

Governance

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Chair's introduction

Shriti Vadera

Chair



Dear shareholder

It is an honour to chair a 172-year-old company undergoing an exciting transformation and reinventing itself as a digital business focused on Asia and Africa.

In response to the pandemic, the Board adjusted quickly to different ways of working, including holding virtual meetings and hybrid sessions, reflecting the resilience demonstrated by the business in the face of challenges posed by Covid-19, with some Directors when possible gathering physically in our London and Hong Kong head offices and others connecting through video conference. Given the severe curtailment on travel during 2020, we were unable to conduct our usual programme of face-to-face meetings with management and employees, which typically would have included deep dive visits at one or more of our business locations. Instead, we have found other virtual ways to connect with people across the business.

2020 saw important changes to the Board. Paul Manduca, who stepped down as Chairman and Director at the end of 2020, left a legacy of a high-functioning Board of committed Directors. Sir Howard Davies stepped down after 10 years on the Board and as Chair of our Risk Committee, and Jeremy Anderson was appointed to the Board, bringing with him substantial leadership experience of the financial services sector across Asia and the US. Jeremy has extensive technical knowledge on audit and risk management, particularly concerning international companies, and he succeeded Sir Howard as Chair of the Risk Committee in May 2020. On behalf of the Board I would like to thank Paul and Howard for their significant contributions and leadership of the Board and Risk Committee respectively during their tenures. We will be losing more of our experienced Non-executive Directors in the next couple of years as they are reaching the end of their nine-year tenures. Following nine years of service Kai Nargolwala will not offer himself for re-election at the Annual General Meeting (AGM) this year.

I would like to thank Kai, who will step down from the Board at the conclusion of the 2021 AGM, for his significant contribution, both on the Board and as a member of the Risk and Remuneration Committees. More recently, Kai also took on the role of Employee Engagement Director for the Group's workforce in Asia and Africa.

Below are some of the principal strategic and governance items the Board considered during 2020.

Strategy

In its strategy discussions, the Board focused on developing and repositioning the Group for Asian growth. The Board considers that the Group is well positioned to meet the protection and savings needs of the growing populations in Asia and Africa with top-three positions in nine Asian life insurance markets, and significant upside potential in the region's two largest markets. The new growth strategy has been set to align to markets where insurance penetration is currently low and demand for savings solutions is rapidly developing. In August, we announced the new dividend policy, which aligns to this revised strategy.

Time and attention were given to executing the decision, announced in 2020, to separate our US business, through detailed discussions during regular Board meetings and dedicated, additional workshops. This was to ensure that Jackson will have a governance framework suitable for a listed group in the US at the point of the proposed separation. This culminated in our announcement on 28 January 2021 of our plan to separate Jackson in the second quarter of 2021 through a demerger, subject to shareholder and regulatory approval.

B

Our purpose, culture and values

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

After an extensive consultation over the course of nine months involving 12,000 employees, we have refreshed and restated our shared purpose – to help people get the most out of life. We fulfil this purpose by making healthcare accessible and affordable, protecting wealth and growing assets, and empowering people to save for their education and retirement goals. The Board supported the articulation and development of a framework to embed the desired culture, promoting the Group's purpose consistently across the Group. A description of how Prudential views its purpose as inextricably linked with its business and delivers on it is set out in the ESG report on pages 70 to 117.

2020 was the first year of a three-year plan to promote and embed a diverse and inclusive culture across the Group with our purpose at its core, supporting our people to think about not only what they do but how they do it, aligning our behaviours with performance and managing risks. Embedding this cultural change will require systems and programmes that help shift behaviours and create new habits, both individually and organisationally. This has been a key focus during the year and the Board has discussed, reviewed and monitored the frameworks being put into place to enable this progress.

A D E

Looking after our stakeholders and wider community initiatives

At Prudential, we recognise that all our stakeholders are key to our long-term success. We seek to engage proactively with them, to understand their views and to take these views into account when making decisions. Further information about how the Board has taken into account the views of the Group's key stakeholders, can be found on pages 78 to 81, while engagement with our customers is discussed in more detail on page 79.

Throughout 2020, the Board was particularly concerned about the impact of the Covid-19 pandemic on the health and welfare of customers and employees. The CEO Report and ESG Report describe the various ways in which we responded to the needs of our customers in this challenging period. Our two designated Non-executive Directors appointed to represent the workforce have been working hard to find innovative ways to engage with the workforce during what has been an incredibly difficult year in which to bring people together. They joined a number of events at the start of the year, including visiting our offices in the UK and Asia to meet with and address colleagues. Once the pandemic started, both designated Directors received briefings from Group Security about steps being taken to support and protect employees during the Covid-19 outbreak. The results of our staff survey in 2020 have been considered carefully by the Board and the designated Directors are monitoring the implementation of the action plans, which will enable our employees to see that their feedback has been taken seriously and acted upon. Both designated Directors participated in our follow-up Collaboration Jam, which is described more fully on pages 79 and 96. We will continue to keep our employee engagement mechanisms under review to ensure we choose methods that best serve our employees and provide useful feedback to the Board.

The Board considered Environmental, Social and Governance (ESG) matters and approved the ESG strategic framework for the Group, on the recommendation of the Nomination & Governance Committee. A number of Directors and members of the Nomination & Governance Committee, as well as other stakeholders, were consulted during the year to shape this strategy. For more information, please see the Nomination & Governance Committee report on pages 142 and 148. You can read more about our corporate social responsibility actions in our 2020 ESG report (pages 70 to 117), which will also be published on our website.

Focus for 2021

Since I joined Prudential, in light of the transformation of the business, the composition of the Board has been one of my key priorities, supported by the work of the Nomination & Governance Committee. Reflecting our focus on growth in Asia and Africa, enabled by digital capabilities, I am pleased to welcome Chua Sock Koong and Ming Lu to the Board. Sock Koong has had a distinguished career with operations experience in many of our key markets, while Ming has a long track record of investing in and growing businesses throughout Asia. These appointments are part of an ongoing process to refresh the Board and make sure it has the right skills and experience to support the Group, in particular pan-Asian operating experience, and a high degree of digital familiarity. The next phase of appointments will focus on experience and knowledge of specialist financial services.

As the Board changes, I am keen to ensure that we mitigate some of the loss of experience, wisdom and institutional memory by enabling new Non-executive Directors joining the Board to overlap with those nearing retirement, to give new joiners sufficient time to benefit from building relationships and sharing experience and insight to ensure a smooth transition period.

(E) (L)

We are committed to continuing to develop the Group's governance to ensure that it keeps pace with the rapid progress of the business and the evolving external environment. We will draw on the conclusions of the externally facilitated Board effectiveness evaluation conducted in 2020 by Ffion Hague of Independent Board Evaluation, to ensure continued strong oversight and challenge. The methodology and results of that evaluation are set out on page 133. This annual exercise helps inform how we approach governance, risk and culture, which is set out in the Group Chief Risk and Compliance Officer's Report on pages 45 to 69. Our Group-wide Internal Audit function will continue to consider the risk and control culture of the organisation throughout its activities, with our Group Code of Business Conduct underpinning everything we do, shaping our culture and linking culture explicitly to values and behaviours. Good governance includes a commitment to continuous improvement and to that end the Board has asked Jeremy Anderson to lead on considering any lessons for the Board to learn from the revision to Jackson's hedge modelling, announced on 28 January, which impacted Jackson's statutory capital.

(B)

Our clarity of strategy and purpose will be supported and enabled by our culture and the people who make them a reality. I am clear that our strength – as people and in our performance – will come from continued investment in our diversity and inclusion. The Board has a vital role in setting the tone and demonstrating this in the diversity of our thinking, and through our oversight, constructive challenge and support for management and Prudential's employees. The Responsibility & Sustainability Working Group, established by the Board and chaired by Alice Schroeder, will oversee the embedding of Prudential's ESG framework and progress on diversity and inclusion initiatives, and will take on employee engagement activities.

I hope this report and those of my fellow Committee Chairs demonstrate the work we have undertaken and the tangible and positive impact this has had on our business and for our stakeholders, with oversight and challenge to promote the long-term success of Prudential and the long-term prosperity of our stakeholders. On a personal level, I was disappointed not to be able to attend what would have been my first Prudential AGM in May 2020 as a Non-executive Director, and unfortunately it does not look possible to meet shareholders in person at this year's AGM under current restrictions. We are working hard to ensure that shareholders will be able to participate fully through digital means. The detailed arrangements will be communicated as part of our AGM Notice published in April. I look forward to updating you then and in future Annual Reports.



Shriti Vadera
Chair

Board of Directors

Shriti Vadera

Chair

N



Appointments:

Board: May 2020

Chair of the Board: January 2021

Chair of the Nomination & Governance Committee: January 2021

Age: 58

Relevant skills and experience

Shriti is the Chair of the Board. She joined Prudential as a Non-executive Director and member of the Nomination & Governance Committee on 1 May 2020 and became Chair of the Board with effect from 1 January 2021. She became Chair of the Nomination & Governance Committee at the same time.

She contributes her senior boardroom experience at complex organisations, including extensive experience with international operations, strong strategic and financial services experience and experience at the highest level of international negotiations between Governments and in multilateral organisations.

Shriti was chair of Santander UK Group Holdings from 2015 until October 2020. She was a Director of BHP from 2011 and its Senior Independent Director from 2015 until October 2020, and a Non-executive Director of Astra Zeneca from 2011 until 2018.

Between 2009 and 2014, she undertook a wide range of assignments, such as advising the South Korean Chair of the G20 in 2010, two European countries on the Eurozone and banking crisis, the African Development Bank on infrastructure financing, a number of global investors and sovereign wealth funds on strategy and economic and market developments.

Shriti was a Minister in the UK government from 2007 to 2009 in the Cabinet Office, Business Department and International Development Department and led on the UK government's response to the global financial crisis and its Presidency of the G20. She was a member of the HM Treasury's Council of Economic Advisers from 1999 to 2007, advising on domestic and international issues including reforms to international organisations following the Asian and financial crisis.

Shriti began her career in investment banking with SG Warburg/UBS in 1984, where she had a strong focus on emerging markets.

Other appointments

- Institute of International Finance, Board Member
- National Institute of Economic and Social Research, Governor

Michael Wells

Group Chief Executive



Appointments:

Board: January 2011

Group Chief Executive: June 2015

Age: 60

Relevant skills and experience

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

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

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

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

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

Other appointments

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

Executive Directors

Mark FitzPatrick CA

Group Chief Financial Officer and Chief Operating Officer



Appointment:
Board: July 2017

Age: 52

Relevant skills and experience

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

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

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

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

Other appointment

— British Heart Foundation

James Turner FCA FCSI FRM

Group Chief Risk and Compliance Officer



Appointment:
Board: March 2018

Age: 51

Relevant skills and experience

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

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

James joined the Board as an Executive Director and Group Chief Risk Officer in March 2018 and in July 2019 assumed responsibility for Group Compliance. James relocated to Hong Kong in August 2019 and has led the discussions with the Hong Kong Insurance Authority on the development of their Group Wide Supervisory Framework.

Board changes

Non-executive Directors

As announced on 10 December 2019, Jeremy Anderson was appointed to the Board as a Non-executive Director and member of the Risk and Audit Committees with effect from 1 January 2020. He became the Chair of the Risk Committee with effect from the conclusion of the 2020 AGM held on 14 May 2020.

As announced on 30 January 2020, Shriti Vadera joined the Board as a Non-executive Director and member of the Nomination & Governance Committee with effect from 1 May 2020. She became Chair of the Board and of the Nomination & Governance Committee with effect from 1 January 2021.

As announced on 30 January 2020, Paul Manduca stepped down from the Board with effect from 31 December 2020.

As announced on 11 March 2020, Sir Howard Davies stepped down from the Board with effect from the conclusion of the 2020 AGM held on 14 May 2020. As announced on 4 February 2021, Chua Sock Koong and Ming Lu will join the Board on 1 May 2021.

As announced on 3 March 2021, Kai Nargolwala will step down from the Board on 13 May 2021.

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

Key

- A Member of the Audit Committee
- N Member of the Nomination & Governance Committee
- Re Member of the Remuneration Committee
- Ri Member of the Risk Committee
- Denotes Committee Chair

Non-executive Directors

The Hon. Philip Remnant CBE FCA

Senior Independent Director

A N Re

**Appointments:**

Board: January 2013
 Audit Committee: January 2013
 Nomination & Governance Committee:
 January 2013
 Remuneration Committee: January 2013

Age: 66

Relevant skills and experience

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

Philip was a senior adviser at Credit Suisse and a vice chairman of Credit Suisse First Boston (CSFB) Europe and head of the UK Investment Banking Department. He was twice seconded to the role of director general of the Takeover Panel. Philip served on the board of Northern Rock plc and as chairman of the Shareholder Executive. Until July 2018, he also served on the board of UK Financial Investments Limited. In October 2020, Philip stepped down as chairman and member of the board of The City of London Investment Trust plc.

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

Other appointments

- Severn Trent plc
- Takeover Panel (deputy chairman)

Jeremy Anderson CBE

Non-executive Director

Ri A

**Appointments:**

Board: January 2020
 Chair of the Risk Committee: May 2020
 Audit Committee: January 2020
 Responsibility & Sustainability Working
 Group: February 2021

Age: 62

Relevant skills and experience

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

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

Jeremy joined the Board in January 2020 as a Non-executive Director and member of the Audit and Risk Committees. He became Chair of the Risk Committee and a member of the Nomination & Governance Committee in May 2020. In February 2021, Jeremy stepped down from the Nomination & Governance Committee and became a member of the Responsibility & Sustainability Working Group.

Other appointments

- UBS Group AG / UBS AG (Audit Committee Chair, Senior Independent Director, Vice-Chair)
- The Productivity Group
- The Kingham Hill Trust

David Law ACA

Non-executive Director

A Ri Re

**Appointments:**

Board: September 2015
 Chair of the Audit Committee: May 2017
 Risk Committee: May 2017
 Remuneration Committee: February 2021

Age: 60

Relevant skills and experience

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

David is an accountant and spent 33 years working with Price Waterhouse and PricewaterhouseCoopers (PwC). During this time he was inter alia the global leader of PwC's insurance practice, a partner in the UK firm, and worked as the lead audit partner for multinational insurance companies until his retirement in 2015. Other roles included leadership of PwC's insurance and investment management assurance practice in London and the firm's Scottish assurance division. He also spent three months working in Hong Kong in the early 1990s. After his retirement David became a director and CEO of L&F Holdings Limited and its subsidiaries (L&F). L&F is the professional indemnity captive insurance group which serves the PwC network and its member firms. David retired from this role in July 2019.

David joined the Board in September 2015 as a Non-executive Director and member of the Audit Committee. He was appointed Chair of the Audit Committee and a member of the Risk Committee and of the Nomination & Governance Committee in May 2017. In February 2021, David stepped down from the Nomination & Governance Committee and was appointed a member of the Remuneration Committee.

Other appointment

- University of Edinburgh (Member of the Court and Policy and Resources committee)

Kaikhushru Nargolwala FCA

Non-executive Director

**Appointments:**

Board: January 2012
 Remuneration Committee: January 2012
 Risk Committee: January 2012
 Responsibility & Sustainability Working Group:
 February 2021
 Employee Engagement Director: May 2019
 Age: 70

Relevant skills and experience

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

Kai spent 19 years at Bank of America and was based in Hong Kong in roles as group executive vice president and head of the Asia Wholesale Banking Group from 1990 to 1995. He spent 10 years working for Standard Chartered PLC in Singapore as group executive director responsible for Asia governance and risk from 1998 to 2007. Kai was chief executive officer of the Asia Pacific Region of Credit Suisse AG from 2008 to 2010 and now serves as director and chairman of their remuneration committee. Kai also served as chairman of Clifford Capital Pte. Ltd from April 2012 until December 2020 and Clifford Capital Holdings from April 2020 until December 2020.

Kai has served on a number of other boards, including Singapore Telecommunications and Tate & Lyle plc and was appointed deputy chairman of Singapore Pools (Private) Limited with effect from January 2021.

Kai joined the Board in January 2012 as a Non-executive Director and member of the Remuneration and Risk Committees. In February 2021, he was appointed a member of the Responsibility & Sustainability Working Group. Kai acts as a designated Non-executive Director for employee engagement matters as set out in the UK Code, for the Group's workforce in Asia and Africa.

Other appointments

- Credit Suisse Group AG
- PSA International Pte Ltd
- Co-Chair of Sustainable Finance Steering Committee formed by Temasek
- Singapore Pools (Private) Limited

Anthony Nightingale CMG SBS JP

Non-executive Director

**Appointments:**

Board: June 2013
 Chair of the Remuneration Committee: May 2015
 Nomination & Governance Committee:
 May 2015

Age: 73

Relevant skills and experience

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

Anthony spent his career in Asia, where he joined the Jardine Matheson Group in 1969, holding a number of senior positions before joining the board of Jardine Matheson Holdings in 1994. He was managing director of the Jardine Matheson Group from 2006 to 2012. Anthony was on the Board of Schindler Holding Limited until 19 March 2020.

He was a past chairman of the Hong Kong General Chamber of Commerce and was appointed as an ABAC Representative of Hong Kong, China from 2005 to 2017 and the Hong Kong representative to the APEC Vision Group from 2018 to 2019.

He is the Chairperson of the Sailors Home and Missions to Seafarers in Hong Kong.

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

Other appointments

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

Alice Schroeder

Non-executive Director

**Appointments:**

Board: June 2013
 Audit Committee: June 2013
 Risk Committee: March 2018
 Chair of the Responsibility & Sustainability Working Group: February 2021

Age: 64

Relevant skills and experience

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

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

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

Alice joined the Board in June 2013 as a Non-executive Director and member of the Audit Committee. She became a member of the Risk Committee in March 2018 and was appointed Chair of the Responsibility & Sustainability Working Group in February 2021.

Other appointments

- Quorum Health Corporation
- Natus Medical Incorporated
- Westland Insurance Group Ltd

Non-executive Directors

Thomas Watjen

Non-executive Director

Re Ri N

**Appointments:**

Board: July 2017

Remuneration Committee: July 2017

Risk Committee: November 2018

Nomination & Governance Committee:

February 2021

Employee Engagement Director: May 2019

Age: 66

Relevant skills and experience

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

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

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

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

Tom joined the Board in July 2017 as a Non-executive Director and member of the Remuneration Committee. He became a member of the Risk Committee in November 2018 and a member of the Nomination & Governance Committee in February 2021. Tom acts as a designated Non-executive Director for employee engagement matters as set out in the UK Code, for the Group's workforce in the US and UK.

Other appointments

- Arch Capital Group Limited
- LocatorX, Inc

Fields Wicker-Miurin OBE

Non-executive Director

Re

**Appointments:**

Board: September 2018

Remuneration Committee: September 2018

Responsibility & Sustainability Working Group:

February 2021

Age: 62

Relevant skills and experience

Fields has extensive international boardroom experience, combining knowledge of the Group's key geographic markets in Asia and Africa with experience across the global financial services industry, including more than 10 years as a non-executive director and committee chair of life insurance and reinsurance companies.

Fields has held a number of senior positions, including senior partner at Strategic Planning Associates, chief financial officer and director of strategy at the London Stock Exchange, and leader of the global markets practice at AT Kearney. She was appointed to Nasdaq's Technology Advisory Council and as an expert on the Panel advising the European Parliament on financial markets harmonisation. She previously chaired the investment committee of the Royal London Group and has chaired the audit committee of Savills plc. From 2004-2014, Fields focused on sub-Saharan Africa, India and China in her role as chair of the investment impact committee of CDC, the UK government's development finance institution.

Fields has served on the boards of three UK Government departments, including the Department of Business, where she chaired the strategic investment committee and was a member of the technology strategy board, and the Department for Digital, Culture, Media and Sport (2016-2020), where she chaired the audit and risk committee.

Fields joined the Board in September 2018 as a Non-executive Director and member of the Remuneration Committee and was appointed a member of the Responsibility & Sustainability Working Group in February 2021.

Other appointments

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

Amy Yip

Non-executive Director

A

**Appointments:**

Board: September 2019

Audit Committee: March 2021

Age: 69

Relevant skills and experience

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

Amy started her career in 1978 and has held a number of senior positions in financial services in Asia. She was formerly head of wealth management of DBS Bank, chair of DBS Asset Management and chief executive officer of DBS Bank Hong Kong. Since 2011 she has been an adviser to Vita Green, a health supplements provider based in Hong Kong.

Amy became a non-executive director of AIG Insurance Hong Kong Limited in 2011 and chairs its audit committee. She became a non-executive director and member of the Technology Committee of Deutsche Börse AG in 2015 and became chair of the Asia Pacific advisory board of EFG Bank International in 2019. Amy served as a member of the compensation and nomination committees of Temenos Group AG from 2014 until May 2020, and as a non-executive director of Fidelity Funds from 2017 until October 2020.

Amy joined the Board in September 2019 as a Non-executive Director and member of the Remuneration Committee. With effect from 3 March 2021, Amy stepped down from the Remuneration Committee and joined the Audit Committee.

Other appointments

- AIG Insurance Hong Kong Limited
- Deutsche Börse AG
- EFG Bank and EFG Bank International (Chairman, Asia Pacific Advisory Board)

Group Executive Committee

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

Jolene Chen

Group Human Resources Director

Appointment to the GEC: June 2019

Age: 61

Relevant skills and experience

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

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

Nicolaos Nicandrou

Chief Executive, Prudential Corporation Asia

Appointment to the GEC: October 2009

Age: 55

Relevant skills and experience

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

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

Laura Prieskorn

Chief Executive Officer, Jackson Holdings LLC

Appointment to the GEC: February 2021

Age: 53

Relevant skills and experience

Laura is Chief Executive Officer of Jackson Holdings LLC, which includes Jackson's US subsidiaries and affiliates. Prior to this, as Executive Vice President and Chief Operating Officer, Laura was responsible for leading Jackson's operations and technology teams as well as the business integration efforts directed at continuously supporting and improving the client, adviser and distribution partner experience. Laura joined Jackson in August of 1989, and during her career at the company has held a variety of senior roles, including membership of the Executive, Investment and Product Committees.

She earned a bachelor's degree from Central Michigan University in business administration.

Al-Noor Ramji

Group Chief Digital Officer

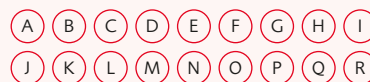
Appointment to the GEC: January 2016

Age: 66

Relevant skills and experience

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

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



UK Corporate Governance Code Principles

The UK Corporate Governance Code requires that we demonstrate how we have applied the Principles of the Code (listed below). Throughout the Annual Report we have inserted red-circled letters to indicate which section, page or paragraph demonstrates our compliance.

Board leadership and company purpose

- A A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.
- B The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.
- C The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.
- D In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.
- E The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Division of responsibilities

- F The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.
- G The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.
- H Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.
- I The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Composition, succession and evaluation

- J Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- K The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.
- L Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Audit, risk and internal control

- M The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.
- N The board should present a fair, balanced and understandable assessment of the company's position and prospects.
- O The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

Remuneration

- P Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.
- Q A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.
- R Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

How we operate

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

Group governance

Corporate governance codes – statement of compliance

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

The Board confirms that, for the year under review, the Company has complied with the principles and provisions of the UK Code. Please see page 127 where we set out how we have applied the principles.

The Company has also complied with the provisions of the HK Code other than as follows: Provision B.1.2(d) of the HK Code requires companies, on a comply or explain basis, to have a remuneration committee which makes recommendations to a main board on the remuneration of non-executive directors. This provision is not compatible with principle Q of the UK Code which states that no director should be involved in deciding their own remuneration outcome, and provision 34 of the UK Code which recommends that the board determines the remuneration of non-executive directors. Prudential has chosen to adopt a practice in line with the recommendations of the UK Code.

Following the introduction by the UK government of measures to limit the spread of Covid-19 by prohibiting non-essential travel and public gatherings of more than two people, and following the issuance of the Company's 2020 Annual General Meeting (AGM) Notice, the Company provided an update to shareholders in late April 2020 on its revised arrangements for the 2020 AGM. In light of those restrictions and to protect the health of Prudential's shareholders and employees, the Board decided, with regret, that shareholders, external advisers (including the auditor) and Directors (other than the Chairman) would not be able to attend the AGM in person (and thus provisions A.6.7 and E.1.2 of the HK Code could not be complied with).

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

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



Our governance framework

The Group has established a governance framework for the business, which is approved by the Board, and is designed to promote appropriate behaviours across the Group. The Nomination & Governance Committee keeps material changes to the governance arrangements under review.

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

Group Governance Manual

The Group Governance Manual (the Manual) sets out the policies and procedures under which the Group operates, taking into account statutory, regulatory and other relevant matters. The Manual includes the Group Code of Business Conduct which is regularly reviewed by the Board. The Risk Committee approves the Group Risk Framework, an integral part of the Manual, and the Audit Committee monitors Group-wide compliance with the Manual throughout the year.

Business units manage and report compliance with the Group-wide mandatory requirements set out in the Manual through annual attestations. This includes compliance with our risk management framework, details of which are set out on pages 139 to 140 of this report.

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

Subsidiary governance

Since the demerger of M&G plc in October 2019, the Group has made changes to its subsidiary audit and governance arrangements to reflect the changing shape of the Group, in particular with respect to the Asia business. The Group Audit and Risk Committees have established direct links to the audit and risk committees of the four major Asia insurance businesses, Hong Kong, Indonesia, Malaysia and Singapore. Arrangements include regular reports and calls between the Chairs of the Group committees and the local committee chairs, with an open invitation to the Group Committee Chairs to attend the committee meetings of the major Asia business.

In addition, an internal legal restructuring has been undertaken to form a holding company for Eastspring managed entities, Eastspring Investments Group Pte. Ltd. This has created a regional board as well as audit and risk committees with consolidated oversight across the Eastspring business unit and a direct link to the Group-level Audit and Risk Committees.

Other Prudential Corporation Asia businesses also operate local audit and risk committees, with standard terms of reference. Those committees report to the Group-level committees through written updates provided by the attendees from Group functions.

The Nomination & Governance Committee is responsible for oversight of governance arrangements for the significant subsidiaries. A report on the activities of the Nomination & Governance Committee during 2020 can be found on pages 141 to 149.

Regulatory environment

Following the demerger of M&G plc on 21 October 2019, the Group-wide supervisor of Prudential changed to the Hong Kong Insurance Authority (the Hong Kong IA). On 24 July 2020 the Insurance (Amendment) (No. 2) Ordinance, being the enabling primary legislation providing for the GWS Framework, was enacted. This primary legislation is supported by subsidiary legislation and guidance material from the Hong Kong IA. The relevant subsidiary legislation, including the Insurance (Group Capital) Rules, was tabled before the Legislative Council on 6 January 2021 and will come into operation on 29 March 2021.

The GWS Framework includes requirements for Hong Kong insurance groups to have in place appropriate corporate governance arrangements and to maintain appropriate internal controls for the oversight of their business.

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

Interactions with regulators shape the Group's governance framework and the Chair, Group Chief Executive, Group Chief Risk Officer and Compliance Officer, and the Chief Executive of Prudential Corporation Asia play a leading role in representing the Group to regulators and ensuring our dialogue with them is constructive.

Terms of reference for each of the Board's principal Committees have been updated to align their duties with the changes expected under the GWS Framework.



Stakeholder engagement

Information on the Board's engagement with, and discussion of, stakeholder views as part of the Board decision-making process can be found on pages 78 to 81. Additional information can be found on our website at www.prudentialplc.com/about-us/esg/our-approach

Employee voice

The Board has designated two Non-executive Directors to represent the workforce; Kai Nargolwala with responsibility for Asia and Africa, and Tom Watjen with responsibility for the US and the UK.

The Board received an update on activities undertaken and themes arising for consideration on a six-monthly basis. Kai Nargolwala and Tom Watjen offer their insight to Board discussions and decisions as part of the Board's consideration of the workforce as key stakeholders. Kai Nargolwala will be retiring at the AGM in May and post the proposed separation of Jackson the work he and Tom Watjen undertook will be continued by the Responsibility & Sustainability Working Group. As part of this, the Working Group will consider the best method for employee engagement in the longer term, to ensure this is tailored to the culture and strategic priorities of the refocused Group following the proposed separation of the Jackson business, and make a recommendation to the Board for implementation following the 2022 Annual General Meeting.

Please see the Section 172 statement on pages 78 to 81 for an overview of the activities undertaken during 2020.

Shareholders

The Board recognises the importance of maintaining an appropriate level of two-way communication with shareholders. The Group holds an ongoing programme of regular contact with major shareholders, conducted by the Chair, to discuss their views on the Group's governance. The Senior Independent Director and the Committee Chairs are available at the request of shareholders. Engagement with institutional investors on the Directors' Remuneration Policy and implementation is led by the Remuneration Committee Chair on an annual basis.

During 2020, in addition to the governance meetings held with investors by Paul Manduca, Shriti Vadera met with a large number of our major investors as part of her introduction to the business. The Chair of the Remuneration Committee also engaged with our investors on the Directors' Remuneration Policy. Please see our Section 172 Statement on pages 78 to 81 for more information on interactions with shareholders and other key stakeholders.

Due to the UK government restrictions to limit the spread of Covid-19, the AGM on 14 May 2020 chaired by Paul Manduca was held as a 'closed meeting' with just two shareholders to provide the requisite quorum to enable the formal business of passing resolutions to be conducted. In recognising the continuing importance of the AGM as an opportunity to engage with shareholders, the Board encouraged participation from shareholders. The revised meeting arrangements included an option for shareholders to submit questions to the Board in advance of the meeting, the answers to which were posted on the Company's website, and shareholders were also asked to vote their shares by proxy ahead of the meeting. Prudential kept shareholders informed through its website and released a number of updates during the period of the Covid-19 pandemic, including a Q1 business update and other presentations.

Notwithstanding the pandemic and related unprecedented measures and circumstances, the Board continues to receive regular updates on shareholder engagement activities.



Operation of the Board

How the Board leads the Group

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

The Board currently consists of 13 Directors, of which a majority, excluding the Chair are independent Non-executive Directors. Biographical details of each of the Directors can be found on pages 122 to 126 and further details of the roles of the Chair, Group Chief Executive, Senior Independent Director, Committee Chairs and the Non-executive Directors can be found on pages 134 to 136.

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

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

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

- Approving dividend policy and determination of dividends or other capital distributions;
- Approving of strategic projects;
- Approving of the three-year business and financial plan;
- Appointing and removing of Directors and the Company Secretary;
- Approving of the Group's full and half-yearly results announcements and any other periodic financial reporting;
- Ensuring an effective system of internal control and risk management is in place, maintained and reviewed at least annually;
- Approving the Group's overall risk appetite and tolerance; and
- Ensuring effective engagement with, and encouraging participation from, key stakeholder groups.

Key areas of focus – how the Board spent its time

The Board held nine meetings during 2020. The table below gives an indication of the key topics considered at each meeting.

	Feb	Mar	Apr	May	Jul	Aug ¹	Sep	Dec
Strategy and implementation								
Approval and review of strategic priorities	●	○	○	○	○	○	○	○
Strategic priorities monitoring	○	○	○	●	●	○	●	●
Approval of three-year operating plan	○	○	○	○	○	○	○	●
Strategic projects ²	○	●	●	●	●	○	●	●
Group Chief Executive's report	●	○	●	●	●	○	●	●
Report from Committee Chairs								
Audit	●	●	○	●	●	●	●	●
Nomination & Governance	●	○	○	○	●	○	○	●
Remuneration	●	●	●	○	●	○	●	●
Risk	●	○	●	●	●	○	●	●
Financial reporting and dividends								
Group Chief Financial Officer's performance report	●	○	●	●	●	○	●	●
Full-year and 2019 second interim dividend	●	●	○	○	○	○	○	○
Half-year and 2020 first interim dividend	○	○	○	○	●	●	○	○
Cash, capital and operations reports	●	○	○	●	●	○	●	●
Business unit Chief Executive updates								
Prudential Corporation Asia	●	○	●	●	●	○	●	●
Jackson	●	○	●	●	●	○	●	●
Risk, regulatory and compliance								
Regulatory and Government Relations updates	●	○	○	●	●	○	●	●
Group Chief Risk and Compliance Officer's report	●	○	●	●	●	○	●	●
Governance and stakeholders								
Key governance developments	●	○	○	●	●	○	●	●
Culture and employee engagement	●	○	○	○	●	○	○	●
Board evaluation and actions tracking	●	○	○	○	○	○	●	●
Succession planning	●	○	○	○	○	○	○	●
Corporate responsibility reporting and ESG	●	●	●	○	○	○	○	●
Diversity and inclusion	●	○	○	○	○	○	○	○
Non-executive Directors' fees	○	○	○	●	○	○	○	○
Investor updates including feedback on investor meetings	●	○	●	●	●	○	●	●
Audit tender	○	○	○	○	○	○	○	●

Notes

1 Two meetings for the 2020 Half Year Accounts were held in August.

2 Strategic projects considered during the year included the bancassurance partnership with TMB and Thanachart, the proposed separation of Jackson and various aspects of the strategic positioning of the Group, the Athene transaction, and the expansion of Pulse and associated commercial partnerships.

The Board held a separate workshop focusing on the proposed separation of Jackson in January and a three-day strategy event in June.

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

Board and Committee meeting attendance throughout 2020

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

		Board 9 meetings	Audit Committee 11 meetings	Nomination & Governance Committee 6 meetings	Remuneration Committee 5 meetings	Risk Committee 8 meetings	Joint Audit and Risk Committee 2 meetings	General Meetings ¹ 1 meeting
Chairman	Paul Manduca	●●●●●●●●		●●●●● ²				●
Executive Directors	Mike Wells	●●●●●●●●						
	Mark FitzPatrick	●●●●●●●●						
	James Turner	●●●●●●●●						
Non-executive Directors	Philip Remnant	●●●●●●●●	●●●●●●●●●●	●●●●●	●●●●●		●	
	Jeremy Anderson	●●●●●●●●	●●●●●●●●●●	●●●●● ³		●●●●●●●●	●●	
	Howard Davies ⁴	●●●●	●●●●	●●●		●●●	●	
	David Law	●●●●●●●●	●●●●●●●●●●	●●●●●		●●●●●●●●	●●	
	Kai Nargolwala	●●●●●●●●			●●●●●	●●●●●●●●	●●	
	Anthony Nightingale	●●●●●●●●		●●●●●	●●●●●			
	Alice Schroeder	●●●●●●●●	●●●●●●●●●●			●●●●●●●●	●●	
	Tom Watjen	●●●●●●●●			●●●●●	●●●●●●●●	●●	
	Fields Wicker-Miurin	●●●●●●●●			●●●●●			
	Amy Yip	●●●●●●●●			●●●●●			
	Shriti Vadera ⁵	●●●●●●		●●●●				

Notes

- 1 Due to the Covid-19 restrictions in the UK, only the Chairman attended the Annual General Meeting with the Company Secretary.
- 2 Paul Manduca recused himself from a meeting of the Nomination & Governance Committee which was convened to discuss his succession plans.
- 3 Jeremy Anderson was appointed a member of the Nomination & Governance Committee with effect from 14 May 2020.
- 4 Howard Davies stepped down from the Board with effect from the conclusion of the AGM held on 14 May 2020.
- 5 Shriti Vadera was appointed a member of the Board and of the Nomination & Governance Committee with effect from 1 May 2020.

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

Board effectiveness



Actions during 2020 arising from the 2019 review

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

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

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

Theme	Summary of actions	Progress
Board composition and process	<ul style="list-style-type: none"> — Continue to use workshops, as appropriate, to support discussions. — Monitor Board meeting arrangements in the post-demerger context and ensure strategic focus areas, including culture and values, continue to receive appropriate agenda time. 	<ul style="list-style-type: none"> — The workshop format has been used to enable more Board time for discussion where appropriate. — Meeting arrangements have been adapted in response to Covid-19 travel restrictions, including technology upgrades and meeting adjustments to maximise time available and enable Directors to continue to focus on key strategic areas.
Risk, Capital and Audit	<ul style="list-style-type: none"> — Keep Board training in this area under review and schedule additional sessions as appropriate. 	<ul style="list-style-type: none"> — The Board continued to receive relevant updates during the year. Due to Covid-19 related travel restrictions, on-site sessions were not possible but will resume once restrictions have eased. More details on Board and Committee training is included on page 138.
Stakeholders	<ul style="list-style-type: none"> — Continue to develop and embed reporting by the designated Non-executive Directors on workforce engagement. 	<ul style="list-style-type: none"> — The roles of the two Designated Non-executive Directors were embedded during 2020 and the Board received reports on their activities. — The Responsibility & Sustainability Working Group established in February 2021 (as described on page 137) will take over the role of workforce engagement from the 2021 AGM until the 2022 AGM. It will also consider and make a recommendation to the Board on the most appropriate method for workforce engagement thereafter.
People	<ul style="list-style-type: none"> — Continue to develop reporting on talent management, succession pipeline and D&I, utilising the expanded role of the Nomination & Governance Committee. 	<ul style="list-style-type: none"> — Talent management and D&I has been more firmly embedded within the processes across the business, which was reinforced as part of the culture framework developed during the year. — Reporting has been expanded and includes more forward-looking assessments and metrics which are being developed by the newly established D&I Council as part of the Group's D&I strategy.

2020 review and actions for 2021

The performance evaluation of the Board and its principal Committees for 2020 was conducted externally by Independent Board Evaluation, an independent consultancy. The external nature of the review met the provisions of the UK Corporate Governance Code which requires external evaluations on no less than three-yearly intervals.

The evaluation covered the Board, each of the principal committees, and an individual assessment of the Chair and each of the other Non-executive Directors. The Board evaluation focused on Board performance and focus, Board composition, succession planning and induction, and support provided to Board members. The evaluation included seeking feedback from each Director, the Company Secretary and senior management.

Interviews were held with all Board members and other stakeholders, and these were supplemented by attendance and observation at a number of Board and Committee meetings. Supporting materials to enhance understanding of how the Board and its Committees operate were provided.

The findings were presented to the Nomination & Governance Committee and the Board in December 2020 and collective Committee and Board discussions to exchange ideas and agree priorities arising from the report took place.

The Board agreed an action plan to respond to the recommendations at its meeting in February.

1

The report identified a number of strengths of the Board, including a strong Board culture of engagement and collaboration, strong governance and compliance, and clear, timely information being provided to support Board meetings. The evaluation concluded that the Board and its principal committees were operating effectively. Some areas were identified for development in order to support the onboarding of new Board members and to keep pace with the transformation of the Group.

Through the evaluation and subsequent additional discussion at the Board meeting in February 2021, the Board identified areas of particular focus and related actions:

Theme	Summary of actions
Maximising Board inclusivity	<ul style="list-style-type: none"> — Enhance induction processes to leverage new Board members' skills as quickly as possible. — Recognising the challenge with current travel restrictions, create more opportunities for less formal discussion among Board members.
Focusing on the People and ESG Agenda	<ul style="list-style-type: none"> — Consider how best to give additional Board time and focus to the ESG and people agenda.
Improvements to Board information flows	<ul style="list-style-type: none"> — As the shape of the Group changes, build up Board members' depth of knowledge of the Asia and Africa business and re-focus the Board agenda to maximise time considering business performance and strategy on a more granular basis. — Review and strengthen links with subsidiary boards to leverage insight and support from those boards.
Improvements to Board processes	<ul style="list-style-type: none"> — Consider processes for briefings outside of meetings to support inclusivity and maximise ways in which Board members benefit from each other's experience and expertise.

Director evaluation

The performance of Directors during 2020 was evaluated by Independent Board Evaluation as part of the overall Board evaluation programme. Feedback on individual performance of Non-executive Directors was provided to the then Chair designate, who held discussions with each of them at the start of 2021 on becoming Chair. Feedback on the performance of the then Chair designate was separately provided to, and discussed with her, by the Senior Independent Director. Feedback on the performance of the Executive Directors, in their capacity as Board Directors, was also provided to the Chair designate, who discussed feedback with each of them separately.

The performance of Executive Directors, in their capacity as Executives, is subject to regular review; Paul Manduca assessed the performance of the Group Chief Executive while Mike Wells individually appraised the performance of each of the Executive Directors as part of the annual Group-wide performance evaluation of all employees. The Chair of the Risk Committee provided feedback to the Group Chief Executive on the performance of the Group Chief Risk and Compliance Officer.

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

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

Directors



Board roles and governance

Chair – Shriti Vadera

The Chair is responsible for leadership of the Board and managing Board business. She ensures, in collaboration with the Group Chief Executive and senior management, that the appropriate issues are brought to the Board, that there is a culture of openness and debate, and that the Board is setting the right tone from the top.

Other aspects of the Chair role include:

Leadership and succession planning

- Responsible for the leadership and the governance of the Board as a whole, demonstrating objective judgement, the highest standards of integrity and probity, and ethical leadership
- Responsible for developing, in conjunction with the Nomination & Governance Committee and the Group Chief Executive, an effective Board as regards its composition, skills and competencies
- Leading the Board in discharging its responsibility in respect of the appointment and removal of Directors
- Leading periodic evaluations, including externally facilitated evaluations, of the Board, its Committees and individual Directors
- Leading the Board in holding to account the performance of management and individual executive directors against agreed performance objectives
- Working with the Nomination & Governance Committee, ensuring that Directors receive a full formal and tailored induction programme, that their development needs are identified and that they keep their skills and knowledge up to date

Managing Board business

- Setting the Board agenda and ensuring, in collaboration with the Group Chief Executive, and the Company Secretary, that appropriate issues are brought to the Board's attention
- Maintaining an effective and constructive liaison with the Non-executive Directors, encouraging their engagement so as to maximise their contribution to the work of the Board and also ensuring constructive relations between Executive and Non-executive Directors
- Meeting with Non-executive Directors independently of the Executive
- Ensuring, in collaboration with management, that information brought to the Board is accurate, clear, timely and contains sufficient analysis appropriate to the scale and nature of the decisions to be made
- Ensuring the Board has effective decision-making processes and applies sufficient challenge to major proposals
- Promoting effective reporting of Board Committee business at Board meetings through regular Committee Chair updates

Relations with shareholders and other stakeholders

- Ensuring effective communication with shareholders and that relevant governance and strategy issues are discussed with major shareholders and that their views are communicated to the Board as a whole
- Representing the Board externally at business, political and community level. Alongside the Group Chief Executive, presenting the Group's views and positions as determined by the Board on key public policy and industry matters and communicating them effectively to governments, other public organisations and regulatory authorities
- Balancing the interests of different categories of stakeholders, preserving an independent view and ensuring effective communication, ensuring that the Board listens to the views of key stakeholders

External positions

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

Group Chief Executive – Mike Wells

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

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

Committee Chairs

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

- Responsible for the leadership and governance of their Committee
 - Sets the agenda for Committee meetings
 - Reports to the Board on the activities of each Committee meeting and the business considered, including, where appropriate, seeking Board approval for actions in accordance with the Committee's terms of reference
 - Works with the Company Secretary to ensure the continued good governance of each Committee
- In addition to Committee duties, the Chairs of the Audit and Risk Committees act as key contact points for the independent chairs of the audit and risk committees of the significant subsidiaries

Senior Independent Director – Philip Remnant

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

- Acts as a sounding board for the Chair, providing support in the delivery of the Chair's objectives, and acts as an intermediary for the other Directors and shareholders
- Leads the Non-executive Directors in conducting the Chair's annual evaluation and leads the Chair's succession planning
- Holds meetings with Non-executive Directors without management being present, typically at least once a year to evaluate the performance of the Chair
- Offers meetings to major shareholders to provide them with an additional communication point on request and is generally available to any shareholder to address concerns not resolved through normal channels
- During periods when significant issues are faced by the Company, works closely with the Chair and the other Directors or shareholders, providing support during exceptional circumstances to resolve any issues.

Non-executive Directors

All of the Non-executive Directors are currently deemed to be independent, which is assessed annually, and together have a wide range of experience which can be applied to attain the strategic aims of the Group.

- Constructive and effective challenge
- Providing strategic guidance and offering specialist advice
- Scrutinising and holding to account the performance of management in meeting agreed goals and objectives
- Serving on at least one of the Board's principal Committees
- Engaging with Executive Directors and other senior management at Board and Committee meetings and on an informal basis

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

Nomination & Governance Committee	Remuneration Committee	Audit Committee	Risk Committee
<p>Chair Shriti Vadera</p> <ul style="list-style-type: none"> Facilitates the Board in meeting its responsibilities to plan and execute timely Group Chief Executive succession and works with the Group Chief Executive to plan and execute Executive Director succession Ensures suitable succession plans are in place for the Board and senior executives to achieve the Group's strategic objectives, ensuring plans are based on merit and against objective criteria Recommends appointments to the Board and its principal Committees Oversees development of a diverse pipeline in the executive succession plan and talent management Assists the Board in the development of a Group-wide approach to all forms of diversity and inclusion Oversees the Group's overall governance framework, including the governance arrangements of the Group's significant subsidiaries 	<p>Chair Anthony Nightingale</p> <ul style="list-style-type: none"> Ensures there is a formal and transparent process for establishing the Directors' Remuneration Policy Approves individual remuneration packages of the Chair, Executive Directors, other members of the Group Executive Committee and the Company Secretary Approves the overall Remuneration Policy for the Group Reviews the design and development of share plans operated for Executive Directors and others requiring shareholder approval, and approves and assesses performance targets where applicable Reviews workforce remuneration practices and policies when setting executive remuneration, as well as the alignment of incentives and awards with culture 	<p>Chair David Law</p> <ul style="list-style-type: none"> Responsible for the integrity of the Group's financial reporting, including scrutinising accounting policies, and reporting to the Board on significant reporting issues and judgements Monitors the effectiveness of internal control and risk management systems Monitors the effectiveness and objectivity of internal and external auditors Approves the internal audit plan Recommends the appointment of the external auditor Reviews the adequacy and security of the Group's whistleblowing procedures (known as Speak Out) and ensures that there is proportionate and independent investigation of matters raised with appropriate follow-up action 	<p>Chair Jeremy Anderson</p> <ul style="list-style-type: none"> Provides leadership and direction on and oversees the Group's overall risk appetite, risk tolerance and strategy Approves the Group's risk management framework and monitors its effectiveness Responsibility for all aspects of compliance Supports the Board and management in embedding and maintaining a supportive culture in relation to the management of risk, compliance and treating customers fairly Provides advice to the Remuneration Committee on risk management considerations to inform remuneration decisions
See Nomination & Governance Committee report on pages 141 to 149 >	See Remuneration Committee report on pages 172 to 202 >	See Audit Committee report on pages 150 to 160 >	See Risk Committee report on pages 161 to 167 >

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

Standing Committee

The Board has established a Standing Committee which can meet as required to assist with any business of the Board. It is typically used for ad hoc urgent matters which cannot be delayed until the next scheduled Board meeting. All Directors are members of the Standing Committee and have the right to attend all meetings and receive papers.

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

This governance structure allows for fast decision-making where necessary, while ensuring that the full Board has oversight of all matters under consideration and all Non-executive Directors can contribute. Over 2020, the Company held three meetings of the Standing Committee.

Responsibility & Sustainability Working Group

Chair Alice Schroeder

Following the Board's approval in December 2020 of a new Environmental, Social and Governance (ESG) Strategic Framework, the Board recognises that the next 18 months will be critical for the embedding of the framework within the Group, as well as for the progress of related matters such as the development and embedding of the Group's Purpose and Values, progressing diversity & inclusion (D&I) priorities, and building upon employee engagement activities in 2020.

To ensure an appropriate level of Board engagement in, and oversight of, these matters, the Board has established for the period up to the 2022 AGM a Responsibility & Sustainability Working Group, to be chaired by Alice Schroeder. As part of its remit, the Working Group will consider and recommend to the Board appropriate long-term governance arrangements for these matters. It will also take on employee engagement activities after the 2021 AGM.

Building Directors' knowledge

Induction – new Directors

Jeremy Anderson and Shriti Vadera received a comprehensive induction, tailored to reflect their respective experience and positions on the Board.

A summary of the general induction programme for Non-executive Directors is set out below:

General induction programme relevant to new Non-executive Directors

Understanding our governance	Understanding our business
<ul style="list-style-type: none"> — Meetings with the Chair and Group Chief Executive separately — Explanation of Prudential's corporate structure, Board and Executive Committee structure — Briefings on Group governance framework and key policies — Training as needed on the rules and governance requirements of the London and Hong Kong Stock Exchanges and on fulfilling the statutory duties of a Director 	<ul style="list-style-type: none"> — Introduction to the Group's strategy and business plan — Tailored briefings with senior executives from each business unit, including site visits, to facilitate a comprehensive understanding of local business models, product suites, pricing arrangements and governance structures — Tailored meetings with all Group-wide functions — Comprehensive briefings on the regulatory environment in which the Group operates — Briefings on top risks and internal controls — Induction briefings and updates during the year provide Directors with an understanding of the interests of the Group's key stakeholders

(D)

Role-specific induction for Jeremy Anderson focused on briefings from senior management in Group Risk across the Group and briefings from the outgoing Group Risk Committee Chair. Shriti Vadera worked with the outgoing Chairman, Paul Manduca and met extensively with the Group's major shareholders to shape her understanding of their views and concerns and share her vision as incoming Chair. Ms Vadera also held multiple meetings with each of the Non-executive Directors, members of management and country level teams from across the Group, including on physical visits to Hong Kong and Singapore, and with the Group's key advisers, as part of her induction activities.

Continuing development of knowledge and skills

B

During 2020, the Board and its Committees received a number of technical and business updates as part of their scheduled meetings, providing information on external developments relevant to the Group and on particular products or operations. Below is an overview of how Directors are kept up to date:

- The Board virtually held an annual strategy session, and across the year received updates on key business areas and deep dives on strategic direction and objectives for the Group.
- The Board receives updates on environment, culture, diversity and inclusion and employee engagement activities.
- The Board receives updates on corporate governance, political and regulatory developments in the US, UK, Europe and Asia and the dynamics of equity and currency markets at every scheduled meeting. Governance topics included audit effectiveness (Brydon Report), Board-level diversity and inclusion, ESG matters, developments in corporate reporting, executive remuneration, and proxy advisory guidance updates.
- In May 2020, an information security and privacy update was provided to members of the Risk and Audit Committees, to which all Non-executive Directors were invited.
- The Nomination & Governance Committee received updates on Climate Change and the Task Force on Climate-related Financial Disclosures (TCFD) implementation, the ESG Strategic Framework, health & safety and diversity & inclusion.
- The Board and the Risk Committee receive regular updates on market developments and key risks.
- The Risk Committee reviews top risks on an annual basis and deep dives into specific topics in response to the identification of key risks. This review covers the financial, operational and strategic risks, while also identifying and addressing business environment and insurance risks within the Group.
- The Risk Committee received updates on regulatory developments and the discussions with the Hong Kong IA on the new regulatory regime and regular updates on geo-political developments. Other topics discussed by the Risk Committee included the Group Culture Framework, ESG Strategy and climate change transition risk, the impact of a sustained low interest rate environment, operational resilience during Covid-19, the Group Internal Economic Capital Assessment Model, and regular updates on the Group's capital and solvency positions as well as geopolitical developments.

- The Audit Committee received updates on relevant developments affecting financial reporting and the role of audit committees more widely. The Committee receives a regular report on financial and tax reporting matters for discussion, including the local capital summation method disclosures, the Group's capital metric, and its underlying methodology. Other topics discussed by the Audit Committee included the audit tender process, IFRS 17 developments and the Group-wide Supervision assurance approach by the Hong Kong Insurance Authority.
- The Remuneration Committee receives updates on regulatory and best practice developments affecting the Group's remuneration arrangements. This included the Shareholders' Rights Directive II and updates on proxy advisory guidance impacting remuneration.

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

Risk management and internal control

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

Internal control

The Group Governance Manual (the Manual) sets out the general principles by which we conduct our business and ourselves and defines our Group-wide approach to Governance, Risk Management and Internal Control. Further information on the Manual is included in the Governance Framework section on page 128. Group-wide policies, internal controls and processes, based on the provisions established in the Manual, are in place across the Group. These include controls covering the preparation of financial reporting. The operation of these controls and processes facilitates the preparation of reliable financial reporting and the preparation of local and consolidated financial statements in accordance with the applicable accounting standards, and requirements of the Sarbanes-Oxley Act. These controls include certifications by the Chief Executive and Chief Financial Officer of each business unit with respect to the accuracy of information provided for use in preparation of the Group's consolidated financial reporting, and the assurance work carried out in respect of US reporting requirements.

The Board has delegated authority to the Audit Committee to review the framework and effectiveness of the Group's system of internal control. The Audit Committee is supported in this responsibility by the assurance work carried out by Group-wide Internal Audit and the work of the audit committees of the Group's major businesses, which oversee the effectiveness of controls in each respective business. Details of how the Audit Committee oversees the framework of controls and their effectiveness on an ongoing basis, is set out more fully in the report on pages 150 to 160.

Risk management

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

The Board determines the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board has delegated authority to the Risk Committee to assist it in providing leadership, direction and oversight of the Group's overall risk appetite, risk tolerance and strategy; overseeing and advising on the current and potential future risk exposures of the Group, reviewing and approving the Group's risk management framework, including changes to risk limits within the overall Board approved risk appetite, monitoring the effectiveness of the risk management framework and adherence to the various risk policies. Regular activities are detailed in the report on pages 45 to 69.

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

Three lines of defence

First line of defence (risk taking and management)

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

Second line of defence (risk control and oversight)

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

Third line of defence (independent assurance)

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

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

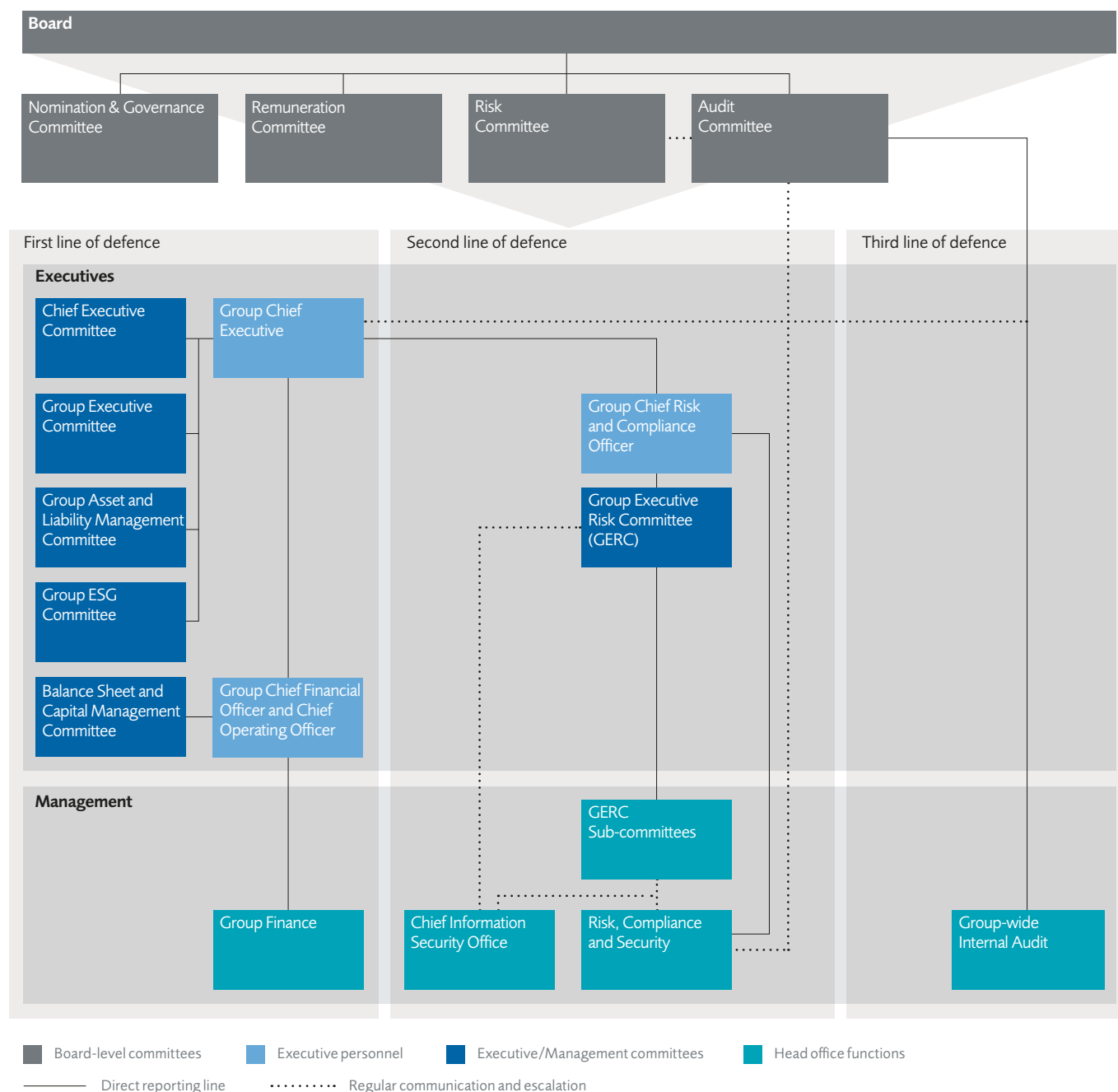
Formal review of controls

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

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

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

Lines of defence



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Effectiveness of controls

In accordance with provision 29 of the UK Corporate Governance Code and provisions C.2.1, C.2.2 and C.2.3 of the HK Corporate Governance Code, the Board reviewed the effectiveness and performance of the system of risk management and internal control during 2020. This review covered all material controls, including financial, operational and compliance controls, risk management systems, budgets and the adequacy of the resources, qualifications, experience of staff of the Group's accounting, internal audit and financial reporting functions. The review identified a number of areas for improvement, particularly around the treatment of simplifications

within the hedge modelling for US statutory standards, and the necessary actions have been or are being taken. The Audit Committees at Group and major business level collectively monitor outstanding actions regularly and ensure sufficient resource and focus is in place to resolve them within a reasonable time frame.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place throughout the period and up to the date of this report, and confirms that the system remains effective.

Shriti Vadera

Chair of the Nomination & Governance Committee



Committee members

Shriti Vadera (Member from 1 May 2020 and Chair from 1 January 2021)

Paul Manduca (Chair until 31 December 2020)
 Jeremy Anderson (from 14 May 2020 until 4 February 2021)
 Howard Davies (until 14 May 2020)
 David Law (until 4 February 2021)
 Anthony Nightingale
 Philip Remnant
 Tom Watjen (from 4 February 2021)

Regular attendees

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

Number of meetings in 2020:

6

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Nomination & Governance Committee report

Dear shareholder

I am pleased to provide you with my first report as Chair of the Nomination & Governance Committee, having joined the Committee in May 2020 and become Chair on 1 January 2021. Before I highlight some of the key areas of focus during 2020, I would like to thank my predecessor, Paul Manduca, for his chairmanship of the Committee until the end of last year.

In 2020, the Committee held three meetings, in addition to our three scheduled meetings, to focus on succession planning and the significant progress by Prudential on articulating its ESG strategy and framework.

Board succession planning

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

As explained in my introduction to the Governance Report, in preparing to take on the role of Chair of the Board and of the Nomination & Governance Committee, an important focus has been on the composition of the Board. The Board has prioritised the identification of individuals with the experience and skills to guide Prudential's transformation into a business focused exclusively on Asia and Africa with strong digital capabilities. In February 2021, following interviews in 2020, we announced that Chua Sock Koong and Ming Lu will join the Board on 1 May 2021. Chua Sock Koong has had a distinguished career, with operations experience in many of our key markets, while Ming Lu has a long track record of investing and growing businesses throughout Asia. We will continue to work in 2021 to ensure that the Board reflects our strategic priorities.

During 2020, the Committee also confirmed the appointment of Jeremy Anderson as Chair of the Risk Committee, succeeding Sir Howard.

The Committee received a detailed update on the process and succession plans in place for members of the Group Executive Committee and was also briefed on the process and initiatives to review and promote talent throughout the Group to develop senior leaders. In addition, the Committee supported Jackson in the creation of a new board prior to the proposed separation of our US business and oversaw the succession planning process at senior management level.

Diversity and inclusion

(B)

When identifying candidates for Board-level succession, the Committee considers primarily what diverse perspectives will contribute to a more robust strategy. Talent search agencies are briefed on the Group's requirements in respect of diversity of thinking as well as ensuring the appropriate skills, knowledge and experience when identifying candidates. Gender and race representation has improved at Board level during 2020, and we continue to look for opportunities for progress in this important area as well as ensuring we have representation from individuals with insights to the geographical markets and businesses linking to the strategic objectives of the Group following the demerger of M&G plc in 2019 and the proposed separation of the US business in 2021.

The newly established Responsibility & Sustainability Working Group will bring increased focus to the area of diversity, but also inclusion in 2021: driving a culture where everyone feels valued, treated fairly and respected – enabling them to fully contribute their thoughts and perspectives and to be their authentic selves. This Working Group will assist the Committee and the Board to drive forward its diversity and inclusion agenda, both at Board level, in the executive talent pipeline, and more broadly across the organisation. The Group remains on target to achieve 30 per cent representation of women in senior leadership roles by the end of 2021, in accordance with our commitment to the HM Treasury Women in Finance Charter.

Prudential appointed a Group D&I Director and established a global Diversity & Inclusion Council in 2020, responsible for defining the global D&I strategy, promoting, championing and embedding D&I initiatives and challenging the organisation and leaders where progress is limited. The Working Group will get regular updates on the Diversity & Inclusion Council's activities.

Environmental, social and governance (ESG) considerations

The Committee has focused on Prudential's commitment to being a responsible business. ESG matters have been discussed during all Committee meetings held as part of the usual meeting cycle in 2020 and members have been significantly involved in shaping the ESG Strategic Framework. Committee members have provided feedback at specific points in the year and also met with management ahead of an additional meeting held in October to discuss the framework before it was recommended to the Board for approval.

The Committee oversaw implementation of the recommendations of the TCFD, including the three work streams that have been established to focus on the main aspects of the Group's exposure to climate-related risks. Prudential became a formal supporter of the TCFD recommendations in December 2018, before the UK government announced in November 2020 that it intends to make it mandatory for large financial institutions to make disclosures in line with the TCFD recommendations by 2025, with other jurisdictions – including Hong Kong and Singapore – advancing approaches through 2020.

In addition, the Committee received updates on primary ESG-related reporting developments and climate-related risk, and received regular reporting from the newly established executive Group ESG Committee.

The Responsibility & Sustainability Working Group will also oversee the embedding of Prudential's new ESG Strategic Framework, and will take on employee engagement activities after the 2021 AGM.

Governance

(L)

In line with our recently expanded remit, which now includes oversight of the Board evaluation process, the Committee approved the appointment of Ffion Hague of Independent Board Evaluation to conduct the evaluation of the Board, its Committees and individual Directors' effectiveness in respect of 2020. Following the evaluation, the Committee discussed the outcome ahead of the results being discussed with the whole Board, focusing in its discussions on findings relevant to succession planning and diversity.

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



Shriti Vadera

Chair of the Nomination & Governance Committee

How the Committee spent its time during 2020

	Jan	Feb	May	Jul	Oct	Dec
Year-end matters, re-election and tenure						
Review external positions, conflicts of interests and independence, time commitment, tenure and terms of appointment	○	●	○	○	○	○
Review performance of Chair and Non-executive Directors	○	●	○	○	○	○
Review relevant disclosures in the Annual Report and Accounts	○	●	○	○	○	○
Recommend election of Directors by shareholders	○	●	○	○	○	○
Succession planning, diversity and appointments						
Chair	●	○	○	○	○	○
Non-executive Directors	○	●	●	●	●	●
Group Chief Executive	○	●	○	●	●	○
Executive Directors	○	○	○	○	○	●
Group Executive Committee	○	○	○	○	○	●
Succession pipeline, diversity and inclusion governance	○	●	○	●	○	●
Governance and ESG						
ESG, climate change and TCFD implementation update	○	●	○	●	●	●
Board evaluation	○	●	○	●	○	●
Membership review of principal Board Committees	○	●	○	●	○	○
Committee terms of reference	○	○	○	○	○	●
Group governance oversight	○	○	○	●	●	●
Subsidiary board, chair and director evaluations	○	●	○	○	○	○

Group overview

Strategic report

Governance

Directors' remuneration report

Financial statements

European Embedded Value (EEV) basis results

Additional information

Key matters considered during the year

Matter considered	How the Committee addressed the matter
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Succession planning

Board composition

(K)

The Committee plays an important role in ensuring that the Board retains an appropriate balance of skills to support the strategic objectives of the Group and in ensuring that an effective framework of succession planning is maintained.

Board succession plans and composition, and length of service of Non-executive Directors are kept under review by the Committee throughout the year. These plans are supported and informed by the results of the annual Board evaluation and individual Director evaluations.

Succession planning includes both longer-term options and emergency cover.

The Committee takes account of the size, structure and composition of the Board and its Committees, including existing knowledge, experience and diversity. In doing so, the Committee considers the Group's strategic goals and anticipates future requirements in respect of skills and experience.

Following the demerger of M&G in 2019, the Committee reviewed the size and composition of the Board to ensure that it remains aligned with strategy. The Committee is now considering the balance of skills and diversity required to support the strategic objectives of the Group following the proposed separation of the US business, in particular pan-Asian operating experience, digital expertise and relevant specialist financial services knowledge.

In February 2020, the Committee concluded that each of the Directors in office at the time continued to perform effectively and was able to devote appropriate time to fulfil their duties and that collectively, the Board had an appropriate mix of skills and experience for the year under review. The Committee reached the same conclusion in February 2021.

The Committee considered that the Non-executive Directors continued to demonstrate the desired attributes, contributing effectively to decision-making and exercising sound independent judgement in holding management to account. Accordingly, the Committee recommended to the Board those Directors standing for election at the 2021 Annual General Meeting. Kai Nargolwala will not stand for election as he has served nine years on the Board.

Succession planning for the Non-executive Directors and principal Committees

Succession planning for Non-executive Directors and the Board's principal Committees ensures the Board is regularly refreshed and maintains appropriate levels of independent challenge to management.

(G) (J) (K)

The balance of Non-executive and Executive Directors required on the Board is considered on a regular basis, including the overall number, skills and experience. The Committee's succession planning for Non-executive Directors is supported by Egon Zehnder and Spencer Stuart.

The Committee regularly reviews the membership of all principal Board Committees and makes recommendations to the Board as appropriate.

During 2020, the Committee confirmed the appointment of Jeremy Anderson as the Risk Committee Chair, succeeding Sir Howard who retired at the 2020 Annual General Meeting. Jeremy joined the Board on 1 January and his biographical details are set out on page 124. The Committee also confirmed its previous recommendation to appoint Shriti Vadera as Chair of the Committee, succeeding Paul Manduca. Shriti Vadera joined the Committee on her appointment in May 2020 which facilitated her transition to Chair of the Board and of the Committee on 1 January 2021.

When making recommendations, the Committee takes account of the current composition of each of the principal Committees, the skills and experience of the members and the strategic objectives of the Group.

Since joining the Board in May 2020, recognising the number of Non-executive Directors reaching the end of their tenure in the next 18 months, Shriti Vadera has led an extensive external recruitment exercise. This was supported by Spencer Stuart, and included Shriti spending time in Hong Kong and Singapore meeting with prospective candidates. As a result of this search Chua Sock Koong and Ming Lu will join the Board on 1 May 2021. These appointments are part of an ongoing process to refresh the Board and make sure it has the right skills and experience to support the Group, in particular pan Asian operating experience, relevant financial services expertise and a high degree of digital familiarity. The next phase of appointments will focus on experience and knowledge of specialist financial services.

The Committee is engaged in succession planning for the Senior Independent Director, the Chair of the Remuneration Committee and a further Non-executive Director as Philip Remnant, Anthony Nightingale and Alice Schroeder will reach nine years on the Board in 2022.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
Executive Directors, Group Chief Executive and Group Executive Committee	<p>The Committee's work during the year supported the Board in its responsibility for executive succession planning to ensure continuous and effective leadership of the Group.</p> <p>J</p> <p>The Committee assisted the Board by reviewing the succession plans in place for the Group Chief Executive, other Executive Directors and Group Executive Committee roles. Succession plans for the Group Executive Committee were discussed with the Group Chief Executive to identify business requirements and to plan for future succession needs.</p> <p>Succession planning for Executive Directors and the Group Executive Committee includes both longer-term planning and emergency cover. Assessment and development for internal candidates is undertaken, in addition to mapping for potential external candidates. Planning for emergency cover is assisted by a broad annual review of talent across the Group and recognises the possible difficulties in identifying and attracting suitable talent on potentially short notice.</p> <p>L</p> <p>The Committee received feedback on the performance of each Executive Director from the Group Chief Executive and confirmed the Executive Director succession plans.</p> <p>During 2020 and into 2021, the Committee's work has taken into account the proposed separation of the US business and the consequent shift in priorities and their impact on succession plans. The Committee's discussions are being supported by the Group Human Resources Director, Egon Zehnder and Spencer Stuart.</p>
Senior leadership below Group Executive Committee	<p>The Committee has oversight of a diverse pipeline of leadership talent extending below the level of the Group Executive Committee and seeks to attract, retain and develop the next generation of emerging leadership.</p> <p>J</p> <p>The Committee considered succession planning for senior management below Group Executive Committee level, supported by an annual update on talent and diversity at different levels of the organisation. This includes consideration of risk retention mitigation initiatives such as leadership development programmes.</p> <p>In 2020, the focus was on building new capabilities to support the changing business model and future direction of the business. The Committee also oversaw the formation of a new Executive Council to replace the previous 'Top 100 Leadership' group.</p>
In addition to acting as search consultant in respect of certain executive hires, Egon Zehnder provides support for senior management development assessments.	

Process for appointing new Directors

J

The Committee assists the Board in ensuring that there is a formal, rigorous and transparent approach to the appointment of new Directors.

The Committee is involved from the start when a vacancy or a gap in the Board's skills is identified. Led by the Chair, and working with the Group Chief Executive and the Group Human Resources Director, a role specification is prepared, reflecting the desired skills and experience and the Group's Diversity and Inclusion Policy. This specification takes into account feedback from the Committee. Once agreed, specialist talent agencies are typically engaged to create a shortlist of candidates which is reviewed by the Committee and other stakeholders. Interviews with individuals then take place with selected Committee members and feedback is provided to all members. In this manner, a preferred candidate is selected and the Committee then recommends the individual to the Board for appointment. For the appointment of Executive Directors, the process is led by the Group Chief Executive working closely with the Chair. The Senior Independent Director leads the Committee in the process of appointing a new Chair.

Contemporaneous with this process, due diligence checks are undertaken on the candidate and Prudential liaises with the relevant regulatory authorities. The Committee is kept updated on this process as appropriate.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
Diversity	
Board and Group Executive Committee	<p>J</p> <p>Given the global reach of the Group's operations, its business strategy and long-term focus, the Board makes every effort to ensure it is able to recruit Directors with diversity of thought and perspective who will support and challenge the ongoing transformation of the organisation. The Board seeks net addition of backgrounds, experience and skills that broaden its capability to deliver the strategy of a leading international business.</p> <p>The Group's Diversity and Inclusion Policy applies at all levels of the business and the Committee is responsible for overseeing a diverse pipeline for the Board and other senior executives and driving a culture Group-wide where our people feel valued, treated fairly and respected: enabling them to fully contribute their thoughts and perspectives and to be their authentic selves.</p> <p>The Board does not endorse quotas for Board diversity but appoints candidates to ensure a diversity of overall composition and skills mix from the best available talent.</p> <p>Succession plans are based on merit and against objective criteria, and promote diversity across gender, social and ethnic background, nationality, and cognitive and personal strengths.</p> <p>An element of Executive Directors' remuneration is based on achieving a diversity target. Further information is set out in the Directors' remuneration report.</p> <p>The Board considers that its diversity of background, thought, perspectives, experience and skills set is enhanced as a result of Board level succession in 2020 and the recent appointments taking effect in 2021. The biographies of Directors on pages 122 to 126 provide more details.</p> <p>The Committee considers the pipeline for diverse talent of the Group Executive Committee level remains strong with 31 per cent female representation of those who are regarded as senior management and part of the leadership teams. The Committee is also introducing measures for tracking local representation in senior management positions as well as experience other than insurance. Inclusive leadership practices are implemented starting with the Board and Committee and throughout the organisation.</p> <p>Further details of the gender make-up of the Board, the Group Executive Committee, management and employees can be found on page 95.</p>
Group-wide oversight	<p>The Committee plays an important role in reviewing the Group's diversity and inclusion initiatives to monitor that these are in line with our strategic objectives. This not only ensures the Group has access to a diverse talent pool and pipeline for future leadership but also that the culture of inclusion retains our talent.</p> <p>The demerger of M&G in 2019 presented an opportunity to reassess the diversity & inclusion strategy as part of Prudential's global culture framework to enable the next phase of growth. The aspiration is to build a more diverse workforce and cultivate a workplace where diversity of thought, mindset, skill set, experience and identity are fully valued and can authentically contribute to transform the business.</p> <p>The Committee supported the appointment of a Group Diversity & Inclusion Director and the creation of a global Diversity & Inclusion Council. The Council is composed of representatives from all business units with the goal to empower employees and create a sense of belonging by respecting and appreciating differences and deliver the purpose 'to help people get the most out of life', by creating a culture in which diversity is celebrated and inclusion assured, for our colleagues, customers and partners.</p> <p>As part of the Group's commitment to diversity, Prudential is a signatory to the HM Treasury 'Women in Finance Charter' which aims to increase the number of women working in senior management in financial services companies. As at 31 December 2020 the percentage of women in senior management was 32 per cent which already exceeds the target to meet 30 per cent by the end of 2021. For the purposes of Provision 23 of the UK Code, the percentage of women in senior management positions, including their direct reports, was 30 per cent.</p> <p>A full description of the Group's activities on diversity and inclusion can be found in the ESG report, on pages 93 to 98.</p>

Key matters considered during the year

Matter considered	How the Committee addressed the matter
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Non-executive Directors, independence, time commitment and terms of appointment

Independence



The Committee considers the independence of the Non-executive Directors as required by the UK Code and HK Listing Rules as part of any recommendation of the appointment of new Non-executive Directors and when recommending Non-executive Directors for election.

Monitoring and safeguarding the independence of the Non-executive Directors is essential to comply with their statutory and regulatory obligations. Independence helps ensure effective scrutiny of management and individual Executive Directors against agreed objectives.

Each Non-executive Director provides an annual confirmation of his or her independence as required under the Hong Kong Listing Rules.

All Non-executive Directors were considered to be independent, taking into account UK and HK requirements. Although Kai Nargolwala has exceeded the nine-year tenure suggested by the UK Corporate Governance Code, he continues to demonstrate independence of judgement. Kai will not offer himself for re-election at the AGM in May.

Prior to recommending their appointments as Non-executive Directors, the Committee considered the independence of Ming Lu and Chua Sock Koong.

The Committee considered the independence of the Audit Committee members in line with US regulatory requirements, concluding that all members remain independent within the meaning of the Sarbanes-Oxley legislation.

Time commitment

Time required for Non-executive Director role



Setting out clear expectations on time commitment means Non-executive Directors are able to ensure they devote sufficient time for the proper performance of their duties.

The Committee reviews the time commitment required of the Non-executive Directors. Time requirements take account of preparation for and attendance at Board meetings and other regular commitments, as well as additional time that may be required for unforeseen events or future projects.

All Non-executive Directors currently serve on at least one of the Board's principal Committees, which requires an additional commitment of time dependent on the Committee and role.

Following the demerger the Committee carried out a review of the time commitment required of the Non-executive Directors to align to the new structure of Board and Committee meetings. It was concluded that the expected time commitment of 32.5 days per annum remains appropriate. This will be kept under review considering the impact of the pandemic on the operation of the Board and Committees.

External appointments

The Committee considers the external commitments of Directors proposed for appointments and all Non-executive Directors confirm on appointment that they are able to devote sufficient time to the Group's affairs to meet the demands of the role.

The external commitments of Directors were considered when recommending Directors for election at the next AGM. Prudential recognises the need for Non-executive Directors to dedicate sufficient time to their role while also demonstrating an appropriate range of experience and skills through external appointments.

All Non-executive Directors are required to discuss any additional commitments with the Chair prior to accepting these as they might impact the time which the Director is able to devote to their role. The Chair escalates matters to the Committee as appropriate.

Where appropriate, the Committee or the Board reviewed time requirements for additional external positions taken on by Directors during the year.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
Terms of appointment	<p>It is important that Non-executive Directors have clear terms of appointment which set out their duties to Prudential and that their tenure is considered as part of ongoing succession activities.</p> <p>Non-executive Directors are appointed for an initial term of three years, and subject to review by the Committee and re-election by shareholders, it is expected that Non-executive Directors serve a second term of three years. After six years, Non-executive Directors may be appointed for a further year, up to a maximum of three years in total. Reappointment is subject to rigorous review as well as re-election by shareholders.</p> <p>The Directors' remuneration report sets out the tenure of each Non-executive Director and the terms of their letters of appointment, in addition to the terms of Executive Directors' service contracts.</p> <p>Anthony Nightingale, Philip Remnant, Alice Schroeder and David Law will all have served two three-year terms or more at the time of the next AGM. When considering their re-election, the Committee considered their continuing appointment particularly carefully. The Committee recommended that they each serve for a further term of one year, subject to shareholder re-election.</p> <p>Ming Lu and Chua Sock Koong will be provided with a letter of appointment, on standard terms, confirming their duties and obligations.</p>

Environmental, Social and Governance (ESG)



The Committee played a key role in setting ESG strategy and the oversight of ESG activities.

During the year, the Committee received updates on climate-related risk and progress towards implementing the recommendations of the TCFD.

Committee members, as well as Board members more widely, were among those engaged as internal stakeholders in the development of the Group's ESG strategic ambition which will guide the Group's activity and decision-making in this area. Each Committee member spent time with management to contribute their views and experiences as part of the shaping of the ESG strategy. In addition, the Committee received regular updates during the development of the ESG strategy and heard from the newly established executive Group ESG Committee.

An additional meeting was held in October to review the ESG strategic framework ahead of the fully-articulated strategic ambition which was presented to the Board in December 2020. This strategic framework focuses on three priorities: making health and financial security accessible; stewarding the human impacts of climate change; and building social capital.

For more information on our ESG strategy and activities, please see the ESG report on pages 70 to 117.

Conflicts of interest

Directors have a statutory duty to exercise independent judgement when carrying out their role and to avoid conflicts of interest. In addition, the Company has in place procedures to identify and, where necessary, mitigate potential conflicts of interest. These processes help to ensure decisions are made in the best interests of the Company.

The Board has delegated authority to the Committee to identify and, where necessary, authorise any actual or potential conflicts of interest.

When recommending a candidate for appointment to the Board, the Committee considers the external appointments of the proposed candidate and recommends authorisation of any conflicts to the Board as appropriate, attaching conditions to the authorisation where necessary.

The Committee considered the external positions of Ming Lu and Chua Sock Koong prior to recommending their appointments to the Board.

Prior to proposing Directors for election or re-election, the Committee considered the external appointments of Directors and reviewed existing conflict authorisations, reaffirming or updating any terms or conditions attached to authorisations where necessary.

If a Director makes a request to take on a new external position during the year, the Chair considers the proposed external appointment and escalates to the Committee for authorisation where a conflict or potential conflict could arise.

The Board considers that the procedures for dealing with conflicts of interests operate effectively.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
Board evaluation	<p>L</p> <p>Following an update to its terms of reference in December 2019, the Committee provides oversight of the process by which the Board, its Committees and individual Directors' effectiveness is assessed.</p> <p>The annual evaluation of effectiveness should be formal and rigorous and be externally facilitated every three years.</p> <p>At the start of 2020, the Committee reviewed the results of the 2019 evaluation and noted that the Board, its Committees and individual Directors had continued to operate effectively during 2019. The Committee also reviewed the suggested action points ahead of Board approval.</p> <p>In accordance with the UK Corporate Governance Code, the Committee appointed an external facilitator, Ffion Hague of Independent Board Evaluation, to carry out the 2020 evaluation.</p> <p>The evaluation was conducted during September and October, with an initial discussion of the output discussed with the Committee and the Board in December. Please see page 133 for a summary of the review and action plan.</p>
Group governance	<p>The Committee is responsible for reviewing the Group's governance arrangements.</p> <p>During the year, the Committee carried out various activities relating to subsidiary governance, including:</p> <ul style="list-style-type: none"> — Overseeing the search for and appointment of the Chair of the Jackson Financial Inc board in preparation for the proposed separation of the Jackson business; and — Reviewing governance arrangements for the Group's subsidiaries with a particular focus on changes to the risk and audit committee arrangements for Prudential Corporation Asia given the evolving structure of the Group, and arrangements for Jackson in preparation for the proposed separation.

David Law

Chair of the Audit Committee



Committee members

David Law (Chair)

Jeremy Anderson
Howard Davies (until 14 May 2020)
Philip Remnant
Alice Schroeder
Amy Yip (from 3 March 2021)

Regular attendees

- Chair of the Board
- Group Chief Executive
- Group Chief Financial Officer and Chief Operating Officer
- Group Chief Risk and Compliance Officer
- Director of Group Finance
- Director of Group Financial Accounting and Reporting
- Company Secretary
- Group Chief Internal Auditor
- External Audit Partner

Number of meetings in 2020:

11



Audit Committee report

Dear shareholder

As Chair of the Audit Committee, I am pleased to present this report on the Committee's activities during 2020. In what has been a challenging year, I have observed many examples of how the Group has responded to the global pandemic while at the same time continuing to press ahead with strategic change. Throughout, the Committee has continued to provide the Board with assurance as to the integrity of the Group's financial reporting and, together with the Risk Committee, monitor the effectiveness of the second and third lines of defence, which are an even more integral part of our internal control environment at this difficult time.

Good communication has never been more important than in the current circumstances and, as a result, we have added additional meetings to deal with particular issues, such as the accounting implications of the proposed separation and divestment of Jackson, including the accounting of the associated transaction with Athene in June, and the external audit tender. Potential conflicts of interest have been monitored, as they were for the separation of M&G.

Coordination with the Risk Committee has also been important and, while we were disappointed to lose the experience of Sir Howard Davies after his many years of valuable contribution, we were delighted to welcome Jeremy Anderson to the Committee. During the year, Howard, Jeremy and I have agreed the most appropriate Committee to address particular matters, as well as holding a joint Risk and Audit Committee session, as last year, to focus on cyber and information security, to which all Non-executive Directors were invited.

Not surprisingly, throughout 2020 a key focus of the Committee has been the impact of Covid-19 on controls and financial reporting, including key judgements and disclosures. I am pleased to say the Group has responded well to the social-distancing and working-from-home measures implemented across all our markets and has carefully considered their effects on key controls and processes. No significant deterioration in the control environment has been observed. The Committee also reflected on any wider control and accounting implications of the change to the Jackson hedge modelling that impacted their statutory capital.

The introduction of accounting standard IFRS 17, now expected to come into effect in 2023, has also continued to be a significant challenge, given the scope of changes it entails. The Committee received updates during 2020 on external developments and lobbying as the standard was being developed and on the Group's progress towards its implementation.

E

We have paid particular attention to our whistleblowing procedures and monitored these for any indicators of issues. I regularly meet privately with the Group Resilience Director to discuss whistleblowing cases and their resolution. These are also discussed in private sessions with the Committee or the relevant local audit committee. During the year, we conducted an external review of the processes and enhanced the governance arrangements.

External auditor and audit tender

An important part of the Committee's work consists of overseeing the relationship with the Group's current audit firm KPMG LLP (KPMG), including safeguarding independence, approving non-audit fees and satisfying ourselves that it is in the best interests of shareholders for the Committee to recommend the annual reappointment of KPMG. During the year, the Financial Reporting Council (FRC) conducted a review of KPMG's audit of Prudential's financial statement for the year ended 31 December 2019. The Committee was pleased with the outcome, as no significant recommendations for improvement were noted. The KPMG team continues to look at ways it can enhance its audit and challenge of management, something also encouraged by the Committee in its own effectiveness review of KPMG in 2020.

The Committee discussed with KPMG the impact of Covid-19 on its own business to ensure it had the resources and technology necessary to complete its audit work satisfactorily. We also meet privately with KPMG and I have held a number of meetings with the lead partner team throughout the year. I have also had a review meeting with KPMG's UK Senior Partner.

During the year, the Committee oversaw a formal competitive tender process to select an audit firm to succeed KPMG, in accordance with regulatory requirements and FRC guidance.

Following regular discussion by the Committee in 2020 and formal evaluation of potential candidates, a shortlist of eligible audit firms were invited to tender and the process concluded with presentations to Committee members in September 2020. Given my former position at PwC, I voluntarily recused myself from the decision-making and asked the Group Chief Internal Auditor to support the audit tender process. Alice Schroeder chaired the final Committee meetings and the presentations by shortlisted candidate firms.

The Committee was impressed by the quality of each candidate's presentations and team, but, on balance, the Committee determined that, given the Group's future strategic direction, Ernst & Young LLP (EY) was the best fit as the Group's audit firm. The Committee recommended to the Board two firms with a preference that EY be engaged as the Group's audit firm for the year 2023 onwards. The Board approved this recommendation at its meeting in December 2020, subject to future shareholder approval. Further details on the audit tender process are set out in the Audit Tender section at the end of this report.

Internal audit

Throughout 2020, the Committee continued to receive regular briefings from the Group Chief Internal Auditor. Group-wide Internal Audit (GwIA) undertook a programme of risk-based audits covering matters across the business units in addition to assurance work. The work undertaken by GwIA during the year was important in supporting the proposed separation and divestment of Jackson and the control environment of the Group under the revised working conditions.

We assessed the effectiveness of GwIA and I have met regularly with the Group Chief Internal Auditor and the Group-wide Quality Assurance Director to discuss internal audit work and matters arising. Where particular issues have been raised, management have been invited to Committee meetings to respond. We have monitored resource levels and delivery of and amendments to the audit plan, which by necessity has had to be more flexible than in prior years. Internal Audit have responded well.

Regulatory developments

Following the Hong Kong IA replacing the Prudential Regulation Authority as the Group's regulator, a key focus for the Committee during 2020 has been the Group's programme to demonstrate readiness for compliance with the Hong Kong IA's new group-wide supervision framework, effective from the first half of 2021. The Committee has held a number of discussions on the requirements and received proposals for the assurance work that will be needed to demonstrate compliance. I also met privately with the Hong Kong IA during the year.

Committee governance

Following the demerger of M&G plc in October 2019, the Committee was focused on overseeing the development and embedding of new governance arrangements across the Group's Asian business, building direct communication and escalation links with the existing local audit committees of the significant businesses. Regular direct communication with each of the local chairs remains a key component of our governance framework, and I have worked closely with the respective chairs of our significant business unit audit committees during the year. At each meeting, I update the Committee on important points raised at local level, and after the meeting I report to the Board on the main matters discussed.

In order to foster a close and collegiate working relationship between the Committee and the local audit committees, Jeremy Anderson and I chaired a session attended by all of the non-executive directors at the four major Prudential Corporation Asia businesses.

In May 2020, we held a private session without the Executives to discuss the results of our 2019 effectiveness evaluation and set the key focus areas for 2020. These included consideration of the impact of Covid-19 on financial matters, the implications of the proposed separation and divestment of Jackson, and the audit tender.

Finally I would like to thank the Committee members for their diligence and contribution throughout the year and management for their responsiveness to challenge and quality of papers.



David Law

Chair of the Audit Committee

How the Committee spent its time during 2020

	Feb	Mar ¹	May	Jul	Aug ¹	Sep	Dec ²
Financial reporting and external auditor							
Periodic financial reporting including:	●	●	●	●	●	●	●
— Full and half-yearly report and accounts							
— Key accounting judgements and disclosures, including tax							
— Associated audit reports							
Audit planning, fees, independence, effectiveness and reappointment	●	○	●	●	○	●	●
Environmental, social and governance reporting	●	○	○	○	○	○	○
Internal control framework							
Internal control framework including effectiveness	●	○	●	●	○	○	●
Internal audit							
Status updates and effectiveness	●	○	○	●	○	○	●
Internal audit plan	○	○	○	●	○	○	●
Financial crime and Speak Out							
Financial crime prevention and Speak Out – regular updates	●	○	●	●	○	●	●
Governance and reporting							
Updates from significant business audit committees	●	●	●	●	●	●	●
Internal governance framework including effectiveness	●	○	○	●	○	●	●
Business unit audit committee effectiveness and terms of reference	●	○	●	○	○	○	●
Committee terms of reference and effectiveness	●	○	●	○	○	○	●

Notes

1 Two meetings were held in March and two in August to discuss full year and half year financial reports.

2 An additional meeting to the scheduled meetings was held in December to discuss the proposed separation and divestment of Jackson.

In addition:

– A meeting was held in June to discuss the disclosures in connection with the equity investment by Athene in Prudential's US business.

– Two joint meetings were held with the Risk Committee: in May to discuss cyber security and governance matters (all Non-executive Directors were invited); and September to discuss Form S-1 Registration Statement and recommend it to the Board.

The Committee also held two informal meetings, also in September, to progress the audit tender.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
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Financial reporting

Overview

(M)

One of the Committee's key responsibilities is to monitor the integrity of the financial statements and any other periodic financial reporting. This has primarily focused on the Annual Report and Accounts but also covers the Group's Environmental, Social and Governance (ESG) Report, which is now largely replicated in the Annual Report, and the annual update of the Group's published Tax Strategy.

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

When considering financial reporting matters, the Committee assesses compliance with relevant accounting standards, regulations and governance codes. No material changes to accounting policies were made during 2020. The Committee continued to receive updates on the Group's plans to implement IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts', which are not expected to be effective before 2023. The approach to adopting these standards is further discussed in note A3.2.

Throughout its review of financial reporting matters and disclosure, the Committee considered the impact of the Covid-19 pandemic and the short-term uncertainties that it has created. Further explanation on the financial impact Covid-19 has had on the business is set out in the Group Chief Financial Officer and Chief Operating Officer's report.

The following sections set out the key assumptions, judgements and other matters considered as part of their review of the 2020 Annual Report and Accounts.

Key assumptions and judgements

(N)

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

Assumption setting

The measurement of insurance liabilities are based on estimates of future cash flows, including those to and from policyholders, over a long period of time. These estimates can, depending on the type of business, be highly judgemental. The Committee considered changes to assumptions and other estimates used to derive IFRS insurance liabilities and for EEV reporting. Peer benchmarking was considered where available alongside current experience. The Committee noted that Covid-19 had not significantly increased the morbidity and mortality claims incurred by the business. The key assumptions reviewed were:

- Persistency, mortality, morbidity (including expectations of future medical costs inflation and any related premium rises) and expense assumptions within the Asia life businesses;
- Policyholder behaviour (eg guaranteed benefit utilisation and persistency) and mortality assumptions affecting the measurement of Jackson guaranteed liabilities (see note C3.3 of the IFRS financial statements); and
- Economic assumptions, including investment return and associated risk discount rates, given the current low interest rate environment.

The Committee was satisfied that the assumptions adopted by management were appropriate. Further information on the effects of material changes to insurance assets and liabilities is included in note C3 to the IFRS financial statements and in the EEV basis results.

Valuation of investments

The Committee received information on the carrying value of investments in the Group's balance sheet including information on how those values were calculated for those investments which require more judgement (for example the impairment process for debt securities and commercial loans in the US). Further information on the valuation of assets is contained in note C2 of the IFRS financial statements. The Committee satisfied itself that overall investments were valued appropriately.

Intangible assets including deferred acquisition costs (DAC)

The Committee received information to enable it to review the more material intangible asset balances. This included the assumptions that supported the amortisation profile of the DAC balance in the US, as described in note A3.1 'Other items requiring application of critical estimates or judgements' and whether there had been any indication of impairment of the Group's distribution rights assets or goodwill in light of lower sales and increased economic volatility following the Covid-19 pandemic. The Committee was satisfied that there was no impairment of the Group's intangibles at 31 December 2020. Further information is contained in note C4 of the IFRS financial statements.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
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Other financial reporting matters

(N)

Proposed separation of Jackson and associated transactions

In June 2020, the Group reinsured substantially all of its in-force portfolio of US fixed and fixed index annuities (see note D1.1). It also announced a \$500 million equity investment into Jackson by Athene (see note D1.2). The Committee reviewed the accounting for these transactions and the planned market announcement, taking advice from the Group's external advisors. The Committee also reviewed the draft public documents prepared by Jackson and the Group in connection with the proposed separation of Jackson, alongside input provided by the Group's external advisers and auditor.

US Statutory reporting and changes to hedge modelling as announced to the market on 28 January 2021

The Committee considered in detail the changes to Jackson's hedge modelling for its US statutory results given the impact on the Group's capital management plans for the proposed separation of Jackson. As part of this process, the Committee received the views and recommendations of the Jackson Audit Committee and management and the reports and conclusions of the external advisers who had reviewed the model and tested the revised output. They also considered any implications on the Group financial reporting, noting that there was no direct impact on IFRS reporting and that a consequential refinement of the method to project future hedge costs for EEV was planned for the FY20 results, as discussed in note 2 (iv) (b) of the EEV financial statements.

Going concern and viability statements

The Committee considered various analyses from management regarding the Group's and the parent company's capital and liquidity position taking into account the Group's principal risks. This included scenarios assessing the impact on the Group's plan of different new business levels depending on the length of time Covid-19 restrictions remain in place, as well as stress scenarios which assume a deterioration in the macroeconomic environment. It also considered scenarios which both included and excluded the proposed separation of Jackson. Following this review, it recommended to the Board that it could conclude that the financial statements should continue to be prepared on the going-concern basis and that the disclosures on the Group's longer-term viability were both reasonable and appropriate.

Fair, balanced and understandable requirement

The Committee carried out a formal review of whether the Annual Report and Accounts were 'fair, balanced and understandable' as required by the UK Corporate Governance Code. In particular, they considered whether the report gave a full picture of the Group's business model, strategy and performance in the year, with important messages appropriately highlighted. They also considered the level of consistency between financial statements and narrative sections, whether performance measures were clearly explained and the prominence of alternative performance measures.

After completion of its detailed review, the Committee was satisfied that, taken as a whole, the Group's Annual Report and Accounts were fair, balanced and understandable.

Taxation

The Committee regularly received updates on the Group's tax matters and provisions for certain open tax items, including tax matters in litigation. The Committee was satisfied that the level of provisioning adopted by management was appropriate. See notes B4 and C7 of the IFRS financial statements.

Parent company financial statements

The Committee reviewed the parent company profit and loss account and balance sheet, which includes the recoverability of the parent company's investment in subsidiaries by assessing and confirming that the net assets of the relevant subsidiaries (being an approximation of their minimum recoverable amount) were in excess of their carrying value at the balance sheet date and that those subsidiaries have historically been profit-making.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
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External audit

Review of effectiveness, non-audit services and auditor reappointment

External audit effectiveness



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

- The detailed audit strategy for the year, approach to risk assessment and coverage of the audit response to highlighted significant risks;
- Group materiality and how that is applied to the individual business units;
- Insight around the key accounting judgements, including benchmarking, and the way KPMG applied constructive challenge and professional scepticism in dealing with management;
- The outcome of management's internal evaluation of the auditor as discussed below; and
- Other external evaluations of KPMG, with a focus on the FRC's annual quality review.

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

Internal evaluation of KPMG was conducted using a questionnaire survey that was circulated to the Committee members, independent members of the business unit audit committees, the Group Chief Financial Officer and Chief Operating Officer and the Group's senior financial leadership for completion. A key component of the evaluation was the degree of challenge and robustness of approach to the audit. The survey asked 29 questions over four categories (audit quality and execution, team performance, process and communication) in relation to the 2019 audit.

KPMG were given the opportunity to respond to the findings in the reports and where necessary, proposed enhancements to the audit process and team.

FRC's Audit Quality Review (AQR)

The FRC's AQR team carried out a review of KPMG's audit of Prudential's financial statements for the year ended 31 December 2019. This included discussions with the Chair of the Committee. Following completion of the AQR, the Committee was provided with a Review Report from the FRC's AQR team. The Committee was pleased to note that no significant recommendations were made by the FRC for further improvement and a number of areas of good practice were highlighted.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
Auditor independence and objectivity	<p>(M)</p> <p>The Committee has responsibility for monitoring auditor independence and objectivity and is supported in doing so by the Group's Auditor Independence Policy (the Policy). The Policy is updated annually and approved by the Committee. It sets out the circumstances in which the external auditor may be permitted to undertake non-audit services and is based on four key principles which specify that the auditor should not:</p> <ul style="list-style-type: none"> — Have a mutual or conflicting interest with the Group; — Audit its own firm's work; — Act as management or employees for the Group; or — Be put in a position of being an advocate for the Group. <p>The Policy has two permissible service types: those that require specific approval by the Committee on an engagement basis and those that are pre-approved by the Committee with an annual monetary limit capped at no more than 5 per cent of the Group audit fee in the proposed year and capped at \$65,000 individually. Effective from 2020, the policy also provides that the total fees payable to KPMG for non-audit services, other than those required by law or regulation, shall be limited to no more than 70 per cent of the average audit fees paid in the past three consecutive financial years. In accordance with the Policy, the Committee approved these permissible services, classified as either audit or non-audit services, and monitored the usage of the annual limits on a quarterly basis. Non-audit services undertaken by KPMG were agreed prior to the commencement of work and were confirmed as permissible for the external auditor to undertake in accordance with the Policy which complies with the rules and regulations of the FRC's Revised Ethical Standard (2019), the US Securities and Exchange Commission (SEC) and the standards of the Public Company Accounting Oversight Board (PCAOB).</p> <p>The Committee monitored the nature and extent of non-audit services on a regular basis to ensure the provision of non-audit services complied with the Group's policy and did not impair the auditor's objectivity or independence. The Committee noted that KPMG typically only performed non-audit services where they complemented its role as external auditor, for example the review of half year and EEV financial statements or additional assurance to support capital market requirements. This work has by necessity been significant as a result of the demerger of M&G in the prior year and the proposed separation of Jackson. It is not however considered to detract from the objectivity and independence of KPMG due to the nature of the work and the involvement of separate teams.</p> <p>In keeping with professional ethical standards, KPMG also confirmed its independence to the Committee and set out the supporting evidence for their conclusion in a report that was considered by the Committee prior to publication of the financial results.</p> <p>The Committee will continue to monitor developments to ensure the Group's policies and processes around audit effectiveness and independence evolve in line with market practice.</p>
Fees paid to the auditor	<p>(M)</p> <p>The fees paid to KPMG for the year ended 31 December 2020 amounted to \$16.0 million (2019: \$30.4 million) of which \$1.0 million (2019: \$13.2 million) was total amounts payable in respect of non-audit services, except those required by law and regulation, as defined by the FRC's Revised Ethical Standard (2019). A breakdown of the fees payable to KPMG can be found in note B2.4 to the IFRS financial statements.</p> <p>In 2019, \$7.3 million of the \$13.2 million spent on non-audit services, excluding those required by law and regulation was for one-off services associated with the demerger of M&G plc. Excluding these one-off fees in 2019, total non-audit service fees that are subject to non-audit fee cap were \$5.9 million compared with \$3.8 million in 2020. The decrease in 2020 primarily reflects a reduction in the level of elective regulatory disclosure work no longer being required. The ratio of non-audit fees for the Group in 2020 over the average of audit fees for the past three years is 28 per cent for the Group, 42 per cent below the 70 per cent cap set by the FRC.</p> <p>In all these cases, the audit firm was considered the most appropriate to carry out the work, given its knowledge of the Group and the synergies that arise from running these engagements alongside its main audit.</p> <p>All non-audit services were pre-approved by the Committee and were in line with the Policy discussed above.</p>
Reappointment	<p>Based on the outcome of the effectiveness evaluation and all other considerations, the Committee concluded that there was nothing in the performance of the auditor which would require a change. The Committee therefore recommended that KPMG be reappointed as the auditor. A resolution to this effect will be proposed to shareholders at the 2021 Annual General Meeting.</p>

Key matters considered during the year

Matter considered	How the Committee addressed the matter
Audit tender	<p>The Committee acknowledges the provisions contained in the UK Code in respect of audit tendering, along with European rules on mandatory audit rotation and audit tendering. In conformance with these requirements and as we committed in our Annual Report 2018, the Company has conducted a competitive tender to change audit firm for the 2023 financial year end. The external audit was last put out to competitive retender in 1999 when the present auditor, KPMG, was appointed. Since 2005, the Committee has annually considered the need to retender the external audit service.</p> <p>The tender process has been led by the Audit Committee with the support of the Group Chief Internal Auditor. The overall objective of the audit tender has been to select an audit firm that would provide a high quality and effective audit. The planning for this tender process commenced in 2019 with the Committee Chair meeting with a number of firms, including firms outside of the 'Big Four', to assess interest and ability to tender for the audit, with focus on capability and resource to service the key Asian business units. This was supplemented by a formal request for information to those firms who indicated they would be interested in tendering. A formal invitation to tender was issued in June 2020 to those firms that confirmed they are able to undertake the audit. The formal assessment of candidate firms took place from July to September and was based on the candidate firms' written responses and a series of formal presentations to business units prior to the final presentation given to the Committee. The Committee recommended two firms to the Board with a preference for one and this was approved by the Board in December 2020. A description of the tender process is set out at the end of this report.</p> <p>The auditor tender timeline takes into account the complexity of the Group and the expected timing of the introduction of IFRS 17 and allows the appointee time to ensure they meet the auditor independence requirements to which the Group is subject. The timing remains subject to the Committee's normal annual review of auditor performance and recommendation to shareholders.</p> <p>Throughout the 2020 financial year, the Company has with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 issued by the UK Competition and Markets Authority.</p> <p>In line with the Financial Reporting Council's Ethical Standard, the rules and regulations of the SEC and the standards of the PCAOB, a new Group Lead Partner, Philip Smart, was appointed in respect of the 2017 financial year. Mr Smart is expected to be in place for a five-year term until the completion of the 2021 reporting cycle. A new Group Lead Partner will currently be required for the 2022 audit and an appropriate transition plan is being developed.</p>
Second line oversight	
Whistleblowing	
Whistleblowing	<p>E</p> <p>The Group continues to operate a Group-wide whistleblowing programme ('Speak Out'), hosted by an independent third party (Navex). The Speak Out programme received ad hoc reports from a wide variety of channels, including a web portal, hotline, email and letters. Reports are captured, confidentially recorded by Navex, and triaged by Group Security Investigations prior to investigation by the appropriate teams.</p> <p>The Committee is responsible for oversight of the effectiveness of the Group's whistleblowing arrangements. The Committee received regular reports on the most serious cases and other significant matters raised through the programme and the actions taken to address them. The Committee was also briefed on emerging Speak Out trends and themes. The Committee may, and has, requested further reviews of particular areas of interest.</p> <p>The Committee reviews the Group's Speak Out programme annually, satisfying itself that it continues to comply with regulatory and governance requirements. The Committee also considered the consistency of approach adopted across subsidiary audit committees. The Speak Out programme has been further strengthened during the year by the establishment of new management level committees. Where relevant, the Committee requested information on the sharing of lessons learnt.</p> <p>The Chair and Committee spent time privately with the Group Resilience Director to understand outcomes of investigations, ensure that investigations were adequately resourced and appropriately managed, that there had been no retaliation against anyone making a report and that investigations were not improperly influenced.</p> <p>A review of the Speak Out programme and its oversight was undertaken in 2020.</p>

Key matters considered during the year

Matter considered	How the Committee addressed the matter
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**Third line oversight
Internal audit**
**Third line oversight
Internal audit
Regular reporting**

○

The Committee received regular updates from Group-wide Internal Audit (GwIA) on audits conducted and management's progress in addressing audit findings within agreed timelines. Any delays in implementing remediation actions were escalated to the Committee and given particular scrutiny.

The independent assurance provided by GwIA formed a key part of the Committee's deliberations on the Group's overall control environment. During 2020, the areas reviewed included: change management and transformation (in particular relating to the proposed separation of Jackson Financial Inc), financial controls, outsourcing and third-party supply, customer outcomes, cyber risk, compliance and regulatory, and the second line of defence. In addition, GwIA performed more business monitoring during 2020 to obtain a broader view of the business and enable more regular assessments of emerging risks and changes in the control environment. This has been achieved through a variety of methods including stakeholder discussions and an increasing use of data analytics.

The Group Chief Internal Auditor reports functionally to the Committee Chair and for management purposes to the Group Chief Executive, and also has direct access to the Chair of the Board. In addition to formal Committee meetings, the Committee meets with the Group Chief Internal Auditor in private to discuss matters relating to, for example, the effectiveness of the internal audit function, significant audit findings and the risk and control culture of the organisation.

The Committee Chair also meets with GwIA's Quality Assurance Director to discuss the outcome of the quality reviews of GwIA's work and actions arising.

**Annual internal
audit plan and
focus for 2021**

○

GwIA now operates a rolling six-month approach to audit planning. The Committee approved the plan for the second half of 2020. It also considered and approved the Internal Audit Plan, resource and budget for the first half of 2021.

The 2021 Internal Audit Plan was formulated based on a bottom-up risk assessment of audit needs mapped against various metrics combined with top-down challenge. The plan was then mapped against a series of risk and control parameters, including the top risks identified by the Risk Committee, to verify that it is appropriately balanced between financial, business change, regulatory and operational risk drivers and provides appropriate coverage of key risk areas and audit themes within a risk-based cycle of coverage. Key areas of focus for 2021 include: strategic change initiatives, customer outcomes, cyber security, financial risk and financial controls, culture, outsourcing and digitisation.

GwIA will also continue to consider how to address the needs of the audit committees of the material subsidiaries in Asia and the GWS standards being introduced by the Hong Kong IA.

**Effectiveness of
Internal Audit**

○

The Committee is responsible for approval of the GwIA charter, audit plan, resources, and for monitoring the effectiveness of the function.

The Committee also assesses the effectiveness of GwIA through a combination of External Quality Assessment reviews, required every five years, and an annual internal effectiveness review.

A 2020 Internal Effectiveness review, performed by the GwIA Quality Assurance Director, was conducted in accordance with the professional practice standards of the Chartered Institute of Internal Auditors (CIIA) and assessed continued conformance with the CIIA guidance for Effective Internal Audit in the Financial Services (the CIIA Code). The review concluded that GwIA continued to comply with the requirements of internal audit policies, procedures and practices, and standards in all material respects relating to audit planning and execution, and continued to be aligned with its mandated objectives and maintained general conformance with the CIIA Code.

During 2020, GwIA also continued to develop its practices with enhancements to methodology, approaches to audits and the use of data analytics. Latterly in 2020 and in preparation for the proposed separation of Jackson Financial Inc, the function initiated work to create two appropriately skilled and sized, independent internal audit functions, where previously there had been a single function.

Key matters considered during the year

Matter considered	How the Committee addressed the matter
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Internal control

Internal control and risk management systems



The Committee is responsible for reporting and making recommendations to the Board on the effectiveness of the Group's system of risk management and internal control.

The Committee considered the outcome of the annual review of the systems of risk management and internal control. The review identified specific areas for improvement and the necessary actions that have been, or are being, taken. The Committee considered in particular the changes made to US statutory reporting as announced on 28 January and the actions taken, including an independent review by external advisers of the revised model. They also took the opportunity to consider with management the existing reviews and controls around model changes more widely, including in Asia. Alongside the review carried out by management, the Committee considered that enhanced governance over the more material Asian subsidiaries as previously discussed was providing them with deeper insight, as were the projects to prepare for GWS and IFRS 17.

The Committee noted the comparatively low rating for audit and risk governance within the Governance QualityScore issued by Institutional Shareholder Services and satisfied itself that this reflected historic matters that were the subject of the FCA's fine of The Prudential Assurance Company Limited in September 2019, pre the demerger, rather than any broader concerns about the Company's governance arrangements.

Governance

Group Governance Manual



The Group Governance Manual sets out the policies and procedures by which the Group operates within its framework of internal governance, taking into account relevant statutory and regulatory matters.

Incorporating our Group Code of Business Conduct, the Group Governance Manual sets out the general principles by which we conduct our business and ourselves. Each business attests annually to compliance with:

- Mandatory requirements set out in Group-wide policies, including the Group Code of Business; and
- Matters requiring prior approval from those parties with delegated authority.

The Committee reviewed the results of the Group Governance Manual annual content review and the results of the year end compliance attestation for the year ended 31 December 2020.

Competence and experience

In relation to the provisions of the UK Code and HK Listing Rules, the Board is satisfied that David Law has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sectors in which the business operates.

Full biographies of the Committee members including experience and professional qualifications, are set out on pages 122 to 126.

The Board has determined that David Law qualifies as the designated Audit Committee Financial Expert under the SEC rules consistent with Section 407 of the Sarbanes-Oxley Act.

Audit tender in 2020

1. Introduction

The Prudential Group's Annual Report 2018 noted the Group's intention to commence a tender process to appoint a new auditor in line with the UK Code in respect of audit tendering and European rules on mandatory audit rotation. The external audit tender resulted in the proposal, subject to shareholder approval at the 2023 AGM, to appoint EY as the Prudential external auditor for the financial year 2023.

The process ran from November 2019 to December 2020, was led by the Committee and was in compliance with statutory requirements and guidance issued by the FRC.

2. Governance

The objective of the audit tender was to select the best audit firm to provide a high quality, effective and efficient audit in succession to KPMG, recognising the business lines and geographical spread of the organisation. To ensure a transparent and robust selection and evaluation process, the Committee assumed responsibility for leading the tender process and recommending the preferred firm to the Board.

Prior to commencing the audit tender, two potential conflicts of interest were specifically recognised. These related to the Chair of the Committee's former positions and pension from PwC and the Group Chief Financial Officer and Chief Operating Officer's former position and pension from Deloitte. To mitigate the risk the Group Chief Internal Auditor was asked to support the audit tender process. In addition, with the Committee's agreement, the Chair recused himself from the final decision and asked Alice Schroeder to chair those meetings at which decisions regarding the tender were made.

3. Participants

Five firms were approached (three from the 'Big Four' and two 'challenger' firms). The two challenger firms chose not to take part in the process due to resources and strategic focus. Request for Information (RFI) letters were issued to the remaining candidate firms in November 2019. EY and PwC responded positively, confirming their intention to commit to the tender process and that they could meet the independence requirements. Deloitte noted potential independence concerns and subsequently withdrew from the process as they did not believe these could be resolved.

4. Scope of tender

The audit tender was designed to select the Prudential Group's external auditor, as well as the auditor for the business units across the group. The audit tender acknowledged that certain local companies within the Group had separate auditor rotation requirements.

5. Independence

Firms were asked to confirm that they would be able to demonstrate how independence would be achieved by no later than 31 December 2021, in accordance with the FRC Revised Ethical Standard 2019 and PCAOB auditing and related professional practice standards. In response, the firms confirmed their ability to assert their independence by 31 December 2021 and set out how this would be achieved in respect of:

- Current engagements (non-audit services) with Prudential;
- Prudential's management of the firm's investments and investments Prudential may hold in the firm;
- Internal procedures for dealing with the personal independence of the firm's partners, former partners and staff (in respect of direct investments, pensions of former partners and pensions held); and
- Other current business relationships with Prudential.

Prudential is satisfied that the required independence of the audit firm can be achieved.

6. Selection criteria

In order to codify what was required of the firms, a transparent set of selection criteria was devised and incorporated in scorecards used to evaluate the firms' proposals and presentations:

- *Core requirements* – the standards candidate firms were required to demonstrate to enable them to fulfil the audit of all in-scope business units within the Group; and
- *Further differentiators* – criteria designed to assist in distinguishing between the candidate firms should there be no clear difference based on the core requirements.

The selection criteria also took account of local qualification requirements to ensure that these were able to be satisfied.

7. Access to information

In order to ensure a level playing field (ie a fair, open and transparent tender process), between June and September 2020 both firms were given access to management and key stakeholders across the Group in order to help them understand the business and better tailor their proposals. These meetings included the Head Office locations and the principal business units. The information received by the candidate firms from these visits was supplemented with the provision of additional information made available through a virtual data room to ensure both firms had the same information.

8. Evaluation activities

The following activities were conducted to assess the firms and inform evaluation against each of the evaluation criteria:

- *Written proposals* – Prepared for the Group and principal business units.
- *Formal assessed presentations* – To the Audit Committee in Jackson National Life Insurance Company and Jackson National Asset Management, to Group Finance and a presentation to a panel in Prudential Corporation Asia which included the audit committee chairs of the Hong Kong and Singapore life businesses.
- *Meetings with chief finance officers of local business units in Asia and Africa* – To assess the firm's capability in local markets and their ability to perform the role of local statutory auditor.
- *Technical case studies* – Both firms participated in an exercise to help assess how they would work with Prudential on a technical matter.
- *Technology demonstration* – These events gave both firms the opportunity to set out their technology and innovation strategy and how this could enhance the quality of the audit; and
- *Formal Presentations to the Committee* – A summary of the assessments from the above process was presented to the Committee in advance of final formal presentations.

9. Evaluation

The Committee recommended both EY and PwC to the Board and considered both able to conduct a high quality audit of the Group. The Committee identified a first and second choice, and at its meeting on 3 December 2020 the Board resolved that it intends to recommend EY for appointment for the year ending 31 December 2023, subject to shareholders' approval at the AGM in 2023. In making this decision, the Board noted that EY had particularly differentiated themselves with the Asian experience of their team.

10. Transition

KPMG will remain the Group's auditor until 2023. Over the intervening period EY and the Group will start the transition process, including independence in respect of non-audit services and other business relationships globally and preparation for the introduction of revised accounting procedures IFRS 17 and IFRS 9.

Jeremy Anderson
Chair of the Risk Committee



Committee members

Jeremy Anderson (from 1 January 2020, and Chair from 14 May 2020)

David Law
Kai Nargolwala
Alice Schroeder
Tom Watjen
Howard Davies (Chair until 14 May 2020)

Regular attendees

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

Number of meetings in 2020:

8



Risk Committee report

Dear shareholder

As Chair of the Risk Committee from May, I am pleased to report on the Committee's activities and focus during 2020. It was certainly an eventful year to step into the role, with the Committee considering key strategic and externally driven changes that will leave an indelible mark on the Group's operations into the future. I would like to take this opportunity to thank my predecessor, Howard Davies, who has served as a Non-executive Director and chaired the Committee since October 2010, for his outstanding contribution. I would also like to take this opportunity to thank my fellow Committee members and everyone on the Prudential team who supported me in my transition to Chair.

Committee operation

The Committee assists the Board in providing leadership, direction and oversight of the Group's overall risk appetite, limits and strategy. It also oversees and advises the Board on current and future risk exposures of the Group, including those which have the potential to impact on the delivery of the Group's Business Plan. The Committee reviews the Group Risk Framework and recommends changes to it for approval by the Board to ensure that it remains effective in identifying and managing the risks faced by the Group. The Committee received regular reports from the Group Chief Risk and Compliance Officer, who is advised by the Group Executive Risk Committee (GERC). I provided feedback on the performance of the Group Chief Risk and Compliance Officer to the Group Chief Executive as part of the annual evaluation of the Board and its members. The Committee also received regular reports from the Group-wide Internal Audit function and updates from other areas of the business as needed.

The risk governance arrangements for the Group's major businesses were delayed and strengthened in 2020 with the implementation of direct lines of communication, reporting and oversight of the risk committees of these businesses by the Committee. To support the enactment of these arrangements, the terms of reference for the major business unit risk committees were aligned and approved locally and include a standing invitation for the Group Chief Risk and Compliance Officer and Group Chief Executive and the requirement for relevant risk escalations directly to the Committee.

Covid-19 risks and responses

As the Covid-19 crisis started to take hold at the start of the year the Group responded incisively. An additional meeting of the Committee was convened in March to consider the potential impacts and disruption to the Group's people, customers and service delivery and to its solvency, liquidity position and credit risk exposures. At the same meeting the Committee reviewed and approved a recalibration to the Group's Economic Capital (ECap) solvency risk appetite target given the evident shift in the position in the economic cycle triggered by the pandemic. High cadence monitoring, with a focus on solvency and liquidity risks to the Group, was performed through a series of meetings of the Critical Incident Group (CIG), invoked by the Group Chief Risk and Compliance Officer under the Group's Critical Incident Procedures. Key updates from the CIG meetings were provided to the Committee.

In addition to the operational and market impact of Covid-19, the pandemic has accelerated digital adoption at the Group's agency business and increased the user base of Prudential's digital health application Pulse. Increased digitalisation was an emerging focus during 2020 and will remain a prominent theme in 2021. For the remainder of the year, the Committee also considered changes to the Group's sales processes (including the rollout of virtual face-to-face sales processes across its markets and associated regulatory and conduct risk implications) and the impact to sales, claims, lapses and surrenders. The Committee also monitored the operational resilience of the business and its key third parties as well as its information security posture and cyber defence capabilities amidst the crisis.

Regulatory matters

To align Hong Kong's regulatory regime with international standards and practices, the Hong Kong Insurance Authority (IA) has developed a new group-wide supervision (GWS) framework for multinational insurance groups under its supervision. On 24 July 2020 the Insurance (Amendment) (No. 2) Ordinance, being the enabling primary legislation providing for the GWS Framework, was enacted. This primary legislation is supported by subsidiary legislation and guidance material from the Hong Kong IA. The relevant subsidiary legislation, including the Insurance (Group Capital) Rules, was tabled before the Legislative Council on 6 January 2021 and will also come into operation on 29 March 2021. The GWS framework is expected to become effective for Prudential upon designation by the Hong Kong IA in the second half of 2021, subject to transitional arrangements. The framework is based on a principle-based and outcome-focused approach and allows the Hong Kong IA to exercise direct regulatory powers over the holding companies of multinational insurance groups, reinforcing Hong Kong's position as a preferred base for large insurance groups in Asia Pacific and as a global insurance hub. During 2020, the Hong Kong IA engaged with the Group and other relevant stakeholders in the development of the GWS framework, which will be anchored on the requirements for three pillars: capital, risk and governance, and disclosure. Prior to the GWS framework becoming effective, the Group remains subject to the Regulatory Letter signed with the Hong Kong IA, which outlines the interim supervision arrangements from October 2019 when it became the Group-wide supervisor of the Group.

During the year, the Committee has received regular updates from the Group Chief Risk and Compliance Officer on GWS developments as well as compliance with the existing regime and the Group's preparation for the implementation of the new framework.

The Group Chief Risk and Compliance Officer briefed the Committee regularly on developments in systemic risk regulation and the Insurance Capital Standards (ICS). We considered the Group's FY 2019 ICS results, including the results from the 2020 data collection exercise and the latest developments in the Standards in December. Many of the policy requirements that resulted from the Group's prior designation in 2016 as a Global Systemically Important Insurer (G-SII) have been adopted into the Insurance Core Principles (ICPs) and the Common Framework (ComFrame). The Committee therefore considered and approved the Group's 2020 Systemic Risk Management Plan, Liquidity Risk Management Plan and Recovery Plan.

Transformation risk, including the proposed Jackson separation, and other in-depth reviews

During 2020, a key area of consideration for the Committee was the risks associated with the Group's key strategic change initiatives, which included the Athene reinsurance and equity injection transactions and the Group's digital transformation, as well as those related to IFRS 17 and LIBOR transition. The Committee also considered risk opinions related to the financial and non-financial risks to the execution of the Jackson separation strategy and reviewed the risk disclosures within key in-progress transaction documentation, including those for the Prudential plc shareholder Circular and Jackson's Form 10 Information Statement.

In-depth reviews were performed on existing and emerging high-risk areas including the risks related to the Group's insurance products in Asia and Africa; the product portfolio at Prudential Life Thailand; and the actions for managing the risks from historically low interest rates during the year in Hong Kong, Singapore, Thailand and Vietnam. The latter review formed part of a series of work considering the long-term impact of lower interest rates on product profitability and local business unit solvency. Following a 2019 deep dive review performed on Digital Transformation and Artificial Intelligence (AI), a number of developments resulting from the review were considered by the Committee during 2020. This included progress updates on the development of AI governance and Ethics Principles for the Group.

Risk appetite and principal risks

The Committee performed its regular review of the Group's risk policies and proposed changes to the Group risk appetite statements. Aligned with these reviews, proposals to amend associated limits were also considered. The Committee reviewed the Group's annual ORSA report in May, and in light of the change in the Group's risk profile following the Athene transactions and the changes in the economic environment driven by the pandemic, an interim refreshed ORSA update was reviewed by the Committee in September. In addition to the frequent monitoring performed during the most acute phases of the market turmoil in the first half of 2020, we regularly reviewed the strength of our capital and liquidity positions (including the results of stress and scenario analyses) under the Hong Kong IA's Local Capital Summation Method (LCSM) to assess the resilience of the buffer above the Group's regulatory capital requirements.

The Committee also considered the principal risks facing the Group and received updates on these through the course of the year, as well as reports from the risk committee chairs of the Group's major businesses, with the chief risk officers of Prudential Corporation Asia and Jackson regularly attending Committee meetings. A fuller explanation of principal risks facing the Group and the way in which the Group manages these is set out in the Group Chief Risk and Compliance Officer's report on pages 45 to 69. During 2020, the Committee considered risk assessments and opinions on key areas covering the risks associated with the Group's Business Plan and executive remuneration.

In respect of our principal risks, we continued to focus on the risks to the Group's financial viability and non-financial sustainability. This includes those arising from the external business and macroeconomic environment in which the Group operates, including the implications of sustained low interest rates; risks arising from the nature of the Group's business and industry; risks around global legal and regulatory compliance; and environmental, social and governance (ESG) related risks. In May 2020, a joint session with the Audit Committee on cyber security included an update on the Group-wide response to Covid-19 related cyber security risks, as well as progress updates on the Group's Privacy Programme and the standardised Information Security Programme across the businesses. The Committee approved a global set of ethics principles for artificial intelligence and complex tools (forming part of the Group Code of Business Conduct) in May, and in December was provided a progress update on the development of the governance in this area.

B

The Committee convened an additional meeting in September focusing on ESG risks, in particular climate-related transition risk for the Group's invested assets. Aligned to the strategic focus by the Group on its purpose, culture and values and the adoption of People & Culture as one of the Group's principal risks at the beginning of 2020, the Committee considered how the Group's culture initiative and purpose could be applied to support sound risk management practice, behaviours, conduct and awareness. In December 2020, after a successful period of road-testing, the Committee approved a new Group Customer Conduct Risk Policy.

Committee governance

The Committee works closely with the Audit Committee to ensure both Committees are updated and aligned on matters of common interest. Where responsibilities are perceived to overlap between the two Committees, David Law and I agree the most appropriate Committee to consider the matter. Aligned with the consolidation of the Risk, Compliance and Security functions under the leadership of the Group Chief Risk and Compliance Officer during 2019, the Committee assumed responsibility for Compliance oversight from the Audit Committee with effect from 1 January 2020. The Committee considered and approved the Risk and Compliance plans for the year.

Following the demerger of M&G in October 2019, the Committee was focused on overseeing the development and embedding of new governance arrangements across the Group's Asian business, building direct communication and escalation links with the existing local risk committees of the significant businesses. Regular direct communication with each of the local chairs remains a key component of our governance framework, and I have worked closely with the respective chairs of our significant business unit risk committees during the year. At each meeting, I update the Committee on important points raised at local level, and after the meeting I report to the Board on the main matters discussed.

In order to foster a close and collegiate working relationship at the Committee and with the local audit committees, David Law and I chaired a session attended by all of the non-executive directors at the four major Prudential Corporation Asia businesses.



Jeremy Anderson
Chair of the Risk Committee

How the Committee spent its time during 2020

	Feb	Mar	May	Jul	Sep ¹	Dec
Risk and market updates						
Group Chief Risk and Compliance Officer reporting	●	●	●	●	●	●
Updates from significant business risk committees	●	●	●	●	●	●
Risk management						
Group principal risk identification and discussions ¹	●	●	●	●	●	●
— Covid-19 related risks	○	●	●	●	●	●
— Information security and privacy	○	○	●	○	○	●
— ESG including climate related transition risks	○	○	○	●	●	○
Deep dives	●	○	●	●	●	●
Business unit specific risk matters	●	●	●	●	●	●
Risk assessment of Business Plan	○	○	○	○	○	●
Risk function effectiveness	●	○	○	○	○	○
Risk oversight of remuneration	●	○	○	○	●	●
Regulatory and Compliance						
Group regulatory and compliance reporting	●	○	●	●	●	●
GWS	●	○	●	●	●	●
Risk and Compliance Framework						
Internal model development and changes	○	○	●	○	●	●
Group Risk appetite review	○	●	○	●	○	○
Risk limit updates	○	○	○	●	○	●
Risk, Compliance and Security policy framework	●	○	○	●	○	●
Group-wide Internal Audit update	●	○	●	●	●	●
Governance arrangements and terms of reference (including business units)	●	○	●	●	○	●
External reporting						
Full year and half year risk disclosures	●	○	○	●	○	○
ECap full and half year results	●	○	●	○	●	○
Own Risk and Solvency Assessment	○	○	●	○	●	○
Systemic risk reports (LRMP, SRMP, RCP)	○	○	○	○	●	○
ICS results	○	○	○	○	○	●

Note

¹ An additional meeting to the usual scheduled meetings was held in September to discuss ESG risks, in particular climate-related transition risk for the Group's invested assets.

In addition:

– A meeting was held in June to discuss the risk opinion on the equity investment by Athene in Prudential's US business.

– Two joint meetings with the Audit Committee were held: in May to discuss cyber security and governance matters (all Non-executive Directors were invited); and in September to discuss Form S-1 Registration Statement.



Key matters considered during the year

Matter considered	How the Committee addressed the matter
Risk and Compliance framework	<p>The Group Risk Framework and risk policies were subject to both their regular annual review and a gap analysis of the Group's policies was performed against the incoming requirements of the Hong Kong Insurance Authority's (IA's) Group-wide Supervision Framework. Changes were recommended by the Committee for approval by the Board.</p> <p>Annually, business units are required to assess and certify their compliance with the Group Risk Framework and associated policies as part of the annual Group Governance Manual certification process. The certification process is facilitated by the Risk, Compliance and Security function and subject to oversight by the Committee.</p> <p>The Committee conducted its annual review of risk effectiveness in February. It also considered the effectiveness of, and approved updates to, the Group Risk Mandate which formally sets out the purpose and responsibilities of the Group Risk function and its effectiveness in overseeing the key risks to the Group.</p> <p>The Committee also reviewed the methodology and calibration of the Group internal model.</p>
Group Risk appetite	<p>The Committee is responsible for recommending changes in the Group's overall risk appetite and tolerance to the Board for approval.</p> <p>In March, the Committee reviewed and approved a reduction in the Group's Economic Capital (ECap) solvency risk appetite given the change in the position of the economic cycle triggered by the pandemic, and the reversal of this change on the subsequent recovery of the economic cycle indicators.</p> <p>The Committee also performed its annual review of the Group Risk Appetite Statement and associated limits. These are defined in aggregate for financial and non-financial risks by the setting of objectives for its liquidity, capital requirements and non-financial risk exposure. As part of this review, the Committee approved the adoption, following a period of road-testing, of a revised Liquidity Coverage Ratio (LCR) metric and a revision of the LCR trigger level.</p>
Group-wide Supervision Framework (GWS)	<p>Since the demerger of M&G plc, the Group has been subject to the consolidated supervision of the Hong Kong IA as Prudential's Group-wide supervisor.</p> <p>Key updates on GWS developments and implementation progress were provided to the Committee during the year.</p>
Business Plan	<p>As part of its role in overseeing and advising the Board on future risk exposures and strategic risks, the Committee reviewed the risk assessment of the Business Plan, which included key financial risks (including those associated with the challenging macroeconomic and geopolitical environments, being more uncertain than those foreseen in previous Plan assessments, and including prolonged low interest rates) and non-financial risks (including the execution risks in delivering the Group's announced strategy for Jackson; risks to top-line sales growth and increasing third party risk). The analysis review included sensitivity assessments of the impact of various plausible scenarios.</p>
Own Risk and Solvency Assessment (ORSA)	<p>The ORSA is a key ongoing process for identifying, assessing, controlling, monitoring and reporting the risks to which the Group is exposed and assessing capital adequacy over the business planning horizon.</p> <p>In May, the Committee considered the Group's ORSA report, based on the Business Plan, prior to its approval by the Board. An additional interim ORSA report was considered by the Committee in September, produced in light of the change in the Group's risk profile following the Athene transactions and the changes in the economic environment driven by the pandemic.</p>
Stress and scenario testing	<p>The Committee is responsible for reviewing the outcome and results of stress and scenario testing, which is a key risk identification, measurement and management tool for the Group.</p> <p>Stress and scenario testing is a key component of the Group's ORSA and the risk assessment of the Business Plan, as described above, as well as its Recovery Planning and Reverse Stress Testing (RST).</p> <p>The Group's Recovery Plan, considered by the Committee in September, included an assessment of the financial and operational resilience of Prudential. The Plan concluded that despite the challenging conditions linked to Covid-19 and significant stress experienced in the first half of 2020, the Group's position remained strong and that a range of credible recovery actions remain available, at both Group and business unit level which are considered sufficient to recover the Group's position if it comes under severe stress.</p>



Key matters considered during the year

Matter considered	How the Committee addressed the matter
Systemic Risk Management	<p>The FSB has endorsed a new Holistic Framework for systemic risk management and suspended G-SII designations until a review is undertaken in 2022.</p> <p>Many of the policy requirements that resulted from the Group's prior designation in 2016 as a Global Systemically Important Insurer (G-SII) have been adopted into the Insurance Core Principles (ICPs) and ComFrame – the common framework for the supervision of Internationally Active Insurance Groups (IAIGs). As Prudential is expected to satisfy the criteria of an IAIG, these measures are anticipated to continue for the Group. The Committee therefore considered, and recommended for approval by the Board, the Systemic Risk Management Plan, Recovery Plan and Liquidity Risk Management Plan.</p>
Transformation activity and proposed Jackson separation	<p>During 2020, a key area of consideration for the Committee was the proposed Jackson separation, which contributed to the portfolio of key strategic change activity across the Group. The Committee's work included consideration of risk opinions related to the financial and non-financial risks to the execution of the proposed Jackson separation, reviewing the risk disclosures within key in-progress transaction documentation, including those for the Prudential plc shareholder Circular and Jackson's Form 10 Information Statement and the revision to Jackson's hedge modelling for US statutory standards for calculating reserves and capital.</p> <p>The Committee was provided with updates on other transformation activity throughout the year. It received regular updates on the Group's portfolio of key strategic change initiatives, including those related to IFRS 17, the Group's digital transformation and LIBOR transition.</p>
Covid-19 related risks	<p>The impact of the Covid-19 pandemic has been broad, with implications for the Group's solvency and liquidity position and many of its principal risks. At an additional meeting of the Committee convened in March as the crisis started to unfold, the Committee reviewed and approved a recalibration to the Group's Economic Capital (ECap) solvency risk appetite. Key updates focusing on solvency and liquidity risks to the Group from the meetings of the Critical Incident Group, convened by the Group Chief Risk and Compliance Officer under the Group's Critical Incident Procedures, were provided to the Committee.</p> <p>The Committee received regular updates on the nature and extent of the impacts across its principal risks, including the changes to the Group's sales processes (including the rollout of virtual face-to-face sales processes across its markets and associated regulatory implications) and the impact to sales, claims, lapses and surrenders. The Committee also monitored the operational resilience of the business and its key third parties as well as its information security posture amidst the crisis.</p>
Group principal risks	<p>The Committee evaluated the Group's principal risks, considering recommendations for promoting additional risks and changes in the scope of existing risks. In addition to those impacted by the pandemic as outlined above, the Committee also received regular reporting on principal and emerging risks and external events, such as the international responses to the enactment of the national security law in Hong Kong, over the course of the year within the Group Chief Risk and Compliance Officer's regular report to the Committee. Further information about how the Group identifies emerging and principal risks can be found in the Group Chief Risk and Compliance Officer's report.</p> <p>Additional meetings of the Committee were convened in March and September focusing on Covid-19 driven risks and ESG risks, in particular climate-related transition risk for the Group's invested assets, respectively.</p> <p>The Group Chief Risk and Compliance Officer's reports also provided the Committee with regulatory updates; the implications of the developing global capital standards including the engagement with the Hong Kong IA on the development of GWS; and developments in the area of systemic risk management.</p>
Deep dives	<p>As part of its risk oversight responsibilities, the Committee also considers the result of 'deep dive' risk reviews performed over the year.</p> <p>In 2020, these focused on the risks related to the Group's insurance products in Asia and Africa; the product portfolio at Prudential Life Thailand; and the actions for managing interest rate risk in Hong Kong, Singapore, Thailand and Vietnam. The latter review formed part of a series of work considering the impact of lower for longer interest rates.</p> <p>Following a 2019 deep dive review performed on Digital Transformation and Artificial Intelligence (AI), a number of developments resulting from the review were considered by the Committee during 2020. This included progress updates on the development of AI governance and Ethics Principles for the Group.</p>



Key matters considered during the year

Matter considered	How the Committee addressed the matter
Information security and privacy	<p>During 2020, updates were provided to the Committee on progress made in the operationalisation of the Group-wide governance model and strategy for cyber security management and data privacy risks.</p> <p>In May, in a joint session of the Risk and Audit Committee to which all Non-executive Directors were invited, updates on the Group-wide response to Covid-19 related cyber security risks, and progress on the Group's Privacy Programme and the standardised Information Security Programme across the businesses, were provided.</p> <p>The Committee received regular updates on Group-wide information security and privacy metrics providing a view of security posture across the businesses.</p>
Remuneration	<p>The Committee has a formal role in the provision of advice to the Remuneration Committee on risk management considerations in respect of executive remuneration. It considered risk management assessments of proposed executive remuneration structures and outcomes during the year, making related recommendations to the Remuneration Committee for their consideration.</p>
Compliance and audit reporting	<p>The Committee received regular reporting on key compliance risks and mitigation activity throughout the year. It also reviewed and approved updates to regulatory compliance risk-related policies including changes to the Personal Account Dealing Policy and the Conflicts of Interest Policy. The Committee also approved, after a successful period of road-testing, a new Group Customer Conduct Risk Policy.</p> <p>The Committee received updates from Group-wide Internal Audit throughout the year relating to effectiveness of risk management and internal control systems and other matters relating to its responsibilities.</p>

Statutory and regulatory disclosures

Financial reporting

The Directors have a duty to report to shareholders on the performance and financial position of the Group and are responsible for preparing the financial statements on pages 206 to 308 and the supplementary information on pages 320 to 347. It is the responsibility of the auditor to form independent opinions, based on its audit of the financial statements and its audit of the EEV basis supplementary information, and to report its opinions to the Company's shareholders and to the Company. Its opinions are given on pages 310 to 319 and pages 349 to 351.

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial affairs of the Company and of the Group. The criteria applied in the preparation of the financial statements are set out in the Statement of Directors' responsibilities on pages 309 and 348. Company law also requires the Board to approve the Strategic report. In addition, the UK Code requires the Directors' statement to state that they consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors are further required to confirm that the Strategic report includes a fair review of the development and performance of the business, with a description of the principal risks and uncertainties. Such confirmation is included in the Statement of Directors' responsibilities on page 309.

The Strategic report provides, on pages 10 to 69, a description of the Group's capital position, financing and liquidity. The risks facing the Group's business are discussed in the Group Chief Risk and Compliance Officer's report of the risks facing our business and how these are managed on pages 45 to 69.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Going concern

In accordance with the guidance issued by the Financial Reporting Council in September 2014, 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', after making sufficient enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue their operations for a period of at least 12 months from the date that the financial statements are approved. Further information is provided in note A1 on page 215.

Powers of the Board

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

Rules governing the appointment of Directors

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

Director indemnities

Subject to the provisions of the Companies Act 2006, the Company's Articles permit the Directors and officers of the Company to be indemnified in respect of liabilities incurred as a result of their office.

Suitable insurance cover is in place in respect of legal action against directors and senior managers of companies within the Group.

Qualifying third-party indemnity provisions are also available for the benefit of the Directors of the Company and certain other such persons, including certain directors of other companies within the Group. These indemnities were in force for 2020 and remain so.

Contract of significance

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

Securities dealing and inside information

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

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

Requirements of Listing Rule 9.8.4

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

Listing Rule	Description	Page
9.8.4 (4)	Details of long-term incentive schemes required by Listing Rule 9.4.3	191
9.8.4 (10)	Contracts of Significance involving a Director	168
9.8.4 (12)	Details of shareholder waiver of dividends	397
9.8.4 (13)	Details of shareholder waiver of future dividends	397

US regulation and legislation

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

Change of control

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

Customers

The five largest customers of the Group constituted in aggregate less than 30 per cent of its total revenue from sales for each of 2020 and 2019.

Index to principal Directors' report disclosures

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

Information	Section in Annual Report	Page number(s)
Disclosure of information to auditor	Statutory and regulatory disclosures	168
Directors in office during the year	Board of Directors	122-126
ESG report	ESG report	70-117
Employment practices	ESG report	93-98
Greenhouse gas emissions	ESG report	114-117
Charitable donations	ESG report	108-110
Political donations and expenditure	ESG report	108
Remuneration Committee report	Directors' remuneration report	179-202
Directors' interests in shares	Directors' remuneration report	197
Agreements for compensation for loss of office or employment on takeover	Directors' remuneration report	199
Details of qualifying third-party indemnity provisions	Governance report	168
Internal control and risk management	Governance report and Strategic report	139-140 and 45-69
Powers of Directors	Governance report	168
Rules governing appointment of Directors	Governance report	168
Significant agreements impacted by a change of control	Governance report	168
Future developments of the business of the Company	Group Chief Executive's report	5-9
Post-balance sheet events	Note D3 of the notes on the Group financial statements	289
Rules governing changes to the Articles of Association	Shareholder information	396
Structure of share capital, including changes during the year and restrictions on the transfer of securities, voting rights and significant shareholders	Shareholder information, Governance report and note C8 of the notes on the Group financial statements	396-397 and 168 and 282
Business review	Group overview and strategic report	5-117
Changes in borrowings	Group Chief Financial Officer and Chief Operating Officer's report and note C5 of the notes on the Group financial statements	32 and 274
Dividend details	Group overview and strategic report	3 and 34
Financial instruments	Strategic report and Additional information	45-69 and 379-383
Corporate governance statement including compliance with the Code	Governance report	118-169
Fostering the Company's business relationships	ESG report	78-81
Monitoring culture	ESG report	78-81 and 93-98

In addition, the risk factors set out on pages 379 to 390 and the additional unaudited financial information set out on pages 354 to 378, are incorporated by reference into the Directors' report.

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



Tom Clarkson
Company Secretary

2 March 2021