

Section 4

# Directors' remuneration report

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## Directors' remuneration report

**Lord Turnbull  
Chairman of the  
Remuneration Committee**



### Dear Shareholder

I am pleased to present the Remuneration Committee's report on directors' remuneration for the year to 31 December 2012.

As I indicated in my letter last year, during 2012 the Committee reviewed Prudential's executive director remuneration architecture for 2013 and beyond. These are the first major changes to the architecture since current arrangements were implemented in 2006.

The Group has developed substantially over recent years and we believe that it is essential that our executive reward arrangements remain closely aligned with the Group's business strategy and ambitions.

### Our aims

Our aim in undertaking the review was to develop and implement reward structures which provide lasting competitive advantage for the Group in order to:

- Attract and retain the high calibre executives required to lead and develop the Group; and
- Reward executives for delivering our business plans and generating sustainable growth and returns for shareholders.

### The proposed changes

Where aspects of the previous reward architecture remain appropriate and effective, we have retained them. For example, we have not proposed changes to executives' maximum incentive opportunities as a percentage of salary. We have made revisions where there was scope for better alignment with our aims. Some of the key changes are:

- A more consistent approach will apply to the deferral of annual bonuses across the senior executive team;
- Enhanced clawback provisions will apply to future deferred bonus awards;
- Shareholding guidelines for executive directors will be increased; and
- A new long-term incentive plan is proposed for shareholder approval. We have designed this plan to reward the achievement of IFRS profit targets and the delivery of superior shareholder returns.

These changes are described in detail in the first pages of this report.

**We have consulted widely on the proposals**

We have undertaken extensive consultation with our key institutional investors on the changes to the reward architecture. I have personally met with shareholders and their representatives who together comprise more than half of our shareholder base.

I would like to take this opportunity to thank shareholders for their feedback, which we have taken into account when developing these proposals.

**Rewarding 2012 performance**

During 2012, the Group delivered further increases in new business profitability, IFRS profitability and cash generation. This was accomplished in the context of continuing macroeconomic uncertainty. The Group exceeded the targets that the Committee set at the start of the year as well as the results delivered in 2011.

This outstanding growth was achieved while operating within the Group's risk appetite, risk framework, and maintaining appropriate levels of capital. The 2012 bonuses that we awarded to executive directors reflect these achievements.

The excellent results delivered in 2012 built on strong financial performance over recent years. This has generated significant returns for shareholders over the period 2010 to 2012 through share price growth and dividends paid. These returns have significantly outstripped those produced by our peers in the international insurance sector over the same period.

The 2010 Group Performance Share Plan awards, which have a performance condition of relative total shareholder return, will therefore be released in full.

**Clear information provided in this report**

The UK Government continues to develop its proposals aimed at increasing the information available to shareholders in remuneration reports. This report reflects some aspects of the draft requirements. Once the final requirements are clear, we will incorporate them into our report for 2013.

I look forward to receiving your support for the directors' remuneration report at our AGM.



**Lord Turnbull**  
**Chairman of the Remuneration Committee**  
 12 March 2013

## Remuneration policy report

### Directors' remuneration report

The directors' remuneration report has been prepared by the Remuneration Committee (the 'Committee') and has been approved by the Board. Shareholders will be given the opportunity to approve the report at the Annual General Meeting on 16 May 2013.

This report has been drawn up in accordance with the UK Corporate Governance Code, Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, the UK Listing Authority Listing Rules and the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong. KPMG Audit Plc has audited the information provided on pages 134 to 142.

During the year, the Company has complied with the provisions of Section D and Schedule A of the UK Corporate Governance Code which are in force regarding directors' remuneration.

### The Remuneration Committee

The Committee is responsible for:

- Determining the remuneration of the Chairman and approving the remuneration of the executive directors of the Company; and
- The oversight of the remuneration of a defined leadership population and for individuals with the opportunity to earn over £1 million per annum.

The Committee's terms of reference are available on the Company's website and a copy may be obtained from the Company Secretary. These terms of reference are reviewed annually.

Each business unit also has its own remuneration committee, with similar terms of reference, to ensure effective remuneration governance in all our businesses.

### Remuneration strategy and principles

The aims of Prudential's remuneration structure are:

- To attract and retain the high calibre executives required to lead and develop the Group; and
- To reward executives for delivering our business plans and generating sustainable growth and returns for shareholders.

As part of the review of remuneration architecture which took place during 2012, the Committee revisited the aims and operation of Prudential's remuneration strategy. The table below summarises how the Remuneration Committee achieves these aims:

#### To attract and retain the high calibre executives required to lead and develop the Group

Reward must be:

- Valued by executives; and
- Competitive, to engage executives who are in demand in the global talent market and, if required, support hiring the best external talent.

#### To reward executives for delivering our business plans and generating sustainable growth and returns for shareholders

Reward must be:

- Determined by delivery of the Group's annual and longer-term business objectives;
- Aligned with shareholder value creation; and
- Consistent with the Group's risk appetite so that the delivery of the business plan can be sustained.

The remuneration strategy is underpinned by a number of remuneration principles:

- A substantial portion of total remuneration is delivered through performance-related reward, with the highest levels of reward only being paid for the highest levels of achievement;
- A significant element of performance-related reward is deferred and provided in the form of shares;
- The total remuneration package for each executive director is set with reference to the relevant employment market(s);
- The performance of executive directors responsible for business units is measured at both a business unit and Group level;
- Performance measures include absolute financial measures and a relative measure of Total Shareholder Return, as appropriate;
- Reward structures are designed to deliver fair and equitable remuneration for all employees; and
- Reward arrangements are designed to be consistent with the Group's risk framework and appetite, and minimise regulatory and operational risk.

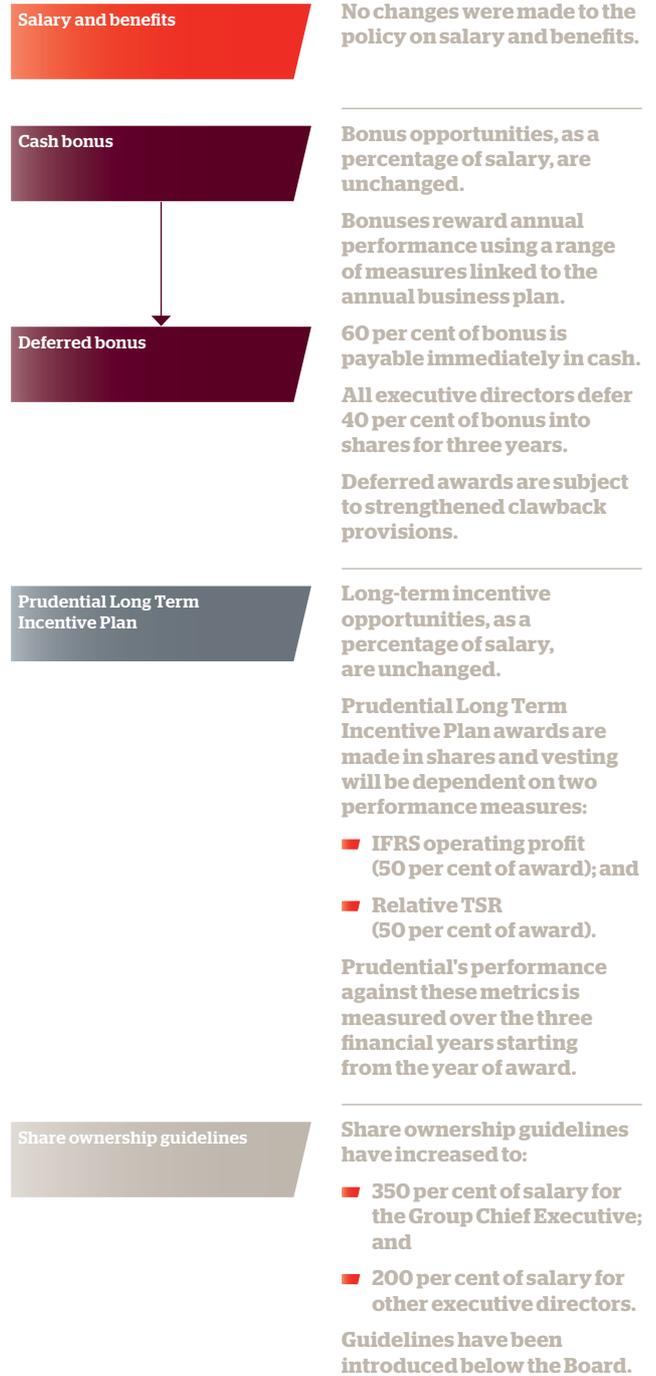
This strategy and these principles shape remuneration policies and practices which are aligned with our business model. They are designed to ensure that a strong governance approach is adopted and applied across all business units. The Committee continues to review this strategy and these principles regularly.

The remuneration strategy and principles outlined in this section are cascaded to other employees within the Company. Employees receive remuneration which is appropriate given their skills and experience, is competitive within the relevant market(s) and which rewards strong performance.

**Remuneration architecture review**

In 2012, the Committee undertook a review of all aspects of the Group's executive remuneration architecture. The aim of the review was to ensure that the Group's remuneration structures continue to be aligned with the Group's business strategy and ambitions, and with the remuneration strategy set out above, giving the Company a competitive advantage in the international talent market. This was a review of remuneration structures and did not result in any changes to incentive opportunities as a percentage of salary.

**Key features of the proposed architecture**



**Note**  
The President and Chief Executive Officer of Jackson also shares in the JNL bonus pool while the Chief Executive of M&G retains separate arrangements.

**Key**  
■ Fixed pay  
■ Short-term variable pay  
■ Long-term variable pay  
■ Share ownership guidelines

## Remuneration policy report continued

### Summary of key changes

Element of compensation	What is unchanged?	What is changing?	Why?
<b>Annual bonus</b>	<p>Executives will continue to receive awards under the Annual Incentive Plan (AIP).</p> <p>The percentage of salary used to calculate maximum bonus opportunity is unchanged.</p> <p>No changes are proposed to the performance measures.</p> <p>The three-year deferral period remains.</p> <p>The President and Chief Executive Officer of Jackson continues to share in the JNL bonus pool in addition to receiving awards under the AIP.</p>	<p>The proportion of bonus deferred will be 40 per cent for all executive directors.</p> <p>Clawback provisions have been enhanced for the deferred portion of 2013 and subsequent bonuses.</p> <p>A cap will be introduced to the Chief Executive of M&amp;G's maximum annual bonus opportunity of the lower of 0.75 per cent of M&amp;G's IFRS profit or six times salary.</p>	<p>Creates alignment among the executive directors.</p> <p>Allows the deferred element of the bonus to be forfeited in specific circumstances, including a material, adverse restatement of the financial results or regulatory breach.</p> <p>The calculation of the Chief Executive of M&amp;G's annual bonus opportunity is transparent and linked to the success of the M&amp;G business.</p>
<b>Long-term incentives</b>	<p>Long-term incentive awards (as a percentage of salary) are unchanged.</p> <p>The use of a combination of Group and business unit metrics for business unit Chief Executives continues.</p> <p>Outstanding awards made under the GPSP and BUPP will not be affected by the introduction of the Prudential Long Term Incentive Plan.</p> <p>The Chief Executive of M&amp;G will continue to participate in the M&amp;G Executive LTIP.</p>	<p>A new long-term incentive plan (the Prudential Long Term Incentive Plan) will be proposed for shareholder approval at the 2013 AGM.</p> <p>The Prudential Long Term Incentive Plan provides reward for achievement of IFRS operating profit as well as superior relative TSR.</p> <p>TSR will be measured against a revised peer group and assessed against peers on a ranked (rather than an index) basis.</p> <p>Subject to shareholder approval, 2013 awards will be made under this plan.</p> <p>The awards made to the Chief Executive of M&amp;G will be calculated as a percentage of salary. He will receive awards with a face value of 150 per cent of salary under the Prudential Long Term Incentive Plan and 300 per cent of salary under the M&amp;G Executive LTIP.</p>	<p>The expanded TSR peer group ensures the continued relevance of comparators.</p> <p>Assessing performance against peers' ranked performance (rather than an index) is more straightforward.</p> <p>IFRS operating profit is central to the management of the business and a key driver of shareholder value.</p> <p>The calculation of the Chief Executive of M&amp;G's LTIP award is transparent and aligned with the other executive directors.</p>
<b>Share ownership guidelines</b>	<p>The guidelines continue to be expressed as a percentage of salary.</p> <p>The five-year period to build holding is maintained.</p>	<p>The requirement for the Group Chief Executive has increased from 200 per cent to 350 per cent of salary.</p> <p>The requirement for all other executive directors will be increased to 200 per cent of salary. Most executive directors were previously required to hold Prudential plc shares with a value of 100 per cent of salary.</p> <p>Executives will have five years from the implementation of this policy (or the date of their appointment, if later) to build the additional level of required ownership.</p>	<p>This change increases alignment with shareholder interests.</p>

**Performance measures**

**Annual bonus**

Executive directors receive bonus awards under the Annual Incentive Plan (the AIP). The 2012 AIP:

- Strongly aligns annual reward with the KPIs that underpin the Group's business strategy;
- Incentivises the executive team to outperform stretching annual targets; and
- Remains consistent with the Group's risk framework and appetite.

No changes were proposed to the structure or the performance conditions, of the annual bonus for 2013.

**Long-term incentives**

The Prudential Long Term Incentive Plan has been designed to reward the creation of IFRS profit as well as the sustained delivery of superior returns to shareholders. Performance will be assessed over a three-year period on the following basis:

<b>Performance condition</b>	<b>Measurement approach</b>	<b>Assessment</b>
<b>IFRS operating profit</b> (50 per cent of award)	Participants will be incentivised to deliver and outperform the long-term business plan. The awards will vest based on achievement of IFRS operating profit compared to performance ranges. IFRS targets will be set at a Group or business unit level, dependent on role.	Cumulative performance will be measured over three years.  Threshold, plan and maximum achievement levels will be set at the beginning of the performance periods in line with the three-year business plan. 25 per cent of the award will vest for threshold performance, increasing to 100 per cent for stretch performance.  The target for Group IFRS operating profit will be disclosed when the performance period ends.
<b>Total Shareholder Return</b> (50 per cent of award)	The long-term incentive plan will continue to reward executives for superior shareholder returns.  TSR will continue to be measured on a local currency basis.  TSR will be measured relative to a revised peer group to ensure the continued relevance of this measure. In order to reflect the international scope of the Group's business operations, the peer group has been extended to encompass the global insurance peers with which we compete for customers and capital. Our revised peer group is outlined below.	Relative three-year TSR will be measured on a ranked basis.  25 per cent of the award will vest for median performance increasing on a straight-line basis to full vesting for TSR at or above the upper quartile.

Revised TSR peer group for awards made from 2013 onwards:  
 Aegon, Aflac\*, AIA\*, AIG\*, Allianz, Aviva, AXA, Generali, Legal & General, Manulife, MetLife\*, Munich Re\*, Old Mutual, Prudential Financial\*, Standard Life, Sun Life Financial\*, Swiss Re\*, Zurich Insurance Group\*  
 Those peers marked with an asterisk have been added to the peer group for 2013 onwards.

The Remuneration Committee believes that adequate controls exist to ensure that these performance measures will not create an implicit incentive to take undue operational or financial risks or to adopt an unduly risky capital structure.

For any Prudential Long Term Incentive Plan award to vest, the Committee must be satisfied that the quality of the Company's underlying financial performance justifies the level of reward delivered at the end of the performance period. To ensure close alignment with our shareholders' long-term interests, participants receive the value of reinvested dividends over the performance period for those shares which ultimately vest. If performance measures are not achieved in full, the unvested portion of any award lapses and performance cannot be retested.

As with the Group Performance Share Plan (GPSP), the performance achieved against target, and the resulting vesting of the award, will be assessed by an independent third party.

The Committee believes that the proposed performance measures are more relevant to the Group and at least as stretching as those used in the Group Performance Share Plan and the Business Unit Performance Plan.

We have undertaken an extensive process of consultation about these proposals with shareholders and their representatives who together comprise more than half of our shareholder base. The Committee took account of shareholder feedback when developing these proposals.

## Remuneration policy report continued

### Summary of main elements of remuneration

Element	Purpose	Policy in 2012
<b>Base salary</b>	<p>To provide executives with a guaranteed level of remuneration.</p> <p>Paying salaries at an appropriate level ensures that Prudential continues to be competitive when recruiting and retaining key executives.</p> <p>Salary is intended to reward executives for the performance of their role.</p>	<p>The Committee reviews salaries annually. Changes in base salaries are generally effective from 1 January.</p> <p>In determining base salaries for each executive the Committee considers:</p> <ul style="list-style-type: none"> <li>■ The performance and experience of the executive;</li> <li>■ Internal relativities;</li> <li>■ Company financial performance;</li> <li>■ Salary increases for all employees; and</li> <li>■ Benchmark information from appropriate markets.</li> </ul>
<b>Annual bonus</b>	<p>To incentivise and reward the achievement of stretching annual business plans which are:</p> <ul style="list-style-type: none"> <li>■ Determined in line with the Group's long-term commitments to shareholders; and</li> <li>■ Consistent with the Group's risk appetite.</li> </ul>	<p>Executive directors participate in annual bonus plans based on the achievement of Group and business unit financial performance measures including profitability, cash flow and capital adequacy, and personal objectives. Targets are determined in line with the business plan.</p> <p>Executive directors are required to defer between 30 per cent and 50 per cent of annual bonus (for the Chief Executive of M&amp;G, 50 per cent of bonus over £500,000 is deferred) into Prudential shares for three years.</p> <p>Bonuses are not pensionable.</p>
<b>Long-term incentives</b>	<p>To incentivise and reward the achievement of:</p> <ul style="list-style-type: none"> <li>■ Longer-term commitments to shareholders;</li> <li>■ Sustainable long-term returns for shareholders; and</li> <li>■ Adherence to the Group's risk appetite.</li> </ul>	<p>All executive directors participate in the Group Performance Share Plan (GPSP). GPSP awards vest based on relative TSR.</p> <p>Business unit Chief Executives also participate in business unit performance plans (BUPPs or the M&amp;G Executive LTIP) which focus on those financial measures which contribute to the long-term success of the business unit and, therefore, the Group.</p>
<b>Share ownership guidelines</b>	<p>To create a community of interest between the executives and shareholders.</p>	<p>The Group Chief Executive and Chief Executive of M&amp;G are required to build up and hold shares equal to 200 per cent of base salary.</p> <p>Other executive directors are required to build up and hold shares equal to 100 per cent of base salary.</p> <p>Executives have five years to build up their shareholding. Full details of the current shareholdings of the directors are provided on page 133.</p>
<b>Benefits</b>	<p>To provide executives with items and allowances that assist them in carrying out their duties efficiently.</p>	<p>All executive directors received core health and security benefits (for example medical insurance and life assurance).</p> <p>Other benefits may be offered to executives, dependent on:</p> <ul style="list-style-type: none"> <li>■ Local market practice;</li> <li>■ The benefits offered to other employees within the business unit; and</li> <li>■ Applicable expatriate and relocation benefits and allowances.</li> </ul> <p>No benefits are pensionable. Details of the costs of providing the benefits to each executive director are outlined in the remuneration table on page 134.</p>
<b>Pension</b>	<p>To provide executives with an opportunity to save for an income in retirement.</p>	<p>The pension provision for executive directors depends on the arrangements in place for other employees in their business unit when they joined the Group.</p> <p>Executives who joined after June 2003 have the option to:</p> <ul style="list-style-type: none"> <li>■ Receive payments into a defined contribution scheme; or</li> <li>■ Take a cash supplement in lieu of contributions.</li> </ul> <p>Executives who joined the Group before June 2003 were entitled to join the defined benefit plans available at that time. At the end of 2012, no executive director was an active member of a Group defined benefit scheme.</p>

**2012 opportunity**

2012 base salaries are set out on page 124.

The maximum annual bonus opportunity available to the majority of executive directors is between 160 per cent and 200 per cent of salary.

Based on relevant market practice, the Chief Executive of M&G and the President & CEO, Jackson have bonus opportunities which are not capped as a percentage of their salaries. The Chief Executive of M&G has an overriding cap on total remuneration of 3 per cent of M&G's IFRS profit.

Details of executive directors' 2012 bonus opportunities are provided on page 125.

The maximum combined award under the GPSP and BUPP is 550 per cent of salary, although the actual awards made in 2012 were below this level.

The Chief Executive of M&G's long-term incentive opportunity was not capped as a percentage of salary in 2012. There is an overriding cap on total remuneration for this role of 3 per cent of M&G's IFRS profit.

A breakdown of the long-term incentive opportunities available to executive directors is set out on page 123.

Executive directors based in the UK and Asia are entitled to receive pension contributions or a cash supplement (or combination of the two) of 25 per cent of base salary.

The President & CEO, Jackson, participates in Jackson's Defined Contribution Retirement Plan on the same basis as other JNL employees.

Full details of the amounts paid by the Company with regards to pension provision are outlined in the remuneration table on page 134 and the pensions table on page 130.

**2012 performance metrics**

Awards for the majority of executive directors are subject to the achievement of:

- Net free surplus generated;
- IFRS operating profit;
- EEV operating profit;
- Holding company cash flow;
- Insurance Groups Directive (IGD) Capital Surplus; and
- Personal objectives.

GPSP awards vest based on relative TSR (Total Shareholder Return, a combination of share price growth and dividends paid) performance relative to an index of international insurers.

The performance measures for the BUPPs and the M&G Executive LTIP vary according to the business plan and strategy of the business unit. These are outlined on pages 127 to 128.

Jackson's Defined Contribution Retirement Plan has a guaranteed element and additional contributions based on the profitability of JNL.

No other Group pension schemes have performance conditions.

**Changes to policy for 2013**

As part of the review of remuneration architecture which took place during 2012, the clawback provisions applied to the deferred portion of bonuses for 2013 onwards have been strengthened.

The percentage of annual bonus awards which executives are required to defer has been made consistent across our senior executive team at 40 per cent.

The annual bonus opportunity for the Chief Executive of M&G will be capped at the lower of 0.75 per cent of M&G's IFRS profit or six times salary.

Please see page 118 for further details.

As part of the review of remuneration architecture, the Remuneration Committee has proposed a new long-term incentive (the Prudential Long Term Incentive Plan) for approval at the 2013 AGM.

Subject to shareholder approval, the first awards will be made under this plan in May 2013.

Full details of the proposal are outlined on pages 118 to 119.

As part of the review of remuneration architecture, the executive director shareholding guidelines have been enhanced.

The revised guidelines are:

- 350 per cent of salary for the Group Chief Executive; and
- 200 per cent of salary for all other executive directors.

Full details of the revised guidelines are outlined on page 118.

## 2012 implementation of remuneration policy

### The operation of the Remuneration Committee in 2012

The members of the Committee during 2012 are listed below.

All are independent non-executive directors:

- Lord Turnbull KCB CVO (Chairman)
- Keki Dadiseth
- Michael Garrett
- Paul Manduca (until 2 July 2012)
- Kai Nargolwala

Philip Remnant joined the Committee on 1 January 2013.

In 2012, the Committee met five times. Key activities at each meeting are shown in the table below:

Meeting	Key activities
<b>February 2012</b>	<ul style="list-style-type: none"> <li>■ Approve the 2011 directors' remuneration report;</li> <li>■ Consider 2011 bonus awards for executive directors (and total compensation figure for Michael McLintock);</li> <li>■ Consider vesting of the long-term incentive awards with a performance period ending on 31 December 2011; and</li> <li>■ Approve the annual bonus measures and targets to be used in 2012.</li> </ul>
<b>March 2012</b>	<ul style="list-style-type: none"> <li>■ Approve 2012 long-term incentive awards and performance measures; and</li> <li>■ Confirm 2011 annual bonuses and the vesting of long-term incentive awards with a performance period ending on 31 December 2011 in light of audited financial results.</li> </ul>
<b>June 2012</b>	<ul style="list-style-type: none"> <li>■ Review the remuneration of the Group Leadership Team, senior risk staff and of employees with a remuneration opportunity over £1 million per annum;</li> <li>■ Note the dilution levels resulting from the Company's share plans; and</li> <li>■ Consider proposed changes to the remuneration architecture.</li> </ul>
<b>September 2012</b>	<ul style="list-style-type: none"> <li>■ Monitor performance against long-term incentive targets, based on the half year results;</li> <li>■ Review the Committee's terms of reference;</li> <li>■ Approve proposed changes to the remuneration architecture for shareholder consultation; and</li> <li>■ Review total remuneration of executive directors.</li> </ul>
<b>December 2012</b>	<ul style="list-style-type: none"> <li>■ Note the level of participation in the Company's all-employee share plans;</li> <li>■ Approve executive directors' 2013 salaries and incentive opportunities;</li> <li>■ Consider the annual bonus measures and targets to be used in 2013;</li> <li>■ Review an initial draft of the 2012 directors' remuneration report;</li> <li>■ Confirm changes to the remuneration architecture in light of shareholder feedback; and</li> <li>■ Approve the Committee's 2013 work plan.</li> </ul>

In January 2012, the Remuneration Committee met to conclude issues arising from the December 2011 Committee meeting. In addition, the Committee met for a working session in September 2012 to discuss changes to the remuneration architecture to be implemented in 2013.

The Chairman and the Group Chief Executive attend meetings by invitation. The Committee also had the benefit of advice from the Chief Financial Officer, Group Human Resources Director and Director of Group Reward and Employee Relations. The Group Chief Risk Officer advised the Committee on adherence to the Group's risk appetite and framework. Individuals are never present when their own remuneration is discussed.

During 2012, Deloitte LLP were the independent advisor to the Committee. Advice was also provided by PricewaterhouseCoopers LLP. Market data was sourced from Deloitte LLP, Towers Watson, McLagan Partners and LOMA. Norton Rose, Slaughter & May, Linklaters and Allen & Overy provided legal counsel, including advice on employment law and the operation of the Company's share plans. Some of these firms also provided other services to the Company: Deloitte LLP and PricewaterhouseCoopers LLP provided advice on Solvency II, taxation and other financial matters, Towers Watson provided actuarial advice and Slaughter & May and Norton Rose provided commercial, corporate and general legal advice.

**The operation of the reward policy in 2012**

In 2012, executive directors were rewarded on the basis set out below:

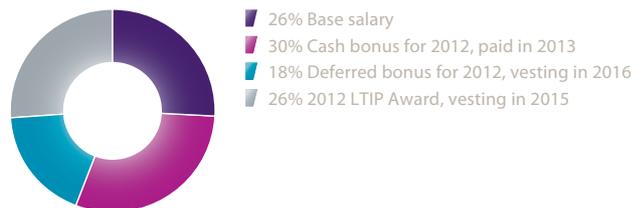
Director	Role	Base salary at 1 January 2012	Annual bonus - maximum percentage of salary	Long-term incentives (2012 award as a percentage of salary)		Total
				Group Performance Share Plan (GPSP)	Business Unit Performance Plan (BUPP)	
Rob Devey	Chief Executive, UK & Europe	£600,000	160%	112.5%	112.5%	225.0%
John Foley	Group Chief Risk Officer	£610,000	160%	250.0%	-	250.0%
Michael McLintock	Chief Executive, M&G	£360,000	note 1	100.0%	344.1%	444.1%
Nic Nicandrou	Chief Financial Officer	£630,000	175%	225.0%	-	225.0%
Barry Stowe	Chief Executive, PCA	HK\$8,000,000	160%	112.5%	112.5%	225.0%
Tidjane Thiam	Group Chief Executive	£1,000,000	200%	400.0%	-	400.0%
Mike Wells	President & CEO, JNL	US\$1,050,000	note 2	230.0%	230.0%	460.0%

**Notes**

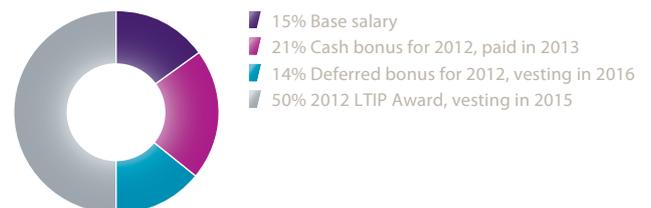
- 1 Michael McLintock's annual bonus and long-term incentive opportunity under the M&G Executive LTIP (rather than the BUPP) are based on M&G's performance both in absolute terms and relative to its peers. In line with practice in the asset management sector, there is no specified maximum incentive award. Michael's total remuneration is subject to an overriding cap such that his total remuneration should not be greater than 3 per cent of M&G's annual IFRS profits. The figure shown for his 2012 M&G Executive LTIP award is the expected value of this grant.
- 2 Mike Wells' maximum annual bonus figure is comprised of 160 per cent of salary and a 10 per cent share of the Jackson senior management bonus pool based on the target performance of Jackson.
- 3 All long-term incentives have a three-year performance period. For the awards detailed above the performance period will end on 31 December 2014.
- 4 Where awards are made in shares, the final number of shares awarded is calculated in line with the respective plan rules. Details on the shares granted under these plans are outlined in the Directors' outstanding long-term incentive awards tables in the Supplementary information section.

The package for 2012 offered the following proportions of fixed and variable short- and long-term reward to executive directors (average of executive directors):

**Good performance**



**Superior performance**



As illustrated above, 'Good' performance results in the payment of 2012 annual bonus at the target level and 2012 long-term incentive awards vesting at the threshold level. 'Superior' performance generates maximum payment of 2012 annual bonuses and 2012 long-term incentive awards vest in full.

## 2012 implementation of remuneration policy continued

### The single figure

Although the UK Government's proposed reporting requirements have not been finalised, we have anticipated the requirement to present a single figure for executives' total remuneration. This is included in the main remuneration table for 2012 on page 134. The single figure has been calculated including the following elements:

- The salary and the cost of providing benefits in 2012;
- The bonus awarded for performance in 2012 (including the value at award of the deferred element which will be released in 2016);
- The value of long-term incentive awards with a performance period ending in 2012 which will be released in 2013, using the average share price over the period 1 October 2012 to 31 December 2012; and
- The value of any salary supplement for pension, employer contributions to a defined contribution pension plan or the increase in transfer value of final salary pension benefits in 2012 (less contributions made by the director during 2012).

### Base salary

Executive directors' salaries were reviewed in 2012 with changes effective from 1 January 2013. In determining 2013 salaries, the Committee considered the performance, experience and internal relativities of each director, as well as the performance of the Group and the salary increases awarded to other employees. To provide context for this review, information was drawn from the following market reference points:

Director	Role	Benchmark(s) used to assess remuneration
<b>Rob Devey</b>	Chief Executive, UK & Europe	<ul style="list-style-type: none"> <li>■ FTSE 40</li> <li>■ International Insurance Companies</li> </ul>
<b>John Foley</b>	Group Chief Risk Officer	<ul style="list-style-type: none"> <li>■ FTSE 40</li> </ul>
<b>Michael McLintock</b>	Chief Executive, M&G	<ul style="list-style-type: none"> <li>■ McLagan UK Investment Management Survey</li> </ul>
<b>Nic Nicandrou</b>	Chief Financial Officer	<ul style="list-style-type: none"> <li>■ FTSE 40</li> <li>■ International Insurance Companies</li> </ul>
<b>Barry Stowe</b>	Chief Executive, PCA	<ul style="list-style-type: none"> <li>■ Towers Watson Asian Insurance Survey</li> </ul>
<b>Tidjane Thiam</b>	Group Chief Executive	<ul style="list-style-type: none"> <li>■ FTSE 40</li> <li>■ International Insurance Companies</li> </ul>
<b>Mike Wells</b>	President & CEO, JNL	<ul style="list-style-type: none"> <li>■ Towers Watson US Financial Services Survey</li> <li>■ LOMA US Insurance Survey</li> </ul>

After careful consideration the Committee decided to increase salaries by 3 per cent as set out in the table on the right. Salary increases for the wider workforce vary across our business units, based on local market conditions. It is anticipated that 2013 salary budgets will increase between 3 per cent and 5 per cent, for the wider workforce.

Executive	2012 salary	2013 salary (+3%)
Rob Devey	£600,000	£618,000
John Foley	£610,000	£628,300
Michael McLintock	£360,000	£370,800
Nic Nicandrou	£630,000	£648,900
Barry Stowe	HK\$8,000,000	HK\$8,240,000
Tidjane Thiam	£1,000,000	£1,030,000
Mike Wells	US\$1,050,000	US\$1,081,500

## Annual bonus

### Performance measures

The financial measures used to assess performance for the 2012 AIP are set out below. These remain unchanged for 2013. Executive directors who have business unit responsibilities are assessed on both Group and business unit performance.

A portion of the annual bonus for each executive director is based on the achievement of personal objectives. These objectives include the executive's contribution to Group strategy as a member of the Board and specific goals related to their functional and/or business unit role (for instance, project measures relating to the implementation of Solvency II

requirements). In addition, all employees are required to comply with the regulatory, governance and risk management practices and policies as these relate to their role and business area. Specifically, all business units must act within the Group's risk appetite and framework, and all individuals must act within the Group's Code of Business Conduct.

A proportion of each executive director's annual bonus is not paid in cash and must be deferred. This portion is deferred for three years in the form of the Company's shares. This deferral aligns the interests of our executive directors with our shareholders and helps to ensure a focus on the sustainable success of the Company.

### Annual bonus opportunities

Executive directors' bonus opportunities, the weighting of performance measures for 2012 and the proportion of annual bonuses deferred are set out below.

	Maximum bonus opportunity (Percentage of salary)	Deferral requirement	Weighting of measures		
			Group	Business unit	Personal objectives
Rob Devey	160%	40% of total bonus	20%	60%	20%
John Foley	160%	40% of total bonus	50%	–	50%
Michael McLintock	Note <sup>1</sup>	50% of bonus above £500,000	10%	60%	30%
Nic Nicandrou	175%	40% of total bonus	80%	–	20%
Barry Stowe	160%	40% of total bonus	20%	60%	20%
Tidjane Thiam	200%	50% of total bonus	80%	–	20%
Mike Wells <sup>note2</sup>	c.400%	30% of total bonus	30%	60%	10%

#### Notes

<sup>1</sup> Michael McLintock's annual bonus and long-term incentive opportunities in 2012 were based on M&G's performance both in absolute terms and relative to its peers. In line with practice in the asset management sector, there is no specified maximum incentive award. Michael's total remuneration (including long-term incentives) is subject to an overriding cap which requires that his total remuneration must not be greater than 3 per cent of M&G's annual IFRS profit.

<sup>2</sup> Mike Wells' annual bonus figure comprises an AIP opportunity of 160 per cent of salary and a 10 per cent share of the Jackson senior management bonus pool. The figure above is based on the target performance of Jackson.

### Rewarding performance in 2012

As set out in the Remuneration Committee Chairman's letter, during 2012 the Group delivered further increases in its key financial measures, specifically new business profitability, IFRS profitability and cash generation. The outstanding performance delivered in 2012 against these measures exceeded both the Group's 2011 performance and the stretching targets set by the Committee at the start of the year. The Group Chief Risk Officer was invited to attend the Remuneration Committee meeting held in March 2013 and advised the Committee on the Group's adherence to its risk appetite and framework during 2012.

2012 financial performance, relative to the targets set by the Committee, is summarised below:

Measure	Group	PCA	UK	M&G
Cash flow	Above stretch target	Above stretch target	At Plan level	–
Net free surplus generated	Above stretch target	Between Plan and stretch target	–	–
IFRS profit	Above stretch target	Above stretch target	Above stretch target	Between Plan and stretch target
IGD surplus	Above stretch target	Between Plan and stretch target	Above stretch target	–
NBP EEV profit	Above stretch target	Above stretch target	Above stretch target	–
In-force EEV profit	Above stretch target	Between Plan and stretch target	Between Plan and stretch target	–

## 2012 implementation of remuneration policy continued

On the basis of this outstanding performance, the Committee approved the following 2012 AIP payments:

Executive	2012 salary	Maximum 2012 AIP	2012 outcome (as a percentage of max)	2011 outcome (as a percentage of max)	Total 2012 AIP payment
Rob Devey	£600,000	160%	73.9%	90.7%	£709,200
John Foley	£610,000	160%	100.0%	98.1%	£976,000
Michael McLintock	£360,000	n/a	n/a	n/a	£1,307,275
Nic Nicandrou	£630,000	175%	99.0%	95.9%	£1,091,475
Barry Stowe	HK\$8,000,000	160%	98.1%	94.1%	HK\$12,560,000
Tidjane Thiam	£1,000,000	200%	100.0%	96.9%	£2,000,000
Mike Wells <sup>note1</sup>	US\$1,050,000	160%	99.0%	95.4%	US\$1,663,200

### Note

1 In addition to the AIP, Mike Wells also received 10 per cent of the JNL senior management bonus pool. His total 2012 bonus, including his AIP and JNL senior management award, is US\$4,599,500.

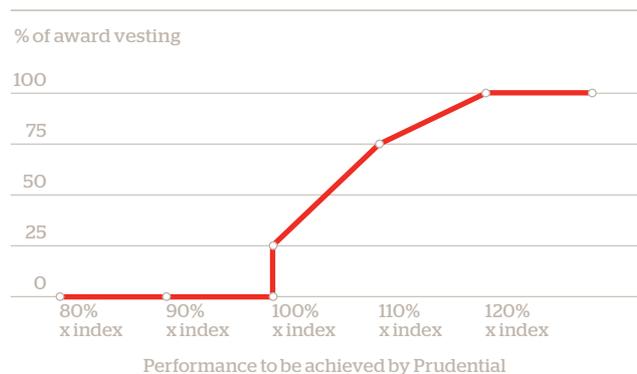
### Long-term incentives

Details of the awards made under these plans in 2012 can be found on pages 137 to 139.

#### Group Performance Share Plan (GPSP)

All executive directors receive GPSP awards. GPSP awards vest on the basis of the Group's Total Shareholder Return (TSR) performance over a three-year period. TSR is the combination of the share price growth and the dividends paid. Prudential's TSR achievement over the performance period is compared with the TSR of an index composed of 10 international insurers (see box below). This performance measure was selected because it focuses on the value delivered to shareholders. TSR is measured on a local currency basis since this has the benefit of simplicity and directness of comparison.

The vesting schedule for outstanding GPSP awards is set out below:



Peer companies used within the Index for all outstanding GPSP awards  
Aegon, Allianz, Aviva, Axa, Generali, ING, Legal & General, Manulife, Old Mutual and Standard Life

For any GPSP award to vest, the Committee must be satisfied that the quality of the Company's underlying financial performance justifies the level of reward delivered at the end of the performance period. To ensure close alignment with our shareholders' long-term interests, participants receive the value of reinvested dividends over the performance period for those shares which ultimately vest. If performance measures are not achieved in full, the unvested portion of any award lapses and performance cannot be retested.

On 31 December 2012, the performance period for 2010 GPSP awards (which began on 1 January 2010) came to an end. Over the performance period the Group has delivered superior returns for shareholders through share price growth and dividends paid. This resulted in Prudential achieving excellent TSR performance of 156.4 per cent.

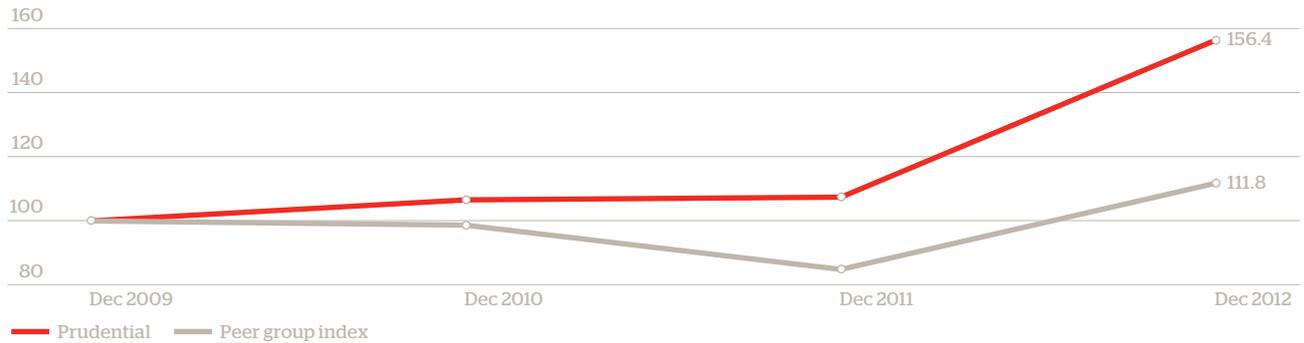
The peer group's TSR index was 100 at the start of the 2010 to 2012 performance period and was 111.8 at the end of the period (as illustrated opposite). In order for the 2010 GPSP awards to vest in full, Prudential's TSR index over the period had to outperform the peer index by 20 per cent, ie increase from 100 to at least 134.2 (111.8 x 120 per cent). The TSR performance achieved by Prudential of 156.4 per cent equals an outperformance of the peer index of 139.9 per cent.

The Committee, having satisfied itself about the quality of the Company's underlying financial performance, confirmed vesting of 100 per cent of the 2010 to 2012 GPSP award (for reference, 100 per cent of the 2009 to 2011 GPSP award vested).

The Committee believes that the GPSP performance condition is a stretching requirement that requires exceptional performance, relative to other international insurance companies, for awards to be released in full.

The line chart below compares Prudential's TSR during the three years from 1 January 2010 to 31 December 2012 with that of the peer group against which TSR is measured for the purposes of the GPSP.

**Prudential TSR v peer group index - total returns index % over three years to December 2012**



**Business Unit Performance Plans (BUPP)**

**Asia BUPP**

The Chief Executive, PCA receives awards under the Asia BUPP. These awards are dependent on the achievement of PCA's new business profit, IFRS profit and cash remittance targets over the three-year performance period. Each of these measures will determine vesting of one third of each award. Threshold performance results in 30 per cent of the award vesting, increasing to 100 per cent for stretch performance.

On 31 December 2012, the performance period for the 2010 Asia BUPP award (which began on 1 January 2010) came to an end. Over the period, the new business profit, IFRS profit and cash remittance achieved by the PCA business unit meant that the Committee, having satisfied itself as to the quality of the business units' underlying financial performance, confirmed vesting of 95.2 per cent of Barry Stowe's 2010 to 2012 Asia BUPP award (for reference, 86.5 per cent of Barry Stowe's 2009 to 2011 Asia BUPP award vested).

**Jackson BUPP**

The President and CEO, JNL receives an award under the Jackson BUPP. Vesting of awards made under this plan is dependent on Shareholder Capital Value (SCV) growth over the performance period. The SCV growth required is outlined in the table below. Vesting occurs between these performance levels on a straight-line basis.

Percentage of BUPP award which vests	Compound annual growth in SCV over three years
0%	<8%
30%	8%
75%	10%
100%	12%

On 31 December 2012, the performance period for the 2010 Jackson BUPP came to an end. Although no current executive director had a 2010 award under this plan the vesting level for other participants was 100 per cent (for reference 93.75 per cent of the 2009 to 2011 awards vested).

**UK BUPP**

The Chief Executive, UK & Europe receives awards under the UK BUPP. Given the cash-generative priorities of the UK Business Unit, UK BUPP awards are assessed using the same relative TSR measure applied to GPSP awards.

On 31 December 2012, the performance period for the 2010 UK BUPP (which began on 1 January 2010) came to an end. As detailed above, Prudential's TSR over this period was equal to 139.9 per cent of the peer index. The Committee, having satisfied itself as to the quality of the business unit's underlying financial performance, confirmed vesting of 100 per cent of Rob Devey's 2010 to 2012 UK BUPP award (for reference 100 per cent of Rob Devey's 2009 to 2011 UK BUPP award vested).

For any BUPP award to vest, the Committee must be satisfied that the quality of underlying financial performance of the relevant business unit justifies the level of reward delivered at the end of the performance period. To ensure close alignment with our shareholders' long-term interests, participants receive the value of reinvested dividends over the performance period for those shares which ultimately vest. If the performance conditions are not achieved in full, the unvested portion of any award lapses and cannot be retested.

## 2012 implementation of remuneration policy continued

### Limits on award sizes

The rules of the GPSP and BUPP set a limit on the value of shares which may be awarded to an executive in a financial year. The combined value of shares awarded under the two plans may not exceed a maximum of 550 per cent of salary although the awards made in a particular year are often significantly below this limit. On a change in control of Prudential, vesting of awards made under these arrangements would be prorated for performance and to reflect the elapsed portion of the performance period.

### M&G Executive Long-Term Incentive Plan

The Chief Executive, M&G receives awards under the M&G Executive Long-Term Incentive Plan. Under this plan an annual award of phantom shares is made with a notional starting share price of £1. The phantom share price at vesting is determined by the increase or decrease in M&G's profitability over the three-year performance period with profit and investment performance adjustments also applied:

### Profit growth

The value of phantom shares vesting will be adjusted by a profit measure as follows:

- No adjustment will be made if profits in the third year of the performance period are at least equal to the average annual profit generated over the performance period;
- A loss or zero profit will result in the value of the award being reduced to zero, irrespective of investment performance; and
- Between these points, the value of phantom shares will be reduced on a straight-line basis from no reduction to the complete elimination of the value of the award.

### Investment performance

The value of phantom shares vesting will be adjusted by an investment performance measure as follows:

- Where the investment performance of M&G's funds is in the top two quartiles during the three-year performance period, the value of phantom shares vesting will be enhanced. The value of phantom shares may be doubled if performance is in the top quartile;
- Investment performance in the third quartile will not change the value of phantom shares vesting; and
- Investment performance in the bottom quartile will result in awards being forfeited, irrespective of any profit growth.

The value of the vested phantom shares will be paid in cash after the end of the three-year performance period.

On 31 December 2012, the performance period for the 2010 award under the M&G Executive Long-Term Incentive Plan (which began on 1 January 2010) came to an end. M&G's profit at the end of the performance period was 204 per cent of that at the start and M&G's investment performance was in the second quartile. The Committee, having satisfied itself about the quality of M&G's underlying financial performance, confirmed vesting of Michael McLintock's 2010 award with a value of £2.65 per share. This will result in a payment of £2,616,024 to Michael McLintock in 2013 (for reference, the 2009 to 2011 award vested with a value of £2.96 per share which resulted in a payment of £5,417,359 to Michael McLintock during 2012). Based on 2011 performance, an award of 952,960 phantom shares with an expected value of £1,238,849 was made to Michael McLintock in 2012.

As described in the remuneration architecture review section of this report, the method used to determine the number of phantom shares awarded to Michael McLintock under the M&G Executive Long-Term Incentive Plan has been revised. With effect from 2013, Michael McLintock will receive an annual award with a face value of three times his salary. The ultimate value of the 2013 award will be determined with reference to the profitability and investment performance of M&G over the three years from 1 January 2013 to 31 December 2015 using the measures set out above.

### Jackson Long-Term Incentive Plans

Prior to his appointment as an executive director, Mike Wells participated in the two long-term incentive plans offered to senior staff within Jackson. Mike Wells was awarded ADRs under the JNL US Performance Share Plan and cash-based awards under the JNL Long-Term Incentive Plan. Awards made under both plans have a performance period of four years and vesting is dependent on the achievement of shareholder value targets. Up to 150 per cent of the original number of ADRs awarded under the JNL Performance Share Plan may be released if stretch performance targets are achieved.

Outstanding awards made to Mike Wells before his appointment as an executive director remain subject to the original performance conditions and vesting schedule. No further awards will be made to Mike Wells under these plans.

On 31 December 2012, the performance periods for the 2009 awards under the JNL long-term incentive plans (which began on 1 January 2009) came to an end. Over the period the shareholder value of the US business grew by 22.68 per cent per annum (on a compound basis) and by 126.51 per cent over the performance period. This resulted in vesting of 150 per cent of Mike Wells' 2009 JNL US Performance Share Plan award and of 126.51 per cent of his 2009 cash-settled JNL Long-Term Incentive Plan award (for reference 150 per cent of Mike Wells' 2008 to 2011 JNL US Performance Share Plan award and 95 per cent of his 2008 to 2011 cash-settled JNL Long-Term Incentive Plan award vested).

**Share ownership guidelines**

As a condition of serving, all directors are required to have beneficial ownership of a minimum of 2,500 ordinary shares in the Company. This interest in shares must be acquired within 12 months of appointment to the Board if the director does not have such an interest upon appointment.

Executive directors should have a substantial shareholding to maximise the community of interest between them and other shareholders. This may be built up over a period of five years following their appointment.

The level of the requirements which applied to executive directors in 2012 and the current holdings of directors are shown below. The shareholding guidelines have been increased as part of the review of remuneration architecture and full details of the revised guidelines are outlined on page 118. Shares earned and deferred under the Annual Incentive Plan are included in calculating the executive director's shareholding for these purposes.

	2012 Shareholding guideline as a percentage of base salary	Shareholding at 31 December 2012 as a percentage of base salary <small>note</small>	2013 Shareholding guideline as a percentage of base salary
Rob Devey	100%	397%	200%
John Foley	100%	459%	200%
Michael McLintock	200%	1,641%	200%
Nic Nicandrou	100%	482%	200%
Barry Stowe	100%	680%	200%
Tidjane Thiam	200%	800%	350%
Mike Wells	100%	773%	200%

**Note**  
Beneficial interest, based on the share price as at 31 December 2012 (£8.655). Calculated using base salaries on 31 December 2012.

**Benefits**

All executive directors receive core health and security benefits, for example medical insurance and life assurance.

Other benefits may be offered to executives, dependent on:

- Local market practice;
- The benefits offered to other employees within the business unit; and
- Applicable expatriate and relocation benefits and allowances.

The 2012 remuneration table on page 134 sets out the cost of providing benefits in 2012.

**All-employee share plans**

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

**Save As You Earn (SAYE) schemes**

UK-based executive directors are eligible to participate in the HM Revenue and Customs (HMRC) approved Prudential Savings-Related Share Option Scheme and Barry Stowe is invited to participate in the similar International Share Ownership Scheme. These schemes allow all eligible employees to save towards the exercise of options over Prudential plc shares with the option price set at the beginning of the savings period at a discount of up to 20 per cent of the market price.

Participants elect to enter into savings contracts of up to £250 per month for a period of three or five years. At the end of this term, participants may exercise their options within six months and purchase shares. If an option is not exercised within six months, participants are entitled to a refund of their cash savings plus interest if applicable under the rules. Shares are issued to satisfy those options which are exercised. No options may be granted under the schemes if the grant would cause the number of shares which have been issued, or which remain issuable pursuant to options granted in the preceding 10 years under the scheme and any other option schemes operated by the Company, or which have been issued under any other share incentive scheme of the Company, to exceed 10 per cent of the Company's ordinary share capital at the proposed date of grant.

**Share Incentive Plan (SIP)**

UK-based executive directors are also eligible to participate in the Company's HMRC approved Share Incentive Plan (SIP). This allows all UK-based employees to purchase Prudential plc shares up to a value of £125 per month from their gross salary (partnership shares). For every four partnership shares bought, an additional matching share is awarded which is purchased by Prudential on the open market. Dividend shares accumulate while the employee participates in the plan. Partnership shares may be withdrawn from the scheme at any time. If the employee withdraws from the plan within five years, matching shares are forfeited.

No directors or other employees are provided with loans to enable them to buy shares.

**Pension benefits**

Michael McLintock elected to become a deferred member of a contributory defined benefit scheme (described overleaf) on 5 April 2012. Michael McLintock now receives a salary supplement of 25 per cent of salary. John Foley elects to receive a combination of contributions into the money purchase scheme and a cash supplement with a total value of 25 per cent of salary. All other executive directors based in the UK have chosen to receive their pension benefits in the form of a cash supplement of 25 per cent of salary throughout 2012. These executives are provided with life assurance cover of up to four times salary plus a dependants' pension.

## 2012 implementation of remuneration policy continued

Barry Stowe receives a cash supplement of 25 per cent of salary and a payment to the Hong Kong Mandatory Provident Fund. He is provided with life assurance cover of up to four times salary. Mike Wells participates in Jackson's Defined Contribution Retirement Plan, a qualified 401(k) retirement plan, on the same basis as all other US-based employees. The Company provides matching contributions of 6 per cent of base salary (Mike Wells' salary for pension purposes is limited to US\$250,000). He also participates in the profit sharing element of the plan which provides eligible participants with an annual profit sharing contribution, depending on the financial results of Jackson for the plan year, to a maximum of an additional 6 per cent of pensionable salary. An annual profit sharing contribution equivalent to 6 per cent of pensionable salary was made in 2012 (in 2011, the profit share contribution was 5 per cent of pensionable salary). Mike Wells is provided with life assurance cover of two times salary.

Those executives who joined the Group before June 2003 were entitled to maintain their membership of the defined benefit plans available at that time. However, at the end of 2012, no executive director was an active member of a Group defined benefit scheme. Until 5 April 2012, Michael McLintock participated in a contributory defined benefit scheme that provides a target pension of two thirds of final pensionable earnings on retirement at age 60 for an employee with 30 years or more potential service, his contribution was 4 per cent of base salary. Michael McLintock participated on the same basis as other employees who joined M&G at the same date. Benefits under the plan are subject to a notional scheme earnings cap (set at £129,600 for the 2011/2012 tax year) which replicates the HMRC earnings cap in force before A-Day (6 April 2006). Michael McLintock was also entitled to supplements based on his salary above the notional earnings cap.

Details of directors' pension entitlements under HMRC approved defined benefit schemes and supplements in the form of contributions to pension arrangements paid by the Company are set out in the following table:

	Age at 31 December 2012	Years of pensionable service at 31 December 2012	Additional pension earned during year ended 31 December 2012			Transfer value of accrued benefit at 31 December note (3)		Increase in transfer value less contributions made by directors during 2012	Contributions to defined contribution pension schemes note (4) £000
			Accrued benefit at 31 December 2012 (£ per annum) £000	Ignoring inflation on pension earned to 31 December 2011 note (1) £000	Allowing for inflation on pension earned to 31 December 2011 note (2) £000	2012 £000	2011 £000		
Rob Devey	44								–
John Foley	56								50
Michael McLintock (note 5)	51	20	56	1	(1)	1,323	1,102	218	–
Nic Nicandrou	47								–
Barry Stowe	55								2
Tidjane Thiam	50								–
Mike Wells	52								19

### Notes

1 As required by the Companies Act remuneration regulations.

2 As required by Stock Exchange Listing rules.

3 The transfer value equivalent has been calculated in accordance with the M&G Group Pension Scheme's transfer basis.

4 This table includes employer contributions to defined contribution plans totalling £71,124 (2011: £56,224). Supplements in the form of cash are included in the table on page 134.

5 Michael McLintock became a deferred member of the M&G defined benefit scheme on 5 April 2012. The amounts shown above as at 31 December 2012 are calculated as at this date.

No enhancements to retirement benefits were paid to or receivable by directors or former directors other than the discretionary pension increases awarded to all pensioners which have been made during the year.

### Executive directors' service contracts

The normal notice of termination that the Company is required to give executive directors is 12 months. Accordingly, in normal circumstances, a director whose contract is terminated would be entitled to one year's salary and benefits in respect of their notice period. Additionally, outstanding awards under annual and long-term incentive plans may vest depending on the circumstances and according to the rules of the plans. When considering the termination of any service contract, the

Remuneration Committee will have regard to the specific circumstances of each case, including the director's obligation to mitigate his loss. Payments are phased over the notice period.

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

Details of the service contracts of the executive directors are outlined below:

Executive director	Date of contract	Notice period to the Company	Notice period from the Company
Rob Devey	1 July 2009	12 months	12 months
John Foley	8 December 2010	12 months	12 months
Michael McLintock	21 November 2001	6 months	12 months
Nic Nicandrou	26 April 2009	12 months	12 months
Barry Stowe	18 October 2006	12 months	12 months
Tidjane Thiam	20 September 2007	12 months	12 months
Mike Wells <sup>note</sup>	15 October 2010	12 months	12 months

#### Note

The contract for Mike Wells is a renewable one-year fixed term contract. The contract is renewable automatically upon the same terms and conditions unless the Company or the director gives at least 90 days' notice prior to the end of the relevant term.

### Policy on external appointments

Subject to the Group Chief Executive's or the Chairman's approval, executive directors are able to accept external appointments as non-executive directors of other organisations. Any fees paid may be retained by the executive director. During 2012, Michael McLintock received £47,500 as a trustee of another organisation (for reference, Michael McLintock received £45,000 for this role in 2011). Other directors served on the boards of educational, development, charitable and cultural organisations without receiving a fee for such services.

### Chairman and non-executive directors' letters of appointment and fees

#### Non-executive directors' letters of appointment

Non-executive directors do not have service contracts but are appointed pursuant to letters of appointment with notice periods of six months without liability for compensation.

Under the terms of their letters of appointment, continuation of the non-executive directors' appointment is contingent on satisfactory performance and re-election by shareholders. Non-executive directors are typically expected to serve two three-year terms from the date of their election by shareholders. Thereafter, the Board may invite the Director to serve for an additional period.

## 2012 implementation of remuneration policy continued

Details of the letters of appointment for the non-executive directors are outlined below:

Non-executive director	Appointment by the Board	Initial election by shareholders at AGM	Notice period	Expiration of current term of appointment
Keki Dadiseth <sup>(note 1)</sup>	1 April 2005	AGM 2005	6 months	AGM 2013
Howard Davies	15 October 2010	AGM 2011	6 months	AGM 2014
Michael Garrett <sup>(note 1)</sup>	1 September 2004	AGM 2005	6 months	AGM 2013
Ann Godbehere	2 August 2007	AGM 2008	6 months	AGM 2014
Alistair Johnston	1 January 2012	AGM 2012	6 months	AGM 2015
Paul Manduca <sup>(note 2)</sup>	15 October 2010	AGM 2011	6 months	AGM 2014
Kaikhushru Nargolwala	1 January 2012	AGM 2012	6 months	AGM 2015
Kathleen O'Donovan <sup>(note 3)</sup>	8 May 2003	AGM 2004	6 months	n/a
Philip Remnant <sup>(note 4)</sup>	1 January 2013	AGM 2013	6 months	AGM 2016
Lord Turnbull	18 May 2006	AGM 2006	6 months	AGM 2015

### Notes

1 Keki Dadiseth and Michael Garrett were reappointed in 2012 for one year. The Board will consider a further renewal term in May 2013.

2 Paul Manduca was appointed as Chairman of the Board on 2 July 2012.

3 Kathleen O'Donovan retired from the Board on 31 March 2012.

4 For Philip Remnant the table assumes initial election by shareholders at the 2013 AGM.

### Chairman's letter of appointment, fees and benefits

Paul Manduca was appointed as a non-executive director on 15 October 2010 and became Senior Independent Director on 1 January 2011. On 2 July 2012, he was appointed Chairman. He is paid an annual fee of £600,000. A contractual notice period of 12 months by either party applies. Paul Manduca is provided with life assurance cover of four times his annual fees plus an additional sum to buy a dependants' annuity, private medical insurance and the use of a car and driver. No pension allowance is paid and he is not a member of any Group pension scheme.

### Non-executive directors' fees

Non-executive directors are not eligible to participate in annual bonus plans, long-term incentive plans or pension arrangements. Their fees are determined by the Board and reflect their individual responsibilities, including chairmanship and membership of committees where appropriate. The Board reviews fees annually.

An increase of just under 3 per cent was made to the basic non-executive fee with effect from 1 July 2012. No increases were made to the additional fees paid to committee chairmen or members. The revised fees are:

Annual fees	From 1 July 2012 £
Basic fee	87,500
Audit Committee Chairman – additional fee	70,000
Audit Committee member – additional fee	25,000
Remuneration Committee Chairman – additional fee	50,000
Remuneration Committee member – additional fee	25,000
Risk Committee Chairman – additional fee	60,000
Risk Committee member – additional fee	25,000
Senior Independent Director – additional fee	50,000

### Notes

1 No fee is payable for chairmanship or membership of the Nomination Committee.

2 The Company may determine that additional fees should be paid if, in a particular year, the number of meetings is materially greater than usual.

Please see the table on page 134 for details of the fees received by individual non-executive directors during 2012.

### Non-executive directors' share ownership requirements

In July 2011, a share ownership requirement for non-executive directors was introduced. Non-executive directors are required to hold shares with a value equivalent to one times the annual basic fee (excluding additional fees for chairmanship and membership of any committees). Non-executive directors will be expected to attain this level of share ownership within three years of the implementation of this requirement (or within three years of their date of appointment, if later). The Chairman is required to hold shares with a value equivalent to one times his annual fee and is expected to attain this level of share ownership within five years of the date of his appointment.

### Directors' shareholdings

The interests of directors in ordinary shares of the Company are set out below. 'Shares subject to deferral' includes shares acquired under the Share Incentive Plan (detailed in the table on page 142), deferred annual incentive awards and interests in shares awarded on appointment (detailed in the 'Other Share Awards' table on pages 140 and 141).

	1 January 2012		31 December 2012			12 March 2013
	Beneficial interest (Number of shares)	Number of shares owned outright	Number of shares subject to deferral	Total beneficial interest (Number of shares)	Number of shares subject to performance conditions	Beneficial interest (Number of shares)
Keki Dadiseth	32,196	32,196	–	32,196	–	32,196
Howard Davies	3,083	3,192	–	3,192	–	3,192
Rob Devey	126,006	154,746	120,697	275,443	537,208	275,443
John Foley	364,378	277,178	46,057	323,235	351,917	323,235
Michael Garrett	39,233	39,233	–	39,233	–	39,233
Ann Godbehere	15,914	15,914	–	15,914	–	15,914
Alistair Johnston <sup>note(1)</sup>	–	5,000	–	5,000	–	5,000
Paul Manduca	2,500	2,500	–	2,500	–	2,500
Harvey McGrath <sup>note(2)</sup>	300,636	–	–	–	–	–
Michael McIntock	595,363	487,203	195,530	682,733	161,834	682,733
Kaikhushru Nargolwala <sup>note(3)</sup>	–	16,000	–	16,000	–	16,000
Nic Nicandrou <sup>note(4)</sup>	167,655	227,791	123,067	350,858	546,037	350,907
Kathleen O'Donovan <sup>note(5)</sup>	24,425	–	–	–	–	–
Philip Remnant <sup>note(6)</sup>	–	–	–	–	–	–
Barry Stowe <sup>note(7)</sup>	274,575	359,997	151,234	511,231	625,976	511,231
Tidjane Thiam	650,116	524,123	399,716	923,839	1,408,368	923,839
Lord Turnbull	16,624	16,624	–	16,624	–	16,624
Mike Wells <sup>note(8)</sup>	438,718	369,142	222,666	591,808	1,152,908	591,808

#### Notes

1 Alistair Johnston was appointed to the Board on 1 January 2012.

2 Harvey McGrath retired from the Board on 2 July 2012.

3 Kaikhushru Nargolwala was appointed to the Board on 1 January 2012.

4 Nic Nicandrou's interest in shares on 12 March 2013 includes his monthly purchases made under the SIP plan in January, February and March 2013.

5 Kathleen O'Donovan retired from the Board on 31 March 2012.

6 Philip Remnant was appointed to the Board on 1 January 2013.

7 Part of Barry Stowe's beneficial interest in shares is made up of 207,963 ADRs (representing 415,926 ordinary shares) and 95,305 ordinary shares. 8,513.73 of these ADRs are held within an investment account which secures premium financing for a life assurance policy.

8 Mike Wells' beneficial interest in shares is made up of 295,904 ADRs (representing 591,808 ordinary shares). In the table above, the figure for shares subject to performance conditions reflects the maximum number of shares (150 per cent of the original number awarded) which may be released to Mike Wells under the JNL Performance Share Plan. This maximum number of shares may be released if stretch performance targets are achieved.

## 2012 implementation of remuneration policy continued

### Directors' remuneration for 2012 (audited information)

£000	Salary/ fees	2012 cash bonus	2012 deferred bonus	Total 2012 bonus	Benefits*	Cash supple- ments for pension purposes	Total emolu- ments 2012†	2012 employers' pension contribu- tions‡	Value of anticipated releases from LTIPs in respect of performance periods ending 31 December 2012§	Total 2012 remuner- ation - "The Single Figure"¶
<b>Chairman</b>										
Paul Manduca <sup>note(1)</sup>	393	–	–	–	71	–	464	–	–	464
Harvey McGrath <sup>note(2)</sup>	252	–	–	–	50	–	302	–	–	302
<b>Executive directors</b>										
Rob Devey	600	426	284	710	114	150	1,574	–	1,804	3,378
John Foley	610	586	390	976	156	103	1,845	50	–	1,895
Michael McLintock <sup>note(3)</sup>	360	904	404	1,308	124	93	1,885	218	3,190	5,293
Nic Nicandrou	630	655	437	1,092	99	158	1,979	–	1,804	3,783
Barry Stowe <sup>note(4)</sup>	651	613	409	1,022	608	163	2,444	2	2,183	4,629
Tidjane Thiam	1,000	1,000	1,000	2,000	123	250	3,373	–	4,428	7,801
Mike Wells <sup>note(5)</sup>	663	2,031	871	2,902	55	–	3,620	19	3,008	6,647
<b>Total executive directors</b>	<b>4,514</b>	<b>6,215</b>	<b>3,795</b>	<b>10,010</b>	<b>1,279</b>	<b>917</b>	<b>16,720</b>	<b>289</b>	<b>16,417</b>	<b>33,426</b>
<b>Non-executive directors</b>										
Keki Dadiseth <sup>note(6)</sup>	120	–	–	–	–	–	120	–	–	120
Howard Davies	171	–	–	–	–	–	171	–	–	171
Michael Garrett	111	–	–	–	–	–	111	–	–	111
Ann Godbehere	181	–	–	–	–	–	181	–	–	181
Alistair Johnston	111	–	–	–	–	–	111	–	–	111
Kaikhushru Nargolwala	136	–	–	–	–	–	136	–	–	136
Kathleen O'Donovan <sup>note(7)</sup>	28	–	–	–	–	–	28	–	–	28
Lord Turnbull	161	–	–	–	–	–	161	–	–	161
<b>Total non-executive directors</b>	<b>1,019</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,019</b>	<b>–</b>	<b>–</b>	<b>1,019</b>
<b>Overall total</b>	<b>6,178</b>	<b>6,215</b>	<b>3,795</b>	<b>10,010</b>	<b>1,400</b>	<b>917</b>	<b>18,505</b>	<b>289</b>	<b>16,417</b>	<b>35,211</b>

\* The value of benefits is the cost to the Company of providing core and additional benefits.

† Each remuneration element is rounded to the nearest £1,000 and totals are the sum of these rounded figures.

‡ Pension benefits are described in the section on 'Pensions benefits' on page 129.

§ Value of anticipated long-term incentive plan releases is the total of cash paid plus, for shares released, the value of the released shares based on the average closing share price over the period 1 October 2012 to 31 December 2012. All executive directors participate in long-term incentive plans and the details of share releases from awards with a performance period ending 31 December 2012 are provided in the footnote to the tables on share awards on pages 137 to 139. This figure does not include releases from other share plans (detailed on pages 140 to 141) or all-employee share plans, (set out on page 142). Dividend equivalents will be released on these vested shares.

¶ "The Single Figure" is based on the methodology outlined on page 124.

#### Notes

- Paul Manduca was appointed as Chairman on 2 July 2012. The figures above include the fees he received as senior independent non-executive director prior to his appointment as Chairman.
- Harvey McGrath retired from the Board on 2 July 2012.
- "The Single Figure" for Michael McLintock includes the increase in transfer value of his defined benefit pension. This is outlined on page 130.
- Barry Stowe's benefits relate primarily to his expatriate status, including costs of £217,567 for housing, £32,104 for children's education, £69,289 for home leave and a £248,894 Executive Director Location Allowance.
- Mike Wells' bonus figure excludes a contribution of US\$15,000 from a profit sharing plan which has been made into a 401(k) retirement plan. This is included under employers' pension contribution.
- Keki Dadiseth was paid allowances totalling £8,997 in respect of his accommodation expenses in London whilst on the Company's business.
- Kathleen O'Donovan retired from the Board on 31 March 2012.

**Directors' remuneration for 2011 (audited information)**

£000	Salary/ fees	2011 cash bonus	2011 deferred bonus	Total 2011 bonus	Benefits*	Cash supplements for pension purposes†	Total emoluments 2011	Value of anticipated releases from LTIPs in respect of performance periods ending 31 December 2011‡
<b>Chairman</b>								
Harvey McGrath	500	–	–	–	82	–	582	–
<b>Executive directors</b>								
Rob Devey	550	479	319	798	111	138	1,597	1,544
John Foley <sup>(note 1)</sup>	550	518	345	863	139	100	1,652	–
Michael McLintock	350	779	279	1,058	93	96	1,597	6,005
Nic Nicandrou	550	507	338	845	84	138	1,617	2,020
Barry Stowe <sup>(note 2)</sup>	641	579	386	965	544	160	2,310	2,341
Tidjane Thiam	900	785	785	1,570	116	225	2,811	1,910
Mike Wells <sup>(notes 1 and 3)</sup>	624	1,660	711	2,371	64	–	3,059	1,369
<b>Total executive directors</b>	<b>4,165</b>	<b>5,307</b>	<b>3,163</b>	<b>8,470</b>	<b>1,151</b>	<b>857</b>	<b>14,643</b>	<b>15,189</b>
<b>Non-executive directors</b>								
Keki Dadiseth <sup>(note 4)</sup>	102						102	
Howard Davies	153						153	
Michael Garrett	93						93	
Ann Godbehere	158						158	
Bridget Macaskill <sup>(note 5)</sup>	65						65	
Paul Manduca	156						156	
Kathleen O'Donovan	98						98	
James Ross <sup>(note 6)</sup>	33						33	
Lord Turnbull	129						129	
<b>Total non-executive directors</b>	<b>987</b>						<b>987</b>	
<b>Overall total</b>	<b>5,652</b>	<b>5,307</b>	<b>3,163</b>	<b>8,470</b>	<b>1,233</b>	<b>857</b>	<b>16,212</b>	<b>15,189</b>

\* Benefits include (where provided) the cost of providing the use of a car and driver, medical insurance, security arrangements and expatriate benefits.

† Pension benefits are described in the section on 'Pensions and long-term savings' in the 2011 Directors' remuneration report.

‡ Value of anticipated long-term incentive plan releases is the total of cash paid plus, for shares released, the value of the released shares based on the share price at 31 December 2011. This figure does not include releases from other share plans or all-employee share plans. Dividend equivalents will be released on these vested shares.

**Notes**

1 John Foley and Mike Wells were appointed to the Board on 1 January 2011.

2 Barry Stowe's benefits relate primarily to his expatriate status, including costs of £184,489 for housing, £32,077 for children's education, £35,093 for home leave and a £245,114 Executive Director Location Allowance.

3 Mike Wells' bonus figure excludes a contribution of US\$12,250 from a profit sharing plan which has been made into a 401(k) retirement plan. This is included in the table on pension contributions.

4 Keki Dadiseth was paid allowances totalling £8,997 in respect of his accommodation expenses in London whilst on the Company's business as is the usual practice for directors who are not resident in the UK.

5 Bridget Macaskill retired from the Board on 30 September 2011.

6 James Ross retired from the Board on 19 May 2011.

## Supplementary information

### Payments and share releases in 2012 to past executive directors

#### Nick Prettejohn

The 2009 Directors' remuneration report provided details of the remuneration arrangements that would apply to Nick Prettejohn after he resigned from the position of Chief Executive UK & Europe. These arrangements were implemented as intended by the Committee.

The performance periods of Nick Prettejohn's GPSP and UK BUPP awards for 2009 ended on 31 December 2011. Vesting was prorated based on service (ie 9/36ths). Vesting remained dependent on performance achieved over the performance period and shares were released at the same time as for other participants in these plans.

The performance condition attached to the 2009 GPSP award was met in full and 100 per cent of the proportion of the award which was outstanding was released during 2012. Achievement against the shareholder capital value performance measure attached to the 2009 UK BUPP award was 12.5 per cent per annum (on a compound basis), so 87.5 per cent of the outstanding portion of this award was released during 2012. This award was the last that Nick Prettejohn had outstanding under a Prudential long-term incentive plan.

#### Clark Manning

Clark Manning stepped down from his role as President and Chief Executive of Jackson and as an executive director on 31 December 2010. Clark Manning remained Chairman of Jackson until 30 April 2011 and acted in an advisory role until 31 December 2011. The 2010 Directors' remuneration report provided details of the remuneration arrangements that would apply to Clark Manning after his resignation. These arrangements were implemented as intended by the Committee.

During 2012, Clark Manning received the following payments:

- Clark Manning had a prorated 2011 annual bonus opportunity (4/12ths) based on his length of service as Chairman of Jackson during 2011. On this basis, a cash payment of £725,389 was made to him in 2012;
- The deferred portion of the bonuses awarded to Clark Manning in respect of performance in 2009 and 2010 were released to Clark Manning in July 2012;
- The performance condition attached to the 2009 GPSP award was met in full and 100 per cent of the award was released in 2012; and
- Achievement against the shareholder capital value performance measure attached to the 2009 JNL BUPP award was 11.5 per cent per annum (on a compound basis) so 93.75 per cent of the outstanding portion of this award was released in 2012.

The performance condition attached to the 2010 GPSP award was met in full and 100 per cent of the award will be released during 2013. Achievement of the SCV performance measure attached to the 2010 Jackson BUPP award was 22.68 per cent per annum (on a compound basis), so 100 per cent of the outstanding portion of this award will be released during 2013.

Outstanding 2010 awards made to Clark Manning under the GPSP and BUPP will vest (subject to the achievement of performance conditions) on the same schedule as awards made to other executive directors. These awards will be prorated to reflect the portion of the performance periods which had elapsed on 31 December 2011 (ie 24/36ths).

No awards were made to Clark Manning under any long-term incentive plan during 2011 or 2012 and none will be made in any subsequent year.

### Payments and share releases in 2012 to newly appointed executive directors

Share awards made to Nic Nicandrou and Rob Devey in connection with their appointment were released, as scheduled, during 2012. Details of these awards were originally set out in the Directors' remuneration report for 2009. Please see the Other share awards table for details.

No other amounts were paid during the financial year or were receivable by directors (or past directors) in connection with leaving the organisation.

**Directors' outstanding long-term incentive awards****Share-based long-term incentive awards**

The section below sets out the outstanding share awards under the Group Performance Share Plan and the awards made under additional long-term plans (Business Unit Performance Plan and JNL Performance Share Plan) for the executive directors with regional responsibilities.

Plan name	Year of award	Conditional share awards outstanding at 1 January 2012 (Number of shares)	Conditional awards in 2012 (Number of shares)	Market price at date of award (pence)	Dividend equivalents on vested shares (Number of shares released) note(2)	Rights exercised in 2012	Rights lapsed in 2012	Conditional share awards outstanding at 31 December 2012 (Number of shares)	Date of end of performance period
<b>Rob Devey</b>									
GPSP	2009	120,898		639	15,361	136,259		–	31 Dec 11
BUPP	2009	120,897		639	15,361	136,258		–	31 Dec 11
GPSP	2010	104,089		568.5				104,089	31 Dec 12
BUPP	2010	104,089		568.5				104,089	31 Dec 12
GPSP	2011	76,242		733.5				76,242	31 Dec 13
BUPP	2011	76,242		733.5				76,242	31 Dec 13
GPSP	2012		88,273	678				88,273	31 Dec 14
BUPP	2012		88,273	678				88,273	31 Dec 14
		602,457	176,546		30,722	272,517		537,208	
<b>John Foley</b>									
GPSP	2011	152,484		733.5				152,484	31 Dec 13
GPSP	2012		199,433	678				199,433	31 Dec 14
		152,484	199,433					351,917	
<b>Michael McLintock</b>									
GPSP	2009	92,022		455.5	11,691	103,713		–	31 Dec 11
GPSP	2010	66,238		568.5				66,238	31 Dec 12
GPSP	2011	48,517		733.5				48,517	31 Dec 13
GPSP	2012		47,079	678				47,079	31 Dec 14
		206,777	47,079		11,691	103,713		161,834	
<b>Nic Nicandrou</b>									
GPSP	2009	316,328		639	40,197	356,525		–	31 Dec 11
GPSP	2010	208,179		568.5				208,179	31 Dec 12
GPSP	2011	152,484		733.5				152,484	31 Dec 13
GPSP	2012		185,374	678				185,374	31 Dec 14
		676,991	185,374		40,197	356,525		546,037	
<b>Barry Stowe<sup>note(1)</sup></b>									
GPSP	2009	196,596		455.5	22,868	219,464		–	31 Dec 11
BUPP	2009	196,596		455.5	19,780	189,834	26,542	–	31 Dec 11
GPSP	2010	129,076		568.5				129,076	31 Dec 12
BUPP	2010	129,076		568.5				129,076	31 Dec 12
GPSP	2011	88,270		733.5				88,270	31 Dec 13
BUPP	2011	88,270		733.5				88,270	31 Dec 13
GPSP	2012		95,642	678				95,642	31 Dec 14
BUPP	2012		95,642	678				95,642	31 Dec 14
		827,884	191,284		42,648	409,298	26,542	625,976	

## Supplementary information continued

Plan name	Year of award	Conditional share awards outstanding at 1 January 2012 (Number of shares)	Conditional awards in 2012 (Number of shares)	Market price at date of award (pence)	Dividend equivalents on vested shares (Number of shares released) note (2)	Rights exercised in 2012	Rights lapsed in 2012	Conditional share awards outstanding at 31 December 2012 (Number of shares)	Date of end of performance period
<b>Tidjane Thiam</b>									
GPSP	2009	299,074		455.5	38,004	337,078		–	31 Dec 11
GPSP	2010	510,986		568.5				510,986	31 Dec 12
GPSP	2011	374,279		733.5				374,279	31 Dec 13
GPSP	2012		523,103	678				523,103	31 Dec 14
		1,184,339	523,103		38,004	337,078		1,408,368	
<b>Mike Wells</b> <sup>notes (1 &amp; 5)</sup>									
JNL PSP	2008	84,900		546		84,900		–	31 Dec 11
JNL PSP	2009	218,100		455.5				218,100	31 Dec 12
JNL PSP	2010	141,000		568.5				141,000	31 Dec 13
GPSP	2011	197,648		733.5				197,648	31 Dec 13
BUPP	2011	197,648		733.5				197,648	31 Dec 13
GPSP	2012		199,256	678				199,256	31 Dec 14
BUPP	2012		199,256	678				199,256	31 Dec 14
		839,296	398,512			84,900		1,152,908	

## Notes

- The awards for Barry Stowe and Mike Wells were made in ADRs (1 ADR = 2 Prudential plc shares). The figures in the table are represented in terms of Prudential shares.
- In 2009 and 2010, a scrip dividend equivalent and in 2011 and 2012 a DRIP dividend equivalent were accumulated on these awards.
- On 31 December 2012, the performance period of the 2010 GPSP awards came to an end. Prudential's TSR performance was 139.9 per cent of the TSR performance of the peer index. On this basis, it is anticipated that awards granted under this plan in 2010 will vest in full. This will result in 104,089 shares vesting for Rob Devey, 66,238 shares for Michael McLintock, 208,179 shares for Nic Nicandrou, 129,076 shares for Barry Stowe and 510,986 shares for Tidjane Thiam under this plan. Dividend equivalents will be released on these vested shares.
- At 31 December 2012, the performance period of the 2010 BUPP awards came to an end. Over the performance period the new business profit, IFRS profit and cash remittance achieved by the Asia business meant that it is anticipated that 95.2 per cent of the award will vest. This will result in 122,880 shares being released to Barry Stowe under this plan. Since the UK BUPP uses the same TSR performance measure as the GPSP, it is anticipated that 104,089 shares will be released to Rob Devey under this plan. No current executive director participated in the 2010 JNL BUPP. Dividend equivalents will be released on these vested shares.
- The table above reflects the maximum number of shares (150 per cent of the original number awarded) which may be released to Mike Wells under the JNL Performance Share Plan. This maximum number of shares may be released if stretch performance targets are achieved. On 31 December 2012, the performance period of the 2009 JNL Performance Share Plan award came to an end. On the basis of the shareholder value being achieved by the Jackson business over the performance period, it is anticipated that 150 per cent of awards will vest, resulting in 218,100 shares being released to Mike Wells under this plan in 2013.

**Business-specific cash-based long-term incentive plans**

Details of all outstanding awards under cash-based long-term incentive plans are set out in the table below. The performance period for all M&G Executive LTIP awards is three years while the performance period for all JNL LTIP awards is four years:

	Year of initial award	Face value of conditional share awards outstanding at 1 January 2012 £000	Conditionally awarded in 2012 £000	Payments made in 2012 £000	Face value of conditional share awards outstanding at 31 December 2012 £000	Date of end of performance period
<b>Michael McLintock</b>						
M&G Executive LTIP	2009	1,830		5,417	–	31 Dec 11
M&G Executive LTIP	2010	987			987	31 Dec 12
M&G Executive LTIP	2011	1,318			1,318	31 Dec 13
M&G Executive LTIP	2012		953		953	31 Dec 14
Total cash payments made in 2012				5,417		
<b>Mike Wells</b>						
JNL LTIP	2008	756		827	–	31 Dec 11
JNL LTIP	2009	894			894	31 Dec 12
JNL LTIP	2010	906			906	31 Dec 13
Total cash payments made in 2012				827		

**Note**

Under the M&G Executive LTIP, the value of each unit at award is £1. The value of units changes based on M&G's profit growth and investment performance over the performance period. For the 2009 award of 1,830,189 units, the unit price at the end of the performance period was £2.96 which resulted in a payment of £5,417,359 to Michael McLintock during 2012. For the 2010 award of 987,179 units, the unit price at the end of the performance period was £2.65. This will result in payment of £2,616,024 to Michael McLintock in 2013.

See page 128 for a description of the JNL LTIP. Performance over the period from 2008 to 2011 resulted in a payment of £826,975 to Mike Wells during 2012. Performance over the period from 2009 to 2012 will result in a payment of £1,117,509 being paid to Mike Wells in 2013. The awards above were made before Mike Wells became an executive director and it is anticipated that no further awards will be made to him under this Plan.

The sterling face value of Mike Wells' JNL LTIP awards have been calculated using the average exchange rate for the year in which the grant was made. The dollar face value of conditional share awards outstanding on 1 January 2012 and 31 December 2012 was US\$4,200,000 and US\$2,800,000 respectively.

## Supplementary information continued

### Other share awards

The table below sets out the share awards that have been made to executive directors under their appointment terms and those deferred from annual incentive plan payments. The number of shares is calculated using the average share price over the three business days commencing on the day of the announcement of the Group's annual financial results for the relevant year. For the awards from the 2011 annual incentives, made in 2012, the average share price was 776 pence. Please see the table on page 142 for details of shares acquired under the Share Incentive Plan.

	Year of grant	Con- ditional share awards out- standing at 1 January 2012 (Number of shares)	Con- ditionally awarded in 2012 (Number of shares)	Dividends accumu- lated in 2012 (Number of shares) note (2)	Shares released in 2012 (Number of shares)	Con- ditional share awards out- standing at 31 December 2012 (Number of shares)	Date of end of restricted period	Date of release	Market price at date of award (pence)	Market price at date of vesting or release (pence)
<b>Rob Devey</b>										
Awards under appointment terms	2009	50,575			50,575	–	31 Mar 12	29 Mar 12	639	750
Deferred 2009 annual incentive award	2010	28,737		1,018		29,755	31 Dec 12		552.5	
Deferred 2010 annual incentive award	2011	46,694		1,655		48,349	31 Dec 13		721.5	
Deferred 2011 annual incentive award	2012		41,136	1,457		42,593	31 Dec 14		750	
		126,006	41,136	4,130	50,575	120,697				
<b>John Foley</b>										
Deferred 2009 deferred PruCap award	2010	172,993		6,133	179,126	–	14 Dec 12	14 Dec 12	612	881
Deferred 2011 annual incentive award	2012		44,481	1,576		46,057	31 Dec 14		750	
		172,993	44,481	7,709	179,126	46,057				
<b>Michael McLintock</b>										
Deferred 2008 annual incentive award	2010	137,700			137,700	–	31 Dec 11	15 Mar 12	519.5	780
Deferred 2009 annual incentive award	2010	74,840		2,653		77,493	31 Dec 12		552.5	
Deferred 2010 annual incentive award	2011	77,988		2,765		80,753	31 Dec 13		721.5	
Deferred 2011 annual incentive award	2012		36,008	1,276		37,284	31 Dec 14		750	
		290,528	36,008	6,694	137,700	195,530				
<b>Nic Nicandrou</b>										
Awards under appointment terms	2009	68,191			68,191	–	31 Mar 12	29 Mar 12	639	750
Deferred 2009 annual incentive award	2010	26,342		934		27,276	31 Dec 12		552.5	
Deferred 2010 annual incentive award	2011	48,155		1,707		49,862	31 Dec 13		721.5	
Deferred 2011 annual incentive award	2012		43,518	1,542		45,060	31 Dec 14		750	
		142,688	43,518	4,183	68,191	122,198				

	Year of grant	Con- ditional share awards out- standing at 1 January 2012 (Number of shares)	Con- ditionally awarded in 2012 (Number of shares)	Dividends accumu- lated in 2012 (Number of shares) note (2)	Shares released in 2012 (Number of shares)	Con- ditional share awards out- standing at 31 December 2012 (Number of shares)	Date of end of restricted period	Date of release	Market price at date of award (pence)	Market price at date of vesting or release (pence)
<b>Barry Stowe</b> <sup>note (1)</sup>										
Deferred 2008 annual incentive award	2009	22,643			22,643	–	31 Dec 11	15 Mar 12	349.5	780
Deferred 2009 annual incentive award	2010	39,088		1,386		40,474	31 Dec 12		552.5	
Deferred 2010 annual incentive award	2011	56,316		1,998		58,314	31 Dec 13		721.5	
Deferred 2011 annual incentive award	2012		50,648	1,798		52,446	31 Dec 14		750	
		118,047	50,648	5,182	22,643	151,234				
<b>Tidjane Thiam</b>										
Deferred 2008 annual incentive award	2010	69,924			69,924	–	31 Dec 11	15 Mar 12	552.5	780
Deferred 2009 annual incentive award	2010	63,240		2,242		65,482	31 Dec 12		552.5	
Deferred 2010 annual incentive award	2011	221,657		7,858		229,515	31 Dec 13		721.5	
Deferred 2011 annual incentive award	2012		101,134	3,585		104,719	31 Dec 14		750	
		354,821	101,134	13,685	69,924	399,716				
<b>Mike Wells</b> <sup>note (1)</sup>										
2009 After Tax Deferral Program award <sup>note (3)</sup>	2010	32,250				32,250	15 Mar 13		520	
Deferred 2010 Group Deferred Bonus Plan award	2011	90,854		3,226		94,080	31 Dec 13		721.5	
Deferred 2011 annual incentive award	2012		93,034	3,302		96,336	31 Dec 14		750	
		123,104	93,034	6,528		222,666				

**Notes**

1 The Deferred Share Awards in 2010, 2011 and 2012 for Barry Stowe and Mike Wells were made in ADRs (1 ADR = 2 Prudential plc shares). The figures in the table are represented in terms of Prudential shares.

2 In 2009 and 2010 a scrip dividend equivalent and in 2011 and 2012 a DRIP dividend equivalent were accumulated on these awards.

3 This award attracts dividends in the form of cash rather than shares.

## Supplementary information continued

### Shares acquired under the Share Incentive Plan

	Year of initial grant	Share incentive plan awards held in Trust at 1 January 2012 (Number of shares)	Partnership shares accumulated in 2012 (Number of shares)	Matching shares accumulated in 2012 (Number of shares)	Dividend shares accumulated in 2012 (Number of shares)	Share Incentive Plan awards held in Trust at 31 December 2012 (Number of shares)
<b>Nic Nicandrou</b>						
Shares held in Trust	2010	596	199	50	24	869

#### Note

The table above provides information about shares purchased under the SIP together with Matching shares (awarded on a 1:4 basis) and Dividend shares. The total number of shares will only be released if Nic Nicandrou remains in employment for five years.

### Outstanding share options

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

	Date of grant	Exercise price	Market price at 31 December 2012	Exercise period		Beginning of period	Number of options					End of period
				Beginning	End		Granted	Exercised	Cancelled	Forfeited	Lapsed	
John Foley	25 Apr 08	551	865.5	01 Jun 13	29 Nov 13	2,953	–	–	–	–	–	2,953
Tidjane Thiam	16 Sep 11	465.8666	865.5	01 Dec 14	29 May 15	965	–	–	–	–	–	965
Nic Nicandrou	16 Sep 11	465.8666	865.5	01 Dec 16	31 May 17	3,268	–	–	–	–	–	3,268
Rob Devey	16 Sep 11	465.8666	865.5	01 Dec 16	31 May 17	3,268	–	–	–	–	–	3,268

#### Notes

1 No gains were made by directors in 2012 on the exercise of SAYE options (2011: £665).

2 No price was paid for the award of any option.

3 The highest and lowest closing share prices during 2012 were 911.5 pence and 633.5 pence respectively.

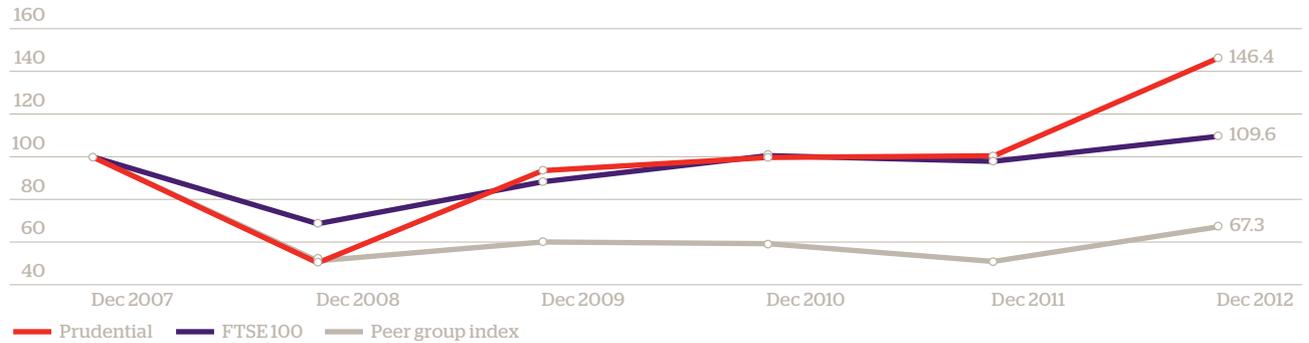
### Dilution

Releases from Prudential's GPSP and BUPP are satisfied using new issue shares rather than by purchasing shares in the open market. Shares relating to options granted under all-employee share plans are also satisfied by new issue shares. The combined dilution from all outstanding shares and options at 31 December 2012 was 0.1 per cent of the total share capital at the time. Deferred shares will continue to be satisfied by the purchase of shares in the open market.

**Company TSR performance (unaudited information)**

As required by the Companies Act, the line chart below compares Prudential's Total Shareholder Return (TSR) during the five years from 1 January 2008 to 31 December 2012, with that of the peer group against which TSR is measured for the purposes of the Group Performance Share Plan. Our performance is also shown relative to the FTSE 100 since Prudential is a major company within this index. This chart is prepared using the methodology stipulated in the current remuneration regulations:

**Prudential TSR v FTSE 100 and peer group index - total returns % over five years to December 2012**



**Five highest paid individuals (unaudited information)**

Of the five individuals with the highest emoluments in 2012, three were directors whose emoluments are disclosed in this report (2011: two; 2010: one). The aggregate of the emoluments of the other two individuals for 2012 (2011: three; 2010: four) were as follows:

£000,000	2010	2011	2012
Base salaries, allowances and benefits in kind <sup>(note 1)</sup>	1	1	-
Pension contributions <sup>(note 2)</sup>	-	-	-
Bonuses paid or receivable	18	23	15
Share-based payments and other cash payments	6	2	1
<b>Total</b>	<b>25</b>	<b>26</b>	<b>16</b>

**Notes**

- 1 Base salaries, allowances and benefits in kind in 2012 were less than £400,000.
- 2 Pension contributions payable were less than £150,000 in each period.

Their emoluments were within the following bands:

	2010	2011	2012
£5,000,001 – £5,100,000	1		
£5,300,001 – £5,400,000	1		
£5,700,001 – £5,800,000			1
£6,000,001 – £6,100,000	1		
£8,200,001 – £8,300,000		1	
£8,300,001 – £8,400,000	1		
£8,400,001 – £8,500,000		2	
£10,000,001 – £10,100,000			1

Signed on behalf of the Board of directors

**Lord Turnbull**  
**Chairman of the Remuneration Committee**  
 12 March 2013

**Paul Manduca**  
**Chairman**  
 12 March 2013

