reflect the Company's Strategic Priorities set by the Board. For 2020, Executive Directors had one shared strategic objective linked to developing plans to determine the Group's exposure to climate-related risks and opportunities.

Functional objectives account for the remaining 40 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 Chair of the Group Risk Committee.

AIP payments are subject to meeting minimum capital thresholds which are aligned to the Group risk framework and appetites (as adjusted for any Group Risk Committee approved counter-cyclical buffers), as described in the Group Chief Risk and Compliance Officer's report section of this report.

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 2020 and the level of achievement under the AIP. As set out earlier in this report, the Committee exercised discretion to reduce the bonus outcome for Mike Wells by 30 per cent:

Executive Director	Weighting of measures (% of total bonus opportunity)			Achievement against performance measures (% of maximum for each component)			2020 AIP outcome <sup>1</sup> (% of total bonus opportunity)
	Group financial measures	Functional objectives	Personal objectives	Group financial measures	Functional objectives	Personal objectives	
Mark FitzPatrick	80%	–	20%	63.4%	–	94.0%	69.5%
James Turner	40%	40%	20%	63.4%	90.0%	92.9%	79.9%
Mike Wells	80%	–	20%	63.4%	–	74.8%	65.7% reduced to 46.0%

### Note

<sup>1</sup> 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.



**Financial performance**

The Committee reviewed performance against the performance ranges at its meeting in February 2021. Group adjusted operating profit was approaching the stretch target. Group free surplus generation exceeded the stretching target established by the Board. Below threshold Group cash flow reflects the lower level of remittances received from the business units. Life new business profit achievement was below threshold reflecting the negative impact of Covid-19.

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 2020 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 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 2020 AIP financial measures and the results achieved are set out below:

2020 AIP measure	Weighting	Threshold (\$m)	Target (\$m)	Stretch target (\$m)	Achievement (\$m)
Group adjusted operating profit	35%	4,602	5,113	5,625	5,507
Group operating free surplus generated	30%	2,955	3,284	3,612	3,905
Group cash flow	20%	104	302	434	(478)
Group EEV new business profit	15%	3,141	4,161	4,535	2,802

**Personal performance**

(P)

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:

(R)

- 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.

At the end of the year, the Committee considered the performance of all executives against objectives established at the start of the year. At its meeting in February 2021, it concluded that there had been a high level of performance against these 2020 objectives. All executives met their individual conduct measures and each Executive Director made a significant contribution to the achievement of Group strategy during 2020.

The below summarises performance against the personal objectives and strategic priorities for the current Executive Directors:

**Shared strategic objective**

2020 key strategic objective	Achievement	Performance relative to target
Develop plans to determine the Group's exposure to climate-related risks and opportunities.	<ul style="list-style-type: none"> <li>— Identified potential metrics to measure carbon exposures and investment portfolios within the scope of carbon footprinting and used scenario modelling to refine the understanding of the nature of the potential climate risks.</li> <li>— Invested in digital solutions to support our customers and broader society to adapt to climate change.</li> <li>— Developed ESG framework, aligned with Group strategy making health and financial security accessible, stewarding the human impacts of climate change and building social capital.</li> </ul>	Above the stretch target

**Mark FitzPatrick, Group Chief Financial Officer and Chief Operating Officer**

2020 key strategic deliverables	Achievement	Performance relative to target
Advance Project Scott, developing and executing strategic routes for Jackson.	<ul style="list-style-type: none"> <li>Developed and led the financial planning and corporate finance plans for the execution of the separation of Jackson.</li> <li>Led the determination of the preferred route for separation and created optionality for the pivot to alternative routes.</li> <li>Led the execution of the preparation of the financial processes supporting execution including the management of multi-jurisdictional stakeholder documentation.</li> </ul>	Above the stretch target
Lead strategic communications between Prudential and the debt and equity markets.	<ul style="list-style-type: none"> <li>Raised \$1 billion of Group debt in three days of global marketing. This was completed virtually and it was the first deal in the US debt market for a number of years.</li> <li>Managed and co-ordinated virtual results, ad hoc Webex and conference call events in 2020 including the \$27.6 billion US reinsurance agreement alongside \$500 million equity investment by Athene Holding Ltd into the US business.</li> </ul>	Above target
Deliver reporting changes including IFRS 17, LCSM and GWS.	<ul style="list-style-type: none"> <li>Reviewed the requirements of the new standard on insurance accounting IFRS 17, 'Insurance Contracts', including targeted amendments to this standard issued in June 2020.</li> <li>Implemented the local capital summation method (LCSM) that has been agreed with the Hong Kong Insurance Authority (IA) to determine Group regulatory capital requirements until the Group-wide Supervision (GWS) Framework is effective in 2021.</li> </ul>	Above the stretch target
Recognising Mr FitzPatrick's very strong performance against both his individual and shared personal objectives during 2020, the Committee judged that 19 per cent of a maximum of 20 per cent attributable to personal objectives was appropriate.		

**James Turner, Group Chief Risk and Compliance Officer**

2020 key objectives	Achievement	Performance relative to target
Lead strategic communications between Prudential and key regulators, ensuring constructive and open relationships.	<ul style="list-style-type: none"> <li>Worked closely with the HKIA and industry peers in support of development of GWS legislation and associated guidelines, with the GWS Bill passed by the HK Legislative Council (HK LegCo) in July 2020.</li> </ul>	Above the stretch target
Oversee the internal Regulatory Communication Policy which sets out the values and behaviours to ensure that communication is appropriate, complete and timely.	<ul style="list-style-type: none"> <li>Developed a strong relationship with the HKIA in its first year acting as Group-wide Regulatory Supervisor.</li> <li>Regular and transparent communication with the HKIA on the Group's response and positions versus risk appetite linked to the impact of Covid-19.</li> <li>Proactive engagement with the HKIA &amp; DIFS on developments in the Group's strategy, particularly in relation to the progress towards an independent US business.</li> </ul>	
Maintain constructive engagement and relationships with industry peers.	<ul style="list-style-type: none"> <li>Provided insight to regulators on key Group risks and associated developments as part of the annual College of Supervisors.</li> <li>Focused on exploratory discussions with HKIA and peers on HK RBC capital regime given economic capital focus.</li> </ul>	
Develop the Risk & Compliance leadership team and key talent to enable strong succession planning/talent pipeline.	<ul style="list-style-type: none"> <li>Led realignment of function towards Group-wide supervisor, and operational centres to support business strategy, despite significant headwinds linked to the pandemic.</li> <li>Monitored the implementation of Group-wide regulatory capital rule changes and risks arising including Jackson for early adoption of NAIC rules for VA business and PCA for implementation of LCSM.</li> </ul>	Above target
Further develop close working relationships and strong lines of communication within the Group-wide risk and compliance management structure to operate as one team, to most effectively support prompt identification and oversight of Group-wide risks and issues.		
Recognising Mr Turner's very strong performance against both his individual and shared personal objectives during 2020, the Committee judged that 19 per cent of a maximum of 20 per cent attributable to personal objectives was appropriate.		

*Mike Wells, Group Chief Executive*

2020 key objectives	Achievement	Performance relative to target
Advance Project Scott, developing and executing strategic routes for Jackson.	<ul style="list-style-type: none"> <li>— Pursued numerous explorations for all options for the separation during the year with several third parties following expressions of interest.</li> <li>— Secured and completed reinsurance and primary capital transactions with Athene.</li> <li>— Announced full separation intent for Jackson in August 2020.</li> <li>— Announced the Jackson demerger which will take place in the second quarter of 2021 and will accelerate the separation.</li> <li>— Secured the appointment of high calibre Chair of JFI and monitored the creation of an equity story for Jackson that supported value creation through the demerger.</li> </ul>	Above the stretch target
Develop and implement the Group's approach to talent management, Group culture and diversity & inclusion.	<ul style="list-style-type: none"> <li>— Launched several initiatives (eg Pru Connect, flexible working arrangements) to support employees' wellbeing and mental health.</li> <li>— Supported employees through both the pandemic and the post-demerger restructuring activity taking place in Jackson and Angel Court, communicating regularly and clearly and prioritising the fair treatment of all our employees.</li> <li>— Recruited global lead on D&amp;I and formed Global D&amp;I Council established to empower employees and create a sense of belonging by respecting and appreciating differences.</li> <li>— Organised an array of remote events including the PCA Virtual Regional Conference, staff Townhalls and meetings of the NABU Diversity &amp; Inclusion Council and the Global D&amp;I Council.</li> <li>— Refreshed Company values as part of the work on corporate purpose.</li> <li>— Supported the efforts of the two Non-executive Directors, Kai Nargolwala for Asia and Africa and Tom Watjen for the US and the UK in their ongoing activity in their roles as conduits between employees and the Board.</li> </ul>	Above the stretch target
Build, deploy and leverage digital enablers for customer proposition, operational efficiency and distribution; develop regional models to acquire new customers, leveraging 'Pulse' platform.	<ul style="list-style-type: none"> <li>— Led the development by the Executive team of the Group's digital proposition, specifically the digital health app, Pulse by Prudential. This has enabled the Company to provide its customers a greater range of services, including through partnerships with others.</li> <li>— Delivered and executed increased engagement with policy-makers on health systems, health financing and the role of technology across the Group's markets to support and promote the roll out of Pulse.</li> <li>— Identified and drove the opportunity to accelerate and introduce a range of innovative measures (eg dedicated hotline, fast-track processing of claims, policy premium grace period extensions) to both deal with the short impact of the virus and provide the means for the customers to emerge in a stronger position once the effect of the virus has subsided.</li> </ul>	Above the stretch target
Make progress towards business expansion in China and tackle strategic opportunities in India.	<ul style="list-style-type: none"> <li>— Focused considerable effort and application of relationship management in negotiating potential changes in the ownership of the joint venture operations in China and India.</li> <li>— Sought and initiated relationship with the incoming new Chairman of CITIC to continue the dialogue despite Covid travel restrictions.</li> <li>— Explored potential business combinations with financial advisers and Principals.</li> </ul>	At target level
Recognising Mr Wells's very strong performance against both his individual and shared personal objectives during 2020, the Committee judged that 15 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. 2020 achievement is summarised below:

Summary of 2020 functional objectives	Achievement	Performance relative to target
<b>Group-wide Risk &amp; Compliance Developments</b> Oversee implementation of HKIA GWS requirements within the Group, including embedding of the defined statutory capital metric (LCSM) and development of the economic capital model (GIECA).  Target enhancements to the non-financial risk framework to reflect changing external and internal risk drivers.	<ul style="list-style-type: none"> <li>— Strong progress made in business readiness to implement HKIA GWS requirements in advance of legislation becoming effective and Group designation in 2021.</li> <li>— Project to enhance the current Economic Capital framework to deliver the next generation of models for the Group, fully reflecting the new shape of the Group and GIECA requirements has been initiated and is making good progress.</li> <li>— Significant focus on non-financial risk framework within the function and by the Group Risk Committee.</li> <li>— Framework enhancements delivered in respect of Customer-related Conduct, AI ethics principles, operational resilience, whistleblowing arrangements and metrics to support the Group's understanding of climate-related transition risk.</li> </ul>	Above target
<b>Risk &amp; Compliance Oversight</b> Define and provide oversight of the Group's adherence to the framework of the Group-wide Risk & Compliance policies, risk appetite and limits. Ensure that the Risk framework, policies and GIECA model are fit for purpose and meet regulatory expectations.  Ensure the business is sufficiently informed on external risk perspectives and challenged, where appropriate to take effective actions and decisions.  Provide Non-executive and Executive management information and insight to fully support members in meeting their responsibilities and duties set out in their Terms of Reference in respect of risk management.  Deliver key regulatory outputs and risk disclosures.  Support the identification and management of emerging and top risks by the business, including deep dives into areas identified in the Top Risk process (eg interest rate management, Jackson financial risk oversight, speak out).  Provide risk opinions on all strategic initiatives to support Executive and Non-executive Management decision making, specifically:	<ul style="list-style-type: none"> <li>— Convened and chaired the Incident Group to monitor and manage the impact to the Group's capital and liquidity positions resulting from Covid-19.</li> <li>— Provided insight on both principal and emerging risks. In addition to risks related to Covid-19, this included focus on evolving geo-political risks and the impact of a long-term low interest rate environment.</li> <li>— Retained focus on managing the risks of the ongoing business, performing defined role in providing risk management support and oversight, as well as objective challenge to ensure the Group remained within its risk appetite. Delivered disclosures and key regulatory outputs such as the ORSA and Recovery plan.</li> <li>— Provided clear and concise risk analysis and opinions in support of Board decisions including, the Athene equity investment and reinsurance transaction, and the Group's strategy and path to an independent Jackson.</li> </ul>	Above target
<ul style="list-style-type: none"> <li>— Provide clear, timely risk opinions in support of the Jackson strategic objective to 'create and leverage optionality with Jackson's post-demerger ownership structure; including continuing to evaluate and execute upon third-party and or public capital alternatives'.</li> <li>— Provide clear, timely risk opinions in support of PCA strategic objectives.</li> </ul>		

Summary of 2020 functional objectives	Achievement	Performance relative to target
<b>Operating model Implementation</b> Operationalise a Group-wide function for the International business, improving efficiency and effectiveness through collaboration and coordination. Successfully manage the move of key team leadership and talent to further strengthen the HK based team.  Maintain the capability, effectiveness and the sustainable bench-strength of the Risk & Compliance function, ensuring that it is controlled effectively and complies with the relevant requirements of the applicable regulatory environments.	<ul style="list-style-type: none"> <li>Despite headwinds created by the pandemic, completed significant operational and structural changes to align the Group-wide function more closely with the lead regulator and operational businesses.</li> <li>Successfully transitioned to new ways of working across multiple time zones providing strong stewardship and enhanced monitoring of risks during the most acute phases of the pandemic.</li> </ul>	Above target
In recognition of James Turner's very strong performance against his functional objectives during 2020, the Committee judged that 36 per cent of a maximum of 40 per cent attributable to functional objectives was appropriate.		

### 2020 bonus awards

The Committee determined the 2020 AIP awards below on the basis of the performance of the Group and of the individual executives. In making these decisions, it reflected on factors including:

- Adherence to the behavioural, conduct and risk management considerations; and
- The experience of the Group's stakeholders during 2020. These considerations included the ways in which the Company supported its customers, people, suppliers and communities during the pandemic. Specifically, the Committee noted that no employees were furloughed or made redundant as a result of the pandemic. Our remuneration programmes operated as usual during the pandemic period with medical insurance coverage extended to offer free Covid testing where necessary. Employees received their regular remuneration during any periods of shielding or self-isolation. Prudential repaid in full government support inadvertently received in one location.

As set out earlier in this report, the Committee exercised discretion to reduce the 2020 bonus outcome for Mike Wells by 30 per cent.

Executive Director	Role	2020 salary <sup>1</sup>	Maximum 2020 AIP (% of salary)	Actual 2020 AIP award (% of maximum opportunity)	2020 bonus award (including cash and deferred elements)
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	\$975,000	175%	69.5%	\$1,185,547
James Turner	Group Chief Risk and Compliance Officer	\$945,000	175%	79.9%	\$1,321,909
Mike Wells	Group Chief Executive	\$1,473,000	200%	46.0%	\$1,354,601

### Notes

<sup>1</sup> Salaries are converted to US dollars using an exchange rate of 1.2824 for GBP and 7.7560 for HKD.

<sup>2</sup> 40 per cent of all bonus awards are deferred into shares for three years.

## Long-term incentives vesting in respect of performance to 31 December 2020

### 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 2018, 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:

Executive Director	Weighting of measures						Vesting (% of maximum)	
	Group TSR <sup>1</sup>	Adjusted operating Group profit <sup>2</sup>	Sustainability Scorecard					
			Solvency measure <sup>3</sup>	ECap operating capital generation <sup>4</sup>	Conduct <sup>5</sup>	Diversity <sup>6</sup>	Threshold performance	Stretch performance
Mark FitzPatrick	25%	50%	6.25%	6.25%	6.25%	6.25%	25%	100%
James Turner <sup>7</sup>	50%	20%	7.50%	7.50%	7.50%	7.50%	25%	100%
Mike Wells	25%	50%	6.25%	6.25%	6.25%	6.25%	25%	100%

#### Notes

- 1 Group TSR is measured on a ranked basis over three years relative to peers.
- 2 Adjusted operating profit is measured on a cumulative basis over three years.
- 3 At the time of award a Solvency II operating capital generation measure was used in the sustainability scorecard. As set out in the 'Remuneration decisions taken in relation to the demerger' section of the 2019 Directors' remuneration report, Solvency II operating capital generation was replaced with Group free surplus generation from 1 July 2019 since Prudential ceased to be subject to Solvency II capital requirements and no longer calculated or disclosed a Solvency II position following the demerger of the M&G business and the change in the Company's Group-wide supervisor.
- 4 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).
- 5 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.
- 6 Diversity is measured as the percentage of the Leadership Team that is female at the end of 2020. 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.
- 7 James Turner was granted this award as the Group Chief Risk Officer. Therefore, his award is linked to performance measures with different weightings, as set out above, in line with the requirements of Solvency II.

As discussed in the section on 'Remuneration decisions taken in relation to the demerger' of the 2019 Directors' remuneration report, the Committee adjusted the performance conditions attached to the 2018 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 below and overleaf is based on these adjusted targets.

#### 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 risk framework and appetite. Finally, overall vesting levels were reviewed to ensure that levels of reward provided remain reflective of the Company's performance in the challenging circumstances. The Directors' remuneration policy summary section 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 2018 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 2018 to 2020 compared to the adjusted Group targets which exclude M&G plc from the point of demerger:

Group	2018-20 adjusted cumulative targets			2018-20 cumulative achievement	Vesting under the adjusted operating profit element
	Threshold	Plan	Maximum		
Adjusted operating profit	\$14,216m	\$15,795m	\$17,375m	\$18,472m	100%

The cumulative adjusted operating profit target established for the PLTIP is expressed using exchange rates consistent with the reported disclosures.



**TSR performance**

Under the Group TSR measure attached to 2018 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 were made to the peer group used for 2018 awards in respect of the demerger. The peer group for the 2018 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 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.

Prudential's TSR performance during the performance period (1 January 2018 to 31 December 2020) was ranked below the 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*

Under the Group Solvency II operating capital generation and Group operating free surplus generation measure, performance below threshold results in nil vesting, 25 per cent of the award vests for achieving threshold, increasing to full vesting for performance above the stretch level. The weighted average of the adjusted Group Solvency II operating capital generation from 1 January 2018 to 30 June 2019 (target \$7.0 billion) and the Group operating free surplus generation from 1 July 2019 to 31 December 2020 (target \$5.6 billion), which excludes M&G plc performance from the point of demerger, met the cumulative stretch target and therefore generated 100 per cent vesting on this element.

*Capital measure – Group ECap operating capital generation*

Under the Group ECap operating capital generation measure, performance below threshold results in nil vesting, 25 per cent of the award vests for achieving threshold, increasing to full vesting for performance above the stretch level. The adjusted cumulative Group ECap operating capital generation was below the target of \$6.8 billion (which excludes M&G plc from the point of demerger) and therefore generated a 0 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**

Under the conduct measure, performance below threshold results in nil vesting, 25 per cent of the award vests for partial achievement of the Group's expectations, increasing to full vesting for achieving the Group's expectations. During the performance period there were no conduct, culture or governance issues that resulted in significant capital add-ons or material fines so 100 per cent of this element of the PLTIP vested.

**Diversity assessment**

Under the diversity measure, performance below threshold results in nil vesting, 25 per cent of the award vests for achievement of threshold diversity target (27 per cent of Leadership Team being female) increasing to full vesting for achieving the stretch diversity target (29 per cent of Leadership Team being female). On 31 December 2020, 32.5 per cent of our Leadership Team was female. Since this was above the 29 per cent level required for full vesting, the portion of the awards related to diversity that therefore vested was 100 per cent. Please note that in 2019 the Leadership Team was subdivided into the Leadership Team and the Executive Council. Both of these leadership groups are considered for the purposes of this assessment.

### 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 risk framework and appetite. On the basis of this report and the performance of the Group described above, the Committee decided not to apply a discretionary adjustment to the arithmetic vesting outcome under the 2018 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 <sup>1</sup>	Percentage of the PLTIP award vesting	Number of shares vesting <sup>2</sup>	Value of shares vesting <sup>1</sup>
Mark FitzPatrick, Group Chief Financial Officer and Chief Operating Officer	\$2,043,699	68.75%	91,685	\$1,405,043
James Turner, Group Chief Risk and Compliance Officer	\$1,714,510	42.50%	47,545	\$728,612
Mike Wells, Group Chief Executive	\$4,942,317	68.75%	221,721	\$3,397,803

#### Notes

- 1 The share price used to calculate the value of the PLTIP awards with performance periods which ended on 31 December 2020 and vest in April 2021 for all Executive Directors, was the average share price for the three months up to 31 December 2020, being £11.95 converted at the exchange rate of 1 GBP to 1.2824 USD. 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' in the 2019 Directors' remuneration report.
- 2 The number of shares vesting includes accrued dividends. Shares vesting will be subject to a two-year holding period.

### Long-term incentives awarded in 2020

#### 2020 share-based long-term incentive awards

The table below shows the awards of conditional shares made to Executive Directors under the PLTIP and the performance conditions attached to these awards. Awards are made annually with face value determined by reference to each Director's salary, as set out in the Directors' remuneration policy. As set out earlier in this report, the increase planned to the PLTIP award level for Mr. FitzPatrick was not applied and the award was made at 250 per cent of salary.

Executive Director	Role	Number of shares subject to award	Face value of award		Percentage of awards released for achieving threshold targets <sup>‡</sup>	End of performance period	Weighting of performance conditions		
			% of salary	(USD) <sup>†</sup>			Group TSR	RoE	Sustainability scorecard <sup>§</sup>
Mark FitzPatrick	Group Chief Financial Officer and Chief Operating Officer	175,115	250%	2,436,557	20%	31 December 2022	50%	30%	20%
James Turner	Group Chief Risk and Compliance Officer	177,562	250%	2,470,605	20%	31 December 2022	50%	30%	20%
Mike Wells	Group Chief Executive	423,594	400%	5,893,904	20%	31 December 2022	50%	30%	20%

<sup>†</sup> Awards for Executive Directors are calculated based on the average share price over the three dealing days prior to the grant date, being £10.85/\$13.91.

<sup>‡</sup> The percentage of awards released for achieving maximum targets is 100 per cent.

<sup>§</sup> Each of the four measures within the sustainability scorecard has equal weighting. They are LCSM, Group ECap operating capital generation, diversity and conduct.

As disclosed by the Company at the time of grant, the Committee will review awards on vesting to ensure that participants do not benefit from windfall gains. The Committee will consider Prudential's stretching performance targets, the share performance of Prudential and its peers, the prices of the indices on which Prudential is listed and any other factors deemed relevant.

### 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	Equitable Holdings	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, and 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:

<b>Capital measure:</b>	Cumulative three-year ECap Group operating capital generation relative to threshold, less cost of capital (based on the capital position at the start of the performance period).
<b>Vesting basis:</b>	Performance below threshold results in nil vesting, 20 per cent vesting for achieving threshold, increasing to full vesting for performance above stretch level. The threshold figure for this metric will be published in the Annual Report for the final year of the performance period.
<b>Capital measure:</b>	Cumulative three-year LCSM operating capital generation relative to threshold.
<b>Vesting basis:</b>	Performance below threshold results in nil vesting, 20 per cent vesting for achieving threshold, increasing to full vesting for performance above stretch level. The threshold figure for this metric will be published in the Annual Report for the final year of the performance period.
<b>Conduct measure:</b>	Through strong risk management action, ensure there are no significant conduct/culture/governance issues that result in significant capital add-ons or material fines.
<b>Vesting basis:</b>	Performance below threshold results in nil vesting, 20 per cent vesting for partial achievement of the Group's expectations, increasing to full vesting for achieving the Group's expectations.
<b>Diversity measure:</b>	Percentage of the Executive Council and Leadership Team that are female at the end of 2022.
<b>Vesting basis:</b>	Performance below threshold results in nil vesting, 20 per cent vests for meeting the threshold of at least 27 per cent of our Executive Council and 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.



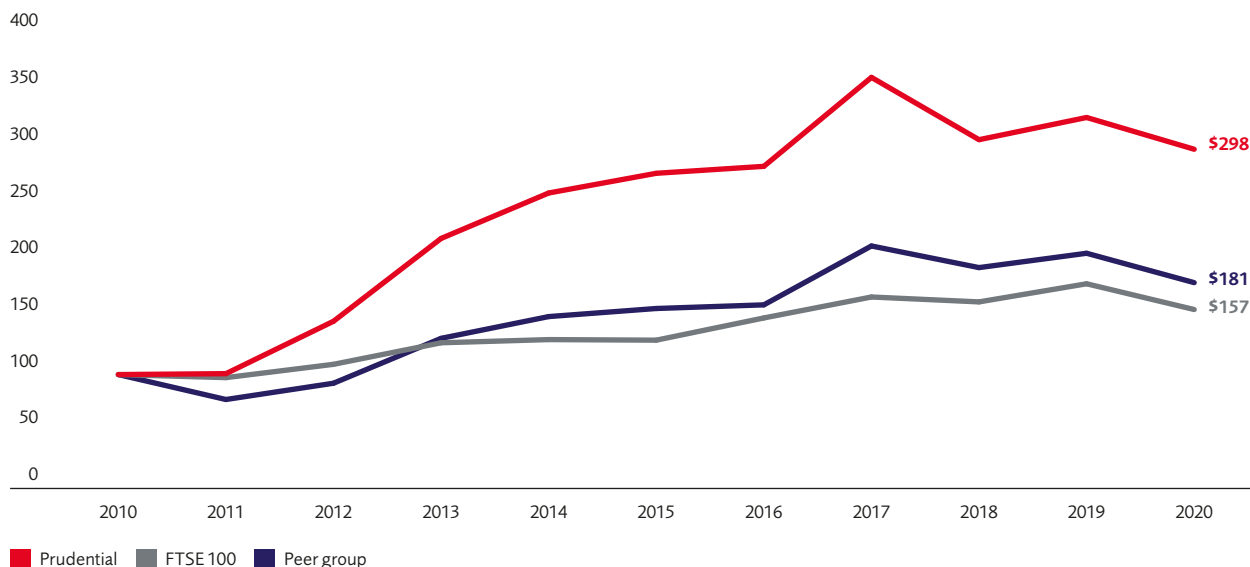
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## Pay comparisons

### 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 2020 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 2011 to 31 December 2020 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-year period to December 2020



#### Note

The index of Prudential's peers represents the average daily total shareholder return performance of the peer group used for the 2020 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 <sup>1</sup>	2011	2012	2013	2014	2015	2015	2016	2017	2018	2019	2020
Group Chief Executive	T Thiam	T Thiam	T Thiam	T Thiam	T Thiam <sup>2</sup>	M Wells	M Wells	M Wells	M Wells	M Wells	M Wells
Salary, pension and benefits	1,986	2,169	2,201	2,406	938	3,048	3,029	2,415	2,423	2,122	2,126
Annual bonus payment	2,512	3,160	3,207	3,501	1,077	1,903	2,904	2,673	2,848	2,804	1,355
(As % of maximum)	(97%)	(100%)	(99.8%)	(100%)	(77.3%)	(99.7%)	(99.5%)	(94%)	(95%)	(96%)	(46.0%)
LTIP vesting	4,045	9,733	8,167	16,233	5,174	6,564	4,016	5,955	4,837	2,746	3,398
(As % of maximum)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(70.8%)	(95.8%)	(62.5%)	(62.5%)	(68.8%)
Other payments	–	–	–	–	–	–	–	–	–	–	–
Group Chief Executive 'single figure' of total remuneration <sup>3</sup>	8,542	15,062	13,575	22,140	7,189	11,515	9,950	11,042	10,109	7,671	6,880

#### Notes

1 All remuneration has been converted to USD using the average exchange rate for each respective financial year.

2 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.

3 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 2020 (for which an estimate is used).

**Relative importance of spend on pay**

The table below sets out the amounts payable in respect of 2019 and 2020 on all employee pay and dividends:

	2019	2020	Percentage change
All employee pay (\$m) <sup>1,2</sup>	1,466	1,679	14.5%
Dividends including demerger dividend (\$m) <sup>3</sup>	8,582	n/a	n/a
Dividends excluding demerger dividend (\$m) <sup>3</sup>	1,203	420	(65.1)%

- Notes**
- 1 All employee pay as taken from note B2.1 to the financial statements.
- 2 This excludes the costs of employment of M&G plc employees for 2019 in order to present a like-for-like comparison between the two years.
- 3 Dividends taken from note B5 to the financial statements. The Company's new dividend policy reflects a rebalancing of capital allocation from cash dividends to reinvestment of capital into the Asia business, which is expected to deliver profitable and sustainable compounding growth, and high-risk adjusted returns for shareholders.

**Percentage change in remuneration**

The table below sets out how the change in remuneration for each Director between 2019 and 2020 compared to a wider employee comparator group:

	Salary (% change)	Benefits (% change)	Bonus (% change)
<b>Executive Directors<sup>1</sup></b>			
Mark FitzPatrick	1%	26%	(27)%
James Turner	10%	49%	(2)%
Mike Wells	1%	35%	(52)%
<b>Chair and Non-executive Directors</b>			
Paul Manduca	1%	45%	n/a
Jeremy Anderson	—	—	—
David Law	1%	n/a	n/a
Kai Nargolwala <sup>2</sup>	10%	n/a	n/a
Anthony Nightingale	4%	n/a	n/a
Philip Remnant	1%	n/a	n/a
Alice Schroeder	1%	n/a	n/a
Shriti Vadera	—	—	—
Thomas Watjen <sup>2</sup>	10%	n/a	n/a
Fields Wicker-Miurin	1%	n/a	n/a
Amy Yip <sup>3</sup>	0%	n/a	n/a
<b>Average pay for all UK-based employees</b>	3.76%	(3.95)%	(7.27)%

- Notes**
- 1 The change in the total salaries paid to Messrs FitzPatrick, Turner and Wells in 2020 includes a salary increase reversed from 1 April 2020. The figure for Mr Turner reflects the change in his package when he relocated to Hong Kong in August 2019.
- 2 Change in fee levels for Kai Nargolwala and Thomas Watjen is due to the additional fees paid to them as Workforce Engagement Directors.
- 3 Amy Yip joined the Board in September 2019.

The regulations prescribe that this comparison should include all employees of the parent company. The number of individuals employed by the parent company is insufficient to be the basis of a representative comparison. Therefore the Committee decided to use all UK-based employees as the basis for this calculation. As disclosed in the 2019 Directors' remuneration report, 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. The average pay for all employees has been calculated on a full-time equivalent basis by reference to the total pay awarded to UK employees in 2020 and 2019. 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 all UK employees is due to the reduction in the cost to the Company of providing certain benefits.

**Group Chief Executive pay compared with employee pay**

The table below compares the Group Chief Executive's 'single figure' of total remuneration to that received by three representative UK employees in 2020.

The pay ratio decreased in 2020 which chiefly reflects the higher pay outcomes for the identified employees and a lower bonus outcome for the Group Chief Executive.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option B	64:1	42:1	29:1
2019 <sup>1</sup>	Option B	78:1	60:1	39:1

- Note**
- 1 2019 CEO pay ratio has been recalculated to account for the restated 2019 CEO single figure which includes the actual value of the 2017 PLTIP award at vesting.

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. The Company has chosen to use the 2020 hourly rate gender pay gap information (collected in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017) as this method uses data that is aligned with other disclosures made under our gender pay gap reporting and includes all UK employees ('Option B' in the table above). The employees used in the calculations were identified using the most recently collected gender pay gap data, on 29 January 2021, 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 2020. 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. No elements of remuneration were omitted or adjusted. The identified individuals were employed on a full-time basis so no further adjustment has been made to their remuneration.

The salary and total remuneration received during 2020 by the indicative employees used in the above analysis are set out below:

	25th percentile	Median	75th percentile
2020 salary (\$000)	58,000	85,000	116,000
Total 2020 remuneration (\$000)	84,000	126,000	186,000

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 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 2020 UK gender pay gap data and details can be found on the Group's website ([www.prudentialplc.com/about-us/esg/performance/gender-pay-gap-report](http://www.prudentialplc.com/about-us/esg/performance/gender-pay-gap-report)).

Due to the change in the Group's business focus, senior management roles are now split between locations in the UK and Asia. The 2020 gender pay gap calculations are based on the employees based in the UK only, and therefore exclude data for part of our senior management team, including a number of senior female leaders, who are based in Hong Kong.

While women and men continue to be paid equally for performing similar roles, our gender pay gap reflects the fact that men and women have traditionally held different roles, particularly in the financial services sector. It highlights the fact that we have more men than women in leadership and senior operational roles. In addition, a number of senior roles were transferred to M&G as part of the demerger process. Some of these senior roles were held by women, and as M&G is now excluded from our calculations, this has affected Prudential's reported gender pay gap for this year. We continue to focus our efforts on closing the gender pay gap as quickly as possible. Female representation in our leadership roles has increased from 25 per cent in 2017 to 33 per cent in 2020 in our London Head Office.

(B)

### 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 approach to employee engagement, which also included a Group-wide engagement survey, the Committee took additional measures in 2020 to explain how the remuneration of Executive Directors aligns with the wider Company pay policy. The Company operates a microsite on its intranet that outlines executive pay arrangements during the previous financial year and key areas of change for 2020. 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. Employee engagement is led by two Non-executive Directors and the Governance Report section of this report describes how they discharged this responsibility during 2020.



**Chair and Non-executive Director remuneration in 2020****Chair fees**

The Chair fee was reviewed by the Committee during 2020 which resulted in no increase being awarded. The fee remains at £765,000 (\$981,000 converted at the exchange rate of 1.2824). As disclosed in the 'Letters of appointment of the Chair and Non-executive Directors' section of this Annual report, Shriti Vadera became the Chair of the Board from 1 January 2021. Her 2021 fee has been set at £765,000 (\$981,000) with effect from that date.

**Non-executive Directors' fees**

The Non-executive Directors' fees were reviewed by the Board during 2020 which resulted in no increase being awarded.

Annual fees	From 1 July 2019 (\$)	From 1 July 2019 (£)	From 1 July 2020 (\$)	From 1 July 2020 (£)
Basic fee	126,000	99,000	127,000	99,000
Additional fees:				
Audit Committee Chair	96,000	75,000	96,000	75,000
Audit Committee member	38,000	30,000	38,000	30,000
Remuneration Committee Chair	83,000	65,000	83,000	65,000
Remuneration Committee member	38,000	30,000	38,000	30,000
Risk Committee Chair	96,000	75,000	96,000	75,000
Risk Committee member	38,000	30,000	38,000	30,000
Nomination & Governance Committee Chair <sup>1</sup>	—	—	—	—
Nomination & Governance Committee member	19,000	15,000	19,000	15,000
Senior Independent Director	64,000	50,000	64,000	50,000
Workforce engagement role	38,000	30,000	38,000	30,000

**Notes**

1 There is no fee paid for the role of Nomination & Governance Committee Chair.

2 Fees were denominated in sterling and were converted to USD using an exchange rate of 1.2824 for 2020 and 1.2765 for 2019.

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 Chair and Non-executive Directors are:

	2020 fees	2019 fees	2020 taxable benefits*	2019 taxable benefits*	Total 2020 remuneration: the 'single figure' in GBP (\$000s)†	Total 2020 remuneration: the 'single figure' in GBP (£000s)‡	Total 2019 remuneration: the 'single figure' in GBP (\$000s)†	Total 2019 remuneration: the 'single figure' in GBP (£000s)‡
<b>Chair</b>								
Paul Manduca	981	968	319	220	1,300	1,014	1,188	930
<b>Non-executive Directors</b>								
Jeremy Anderson <sup>1</sup>	252	—	—	—	252	197	—	—
Howard Davies <sup>2</sup>	104	277	—	—	104	81	277	217
David Law	281	277	—	—	281	219	277	217
Kai Nargolwala <sup>3</sup>	242	221	—	—	242	189	221	173
Anthony Nightingale	230	222	—	—	230	179	222	174
Philip Remnant	287	283	—	—	287	224	283	222
Alice Schroeder	204	202	—	—	204	159	202	158
Lord Turner <sup>4</sup>	—	75	—	—	—	—	75	59
Shriti Vadera <sup>5</sup>	97	—	—	—	97	76	—	—
Thomas Watjen	242	221	—	—	242	189	221	173
Fields Wicker-Miurin	165	163	—	—	165	129	163	128
Amy Yip <sup>6</sup>	165	55	—	—	165	129	55	43
<b>Total</b>	<b>3,250</b>	<b>2,964</b>	<b>319</b>	<b>220</b>	<b>3,569</b>	<b>2,785</b>	<b>3,183</b>	<b>2,494</b>

\* 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/£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 Chair 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 1.2824 USD for the 2020 single figure calculations and 1 GBP to 1.2765 USD for the 2019 single figure calculations. As Non-executive Directors and the Chair don't receive variable remuneration components, the table above doesn't include a sum of total fixed and total variable remuneration.

**Notes**

1 Jeremy Anderson joined the Board on 1 January 2020 and was appointed as the Chair of the Risk Committee in May 2020.

2 Howard Davies stepped down from the Board on 14 May 2020.

3 In 2019 Kai Nargolwala also received an annual fee of £250,000 in respect of his non-executive chairmanship of Prudential Corporation Asia Limited.

4 Lord Turner stepped down from the Board on 16 May 2019.

5 Shriti Vadera joined the Board on 1 May 2020.

6 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 2020 (or on date of appointment)	During 2020		31 December 2020			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 <sup>†</sup>	Total interest in shares	Share ownership guidelines <sup>‡</sup> (% of salary/fee)	Beneficial interest as a percentage of basic salary/ basic fees <sup>§</sup>
<b>Chair</b>								
Paul Manduca	42,500	–	–	42,500	–	42,500	100%	66%
<b>Executive Directors</b>								
Mark FitzPatrick	72,301	131,511	37,452	166,360	440,695	607,055	250%	262%
James Turner	80,624	66,348	8,804	138,168	400,443	538,611	250%	224%
Mike Wells <sup>1</sup>	976,272	295,292	127,479	1,144,085	1,065,936	2,210,021	400%	1,190%
<b>Non-executive Directors</b>								
Jeremy Anderson <sup>2</sup>	–	9,157	–	9,157	–	9,157	100%	111%
Howard Davies <sup>3</sup>	9,813	–	–	9,813	–	9,813	n/a	n/a
David Law	9,066	1,988	–	11,054	–	11,054	100%	133%
Kai Nargolwala	70,000	–	–	70,000	–	70,000	100%	845%
Anthony Nightingale	50,000	–	–	50,000	–	50,000	100%	604%
Philip Remnant	6,916	1,000	–	7,916	–	7,916	100%	96%
Alice Schroeder <sup>4</sup>	14,500	5,500	–	20,000	–	20,000	100%	241%
Shriti Vadera <sup>5</sup>	–	67,500	–	67,500	–	67,500	100%	815%
Thomas Watjen <sup>6</sup>	10,340	–	–	10,340	–	10,340	100%	125%
Fields Wicker-Miurin	4,500	2,000	–	6,500	–	6,500	100%	78%
Amy Yip	–	2,500	–	2,500	–	2,500	100%	30%

\* Beneficial interests include shares held directly or indirectly by connected persons. There were no changes of Directors' interests in ordinary shares between 31 December 2020 and 2 March 2021 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 28 shares in the SIP and Mike Wells acquired a further 27 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' part of the 'Supplementary information' section.

‡ 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 have five 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 have three years from their date of joining to reach the guideline. During 2019 the guidelines for Executive Directors and Non-executive Directors were revised to reflect the impact of the demerger.

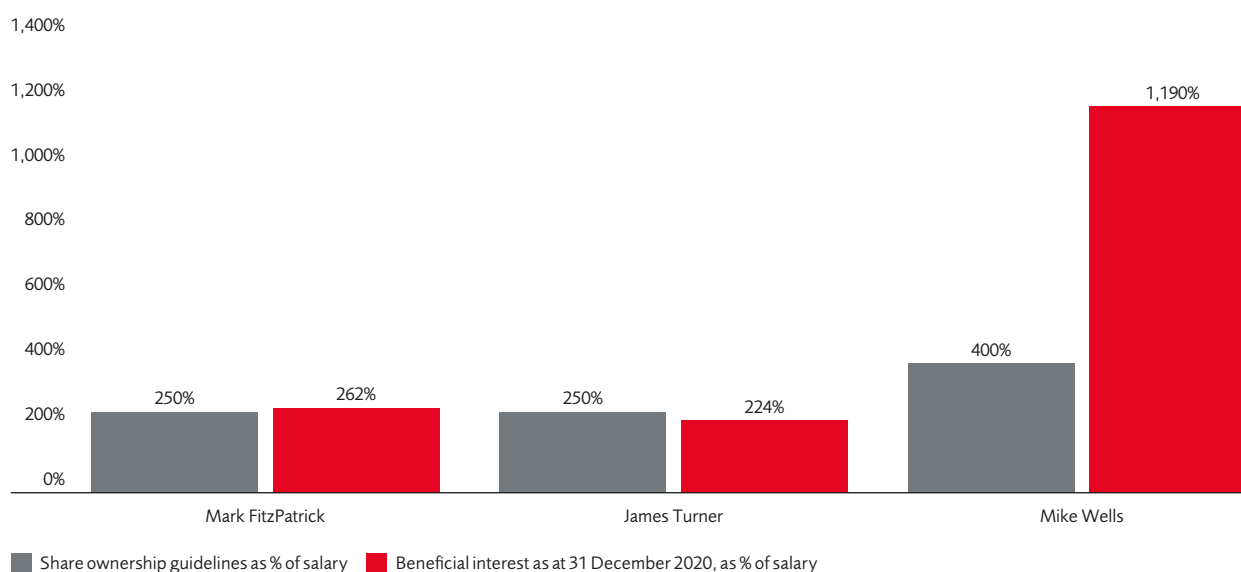
§ Based on the average closing price for the six months to 31 December 2020 (£11.95).

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

- For the 1 January 2020 figure, Mike Wells's beneficial interest in shares is made up of 297,320 ADRs (representing 594,640 ordinary shares) and 381,632 ordinary shares. For the 31 December 2020 figure, his beneficial interest in shares is made up of 297,320 ADRs (representing 594,640 ordinary shares) and 549,445 ordinary shares.
- Jeremy Anderson was appointed to the Board on 1 January 2020. Total interest in shares is shown from this date.
- Howard Davies stepped down from the Board on 14 May 2020. Total interest in shares is shown at this date.
- For the 1 January 2020 figure, Alice Schroeder's beneficial interest in shares is made up of 7,250 ADRs (representing 14,500 ordinary shares). For the 31 December 2020 figure, the beneficial interest in shares is made up of 10,000 ADRs (representing 20,000 ordinary shares).
- Shriti Vadera was appointed to the Board on 1 May 2020. Total interest in shares is shown from this date.
- For the 1 January 2020 figure, Thomas Watjen's beneficial interest in shares is made up of 5,170 ADRs (representing 10,340 ordinary shares). For the 31 December 2020 figure, the beneficial interest in shares is made up of 5,170 ADRs (representing 10,340 ordinary shares).

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



#### Note

Mark FitzPatrick and James Turner were appointed to the Board in July 2017 and March 2018 respectively so both are within the period over which they were asked to attain 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 2020 (pence)	Exercise period		Number of options						End of period
				Beginning	End	Beginning of period	Granted	Exercised	Cancelled	Forfeited	Lapsed	
Mark FitzPatrick	21 Sep 17	1455	1388.5	01 Dec 22	31 May 23	2,061	–	–	–	–	–	2,061
James Turner	21 Sep 17	1455	1388.5	01 Jan 21	30 Jun 21	1,237	–	–	–	–	–	1,237
Mike Wells	22 Sep 20	964	1388.5	01 Dec 23	31 May 24	–	1,867	–	–	–	–	1,867

#### Notes

- 1 No Directors exercised SAYE options in 2020.
- 2 No price was paid for the award of any option.
- 3 The highest and lowest closing share prices during 2020 were £15.06 and £7.11 respectively.
- 4 All exercise prices are shown to the nearest pence.

#### Directors' terms of employment

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.

	Date of contract	Notice period to the Company	Notice period from the Company
<b>Executive Directors</b>			
Mark FitzPatrick	17 May 2017	12 months	12 months
James Turner	1 March 2018	12 months	12 months
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.

### Letters of appointment of the Chair 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. The Chair and Non-executive Directors are not entitled to receive any payments for loss of office.

Chair/Non-executive Director	Appointment by the Board	Notice period	Time on the Board at 2021 AGM
<b>Chair</b>			
Paul Manduca <sup>1</sup>	15 October 2010 (Chair from July 2012)	12 months	n/a
<b>Non-executive Directors</b>			
Philip Remnant	1 January 2013	6 months	8 years 4 months
Jeremy Anderson	1 January 2020	6 months	1 year 4 months
David Law	15 September 2015	6 months	5 years 8 months
Kai Nargolwala	1 January 2012	6 months	9 years 4 months
Anthony Nightingale	1 June 2013	6 months	7 years 11 months
Alice Schroeder	10 June 2013	6 months	7 years 11 months
Shriti Vadera	1 May 2020	6 months	1 year
Thomas Watjen	11 July 2017	6 months	3 years 10 months
Fields Wicker-Miurin	3 September 2018	6 months	2 years 8 months
Amy Yip	2 September 2019	6 months	1 year 8 months

#### Note

<sup>1</sup> Paul Manduca retired from the Board on 31 December 2020. Shriti Vadera became the Chair of the Board from 1 January 2021.

### Payments to past Directors and payments for loss of office

There were no payments for loss of office in 2020.

As disclosed in the 2019 Directors' remuneration report, a number of Directors stepped down from the Board in 2019. Treatment of their outstanding awards and other remuneration elements was disclosed in 2019. We set out below payments in respect of the awards that vested during 2020.

#### Nic Nicandrou

Nic holds a PLTIP award granted in 2018 and as set out in the section 'Remuneration in respect of performance in 2020' the performance condition attached to Nic's 2018 PLTIP awards was partially met and 68.75 per cent of these awards will be released in 2021. The details of the release are set out below.

Award	Number of shares vesting <sup>1</sup>	Value of shares vesting <sup>2</sup>
PLTIP	119,407	\$1,829,874

#### Notes

<sup>1</sup> The number of shares vesting include accrued dividends.

<sup>2</sup> The share price used to calculate the value was the average ADR price for the three months up to 31 December 2020, being £11.95.

#### Barry Stowe

Barry holds a PLTIP award granted in 2018 and as set out in the section 'Remuneration in respect of performance in 2020' the performance condition attached to Barry's 2018 PLTIP awards was partially met and 68 per cent of these awards will be released in 2021. These awards were pro-rated for service (nine of 36 months) and the details of the release are set out below.

Award	Number of ADRs vesting <sup>1</sup>	Value of ADRs vesting <sup>2</sup>
PLTIP	22,931	\$725,537

#### Notes

<sup>1</sup> The number of ADRs vesting include accrued dividends.

<sup>2</sup> The ADR price used to calculate the value was the average ADR price for the three months up to 31 December 2020, being \$31.64.

### 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 2020 Annual General Meeting, shareholders were asked to vote on the current Directors' remuneration policy and the 2019 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 (2020 AGM)	1,930,172,979	95.84	83,796,656	4.16	2,013,969,635	1,043,445
To approve the Directors' remuneration report (2020 AGM)	1,930,404,646	96.84	63,037,343	3.16	1,993,441,989	21,570,822

**Statement of implementation of remuneration policy in 2021****Base salary**

Executive Directors' remuneration packages were reviewed in 2020 with changes effective from 1 January 2021. When the Committee made these decisions, it considered the salary increases awarded to other employees in 2020 and the expected increases in 2021. The external market reference points used to provide context to the Committee were similar to those used for 2020 salaries.

In recognition of the continued focus on pay restraint and after due deliberation the Committee considered there should be no salary increases to the Executive Directors for 2021. The 2021 salary increase budgets for other employees across the Group's business units were between 2 per cent and 4.6 per cent. On this basis, 2021 will be the ninth consecutive year in which the increases generally offered to executives have been below or close to the bottom of the range of salary increases budgeted for the broader workforce.

The salaries effective from 1 January 2021 are set out below:

- Mark FitzPatrick: £760,000
- James Turner: HKD7,330,000
- Mike Wells: £1,149,000

**2021 pension entitlements**

While the approved Directors' remuneration policy provides for a phased reduction of Executive Directors' pension benefits to the workforce rate of 13 per cent of salary, the Committee accelerated this change to be effective on 14 May 2020. Pension levels will remain at this reduced rate for 2021. 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 2021.

The separation and divestment of Jackson will transform Prudential into a Group targeting the structural opportunities of Asia and Africa. The post-separation Group will focus on achieving sustained double-digit growth in embedded value per share. This will be supported by growth rates of new business profit, which are expected to substantially exceed GDP growth in the markets in which the Group operates. It is therefore imperative that the measures attached to the 2021 AIP and PLTIP awards create a clear focus within the executive team and a straightforward connection with the value to be delivered to shareholders.

**2021 AIP financial measures**

The Committee is mindful of the need for the weightings of the AIP measures to be sufficiently aligned with the post-separation Group's focus on the high-growth Asia and Africa businesses. The proposed revised weightings of the financial performance measures are set out in the table below.

Financial performance measure	Weightings (% of financial element)		Change and rationale
	2020	2021	
Group EEV new business profit	15%	35%	<b>Increase</b> – to focus the executive team on driving growth in profitable new business which is critical to the growth in embedded value of the post-separation Prudential Group
Group adjusted operating profit	35%	25%	<b>Reduction</b> – to reflect the increased emphasis on growth of new business. Operating profit is largely driven by the level of historic in-force business
Group operating free surplus generated	30%	30%	<b>No change</b> – reflecting the importance of free surplus to support growth in investment in new business
Group Holding Company cash flow	20%	10%	<b>Reduction</b> – given the strategic priority of allocating capital to future growth in Asia and Africa whilst continuing to adequately fund central costs

The Remuneration Committee intends to include Jackson within the targets and results used for the AIP until the Group owns less than 50% of Jackson. From the date on which the Group owns less than 50% of Jackson, Jackson will be removed from Group AIP targets and outcomes for the remainder of the relevant year. From this date, Group AIP weightings will be consistent with those adopted for the Asia business. The date from which Jackson is removed from the AIP targets and the resulting changes to the weighting of the bonus metrics will be disclosed in the Annual Report on Remuneration for the year in which this takes place. Principles which will underpin the approach to the separation of Jackson are described in the Annual statement from the Chair of the Remuneration Committee.

## 2021 share-based long-term incentive awards

### Award levels

No changes have been made to the PLTIP award levels for Executive Directors for 2021.

### Performance conditions

Performance conditions for 2021 PLTIP awards have been revised to ensure that reward remains aligned with the strategic priorities and capital allocation framework of the post-separation Group. In particular, RoE replaced with RoEV to reflect the focus on achieving sustained double-digit growth in Embedded Value per share. In addition, the TSR peer group was revised to reflect the footprint of the post-separation Prudential Group.

The weighting of measures for the 2021 PLTIP awards for all Executive Directors will be as follows:

- Relative TSR (50 per cent of award);
- A return on embedded value measure (30 per cent of award); and
- Sustainability scorecard of strategic measures (20 per cent of award).

The proportion of 2021 long-term incentive awards which will vest for threshold performance will remain at 20 per cent.

The conduct measure in the sustainability scorecard will include Jackson for 2021 awards for the period in which the Group owns at least 50% of Jackson, whilst the other scorecard metrics and RoEV will be calculated based on the Group excluding the US business. Principles which will underpin the approach to the separation of Jackson are described in the Annual statement from the Chair of the Remuneration Committee.

### 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.

In 2020 the Committee reviewed the TSR peer group to reflect the footprint post separation of Jackson. The resulting peer group for 2021 PLTIP awards is set out below:

AIA Group	Allianz	AXA	China Life
China Pacific Insurance (CPIC)	China Taiping Insurance	Great Eastern	Manulife Financial
New China Life (NCL)	Ping An Insurance	Sun Life Financial	Zurich Insurance Group

### Return on embedded value

RoEV will replace RoE as the PLTIP measure for 2021 awards. The Company believes that this measure is more relevant, considering the Asia focus of the Group, aligned to the ambition to grow EV and pivot towards EV based valuations.

RoEV will be calculated as the total post-tax EEV operating profit as a percentage of the average EEV basis shareholders' equity. RoEV will be assessed at the Group level.

20 per cent of the award will vest for achieving the threshold level of performance of 9 per cent, increasing to full vesting for reaching the stretch level of at least 11 per cent.

### Sustainability scorecard

Under the 2021 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 2021 measures are set out below:

<b>Capital measure:</b>	Cumulative three-year ECap Group operating capital generation relative to threshold, less cost of capital (based on the capital position at the start of the performance period).
<b>Vesting basis:</b>	Performance below threshold results in nil vesting, 20 per cent vesting for achieving threshold, increasing to full vesting for performance above stretch level. The threshold figure for this metric will be published in the Annual Report for the final year of the performance period.
<b>Capital measure:</b>	Cumulative three-year LCSM operating capital generation relative to threshold.
<b>Vesting basis:</b>	Performance below threshold results in nil vesting, 20 per cent vesting for achieving threshold, increasing to full vesting for performance above stretch level. The threshold figure for this metric will be published in the Annual Report for the final year of the performance period.
<b>Conduct measure:</b>	Through strong risk management action, ensure there are no significant conduct/culture/governance issues that result in significant capital add-ons or material fines.
<b>Vesting basis:</b>	Performance below threshold results in nil vesting, 20 per cent vesting for partial achievement of the Group's expectations, increasing to full vesting for achieving the Group's expectations.
<b>Diversity measure:</b>	Percentage of the Executive Council and Leadership Team <sup>1</sup> that are female at the end of 2023.
<b>Vesting basis:</b>	Performance below threshold results in nil vesting, 20 per cent vests for meeting the threshold of at least 33 per cent of our Executive Council and Leadership Team being female at the end of 2023, increasing to full vesting for reaching the stretch level of at least 37 per cent being female at that date.

#### Note

<sup>1</sup> Please note that in 2020 the definition of the Leadership Team for the purposes of this assessment changed to include Executive Council and other key executives critical for the definition and execution of our strategy. This is comparable to what was previously referred to as the Leadership Team.

### Chair and Non-executive Directors

Fees for the Chair and Non-executive Directors were unchanged in 2020. The Committee has decided to appoint the new Chair, Ms Vadera, on the same fee (£765,000 per annum) as the outgoing Chair, Mr Manduca.

The Board has established for the period up to the 2022 AGM a Responsibility & Sustainability Working Group which will oversee the embedding of our new ESG framework and progress on diversity and inclusion initiatives and employee engagement activities. As Chair of the Working Group, Ms Schroeder will receive a fee of £45,000 per annum while Working Party members will receive a fee of £22,000.



**Anthony Nightingale, CMG SBS JP**  
Chair of the Remuneration Committee

2 March 2021



**Shriti Vadera**  
Chair

2 March 2021

# Additional remuneration disclosures

## Directors' outstanding long-term incentive awards

### Share-based long-term incentive awards

	Plan name	Year of award	Conditional share awards outstanding at 1 Jan 2020 (number of shares)	Conditional awards in 2020 (number of shares)	Market price at date of award (pence)	Dividend equivalents on vested shares <sup>note</sup> (number of shares released)	Rights exercised in 2020	Rights lapsed in 2020	Conditional share awards outstanding at 31 Dec 2020 (number of shares)	Date of end of performance period
Mark FitzPatrick	PLTIP	2017	117,047	–	1828	6,449	73,155	43,892	–	31 Dec 19
	PLTIP	2018	123,110	–	1750	–	–	–	123,110	31 Dec 20
	PLTIP	2019	142,470	–	1605.5	–	–	–	142,470	31 Dec 21
	PLTIP	2020	–	175,115	1049.5	–	–	–	175,115	31 Dec 22
			382,627	175,115	–	6,449	73,155	43,892	440,695	
James Turner	PLTIP	2017	32,264	–	1672	1,738	20,165	12,099	–	31 Dec 19
	PLTIP	2018	103,281	–	1750	–	–	–	103,281	31 Dec 20
	PLTIP	2019	119,600	–	1605.5	–	–	–	119,600	31 Dec 21
	PLTIP	2020	–	177,562	1049.5	–	–	–	177,562	31 Dec 22
			255,145	177,562	–	1,738	20,165	12,099	400,443	
Mike Wells	PLTIP	2017	304,166	–	1672	16,414	190,103	114,063	–	31 Dec 19
	PLTIP	2018	297,713	–	1750	–	–	–	297,713	31 Dec 20
	PLTIP	2019	344,629	–	1605.5	–	–	–	344,629	31 Dec 21
	PLTIP	2020	–	423,594	1049.5	–	–	–	423,594	31 Dec 22
			946,508	423,594	–	16,414	190,103	114,063	1,065,936	

#### Note

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 2020 (number of shares)	Conditionally awarded in 2020 (number of shares)	Dividends accumulated in 2020 <sup>note</sup> (number of shares)	Shares released in 2020 (number of shares)	Conditional share awards outstanding at 31 Dec 2020 (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)
<b>Mark FitzPatrick</b>										
Deferred 2017 annual incentive award	2018	33,518	–	771	–	34,289	31 Dec 20	–	1750	–
Deferred 2018 annual incentive award	2019	38,411	–	884	–	39,295	31 Dec 21	–	1605.5	–
Deferred 2019 annual incentive award	2020	–	48,780	1,123	–	49,903	31 Dec 22	–	1047	–
		71,929	48,780	2,778	–	123,487	–	–	–	–
<b>James Turner</b>										
Deferred 2018 annual incentive award	2019	24,560	–	565	–	25,125	31 Dec 21	–	1605.5	–
Deferred 2019 annual incentive award	2020	–	42,125	970	–	43,095	31 Dec 22	–	1047	–
		24,560	42,125	1,535	–	68,220	–	–	–	–
<b>Mike Wells</b>										
Deferred 2016 annual incentive award	2017	64,440	–	–	64,440	–	31 Dec 19	06 Apr 20	1672	1021
Deferred 2017 annual incentive award	2018	58,008	–	1,336	–	59,344	31 Dec 20	–	1750	–
Deferred 2018 annual incentive award	2019	66,030	–	1,521	–	67,551	31 Dec 21	–	1605.5	–
Deferred 2019 annual incentive award	2020	–	83,782	1,930	–	85,712	31 Dec 22	–	1047	–
		188,478	83,782	4,787	64,440	212,607	–	–	–	–

#### Note

A dividend equivalent was accumulated on these awards.



### 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.

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 2020 (number of shares)	Partnership shares accumulated in 2020 (number of shares)	Matching shares accumulated in 2020 (number of shares)	Dividend shares accumulated in 2020 (number of shares)	Share Incentive Plan awards held in Trust at 31 Dec 2020 (number of shares)
Mark FitzPatrick	2017	372	150	37	11	570
James Turner	2011	829	—	—	20	849
Mike Wells	2015	719	150	38	18	925

### 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 2019 Annual report on remuneration.

### Dilution

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 2020 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 2020.

Of the five individuals with the highest emoluments in 2020, 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 2020 are set out in the table below. Senior management comprised the Executive Directors and members of the Group Executive Committee. The table sets out the aggregate of the emoluments paid to the senior management team:

Components of remuneration	Five highest paid		Senior management	
	HKD000	\$000	HKD000	\$000
Base salaries, allowances and benefits in kind	16,081	2,073	70,021	9,028
Pension contributions	661	85	9,408	1,213
Performance-related pay	146,736	18,919	155,019	19,987
Payments made on appointment	18,292	2,358	n/a	n/a
Payments made on separation	46,536	6,000	n/a	n/a
Total	228,306	29,435	234,448	30,228

Their emoluments for 2020 were within the following bands:

Remuneration band HKD	Remuneration band USD equivalent	Number of employees	
		Five highest paid	Senior management
19,000,001 – 19,500,000	2,449,700 – 2,514,200	0	1
25,000,001 – 25,500,000	3,223,300 – 3,287,800	0	1
29,500,001 – 30,000,000	3,803,500 – 3,868,000	0	1
30,500,001 – 31,000,000	3,932,400 – 3,996,900	0	1
31,500,001 – 32,000,000	4,254,800 – 4,319,200	0	1
44,000,001 – 44,500,000	5,673,000 – 5,737,500	0	1
46,000,001 – 46,500,000	5,930,900 – 5,995,400	1	0
46,500,001 – 47,000,000	5,995,400 – 6,059,800	1	0
49,000,001 – 49,500,000	6,317,700 – 6,382,200	1	0
53,000,001 – 53,500,000	7,413,600 – 7,478,100	0	1
85,500,001 – 86,000,000	11,217,100 – 11,281,600	1	0