

Section 3

Governance

88	Board of directors
93	Corporate Governance report:
93	Role of the Board and Governance Framework
100	Audit Committee report
103	Nomination Committee report
104	Risk Committee report
105	Risk governance
107	Relations with shareholders
110	Additional disclosures
111	Index to principal directors' report disclosures

Board of directors



Chairman

Paul Manduca Chairman

Appointments

Board: October 2010

Chairman of the Board: July 2012

Chairman of the Nomination

Committee: July 2012

Paul Manduca was the Senior Independent Director prior to his appointment as Chairman. He was also a member of the Audit and Remuneration Committees from October 2010 to June 2012 and a member of the Nomination Committee from January 2011.

Paul was a non-executive director of Wm Morrison Supermarkets Plc (Morrisons) from September 2005 until March 2011. During that time, he was the Senior Independent Director, a member of the Nomination Committee and Chairman of the Remuneration Committee of Morrisons, and prior to that he chaired the Audit Committee of Morrisons. Paul retired as Chairman of JPM European Smaller Companies Investment Trust Plc in December 2012 and was the Chairman of Aon UK Limited until September 2012. He was also a non-executive director and Chairman of the Audit Committee of KazMunaiGas Exploration & Production until the end of September 2012.

Paul was the Senior Independent Director and Chairman of the Audit Committee of Development Securities plc until March 2010, Chairman of Bridgewell Group plc until 2007 and a director of Henderson Smaller Companies Investment Trust plc until 2006. Prior to that, he was European CEO of Deutsche Asset Management from 2002 to 2005, global CEO of Rothschild Asset Management from 1999 to 2002 and founding CEO of Threadneedle Asset Management Limited from 1994 to 1999 when he was also a director of Eagle Star and Allied Dunbar. Paul is a member of the Securities Institute, a former Chairman of the Association of Investment Companies from 1991 to 1993, and former member of the Takeover Panel. He is also the Chairman of Henderson Diversified Income Limited. Age 61.



Group Chief Executive

Tidjane Thiam Group Chief Executive

Appointments

Board: March 2008

Group Chief Executive:
October 2009

Tidjane was the Chief Financial Officer from March 2008 until his appointment as Group Chief Executive in 2009.

Tidjane spent the first part of his professional career with McKinsey & Company in Paris and New York, serving insurance companies and banks. He then spent a number of years in Africa where he was Chief Executive and later Chairman of the National Bureau for Technical Studies and Development in Côte d'Ivoire and a cabinet member as Secretary of Planning and Development. Tidjane returned to France to become a partner with McKinsey & Company and one of the leaders of their Financial Institutions practice before joining Aviva in 2002. He worked at Aviva until 2008, holding successively the positions of Group Strategy and Development Director, Managing Director of Aviva International, Group Executive Director and Chief Executive Officer, Europe.

Tidjane was a non-executive director of Arkema in France until November 2009. He is a member of the Board of the Association of British Insurers (ABI) and he was appointed as Chairman in July 2012. He is a member of the Council of the Overseas Development Institute (ODI) in London, a member of the Africa Progress Panel chaired by Kofi Annan and a sponsor of Opportunity International. Tidjane is a member of the UK-ASEAN Business Council and of the Strategic Advisory Group on UK Trade and Investment. In January 2012, Tidjane was appointed to the Prime Minister's Business Advisory Group and has been a member of the European Financial Round Table (EFR) since January 2013. Tidjane was awarded the Légion d'Honneur by the French President in July 2011. Age 50.



Executive Directors

Nicolaos Nicandrou ACA Chief Financial Officer

Appointments

Board: October 2009

Before joining Prudential, Nic Nicandrou worked at Aviva, where he held a number of senior finance roles, including Norwich Union Life Finance Director and Board Member, Aviva Group Financial Control Director, Aviva Group Financial Management and Reporting Director and CGNU Group Financial Reporting Director. Nic started his career at PriceWaterhouseCoopers where he worked in both London and Paris. Age 47.

John Foley Group Chief Risk Officer

Appointments

Board: January 2011

John Foley has been Group Chief Risk Officer since January 2011. He joined Prudential as Deputy Group Treasurer in 2000 before being appointed Managing Director, Prudential Capital (formerly Prudential Finance (UK)) and Group Treasurer in 2001. He was appointed Chief Executive of Prudential Capital and to the Group Executive Committee in 2007. Prior to joining Prudential, John spent three years with National Australia Bank as General Manager, Global Capital Markets. John began his career at Hill Samuel & Co Limited where, over a 20 year period, he worked in every division of the bank, culminating in senior roles in risk, capital markets and treasury of the combined TSB and Hill Samuel Bank. Age 56.

Robert Devey Executive Director

Appointments

Board: November 2009

Rob Devey has been the Chief Executive of Prudential UK and Europe since 2009. Before joining Prudential, Rob worked at Lloyds Banking Group from 2002, where he held a number of senior leadership roles across insurance and retail banking. Prior to joining Lloyds Banking Group, Rob was a consultant with the Boston Consulting Group (BCG) in the UK, US and Europe.

Rob chairs the London Leadership Team of Business in The Community and is also a trustee of the LloydsTSB Foundation for England and Wales. Age 44.

Michael McLintock Executive Director

Appointments

Board: September 2000

Michael McLintock is the Chief Executive of M&G, a position he held at the time of M&G's acquisition by Prudential in 1999, having joined M&G in 1992. Michael has been a Trustee of the Grosvenor Estate since October 2008 and was appointed as a non-executive director of Grosvenor Group Limited in March 2012. He previously served on the board of Close Brothers Group plc as a non-executive director from 2001 to 2008 and has been a member of the Finance Committee of the MCC since October 2005. Age 51.

Board of directors continued



Executive Directors continued

Barry Stowe Executive Director

Appointments

Board: November 2006

Barry Stowe is the Chief Executive of Prudential Corporation Asia, a position he has held since October 2006. Before joining Prudential, he was President, Accident & Health Worldwide for AIG Life Companies. He joined AIG in 1995, and prior to that was President and CEO of Nisus, a subsidiary of Pan-American Life, from 1992 to 1995. Before joining Nisus, Barry spent 12 years at Willis Corroon in the US.

Barry is a member of the Board of Directors of the International Insurance Society and was a director of the Life Insurance Marketing Research Association (LIMRA) and the Life Office Management Association (LOMA) from October 2008 to October 2011. He is also a member of the Board of Visitors of Lipscomb University, a member of the Board of Managers of the Hong Kong International School and Chairman of Save the Children (HK) Ltd. Age 55.



Michael Wells Executive Director

Appointments

Board: January 2011

Mike Wells is President and CEO of Jackson National Life Insurance Company (Jackson). Mike has served in a variety of senior and strategic positions at Jackson over the last 15 years, including President of Jackson National Life Distributors. Mike has been Vice Chairman and Chief Operating Officer of Jackson for the last nine years. During this period he has led the development of Jackson's variable annuity business and been responsible for IT, strategy, operations, communications, distributions, Curian and the retail broker dealers. Age 52.



Non-Executive Directors

Keki Dadiseth FCA Independent non-executive director

Appointments

Board: April 2005

Remuneration Committee:
April 2005

Keki was a member of the Audit Committee from 2005 to 2007 and was appointed as a member of the Prudential Corporation Asia Audit Committee in July 2012. During 2006, he was appointed as a non-executive director of ICICI Prudential Life Assurance Company Limited and ICICI Prudential Trust Limited.

Keki is also a director of Britannia Industries Limited, JM Financial Limited, JM Financial Services Limited, Piramal Enterprises Limited, Siemens Limited, The Indian Hotels Company Limited and Godrej Properties Limited, all of which are quoted on the Bombay Stock Exchange. In addition, he acts as adviser to Fleishman-Hillard Inc and is Chairman of Marsh & McLennan Companies Group, India.

He is Chairman of the Breach Candy Hospital Trust and a trustee for a number of Indian charities. Keki is the non-executive Chairman of Omnicom India Marketing Advisory Services Private Limited, an unquoted Indian company, and is also a board member of various other unquoted Indian companies. He serves as Chairman of Sony India Pvt Ltd and Senior Advisor to Sony Group in India.

Before he retired from Unilever in 2005, Keki was Director, Home and Personal Care, responsible for the HPC business of Unilever worldwide, a Board member of Unilever PLC and Unilever N.V., and a member of Unilever's Executive Committee. He joined Hindustan Lever Ltd in India in 1973 and in 1987, he joined the Board of Hindustan Lever and became Chairman in 1996. Age 67.



Non-Executive Directors

Sir Howard Davies Independent non-executive director

Appointments

Board: October 2010

Chairman of the Risk Committee: October 2010

Audit Committee: November 2010

Nomination Committee: July 2012

Sir Howard is chairman of the Phoenix Group, and a Professor at Institut d'Études Politiques (Sciences Po). He is also Chairman of the UK Government's Airports Commission. He chairs the International Advisory Board of the China Securities Regulatory Commission and is a member of the International Advisory Board of the China Banking Regulatory Commission. He is also an independent director of Morgan Stanley Inc and a Director of the National Theatre. Age 62.

Michael Garrett Independent non-executive director

Appointments

Board: September 2004

Remuneration Committee: September 2004

Michael Garrett worked for Nestlé from 1961, becoming Head of Japan from 1990 to 1993, and then Zone Director and Member of the Executive Board, responsible for Asia and Oceania. In 1996 his responsibilities were expanded to include Africa and the Middle East. Michael retired as Executive Vice President of Nestlé in 2005. He served the Government of Australia as Chairman of the Food Industry Council and as a Member of the Industry Council of Australia, and was also a member of the Advisory Committee for an APEC (Asia-Pacific Economic Cooperation) Food System, a Member of The Turkish Prime Minister's Advisory Group and the WTO (World Trade Organization) Business Advisory Council in Switzerland.

Michael remains a director of Nestlé in India, and was appointed Chairman of the Evian Group, a think tank and forum for dialogue promoting free trade, from 2001 to 2011. He also serves as a non-executive director on the Boards of the Bobst Group in Switzerland, Hasbro Inc. in the USA, and Gottex Fund Management Holdings Limited in Guernsey. In addition, he is a Member of the Swaziland International Business Advisory Panel under the auspices of the Global Leadership Foundation (GLF) London, as well as being a member of the Development Committee of the International Business Leaders Forum (IBLF) until stepping down in 2011. Age 70.

Ann Godbehere FCGA Independent non-executive director

Appointments

Board: August 2007

Chairman of the Audit Committee: October 2009

Risk Committee: November 2010

Nomination Committee: July 2012

Ann was a member of the Audit Committee from 2007.

Ann began her career in 1976 with Sun Life of Canada, joining Mercantile & General Reinsurance Group in 1981, where she held a number of management roles rising to Senior Vice President and Controller for life and health and property/casualty businesses in North America in 1995. In 1996 Swiss Re acquired Mercantile & General Reinsurance Group and Ann became Chief Financial Officer of Swiss Re Life & Health, North America. In 1997 she was made Chief Executive Officer of Swiss Re Life & Health, Canada. She moved to London as Chief Financial Officer of Swiss Re Life & Health Division in 1998 and joined the Property & Casualty Business Group, based out of Zurich, as Chief Financial Officer on its establishment in 2001. From 2003 until February 2007, Ann was Chief Financial Officer of the Swiss Re Group.

Ann is also a non-executive director of British American Tobacco plc, Rio Tinto plc, Rio Tinto Limited, UBS AG, Arden Holdings Limited, Atrium Underwriting Group Limited and Atrium Underwriters Limited. From its nationalisation in 2008 until January 2009, Ann was Interim Chief Financial Officer and Executive Director of Northern Rock. Age 57.

Alexander Johnston (Alistair) CMG FCA Independent non-executive director

Appointments

Board: January 2012

Audit Committee: January 2012

Alistair was a partner of KPMG from 1986 to 2010. He joined KPMG (then Peat Marwick Mitchell) in 1973 and held a number of senior leadership positions. These included Vice Chairman of UK Financial Services and Head of UK Insurance Practice, International Managing Partner – Global Markets and UK Vice Chairman. Latterly he served as a Global Vice Chairman of KPMG from 2007 to 2010.

Alistair acted as a non-executive director of the Foreign & Commonwealth Office from 2005 to 2010 and chaired the audit committee until 2009. He was an Association Member of BUPA until January 2012. Alistair is a member of the Strategy and Development Board and a Visiting Professor at Cass Business School. In February 2012 Alistair was appointed as a Trustee of the Design Museum in London. Age 60.

Board of directors continued



Non-Executive Directors continued

Kaikhushru Nargolwala FCA Independent non-executive director

Appointments

Board: January 2012
Remuneration and Risk
Committees: January 2012

Kai Nargolwala was the non-executive Chairman of Credit Suisse Asia Pacific until December 2011, having joined Credit Suisse in 2008 as a member of the Executive Board and CEO of the Asia Pacific region.

From 1998 to 2007, Kai worked for Standard Chartered PLC where he was a Group Executive Director responsible for Asia Governance and Risk. His responsibilities included developing strategy and business performance across Asia, as well as strategic merger and acquisition activity. Prior to that, he spent 19 years at Bank of America and from 1990 was based in Asia as Group Executive Vice President and Head of the Asia Wholesale Banking Group. From 2004 to 2007, he was a non-executive director at Tate & Lyle plc and at Visa International, where he served on the Asia Pacific Board.

Kai is currently a non-executive director and lead independent director of Singapore Telecommunications Limited, a member of the Board of the Casino Regulatory Authority of Singapore, a non-executive director of PSA International Pte. Limited, Chairman of the Governing Board of the Duke-NUS Graduate Medical School and a director and Chairman of Clifford Capital Pte. Limited. Age 62.

Philip Remnant CBE ACA Senior Independent Director

Appointments

Board: January 2013
Remuneration, Audit, Nomination
Committees: January 2013

Philip Remnant is a senior adviser at Credit Suisse, a Deputy Chairman of the Takeover Panel, a non-executive director of UK Financial Investments Limited (since 2009) and Chairman of City of London Investment Trust plc (since 2011). He was previously a Vice Chairman of Credit Suisse First Boston (CSFB) Europe and Head of the UK Investment Banking Department. Philip was seconded to the role of Director General of the Takeover Panel, which administers the UK's code on takeovers and mergers, from 2001 to 2003 and again in 2010. He served on the Board of Northern Rock plc from 2008 to 2010 and from 2007 to 2012 was Chairman of the Shareholder Executive, which manages the relationships between the UK Government and the businesses in which it is a shareholder. Age 58.

Lord Turnbull KCB CVO Independent non-executive director

Appointments

Board: May 2006
Chairman of the Remuneration
Committee: June 2011
Risk Committee: November 2010
Nomination Committee:
June 2011

Lord Turnbull was a member of the Remuneration Committee from November 2010, and a member of the Audit Committee from January 2007 to November 2010.

Lord Turnbull entered the House of Lords as a Life Peer in 2005. In 2002 he became Secretary of the Cabinet and Head of the Home Civil Service until he retired in 2005. Prior to that he held a number of positions in the Civil Service, including Permanent Secretary at HM Treasury; Permanent Secretary at the Department of the Environment (later Environment, Transport and the Regions); Private Secretary (Economics) to the Prime Minister; and Principal Private Secretary to Margaret Thatcher and then John Major. He joined HM Treasury in 1970.

Lord Turnbull is a non-executive director of Frontier Economics Limited and The British Land Company PLC. He was formerly Chairman of BH Global Limited until January 2013 and a non-executive director of the Arup Group from 2006 to 2007. He also worked part-time as a Senior Adviser to the London partners of Booz and Co (UK) until February 2011. Age 68.

Corporate governance

Good governance through leadership and accountability

Paul Manduca
Chairman



Your Chairman's view:

Prudential's governance framework makes a vital contribution to the long-term success of the Group. To ensure that our business is both successful and sustainable, the Board works closely with management in evaluating the opportunities and risks we face. We ensure that the Group's strategy remains appropriate and that rigorous oversight is in place across our geographically diverse business.

The Board, which I lead, is responsible for ensuring that our governance is strong, clear and appropriate, and plays the best possible part in supporting our business and its growth.

Like all aspects of business, governance is constantly evolving, and we ensure that we are well prepared for new developments. As well as complying with the relevant codes, we keep a close eye on upcoming changes to those codes, and carry out intensive work to prepare our policies, structures and procedures well in advance.

We are committed to reporting on our governance in a clear and transparent way, and will continue to ensure that our governance is the best in its class and a central part of how we do business.

Compliance with Corporate Governance Codes UK Corporate Governance Code and the Corporate Governance Code for Hong Kong

In line with its premium and main listings on the London and Hong Kong stock exchanges, Prudential applies the principles of the UK Corporate Governance Code (the 'UK Code') and the Corporate Governance Code issued by the Hong Kong Stock Exchange ('the HK Code') to its governance framework.

The Board confirms Prudential is currently in compliance with the UK Code provisions although, during the year, there was a period when the Company was without a Senior Independent Director (in accordance with Code Provision A.4.1) due to the appointment of Paul Manduca as Chairman in July 2012. Following this appointment, the search for a new Senior Independent Director commenced and was successfully concluded with the appointment of Philip Remnant, who joined the Board in January 2013. Throughout the search process, the Company ensured that the non-executive directors were available for shareholders to contact should they have had any concerns and the Company believes that the governance of the Board and the Company as a whole was not adversely affected during the period while a successor was sought.

The Board confirms that it has also complied with the HK Code throughout the period other than in respect of the responsibilities of the Remuneration Committee as regards making recommendations to the Board in respect of the remuneration of non-executive directors. It would be inconsistent with the principles of the UK Code for the Remuneration Committee, which is comprised solely of non-executive directors, to be involved in the setting of their own fees.

The principles of the UK and HK Codes have been applied as set out below and in the Directors' remuneration report, which can be found on pages 113 to 143.

The UK Code can be viewed on the Financial Reporting Council's website, with a copy of the HK Code available on the website of the Hong Kong Stock Exchange.

Leadership Role of the Board

The Board is accountable for the long-term success of the Group and for providing leadership within a framework of effective controls. The control environment enables the Board to identify significant risks and apply appropriate measures to manage and mitigate them. The Board is responsible for setting strategic targets and for ensuring that the Group is suitably resourced to achieve those targets. In doing so, the Board takes account of its responsibilities to the Group's stakeholders, including the Group's employees, shareholders, suppliers and the communities in which Prudential operates.

Corporate governance continued

The Board has terms of reference which specifically set out matters reserved for its decision. These are kept under regular review and include matters such as setting the Group's strategy and monitoring its implementation, the approval of annual budgets and business plans, as well as the risk appetite of the Group and its capital and liquidity positions. The Board has approved a governance framework and under these procedures, all business units are required to seek approval from the Board for matters exceeding pre-determined authority limits. The terms of reference are regularly reviewed and enable the Board to exercise effective control over the Group's affairs.

The Board has delegated authority to a number of Board committees which assist the Board in delivering its responsibilities and ensuring that there is appropriate independent oversight of internal control and risk management. Each of these committees has established terms of reference and is comprised of independent non-executive directors, with the exception of the Nomination Committee which, in keeping with the provisions of UK Code, is chaired by the Chairman.

The Board has also delegated authority for the operational management of the Group's businesses to the Group Chief Executive for execution or further delegation by him in respect of matters which are necessary for the effective day-to-day running

and management of the business. The chief executive of each business unit has authority for the management of that respective business unit and each has established a management board comprising its most senior executives.

In performing its duties, the Board has access to the services of the Group Company Secretary who advises on corporate governance matters, Board procedures and compliance with the applicable rules and regulations. Directors have the right to seek independent professional advice at the Group's expense and copies of such advice are circulated to other directors where applicable and appropriate.

In the ordinary course of business, Board and Committee papers are provided to the directors approximately one week in advance of each meeting.

Powers of the Board

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

Table 1

	Board (scheduled)	Board (additional)	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee
Number of meetings held	10	7	12	5	9	5
Chairman						
Harvey McGrath (retired 2 July 2012) ¹	5	5	–	–	2	–
Paul Manduca (appointed 2 July 2012) ^{2,3}	9	6	5	3	8	–
Executive directors						
Tidjane Thiam	10	7	–	–	–	–
Nic Nicandrou	10	6	–	–	–	–
Rob Devey	10	7	–	–	–	–
John Foley	10	7	–	–	–	–
Michael McLintock	9	6	–	–	–	–
Barry Stowe	10	4	–	–	–	–
Mike Wells	10	4	–	–	–	–
Non-executive directors						
Keki Dadiseth	9	3	–	4	–	–
Howard Davies ⁴	10	5	12	–	2	5
Michael Garrett	10	6	–	5	–	–
Ann Godbehere ⁴	10	7	12	–	2	5
Alistair Johnston	10	7	12	–	–	–
Kai Nargolwala ⁶	10	6	–	5	–	4
Kathleen O'Donovan (retired 31 March 2012)	1	1	3	–	4	–
Lord Turnbull ⁷	10	7	–	5	9	5

Notes

1 Harvey McGrath did not attend Nomination Committee meetings when it dealt with the appointment of the successor to his Chairmanship, in accordance with the UK Code.

2 Paul Manduca was the Senior Independent Director and attended all scheduled Audit and Remuneration Committee meetings prior to his appointment as Chairman on 2 July 2012.

3 Paul Manduca missed one Nomination Committee meeting and one additional Board meeting due to a conflict of interest.

4 Appointed as members of the Nomination Committee on 2 July 2012.

5 There was one additional Remuneration Committee meeting and two additional Risk Committee meetings during the year.

6 Kai Nargolwala was unable to attend one additional Risk Committee meeting and one additional Remuneration Committee meeting.

7 Lord Turnbull was unable to attend one additional Risk Committee meeting.

Chairman

The roles of Chairman and Group Chief Executive are separate and clearly defined. The scope of these roles is approved and kept under regular review by the Board so that no individual has unfettered decision-making powers.

The Chairman is responsible for the leadership and governance of the Board, and ensuring that sufficient time is available for discussion of all agenda items. The Chairman also facilitates the contribution of the non-executive directors and constructive relationships between the non-executive and executive directors by promoting a culture of openness and debate.

Harvey McGrath retired as Chairman of the Board in July 2012 and was succeeded by Paul Manduca.

The Board was satisfied that during 2012 the Chairman's external commitments did not hinder the day-to-day performance of his duties for Prudential and that he had the commitment and capability to make himself available under unforeseen circumstances. The major commitments of the Chairman, including changes during the year where applicable, are detailed in his biography on page 88.

Chief Executive

The Group Chief Executive is responsible for the management of the Group and the implementation of the strategy and policy approved by the Board. In discharging his responsibilities, the Group Chief Executive is advised and assisted by the Group Executive Committee which comprises business unit heads and a Group Head Office team of functional specialists.

Senior Independent Director

Paul Manduca was the Senior Independent Director until July 2012 when he succeeded Harvey McGrath as Chairman of the Board. The Nomination Committee concluded its search for a suitable replacement in December 2012, with the appointment of Philip Remnant. Philip's appointment became effective on 1 January 2013.

The Senior Independent Director is responsible for maintaining contact with shareholders with a view to understanding their concerns and issues, as well as providing ongoing support to the Chairman and acting as an intermediary for the other non-executive directors if required. The Senior Independent Director is accessible to all stakeholders, including debt investors, particularly if they have concerns and where contact through the normal channels may have failed or would be inappropriate.

The Senior Independent Director is also responsible for leading the performance evaluation of the Chairman.

Meetings

During 2012, the Board met on 10 scheduled occasions and held seven additional meetings. A separate off-site strategy event was also held. A detailed forward agenda has been in operation for a number of years and this is kept updated to reflect not only regular items of business but also any topical matters arising during the year.

Given the geographical spread of the Group's business, at least one board meeting a year is held overseas at one of the Group's business operations. These meetings facilitate a fuller understanding of operations in that jurisdiction and provide an opportunity for the directors to meet with senior members of the management teams in those countries. The overseas meeting for 2012 was held in Singapore.

Where a director was unable to attend board meetings, their views were canvassed by the Chairman prior to the meeting.

During the year, the Chairman met with the non-executive directors without the executive directors being present on four occasions.

Table 1 on page 94 details the number of board and committee meetings attended by each director during the year.

Effectiveness Composition

At the date of this report, the Board comprised the Chairman, seven executive directors and eight independent non-executive directors.

On 1 January 2012, Kai Nargolwala and Alistair Johnston joined the Board as non-executive directors. Kathleen O'Donovan retired as a non-executive director on 31 March 2012. Harvey McGrath retired as a director on 2 July 2012 and was succeeded as Chairman by Paul Manduca. Philip Remnant was appointed as the Senior Independent Director with effect from 1 January 2013.

The biographies of all current directors are set out on pages 88 to 92.

The Board, or the members in a general meeting, may appoint directors up to a maximum total number of 20 as set out in the Company's Articles of Association. The removal and resignation of the Company's directors is governed by the relevant provisions of the Companies Act 2006, the UK and HK Codes and the Company's Articles of Association.

Corporate governance continued

Terms of appointment for non-executive directors

Non-executive directors are usually appointed for an initial three-year term commencing with their election by shareholders at the first Annual General Meeting following their appointment by the Board and are subject to annual re-election by shareholders. Each appointment is reviewed towards the end of the three-year term against performance and the requirements of the Group's businesses. The terms and conditions of all directors' appointments are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

Non-executive directors are typically expected to serve for two terms of three years from their initial election by shareholders although the Board may invite them to serve for an additional period. Non-executive directors serving a third term are subject to rigorous annual review.

Re-election

Directors appointed to the Board since the 2012 Annual General Meeting will stand for election for the first time and, in accordance with the provisions of the UK Code, all other serving directors will offer themselves for re-election at the Annual General Meeting to be held on 16 May 2013. The Board believes that the non-executive directors bring a wide range of business, financial and international experience to the Board and its committees.

Succession planning

The Board is actively engaged in succession planning for both executive and non-executive roles to ensure that Board composition is regularly refreshed and that the Board retains its effectiveness at all times. This is delivered through an established review process that is applied across all businesses and covers both director and senior management succession and development and also through the work of the Nomination Committee as described more fully on page 103. The Board considers annually the outcome of the review and actions arising from the review are implemented as part of the management development agenda.

Diversity

The Group seeks, through its diversity policy, to encourage the recruitment and retention of talented women at all levels. Furthermore, the Board remains committed to inclusion in all its forms and believes that leading companies seek out, and not simply tolerate, diversity.

The inclusion of women extends to the Board and is an important consideration during searches for new Board members. Prudential embraces the proposition that more women on boards would be advantageous to companies as well as to society at large. The Group remains duty-bound to recruit the best available talent, and although the Board does not endorse quotas, it does commit to having an increasing representation of women in senior positions in the Group and on the Board.

Independence

The independence of the non-executive directors is determined with reference to the UK and HK Codes. Prudential is required to affirm annually the independence of all non-executive directors under the Hong Kong Listing Rules and also the independence of its Audit Committee members under the Sarbanes-Oxley legislation. The Board has appropriate processes in place to manage any potential conflicts of interest.

Throughout the year the non-executive directors were considered by the Board to be independent in character and judgement and met the provisions for independence as set out in the UK and HK Codes. The Company has received confirmation of independence from each of the independent non-executive directors as required by the Hong Kong Listing Rules.

Paul Manduca succeeded Harvey McGrath as Chairman in July 2012 and is considered to have met the independence requirements of the UK Code on appointment. As the ongoing test of independence is not appropriate in relation to the Chairman under the UK Code, and to ensure a consistent approach in how the Chairman is described in all corporate communications, the Chairman has not been asked to provide confirmation of his independence for the purposes of the Hong Kong Listing Rules for the financial year 2012 and will not be asked to do so in future.

Keki Dadiseth and Barry Stowe serve as non-executive directors of ICICI Prudential Life Insurance Company Limited, an Indian company which is owned 26 per cent by Prudential. In addition, Keki serves, at Prudential's request, as a non-executive director of ICICI Prudential Trust Limited, an Indian company which is owned 49 per cent by Prudential. The Board does not consider that these appointments in any way affect Keki's status as an independent director of Prudential.

Alistair Johnston was a partner in the Company's auditor, KPMG, from 1986 to 2010. However, he did not audit the Prudential Group and he no longer has any financial or other interest in KPMG. The Board does not consider that this former relationship with KPMG affects Alistair's status as an independent director of Prudential.

Prudential is one of the UK's largest institutional investors and the Board does not believe that this situation compromises the independence of those non-executive directors who are on the boards of companies in which the Group has a shareholding. The Board also believes that such shareholdings should not preclude the Company from having the most appropriate and highest calibre non-executive directors.

Induction and development

The Group Company Secretary supports the Chairman in providing tailored induction programmes for new directors and ongoing development for all directors. On appointment all directors embark upon a wide-ranging induction programme covering, amongst other things, the principal bases of accounting for the Group's results, the role of the Board and its key committees and the ambit of the internal audit and risk management functions. In addition, they receive detailed briefings on the Group's principal businesses, its product range, the markets in which it operates and the overall competitive environment. These sessions are facilitated through meetings with executive management and other senior members of the management team. Other areas addressed include the directors' obligations under the different listing regimes, legal issues affecting directors of financial services companies, the Group's governance arrangements and its investor relations programme, as well as its remuneration policies.

Throughout their period in office, directors are regularly updated on the Group's businesses and the regulatory and industry-specific environments in which it operates as well as on their legal and other duties and obligations as directors where appropriate. The scope of these updates is reviewed in line with the requirements of the business and can be in the form of written reports to the Board, or presentations by senior executives or by external advisers where appropriate. In order to enhance their knowledge and effectiveness throughout their term in office, non-executive directors serving on key committees are updated regularly on matters specific to the relevant committee and receive presentations from senior executives on topics of interest to them.

Ongoing professional development was undertaken by all directors during 2012. This included a number of sector-specific and business issues as well as legal, accounting and regulatory changes and developments, and covered an update on key changes applicable to companies listed on the Hong Kong Stock Exchange. A number of business unit chief executive officers together with relevant senior executives gave presentations to the Board during the course of the year on the challenges and opportunities currently faced by their business unit. In addition, senior managers within certain head office functions presented to the Board on the key issues currently facing their function and directors received briefings on Solvency II. Members of the Audit Committee have the option to attend meetings of the business unit audit committees to aid their understanding of topical matters of interest to them and how they are handled by the Group.

Non-executive directors have also received updates and briefings relevant to their duties as directors of a company listed on the Hong Kong Stock Exchange.

Performance evaluation

In respect of 2011, there was a formal and rigorous review of the Board, its Committees and their effectiveness which was undertaken by an external consultancy. Areas of improvement were identified and good progress was made against these during the course of 2012.

In respect of 2012, the review was carried out internally and was facilitated by the Group Company Secretary. The review was conducted using a combination of face-to-face meetings and questionnaires, and the findings will be presented to the Board in March 2013. Opportunities to improve Board performance will be documented and an action plan for 2013 agreed.

The performance of the non-executive directors and the Group Chief Executive is evaluated by the Chairman in individual meetings. The Senior Independent Director leads the non-executive directors in a performance evaluation of the Chairman.

Executive directors are subject to regular review and the Group Chief Executive individually appraises the performance of each of the executive directors as part of the annual Group-wide performance evaluation of all staff.

Conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association allow the directors to authorise conflicts of interest and the Board has adopted a policy and effective procedures to manage and, where appropriate, approve conflicts or potential conflicts of interest. Under these procedures directors are required to declare all directorships or other appointments to companies which are not part of the Group as well as other situations which could result in conflicts or could give rise to a potential conflict. The Nomination Committee, or the Board where appropriate, evaluates and approves each such situation individually where applicable.

Directors' interests

Individual directors' interests are set out on page 133 of the Directors' remuneration report.

Corporate governance continued

External appointments

Directors may hold directorships or other significant interests in companies outside the Group which may have business relationships with the Group.

Non-executive directors may serve on a number of other boards provided that they are able to demonstrate satisfactory time commitment to their role at Prudential and that they discuss any new appointment with the Chairman prior to accepting. This ensures that they do not compromise their independence and that any potential conflicts of interest and any possible issues arising out of the time commitments required by the new role can be identified and addressed appropriately. The major commitments of our non-executive directors are detailed in their biographies set out on pages 90 to 92.

Executive directors may accept external directorships and retain any fees earned from those directorships subject to prior discussion with the Group Chief Executive and always provided this does not lead to any conflicts of interest. In line with the UK Code, executive directors would be expected to hold no more than one non-executive directorship, nor the chairmanship, of a FTSE 100 company. Some of our executive directors hold directorships or trustee positions of unquoted companies or institutions. Details of any fees retained are included in the Directors' remuneration report on page 131 and major commitments of our executive directors are detailed in their biographies on pages 88 to 90.

Directors' indemnities and protections

Suitable insurance cover is in place in respect of legal action against directors and senior managers of companies within the Prudential Group. Protection for directors, and certain senior managers, of companies within the Group, against personal financial exposure which may be incurred in their capacity as such, is also provided. These include qualifying third party indemnity provisions (as defined by the Companies Act 2006) for the benefit of directors of Prudential plc and other such persons including, where applicable, in their capacity as directors of other companies within the Group. These indemnities were in force during 2012 and remain in force.

In addition, the Articles of Association of the Company permit the directors and officers of the Company to be indemnified in respect of liabilities incurred as a result of their office.

Accountability

Internal control and risk management

The Board has overall responsibility for the system of internal control and risk management and for reviewing its effectiveness. The framework setting out the Group's approach to internal control, risk management and corporate responsibility comprises the following:

Group governance framework: Documents the Group's internal control policies and processes in an online manual, including the Group's risk framework, code of business conduct and detailed policies on key operational and financial risks. Business units are also required to follow any additional processes necessary to comply with local statutory and regulatory requirements.

Group risk framework: Provides an overview of the Group-wide philosophy and approach to risk management and sets out the key risk management processes which support the Group's compliance with internal, statutory and regulatory requirements.

Corporate responsibility framework: Provides an overview of the Group-wide philosophy and approach to corporate responsibility; supports the Group's commercial focus and the increasing challenges faced including changes in stakeholder expectations. A key element is the Group Code of Business Conduct which sets out the ethical standards the Board requires of itself, employees, agents and others working on behalf of the Group, in their dealings with employees, customers, shareholders, suppliers, and competitors, in the wider community and in respect of the environment.

The governance framework principally relates to the operational management of the Group's businesses and includes pre-determined authority limits delegated by the Board in respect of matters which are necessary for the effective day-to-day running and management of the business.

The system is regularly reviewed and complies with the UK and HK Codes, as well as the relevant provisions of Sarbanes-Oxley. In complying with the UK Code, the Group follows the 2005 Turnbull Guidance relating to the sections of the Code dealing with risk management and internal control. The Board reviewed the effectiveness of the system of internal control in February 2013, covering all material controls, including financial, operational and compliance controls, risk management systems and the adequacy of the resources, qualifications and experience of staff of the Group's accounting and financial reporting function. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and gives reasonable, but not absolute, assurance. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place throughout the period and up to the date of this report.

The chief executive and chief financial officer of each business unit, as well as the senior management in Group Head Office, annually certify compliance with the Group's governance, internal control and risk management requirements. The risk management function reviewed any matters identified by the certification process, and also assessed the risk and control issues that arose and were reported during the year. This included routine and exception-based risk reporting, matters identified and reported by other Group Head Office oversight functions and the findings from the work of the internal audit function, which executes risk-based audit plans throughout the Group. The results were reported to and reviewed by the Audit Committee.

In line with the Turnbull Guidance, the certification provided above does not apply to certain material joint ventures where the Group does not exercise full management control. In these cases, the Group satisfies itself that suitable governance and risk management arrangements are in place to protect the Group's interests. However, the relevant Group company which is party to the joint venture must, in respect of any services it provides in support of the joint venture, comply with the requirements of the Group's internal governance framework.

The Business Review provides further detail on Prudential's risk appetite and exposures on pages 68 to 78 and corporate responsibility activities on pages 79 to 85.

Further details on the procedures for the management of risk and the systems of internal control operated by the Group are given in the section on Risk Governance on pages 105 and 106.

The internal control and risk management systems described above and also under the sections on Risk Governance on page 105 and the Audit Committee on page 101, cover the Company's financial reporting process and the Group's process for the preparation of consolidated financial statements.

Committees

The Board has established Audit, Remuneration, Nomination and Risk Committees as principal standing committees of the Board. Each committee has written terms of reference which are kept under regular review. These committees are key elements of the Group's corporate governance framework and reports on each committee are included below.

Our committee structure



Corporate governance continued

Audit Committee report

Ann Godbehere Chairman of the Audit Committee



The Committee's responsibilities consist of oversight over financial reporting, the effectiveness of the internal control systems and monitoring auditor independence. Its duties include gaining assurance on the control over financial processes and the integrity of the Group's financial reports, monitoring the performance, objectivity and independence of the external auditor, reviewing the work of the internal auditor and providing oversight to the Group Compliance function.

During 2012, the Audit Committee continued to focus on ensuring the Group's financial reporting remained clear, robust and informative, and continued to work closely with the Risk Committee to ensure an integrated approach to risk assurance and risk management was achieved. The Committee met regularly with the Group-wide Internal Audit Director and the Audit Partner from the external auditor.

The principal responsibilities of the Committee are to:

- monitor the integrity of the financial statements, including the review of half and full-year results, the annual report and accounts and other significant financial announcements and review the critical accounting policies and key judgmental areas contained therein;
- monitor the framework and effectiveness of the Group's systems of internal control, including the Turnbull compliance statement and Sarbanes-Oxley procedures;
- monitor auditor independence and the external auditor's plans and audit strategy, the effectiveness of the external audit process, the external auditor's qualifications, expertise and resources, and make recommendations for the re-appointment of the external auditor;
- review the internal audit plan and resources, and monitor the audit framework and effectiveness of the internal audit function;
- monitor the effectiveness of compliance processes and controls, and performance against the Group Compliance Plan;
- review the anti-money laundering procedures in place, as well as the review of procedures operated for handling allegations from whistleblowers; and
- review the effectiveness of the business unit audit committees.

The Audit Committee has received balanced and timely information over the course of the year which has enabled it to provide effective oversight of the Group's key financial reporting risks and internal controls.

Membership

The Audit Committee (the Committee) is comprised of the independent non-executive directors as set out below:

- Ann Godbehere (*Chairman*)
- Sir Howard Davies
- Alistair Johnston
- Paul Manduca (to 2 July 2012)
- Kathleen O'Donovan (to 31 March 2012)
- Philip Remnant (from 1 January 2013)

The membership is selected to provide a broad range of financial, commercial and other experience relevant to meet the Committee's objectives.

In performing its duties, the Committee has access to employees and their financial or other relevant expertise across the Group and to the services of the Group-wide Internal Audit Director and the Group Company Secretary. The Committee may also seek external professional advice at the Company's expense.

The Board has determined that Ann Godbehere, the Committee Chairman, has recent and relevant financial experience in respect of the financial reporting period under review and for the purposes of the UK Code and the Hong Kong Listing Rules. In March 2012, the Board designated Ann Godbehere as its audit committee financial expert for Sarbanes-Oxley Act purposes. This will be reviewed during 2013 in conjunction with the publication of Form 20-F.

Full biographical details of the members of the Committee are set out on pages 88 to 92.

Meetings

The Committee meets at least five times a year and gives consideration to the financial statements of the Group and the Group's system of internal control, as well as its internal and external audit providers. The Chairman of the Committee is a member of the Risk Committee and works closely with that committee in fulfilling the Audit Committee's responsibilities.

By invitation, the Chairman of the Board, the Group Chief Executive, the Chief Financial Officer, the Group Chief Risk Officer and the Group General Counsel, as well as other senior staff from the Group finance, internal audit, risk, compliance and security functions attended the meetings to contribute to the discussions relating to their respective areas of expertise. The lead and other partners of the external auditor also attended the meetings.

During 2012, the Committee held 12 scheduled meetings and details of Committee members' attendance is set out on page 94.

A detailed forward agenda has been in operation for a number of years and is reviewed and updated regularly to ensure all matters for which the Committee is responsible are addressed at the appropriate time of year.

The Committee also received in-depth presentations on a range of topics and received the minutes of both the Disclosure Committee and the Assumptions Approval Committee. Further information on the Disclosure Committee appears under the heading 'US corporate governance and regulations' on page 109. The Assumptions Approval Committee reviews the economic assumptions to be used for EEV reporting, business planning, forecasting and the IAS 19 valuation of the three UK defined benefit pension schemes. Further information on risk governance appears on pages 105 and 106 respectively.

The Committee Chairman reported to the Board on matters of particular significance after each meeting and the minutes were circulated to all Board members. The terms of reference for the Committee are kept under regular review and are updated where required. A copy of these can be found on the Company's website.

The Committee recognises the need to meet without the presence of executive management. Such sessions were held with the external auditor in July and October 2012, and with the internal auditor in July 2012. At all other times management and auditors had open access to the Chairman and the Committee.

Financial reporting

The Committee is regularly briefed by management on developments in International Financial Reporting Standards and focussed on the critical accounting policies and practices as part of its review of financial statements prior to recommending their publication to the Board. The Committee also reviewed any changes or decisions requiring a major element of judgement, unusual transactions, clarity of disclosures, significant audit adjustments (of which there were none in 2012), the going concern assumption, compliance with accounting standards, and compliance with obligations under applicable laws, regulations and governance codes.

Confidential reporting

A standing agenda item of the Committee is to review a report on the use of the confidential reporting procedures, which are available to employees to enable them to communicate confidentially, and anonymously if they so wish, on matters of concern and actions taken in response to these communications.

No material control implications were raised through these procedures during the year.

Business unit audit committees

Every business unit has its own audit committee which provides oversight to the respective business unit and reports any relevant matters to the Committee. The members and chairmen are comprised primarily of senior management who are independent of the respective business unit. The minutes of these committees are reported regularly to the Committee and their meetings are attended by senior management of the respective business unit, including the business units' heads of finance, risk, compliance and Group-wide internal audit.

Business unit audit committees have adopted standard terms of reference across the Group with minor variations to address local requirements or particular requirements of the business. The terms of reference of those committees were reviewed during the year and all include escalation of significant matters to the Committee, recommendations for approval of the business unit internal audit plans and overseeing the adequacy of internal audit

resources. During the year the business unit audit committees reviewed their respective internal audit plans, resources and the results of internal audit work, and both external and internal auditors were able to discuss any relevant matters with the Chairman and members of the Committee as required.

Effectiveness of business unit audit committees

Group-wide Internal Audit has reviewed the effectiveness of each business unit audit committee using an established evaluation tool. The evaluation comprises an annual review questionnaire which is divided into specific areas for appraisal and a walk through of each committee's terms of reference, assessing whether these are appropriate for the business unit and if the committee has fulfilled its responsibilities under the terms. A memorandum summarising the findings of the review, as well as any action points, is compiled for each business unit audit committee.

The findings were reviewed by the Group-wide Internal Audit business unit audit director in conjunction with the Chairman and discussed by the respective business unit audit committees. In addition, the Chairman of each business unit audit committee has confirmed that, in their opinion, the current members have the appropriate balance of skills, knowledge and expertise to oversee the relevant business unit.

On completion of the review, Group-wide Internal Audit concluded that the overall arrangements for the business unit audit committees remained appropriate for the nature and purpose of each business unit and that each business unit audit committee continued to meet the responsibilities as set out in their respective terms of reference.

Internal control and risk management

The Committee reviewed the Group's statement on internal control systems prior to its endorsement by the Board.

Pursuant to the requirements of Section 404 of the Sarbanes-Oxley Act, the Group undertakes an annual assessment of the effectiveness of internal control over financial reporting. Further details are provided below.

Group-wide Internal Audit

The Committee regards its relationship with the internal audit function as pivotal to the effectiveness of its own activities. Group-wide Internal Audit plays an important role in supporting the Committee to fulfil its responsibilities under the UK and HK Codes, as well as the Sarbanes-Oxley Act, and provides independent assurance on the Group's processes of identification and control of risk. Each of the Group's business units has an internal audit team, the heads of which report to the Group-wide Internal Audit Director. Internal audit resources, plans and work are overseen by the Committee and by the business unit audit committees. Total approved internal audit headcount across the Group was 148 at 31 December 2012. The Group-wide Internal Audit Director reports functionally to the Committee and for management purposes to the Chief Financial Officer.

Corporate governance continued

The Committee assesses the effectiveness of the internal audit function by means of regular reviews, some of which are carried out by external advisers, and through ongoing dialogue with the Group-wide Internal Audit Director. A further external effectiveness review of Group-wide Internal Audit was undertaken in quarter four 2012, the findings of which were reported to the Committee in detail in February 2013. The purpose of the review was to ensure that the activities and resources of internal audit continue to be effectively organised to support the oversight responsibilities of the Committee. The review, performed by PriceWaterhouseCoopers, confirmed that Group-wide Internal Audit continued to remain in general conformance with the Institute of Internal Auditors (IIA) International Standards with no material exceptions and demonstrated a noted enhancement of GwIA processes and practices, since the last review in 2011.

The Committee approved the Group-wide Internal Audit annual audit plan of assurance work to be undertaken during 2013.

Group Compliance

The Committee receives regular reports from Group Compliance, who are responsible for assessing the risks posed to the Group as a result of non-compliance with relevant regulations, including those in respect of anti-money laundering and sanctions. Each business unit has its own compliance function, and the role of Group Compliance is to assess the effectiveness of these functions, as well as to provide oversight and support in the identification, mitigation and reporting of regulatory risks arising from both current business activities and from changes in the regulatory environment.

During 2012, the Committee reviewed and approved the target operating model, as well as the plan of work to be undertaken by Group Compliance during 2013.

External audit

The Committee has a key oversight role in relation to the external auditor, KPMG Audit Plc, whose primary relationship is with the Committee. The Group has established an Auditor Independence Policy which ensures that the independence and objectivity of the external auditor is not impaired. The four key principles of the policy underpin the provision of non-audit services by the external auditor, namely that the auditor should not audit its own firm's work, make management decisions for the Group, have a mutuality of financial interest with the Group, or be put in the role of advocate for the Group.

All services provided by the auditor under this policy are provided in accordance with a pre-approved budget and are reviewed by the Committee and approved where necessary. The Committee regularly reviews and updates the policy to ensure alignment with the latest standards and best practice in establishing, maintaining and monitoring auditor independence and objectivity.

Fees payable to the auditor

For the year ended 31 December 2012 the Committee approved fees payable of £14.3 million to its auditor, KPMG Audit Plc. Within this total, the Committee approved fees payable of £2.6 million to KPMG for services not related to audit work which accounted for 18 per cent of total fees payable to the external auditor in the year. In accordance with the Group's Auditor

Independence Policy, all services were approved prior to work commencing and each of the non-audit services was confirmed to be permissible for the external auditor to undertake as defined by the Sarbanes-Oxley Act. The Committee reviewed the non-audit services provided to the Group by KPMG at regular intervals during 2012. These included tax services, due diligence services, attestation reports on internal controls not required by legislation, agreed-upon procedures, other reports, certifications and examinations required by regulators, risk and compliance work, advising on accounting standards and regulatory rules and provision of comfort letters. A summary of fees payable to the auditor for the year ended 31 December 2012 is provided in note I6 to the Group financial statements.

Auditor performance and independence

The Committee assessed the performance, as well as the independence and objectivity, of the external auditor and the effectiveness of the audit process. The review of the effectiveness of the external audit process was conducted through a questionnaire-based exercise administered by Group Finance.

The Committee also reviewed the external audit strategy and received reports from the auditor on its own policies and procedures regarding independence and quality control, including an annual confirmation of its independence in line with industry standards.

Re-appointment of auditor

The Group operates a policy under which at least once every five years a formal review is undertaken by the Committee to assess whether the external audit should be re-tendered. The external audit was last put out to competitive tender in 1999 when the present auditor was appointed. Since 2005 the Committee has annually considered the need to re-tender the external audit service and it again considered this in February 2012, concluding that there was nothing in the performance of the auditor which required a change.

In line with the Auditing Practices Board Ethical Statements and the Sarbanes-Oxley Act, the lead audit partner who was appointed by KPMG Audit Plc in 2007, was replaced by a new lead audit partner in respect of the 2012 financial year.

Following its review of the external auditor's effectiveness and independence, the Committee has recommended to the Board that KPMG Audit Plc be re-appointed as auditor of the Company and a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company will be put to a shareholder vote at the Annual General Meeting on 16 May 2013.

Review of Committee effectiveness

The effectiveness of the Committee was reviewed as part of the internally facilitated review of the Board and its committees. The findings will be discussed by the Board in March 2013.

The Committee is satisfied, taking into account the findings of the internal review, that it had been operating as an effective audit committee throughout the year. Further reviews of the effectiveness of the Committee will be undertaken regularly and will, from time to time, be conducted by external consultants.

Nomination Committee report

Paul Manduca
Chairman of the
Nomination Committee



The Nomination Committee plays a leading role in assessing the balance of skills and experience on the Board and the Group's principal committees. The Committee identifies the roles and capabilities required to meet the demands of the business and, with due regard to diversity, ensures that suitable succession planning is in place. Candidates continue to be considered on merit against specific criteria determined by the Committee.

The Committee also reviews conflicts of interest or potential conflicts of interest raised by directors between Board meetings and for prospective Board members. In cases where there might be an actual or potential conflict of interest the Committee has powers to authorise any such actual or potential conflict situation on behalf of the Board, imposing any terms and conditions it deems appropriate, or to make recommendations to the Board as to whether the conflict or potential conflict should be authorised and if any specific terms should be included in the authorisation.

During 2012, the Committee, under the leadership of Lord Turnbull, led the search for a new Chairman and, once the Chairman had been appointed, embarked on the search for a Senior Independent Director led by the Chairman.

The principal responsibilities of the Committee are to:

- review the size, structure and composition of the Board, including the skills, knowledge, experience and diversity of Board members, and make recommendations to the Board with regard to changes;
- identify and nominate candidates for appointment to the Board, based on merit and against objective criteria;
- make recommendations to the membership of the audit, risk, remuneration and nomination committees in consultation with the Chairmen of those committees; and
- consider and, where necessary, authorise any actual or potential situational conflicts, upon such terms and conditions as the Committee considered appropriate, arising out of a proposed new appointment, the changed circumstances of an existing appointment or that of a director's connected person.

The Committee will continue to review the time commitment required from each of our non-executive directors and, going into 2013, the Committee will continue to review and refresh the skills required to pursue our strategic objectives successfully.

Membership

The Nomination Committee (the Committee) is comprised of the Chairman and the independent non-executive directors as set out below:

- Harvey McGrath (Chairman to 2 July 2012)
- Paul Manduca (Chairman from 2 July 2012)
- Sir Howard Davies (from 2 July 2012)
- Ann Godbehere (from 2 July 2012)
- Kathleen O'Donovan (to 31 March 2012)
- Philip Remnant (from 1 January 2013)
- Lord Turnbull

In performing its duties, the Committee has access to the services of the Group Company Secretary. The Committee may also seek external professional advice at the Company's expense.

Full biographical details of the members of the Committee are set out on pages 88 to 92.

Meetings

The Committee meets at least twice a year to consider the Board composition and membership of the principal Committees and to consider the suitability of all directors standing for re-election at the AGM. In addition, the Committee meets to consider candidates for appointment to the Board. The Group Chief Executive is closely involved in the work of the Committee and is invited to attend and contribute to meetings. By invitation, the Group HR Director also attends the meetings.

The Committee met on nine occasions during 2012 and details of Committee members' attendance is set out on page 94.

As part of the process for appointing any new director, the Committee gives consideration to the balance of skills, experience and knowledge on the Board and, in light of this evaluation, prepares a description of the role and capabilities required for a particular appointment, as well as the expected time commitment. Appointments are made based on merit, against objective criteria set by the Committee.

The focus of the Committee during the year was the search for a new Chairman and a replacement for the role of the Senior Independent Director. Harvey McGrath, the retiring Chairman, was not involved in the selection or appointment of the new Chairman, a process which was led by Lord Turnbull. Once this appointment had been made, the Committee, led by Paul Manduca, initiated the process for finding a Senior Independent Director. The Committee used the services of Spencer Stuart, Korn Ferry International and Ridgeway Partners, executive search agencies to facilitate both of these searches. None of these firms undertook any other significant projects for the Group.

The effectiveness of the Committee was reviewed as part of the internally facilitated review of the Board and its committees. The findings will be discussed by the Board in March 2013.

The Chairman reported to the Board on matters of particular significance after each meeting. The terms of reference for the Committee are kept under regular review and are updated where required. A copy of these can be found on the Group's website.

Corporate governance continued

Risk Committee report

Sir Howard Davies Chairman of the Risk Committee



The Risk Committee continued its work during 2012 with the specific objectives of furthering the in depth understanding of the risks facing the business and enhancing the risk reporting framework with a view to ensuring that the various stakeholders received both timely and suitable information around risk exposures.

The Committee provides leadership, direction and oversight in relation to the Group's overall risk appetite and tolerance and the risk management framework. Oversight of the framework includes reviewing the Group's risk policies and standards, supporting risk limits, methodologies adopted and the processes and controls in place for assessing the Group's risks. During the year the Committee carried out an in depth review of a number of policies and other components forming part of the overall Group Risk Framework and recommended improvements to the Board, providing effective oversight with regard to the Group's risk appetite, tolerance and risk management framework. The Committee also provides oversight in respect of the Group Chief Risk Officer's responsibilities.

The principal responsibilities of the Committee are to:

- review the Group risk, capital and liquidity management framework, as well as the Group's risk appetite, its risk policies and standards, including the parameters used and methodologies and processes adopted for identifying and assessing risks;
- review the material and emerging risk exposures of the Group, including market, credit, insurance, operational, liquidity and economic and regulatory capital risks as well as regulatory and compliance matters;
- oversee the Group's processes and policies for determining risk tolerance and reviewing management's measurement and effectiveness of the Group's risk tolerance levels;
- receive and review Group-wide Internal Audit reports on the risk management function;
- assist the Board in reviewing the risks inherent in the business plans; and
- provide qualitative and quantitative advice to the Remuneration Committee on risk weightings applied to performance objectives incorporated in executive remuneration and evaluate whether the remuneration approach for senior executives was positioned within the Group's overall risk appetite framework.

The Committee also continued to build synergies with the Audit Committee, to ensure that areas of overlap were managed appropriately.

Membership

The Risk Committee (the Committee) is comprised of the independent non-executive directors as set out below:

- Sir Howard Davies (*Chairman*)
- Ann Godbehere
- Kai Nargolwala
- Lord Turnbull

In performing its duties, the Committee has access to the Group Chief Risk Officer and the services of the Group Company Secretary. The Committee may seek external professional advice at the Company's expense.

Full biographical details of the members of the Committee are set out on pages 91 to 92.

Meetings

The Committee meets at least four times a year to consider the Group's risk appetite and provide oversight to the management of risk within the Group. The Chairman of the Committee is a member of the Audit Committee and works closely with that committee in fulfilling the Risk Committee's responsibilities.

The Chairman of the Board, the Group Chief Executive, the Chief Financial Officer, the Group Chief Risk Officer, Group-wide Internal Audit Director, the Group General Counsel and the Group Risk Directors are invited to attend the meetings.

During 2012, the Committee held five scheduled meetings and details of Committee members' attendance is set out on page 94.

The Committee undertook the identification and comprehensive analysis of the Group's key risks and approved the enhancements to the management information provided to the Group Risk Committees and the Board. The Committee further received presentations from certain of the business units on the particular risks inherent in those businesses, as well as the systems and controls in place to monitor and manage those risks. The Committee approved and subsequently reviewed the process for approving large credit risk exposures; it also approved a framework which provides separate limits for global counterparties in respect of counterparty risk exposures. The Committee also reviewed the Group-wide risk appetite framework, including risk appetite statements and limits by risk type. The Committee worked closely with the Audit Committee to ensure any risk assurance relevant to financial reporting was referred to the Audit Committee and with the Remuneration Committee on providing input in respect of risk adjustment measures for the executive remuneration policy. In addition, the role of the Committee includes responding to the needs of the business and carrying out reviews of specific areas of risk as they arise. The Committee worked closely with management and the Group-wide Internal Audit Director during the year and assisted the Board by providing oversight over requests for specific risk assessments.

The Chairman reviewed the work of the Committee and the Group's risk framework as part of the ongoing dialogue with the regulator.

The effectiveness of the Committee was reviewed as part of the internally facilitated review of the Board and its committees. The findings will be discussed by the Board in March 2013.

The Committee Chairman reported to the Board on matters of significance after each meeting. The terms of reference for the Committee are kept under regular review and are updated where required. A copy of these can be found on the Group's website.

Risk governance

Principles and objectives

Risk is defined as the uncertainty that Prudential faces in successfully implementing its strategies and objectives. This includes all internal or external events, acts or omissions that have the potential to threaten the success and survival of Prudential.

The control procedures and systems established within the Group are designed to manage rather than eliminate the risk of failure to meet business objectives. They can only provide reasonable and not absolute assurance against material misstatement or loss and focus on aligning the levels of risk-taking with the achievement of business objectives.

Material risks will only be retained where this is consistent with Prudential's risk appetite framework and its philosophy towards risk-taking. The Group's current approach is to retain such risks where doing so contributes to value creation and the Group is able to withstand the impact of an adverse outcome, and has the necessary capabilities, expertise, processes and controls to appropriately manage the risk.

In keeping with this philosophy, the Group has five objectives for risk and capital management which are as follows:

Framework: to design, implement and maintain a capital management and risk oversight framework, which is consistent with the Group's risk appetite and philosophy towards risk taking;

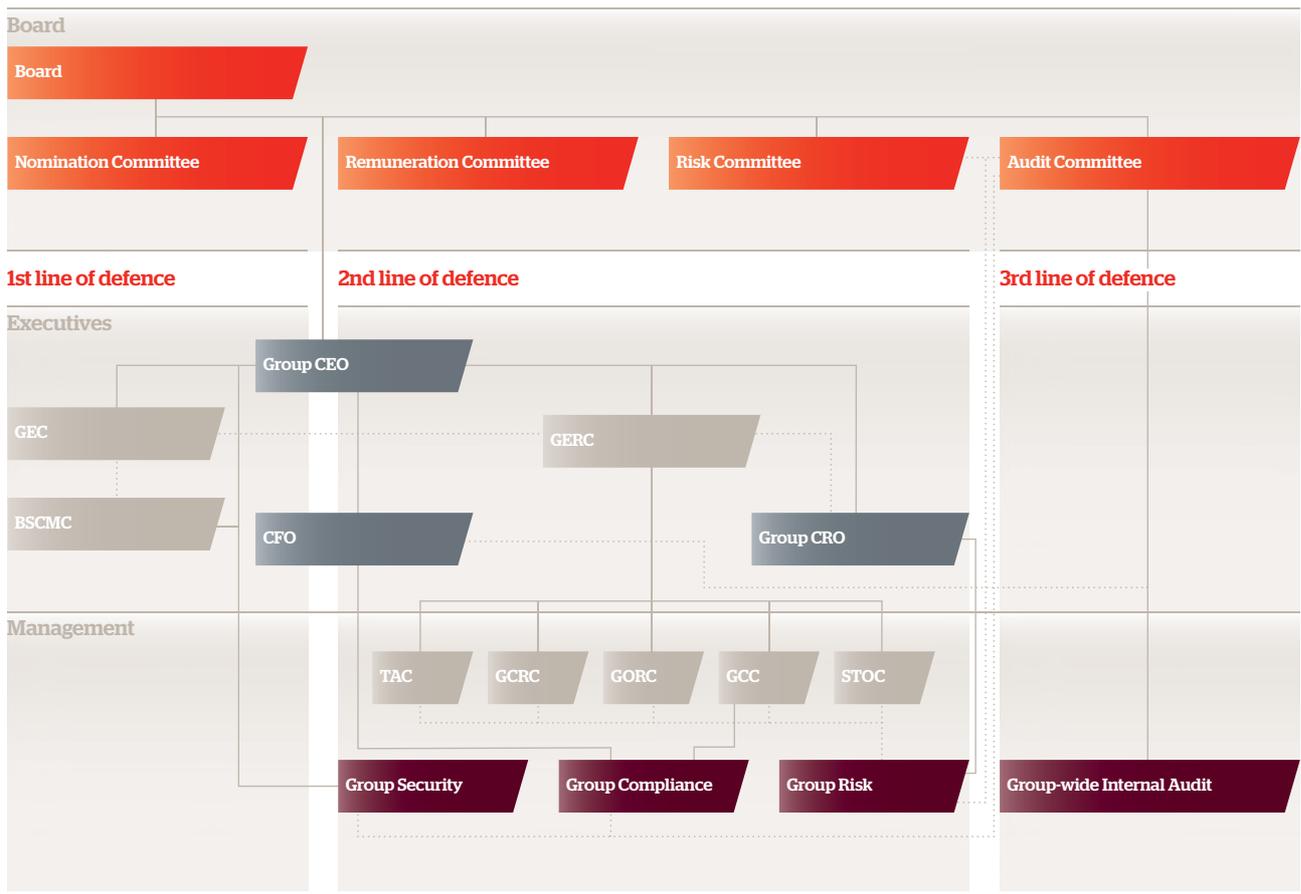
Monitoring: to establish a 'no surprises' risk management culture by identifying the risk landscape, assessing and monitoring risk exposures and understanding change drivers;

Control: to implement suitable risk mitigation strategies and remedial actions where exposures are deemed inappropriate, and to manage the response to potentially extreme events;

Communication: to effectively communicate the Group risk, capital and profitability position to both internal and external stakeholders; and

Culture: to foster a risk management culture, providing quality assurance and facilitating the sharing of best practice.

Diagram 1: Group level framework



Key

- Board-level Committees
- Executive personnel
- Exec / Management Committees
- GHO Functions

- Direct Reporting Line
- Regular Communication and Escalation

- GEC Group Executive Committee
- BSCMC Balance Sheet & Capital Management Committee
- GERC Group Executive Risk Committee
- TAC Technical Actuarial Committee
- GCRC Group Credit Risk Committee
- GORC Group Operational Risk Committee
- GCC Group Compliance Committee
- STOC Solvency II Technical Oversight Committee

Risk governance continued

Prudential's risk governance framework requires that all of the Group's businesses and functions establish processes for identifying, evaluating and managing the key risks faced by the Group. The framework is based on the concept of 'three lines of defence' comprising risk taking and management, risk control and oversight and independent assurance.

Diagram 1 on page 105 outlines the Group-level framework.

Primary responsibility for strategy, performance management and risk control lies with the Board, which has established the Risk Committee to assist in providing leadership, direction and oversight in respect of the Group's significant risks, and with the Group Chief Executive and the chief executives of each of the Group's business units.

Risk management

Risk taking and the management thereof forms the first line of defence and is facilitated through both the Group Executive Committee (GEC) and the Balance Sheet and Capital Management Committee (BSCMC).

The GEC is comprised of the chief executives of each of the Group's major business units, as well as a number of functional specialists, and supports the Group Chief Executive in the executive management of the Group.

The BSCMC is comprised of functional specialists and supports the Chief Financial Officer in the management of the Group's balance sheet, as well as providing oversight to the activities of Prudential Capital, which undertakes the treasury function for the Group.

Risk oversight

Risk control and oversight constitutes the second line of defence, and is achieved through the operation of a number of Group-level risk committees, chaired by either the Chief Financial Officer or the Group Chief Risk Officer, which monitor and keep risk exposures under regular review. These committees are as follows:

Group Executive Risk Committee: the committee meets monthly to oversee the Group's risk exposures, including market, credit, liquidity, insurance and operational risks, and also monitors the Group's capital position;

Group Credit Risk Committee: the committee reports directly to the Group Executive Risk Committee and meets monthly to review the Group's investment and counterparty credit risk positions;

Group Operational Risk Committee: the committee meets quarterly to oversee the Group's operational risk exposures. The committee reports directly to the Group Executive Risk Committee;

Solvency II Technical Oversight Committee: the committee normally meets ten times per year to provide ongoing technical oversight and advice to the Board and executive in respect of their duties with regard to the Group's Internal Model. The committee reports to the Group Executive Risk Committee;

Technical Actuarial Committee: the committee reports to the Group Executive Risk Committee and usually meets monthly to set the methodology for valuing Prudential's assets, liabilities and capital requirements under Solvency II and the Group's internal economic capital basis; and

Group Compliance Committee: the committee reports to the Group Executive Risk Committee and meets every two months to oversee the effectiveness of risk and capital management for all

financial and non-financial risks faced by the Group and has responsibility to consider Group-wide regulatory compliance risks and controls.

The Group-level risk committees are supported by the Group Chief Risk Officer, with functional oversight provided by Group Security, Group Compliance and Group Risk. Group Security is responsible for developing and delivering appropriate security measures with a view to protecting the Group's staff, physical assets and intellectual property. Group Compliance provides verification of compliance with regulatory standards and informs the Board, as well as the Group's management, on key regulatory issues affecting the Group. Group Risk has responsibility for establishing and embedding a capital management and risk oversight framework and culture consistent with Prudential's risk appetite that protects and enhances the Group's embedded and franchise value.

Independent assurance

The third line of defence comprises the Group-wide Internal Audit function, which provides independent and objective assurance to the Board, GEC, Audit and Risk Committees on the overall effectiveness of risk management, control and governance processes across the Group.

Reporting

The Risk Committee is provided with regular reports on the activities of the risk function and, where it affects the results of the assurances under the Turnbull compliance statement, the Audit Committee also receives appropriate reporting from the same function. Reports to the Risk Committee include information on the activities of the Group Executive Risk Committee, the Group Operational Risk Committee, the Group Credit Risk Committee, the Solvency II Technical Oversight Committee, the Technical Actuarial Committee and the Group Compliance Committee, as well as reports from Group-wide Internal Audit.

The Group's capital position and overall position against risk limits are reviewed regularly by the Group Executive Risk Committee, the Group Risk Committee and the Board. Key economic capital metrics, as well as risk-adjusted profitability information, are included in the business plans which are reviewed by the Group Executive Risk Committee, the Group Risk Committee and the Board.

Routine internal reporting by the business units vary according to the nature of the business, with each business unit responsible for ensuring that its risk reporting framework meets both the needs of the respective business unit and the standards set by the Group Risk function. Clear escalation criteria and processes are in place for the timely reporting of risks and incidents by business units to the various Group-level risk committees and, where appropriate, the Board.

Each business unit reviews the risks inherent in their business operations as part of the annual preparation of their business plan, and subsequently, these opportunities and risks are regularly reviewed against business objectives with Group Risk. The impact of large transactions or divergences from the agreed business plan are also reviewed and reported by Group Risk.

Remuneration

The report on the responsibilities and activities of the Remuneration Committee can be found in the Directors' remuneration report, which is set out on pages 113 to 143.

Relations with shareholders

Communication with shareholders

Being a major institutional investor, the Company is very aware of the importance of maintaining good relations with its shareholders, as well as with its debt investors. Discussions are held regularly with major shareholders and a programme of meetings took place throughout the year. In addition, Prudential regularly holds a conference for investors to provide further insight on selected areas of the business. In 2012, the conference was held in New York during November.

The latest analysts' and brokers' reports on the Company and the sector are circulated regularly to Board members to develop further their knowledge and understanding of external views about the Company. The Chairman and the non-executive directors also provided feedback to the Board on topics raised with them by major shareholders. Major shareholders and debt investors are welcome to meet with newly appointed directors, or any of the directors generally.

The Group maintains a corporate website containing a wide range of relevant information for private and institutional investors, including the Group's financial calendar. The shareholder information section on pages 396 and 397 contains further details which may be of interest to shareholders.

Annual General Meeting

The Annual General Meeting will be held in the Churchill Auditorium at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on 16 May 2013 at 11.00am.

The Annual General Meeting is an important forum for both institutional and private shareholders and the Company encourages all its shareholders to vote. Shareholders are given the opportunity during annual general meetings to put questions to the Board on matters relating to the Group's operations and performance.

The Company has continued its practice of calling a poll on all resolutions and the voting results, including all proxies lodged prior to the meeting, are displayed at the meeting and published on the Company's website. This practice provides shareholders present with sufficient information regarding the level of support and opposition to each resolution and ensures all votes cast either at the meeting or through proxies are included in the result.

Details of the 2012 AGM, including the major items discussed at the meeting and the results of the voting, can be found on the Company's website. All directors in office at the time of the Annual General Meeting held on 17 May 2012 attended the AGM, with the exception of Michael Garrett, who was unable to do so due to a prior commitment.

In accordance with the relevant legislation, shareholders holding 5 per cent or more of the fully paid up issued share capital of the Company, are able to require the directors to hold a general meeting. If the shareholders' request identifies a resolution to be moved at the meeting, the resolution must be included in the notice of meeting. Where such a request has been duly lodged with the Company, the directors are obliged to call a general meeting within 21 days of becoming subject to the request and must set a date for the meeting not more than 28 days from the date of the issue of the notice. Shareholders can also require the Company to circulate a statement of not more than 1,000 words on the subject matter of the resolution. Shareholders need not cover the costs of circulating such statements where the requests relate to the annual general meeting of a public company and provided sufficient requests to require the circulation are received prior to the financial year end preceding the meeting. Written shareholder requests should be addressed to the Group Company Secretary at the registered office.

Company constitution

The Company is governed by the Companies Act 2006, other applicable legislation and regulation as well as by provisions of its Articles of Association. The Memorandum and Articles of Association are available on the Group's website.

Any change to the Articles must be approved by special resolution of the shareholders in accordance with the provisions of the Companies Act 2006. There were no changes to the Company's constitutional documents during 2012.

Share capital

The Company's issued share capital as at 31 December 2012, which is set out in note H11 on page 287, consisted of 2,557,242,352 (2011: 2,548,039,330) ordinary shares of 5 pence each, all fully paid up and listed on the London Stock Exchange and the Hong Kong Stock Exchange. Subject to applicable local securities law, the Company's shares may be registered on the main register in the UK or the Company's branch registers in Ireland or Hong Kong. The number of accounts on the share register at 31 December 2012 was 60,522 (2011: 63,338).

The Company also maintains secondary listings on the New York Stock Exchange in the form of American Depositary Receipts which are referenced to ordinary shares on the main UK register, under a depository agreement with J.P. Morgan, and on the Singapore Stock Exchange in the form of interests in shares, which are referenced to the shares on the Hong Kong register under a depository agreement with the Central Depository (Pte) Limited (the 'CDP').

The Company has maintained a sufficiency of public float throughout the reporting period as required by the Hong Kong Listing Rules.

A number of dividend waivers are in place and these relate to shares issued but not allocated under the Group's employee share plans. These shares are held by the Trustees and will, in due course, be used to satisfy requirements under the Group's employee share plans.

Relations with shareholders continued

Rights and obligations

The rights and obligations attaching to the Company's shares are set out in full in the Company's Articles of Association. There are currently no voting restrictions on the ordinary shares, all of which are fully paid, and each share carries one vote on a poll. If votes are cast on a show of hands, each shareholder present in person or by proxy, or in the case of a corporation, each of its duly authorised corporate representatives, has one vote except that if a proxy is appointed by more than one member, the proxy has one vote for and one vote against if instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution.

Where, under an employee share plan operated by the Company, participants are the beneficial owners of the shares but not the registered owners, the voting rights are normally exercisable by the registered owner in accordance with the relevant plan rules. Trustees may vote at their discretion, but do not vote on any unawarded shares held as surplus assets.

As at 12 March 2013, Trustees held 0.34 per cent of the issued share capital of the Company under the various plans in operation.

Rights to dividends under the various schemes are set out in note 14 on page 308.

Restrictions on transfer

In accordance with English company law, shares may be transferred by an instrument of transfer or through an electronic system (currently CREST) and transfer is not restricted except that the directors may in certain circumstances refuse to register transfers of shares, but only if such refusal does not prevent dealings in the shares from taking place on an open and proper basis. If the directors make use of that power, they must send the transferee notice of the refusal within two months.

Certain restrictions may be imposed from time to time by applicable laws and regulations (for example, insider trading laws) and pursuant to the Listing Rules of both the Financial Services Authority, and any successor organisation, and the Hong Kong Stock Exchange, as well as Prudential's own share dealing rules, whereby directors and certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

Some of the Company's employee share plans include restrictions on transfer of shares while the shares are subject to the plan. All directors are required to obtain a number of qualification shares within one year of appointment, which they would also be expected to retain under guidelines approved by the Board and as described on page 129 of the Directors' remuneration report.

Significant shareholdings

The Company had received notification of interests in the shares of Prudential plc as at 31 December 2012 and in accordance with Rule 5.1.2 R of the Disclosure and Transparency Rules of the Financial Services Authority, from Legal & General Group plc of 3.99 per cent, from Norges Bank of an interest in 4.03 per cent, from BlackRock, Inc. of an interest in 5.08 per cent and from Capital Group International Inc., of an interest in 10.39 per cent. No further notifications have been received between the end of 2012 and the date of this report.

Authority to issue shares

The directors require authority from shareholders in relation to the issue of shares by the Company. Whenever shares are issued the Company has to offer the shares to existing shareholders pro rata to their holdings unless it has been given authority by shareholders to issue shares without offering them first to existing shareholders. The Company seeks authority from its shareholders on an annual basis to issue shares up to a maximum amount and to issue up to 5 per cent of its issued share capital without observing pre-emption rights, in line with relevant regulations and best practice. Dis-application of statutory pre-emption procedures is also sought for rights issues. The Company's existing authorities to issue shares and to do so without observing pre-emption rights are due to expire at the end of this year's Annual General Meeting. An ordinary resolution and a special resolution to approve the renewal of these authorities respectively will be put to shareholders at the Annual General Meeting on 16 May 2013.

Details of shares issued during 2012 and 2011 are given in note H11 on page 287.

In accordance with the terms of a waiver granted by the Hong Kong Stock Exchange, the Company confirms that it complies with the applicable law and regulation in the UK in relation to the holding of shares in treasury and with the conditions of the waiver in connection with the purchase of own shares and any treasury shares it may hold.

Authority to purchase own shares

The directors also require authority from shareholders in relation to the purchase of own shares by the Company. The Company seeks authority by special resolution on an annual basis for the buyback of its own shares in accordance with the relevant provisions of the Companies Act 2006 and other related guidance. The Company has not made use of that authority since it was last granted at its Annual General Meeting in 2012. This existing authority is due to expire at the end of this year's Annual General Meeting. A special resolution to approve the renewal of this authority will be put to shareholders at the Annual General Meeting on 16 May 2013.

Model code for securities transactions by directors

The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than required by Appendix 10 to the Hong Kong Listing Rules, and that the directors of the Company have complied with this code of conduct throughout the period.

US corporate governance and regulations

As a result of the listing of its securities on the New York Stock Exchange, the Company is required to comply with the relevant provisions of the Sarbanes-Oxley Act 2002 (the 'Act') as they apply to foreign private issuers and has adopted procedures to ensure this is the case.

In particular, in relation to the provisions of Section 302 of that Act, which covers disclosure controls and procedures, a Disclosure Committee has been established reporting to the Group Chief Executive, chaired by the Chief Financial Officer and comprising members of senior management. The objectives of this Committee are to:

- Assist the Group Chief Executive and the Chief Financial Officer in designing, implementing and periodically evaluating the Company's disclosure controls and procedures;
- Monitor compliance with the Company's disclosure controls and procedures;
- Review and provide advice to the Group Chief Executive and the Chief Financial Officer with regard to the scope and content of all public disclosures made by the Company which are of material significance to the market or investors; and
- Review and consider, and where applicable follow up on, matters raised by other components of the disclosure process. These may include, to the extent they are relevant to the disclosure process, any matters to be raised with the Audit Committee, the internal auditors or the external auditor on the Company's internal controls.

In discharging these objectives, the Committee helps to support the certifications by the Group Chief Executive and the Chief Financial Officer of the effectiveness of disclosure procedures and controls required by Section 302 of the Act.

The provisions of Section 404 of the Act require the Company's management to report on the effectiveness of internal controls over financial reporting in its annual report on Form 20-F, which is filed with the US Securities and Exchange Commission. To comply with this requirement to report on the effectiveness of internal control, the Group has documented and tested its internal controls over financial reporting in the format required by the Act. The annual assessment and related report from the external auditor will be included in the Group's annual report on Form 20-F.

In addition, the Disclosure Committee evaluates whether or not a particular matter requires disclosure to the market, taking into account relevant regulations and reviews all forward looking statements.

Additional disclosures

The following additional disclosures are made in compliance with the Companies Act 2006, the Disclosure and Transparency Rules and the UK and HK Codes.

Financial reporting

The directors have a duty to report to shareholders on the performance and financial position of the Group and are responsible for preparing the financial statements on pages 147 to 323 and the supplementary information on pages 326 to 362. It is the responsibility of the auditor to form independent opinions, based on its audit of the financial statements and its audit of the EEV basis supplementary information; and to report its opinions to the Company's shareholders and to the Company. Its opinions are given on pages 325 and 364.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group. The criteria applied in the preparation of the financial statements are set out in the statement of directors' responsibilities on page 324 and page 363.

The directors are further required to confirm that the directors' report includes a fair review of the development and performance of the business, with a description of the principal risks and uncertainties. Such confirmation is included in the statement of directors' responsibilities on page 324 and page 363.

The Chief Financial Officer's overview provides, on pages 68 to 78, a description of the Group's risk and capital management, which includes a description of the Group's liquidity position. The Group has considerable internal and external financial resources and the directors believe that the Group is well placed to manage its business risks successfully.

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

Going concern

After making enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue their operations for the foreseeable future. In support of this expectation, the Company's business activities, together with the factors likely to affect its future development, successful performance and position in the current economic climate are set out in the Business review on pages 14 to 67. The risks facing the Group's capital and liquidity positions and their sensitivities are referred to in the Chief Financial Officer's overview. Specifically, the Group's borrowings are detailed in Note H13 on pages 289 to 291, the market risk and liquidity analysis associated with the Group's assets and liabilities can be found in note G2 on pages 269 to 272, policyholder liability maturity profile by business units in notes D2, D3, D4 on pages 212, 230 and 237 respectively, cash flow details in the consolidated statement of cash flows and provisions and contingencies in Note H14. The directors therefore have continued to adopt the going concern basis of accounting in preparing the financial statements.

Post-balance sheet events

Important events affecting the Company after the end of the financial year are detailed in note I11 on page 314.

Change of control

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

Essential contracts or arrangements

There are a number of significant relationships with third parties, which have value to the business. No single relationship, however, is considered to be essential to the Group as a whole.

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

Compensation for loss of office

None of the terms of employment of the Company's directors includes provisions for payment of compensation for loss of office or employment that occurs as a result of a change of control. Terms applying on a termination of their office are set out in the Directors' remuneration report. In the US, senior executives participate on a discretionary basis in a plan which entitles them to compensation, in the event that their employment is terminated or adversely affected as a result of a change of control.

Customers

The five largest customers of the Group constituted in aggregate less than 30 per cent of its total sales for each of 2011 and 2012.

For the year ended 31 December 2012, none of the directors of the Company, their associates or any shareholders of the Company (which have, to the knowledge of the directors of the Company, owned more than 5 per cent of the Company's issued share capital) had any interest in the Group's major customers.

Index to principal directors' report disclosures

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

Information	Section in Annual Report	Page number(s)
Business review	Business review	11-85
Essential contracts or arrangements	Additional disclosures	110
Disclosure of information to auditor	Additional disclosures	110
Directors in office during the year	Board of directors	88-92; 95
Principal activities	Business review	Cover; 20-45
Dividend recommended for the year	Business review	57
Details of qualifying third-party indemnity provisions	Corporate governance report	98
Corporate responsibility governance	Corporate responsibility review	79-85
Political and charitable donations and expenditure	Corporate responsibility review	84
Financial instruments - risk management objectives and policies	Business review	65
Post balance sheet events	Note II1 of the Notes on the Group financial statements and Additional disclosures	314
Future developments of the business of the Company	Group Chief Executive's report	10
Employment policies and employee involvement	Corporate responsibility review	80-81
Creditors - policy on payment and practice	Corporate responsibility review	85
Structure of share capital, including restrictions on the transfer of securities, voting rights and significant shareholders	Corporate governance report	107-108
Rules governing appointments of directors	Corporate governance report	95-96
Rules governing changes to the articles of association	Corporate governance report	107
Powers of directors	Corporate governance report	94
Significant agreements impacted by a change of control	Additional disclosures	110
Agreements for compensation for loss of office or employment on takeover	Additional disclosures	110

In addition, the risk factors set out on pages 386 to 391 and the additional unaudited financial information set out on pages 366 to 384, are incorporated by reference into this directors' report.

Signed on behalf of the Board of directors



Alan F Porter
Group Company Secretary
 12 March 2013

