Section 3

Governance

3

Board of directors

Chairman

Paul Manduca
Chairman

Nationality: British
Appointment date: October 2010
Chairman from July 2012
Committee membership:
Chairman of the Nomination Committee (from July 2012)

Skills and experience
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.

From September 2005 until March 2011, Paul was a non-executive director of Wm Morrison Supermarkets Plc. During that time, he was the Senior Independent Director, a member of the Nomination Committee and Chairman of the Remuneration Committee, and prior to that he chaired their Audit Committee. 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 a former member of the Takeover Panel.

Paul is the Chairman of Henderson Diversified Income Limited. Age 62.

Group Chief Executive

Tidjane Thiam
Group Chief Executive

Nationality: French
Appointment date: March 2008
Group Chief Executive from October 2009

Skills and experience
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 was appointed as their 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 and the 2013 Grand Prix de l'Economie by the French newspaper Les Echos. In January 2014, Tidjane was appointed as a British Business Ambassador by invitation from the Prime Minister. Age 51.




Executive directors

Nicolaos Nicandrou ACA
Chief Financial Officer

Nationality: British
Appointment date:
October 2009

Skills and experience
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 48.

John Foley
Group Investment Director

Nationality: British
Appointment date:
January 2011

Skills and experience
John Foley has been Group Investment Director since August 2013. 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. John was appointed to the Board in January 2011 and held the position of Group Chief Risk Officer until July 2013. 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 57.

Jacqueline Hunt
Chief Executive, Prudential UK & Europe

Nationality: British
Appointment date:
5 September 2013

Skills and experience
Jackie Hunt was appointed as Director and Chief Executive of Prudential UK & Europe on 5 September 2013. Before joining Prudential, Jackie was a Director and Chief Financial Officer of Standard Life from May 2010. She joined Standard Life in January 2009 as Deputy Chief Financial Officer and before this, she held various senior management roles at Aviva, including Chief Financial Officer at Norwich Union. After qualifying as a Chartered Accountant with Deloitte & Touche in South Africa, Jackie worked for PricewaterhouseCoopers and Royal & Sun Alliance before joining Aviva in 2003.

Jackie is a non-executive director of National Express Group PLC. She was previously Chair of the Prudential Financial and Taxation Committee of the Association of British Insurers. Age 45.

Michael McLintock
Chief Executive, M&G

Nationality: British
Appointment date:
September 2000

Skills and experience
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.

From 2001 to 2008, Michael also served on the Board of Close Brothers Group plc as a non-executive director.

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 has been a member of the Finance Committee of the MCC since October 2005. Age 52.

Board of directors continued

Executive directors continued

Barry Stowe
Chief Executive, Prudential Corporation Asia

Nationality: American
Appointment date:
November 2006

Skills and experience
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. From October 2008 to October 2011, Barry was a director of the Life Insurance Marketing Research Association (LIMRA) and the Life Office Management Association (LOMA).

Barry is a member of the Board of Directors of the International Insurance Society. 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 56.

Michael Wells
President and CEO, Jackson

Nationality: American
Appointment date:
January 2011

Skills and experience
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 has been responsible for IT, strategy, operations, communications, distributions, Curian and the retail broker dealers. Age 53.

Independent non-executive directors

The Hon. Philip Remnant CBE ACA
Senior Independent Director

Nationality: British
Appointment date:
1 January 2013
Committee memberships:
Remuneration Committee (from January 2013),
Audit Committee (from January 2013),
Nomination Committee (from January 2013)

Skills and experience
Philip Remnant was a senior adviser at Credit Suisse until December 2013. Philip 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.

He is 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). Age 59.

Sir Howard Davies
Independent non-executive director

Nationality: British
Appointment date:
October 2010
Committee memberships:
Chairman of the Risk Committee (from October 2010),
Audit Committee (from November 2010),
Nomination Committee (from July 2012)

Skills and experience
Sir Howard is Chairman of the Phoenix Group, and a Professor at Institut d'Etudes 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. In addition, Sir Howard is an independent director of Morgan Stanley Inc. and a director of the National Theatre. Age 63.




Independent non-executive directors continued

Ann Godbehere FCGA
Independent non-executive director

Nationality: British
Appointment date: August 2007
Committee memberships: Chairman of the Audit Committee (from October 2009), Risk Committee (from November 2010), Nomination Committee (from July 2012)

Skills and experience
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.

From its nationalisation in 2008 until January 2009, Ann was Interim Chief Financial Officer and Executive Director of Northern Rock. Ann is a non-executive director of British American Tobacco p.l.c., Rio Tinto plc, Rio Tinto Limited, UBS AG, Arden Holdings Limited, Atrium Underwriting Group Limited and Atrium Underwriters Limited. Age 58.

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

Nationality: British
Appointment date: January 2012
Committee membership: Audit Committee (from January 2012)

Skills and experience
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. He is also a Trustee of the Design Museum in London and a Trustee of Create Arts. Age 61.

Kaikhushru Nargolwala FCA
Independent non-executive director

Nationality: Singaporean
Appointment date: January 2012
Committee memberships: Remuneration Committee (from January 2012), Risk Committee (from January 2012)

Skills and experience
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. Kai was appointed as a director of Credit Suisse Group AG in April 2013 and became a member of the Singapore Capital Markets Committee of the Monetary Authority of Singapore in January 2014. Age 63.

Anthony Nightingale CMG SBS JP
Independent non-executive director

Nationality: British
Appointment date: 1 June 2013
Committee membership: Remuneration Committee (from June 2013)

Skills and experience
Anthony Nightingale was Managing Director of the Jardine Matheson Group from 2006 to 2012. He joined that Group in 1969 and held a number of senior positions before joining the Board of Jardine Matheson Holdings in 1994. Anthony is now a non-executive director of Jardine Matheson Holdings and of other Jardine Matheson group companies. These include Dairy Farm, Hongkong Land, Jardine Cycle & Carriage, Jardine Strategic and Mandarin Oriental.

Anthony is also a commissioner of Astra International, a non-executive director of Schindler Holding AG and China Xintiandi Limited, and a senior adviser to Academic Partnerships International and Dickson Concepts. He is a Hong Kong representative to the APEC Business Advisory Council and Chairman of The Hong Kong-APEC Trade Policy Study Group. He is also a member of the Securities and Futures Commission Committee on Real Estate Investment Trusts, a council member of the Employers' Federation of Hong Kong, a member of the UK-ASEAN Business Council Advisory Panel, a non-official member of the Commission on Strategic Development in Hong Kong and Chairman of the Mission to Seamen in Hong Kong. Anthony is a past chairman of the Hong Kong General Chamber of Commerce. Age 66.

Board of directors continued

Independent non-executive directors continued

Alice Schroeder
Independent non-executive director

Nationality: American
Appointment date: 10 June 2013
Committee membership:
Audit Committee
(from June 2013)

Skills and experience

Alice Schroeder began her career as a qualified accountant at Ernst & Young in 1980 where she worked for 11 years before leaving to join the Financial Accounting Standards Board as a manager. From September 1993, she worked at various investment banks leading teams of analysts specialising in property-casualty insurance before joining Morgan Stanley, where she became a Managing Director in 2001, heading the Global Insurance Equity Research team. In May 2003, Alice became a senior adviser at Morgan Stanley, leaving in November 2009. She is a highly respected analyst and the author of the official biography of Warren Buffett, Chairman and CEO of Berkshire Hathaway.

Alice is an independent board member of Cetera Financial Group and an independent director of WebTuner Corp. She is a member of the National Association of Corporate Directors, WomenCorporateDirectors and a board member of The Committee of 200 Foundation. Age 57.

Lord Turnbull KCB CVO
Independent non-executive director

Nationality: British
Appointment date: May 2006
Committee memberships:
Chairman of the Remuneration Committee
(from June 2011),
Risk Committee
(from November 2010),
Nomination Committee
(from June 2011)

Skills and experience

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 69.

Corporate governance report

Strong and appropriate governance supporting business growth

'The composition of the Board remains key to achieving the Group's strategic objectives.'

Dear shareholder

Good governance is central to how we do business at Prudential. The Board ensures that our governance policies, structures and processes are strong and appropriate, and play a key part in supporting the growth of the business.

In a world of ever-increasing complexity and connectedness, governance requirements are continually developing. As well as complying with relevant codes, we are always well prepared for new developments, keeping abreast of upcoming changes and ensuring that our governance is adjusted accordingly.

A vital part of good governance is transparency, and we are committed to reporting on our governance as clearly as possible, ensuring that it remains the best available, and continues to make a strong contribution to the long-term success of the Group.

Paul Manduca
Chairman

Board

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.

The Board has terms of reference which specifically set out matters reserved for its decision. These 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 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 the UK Corporate Governance Code ('UK Code'), is chaired by the Chairman. The terms of reference for the Board and its committees are regularly reviewed to ensure that they remain in line with best practice and the committees continue to have appropriate authority to fulfil their responsibilities, without creating unnecessary duplication of work.

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 comprised of 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.

Roles and responsibilities

The roles of the 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.

Roles

Chairman
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 facilitates the contribution of the non-executive directors and fosters constructive relationships between the non-executive and executive directors by promoting a culture of openness and debate.

Group 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.

Senior Independent Director
The principal responsibilities of the Senior Independent Director are to act as a conduit to the Board for the communication of shareholder concerns when other channels may be inappropriate and to lead the non-executive directors in carrying out the performance evaluation of the Chairman.

Non-executive directors
The non-executive directors are independent of management, bringing effective and constructive challenge to the deliberations of the Board. →

Corporate governance report continued

→ The full biographical details of the directors, including the skills and experience they bring to the Board, can be found on pages 64 to 68.

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 applied across all businesses which covers both executive director and senior management succession and development, and also through the work of the Nomination Committee as described more fully on page 78. The Board considers annually the outcome of the review and any actions arising from the review are implemented as part of the management development agenda.

Board performance evaluation

The 2013 performance evaluation of the Board and its principal committees was internally facilitated through the use of a questionnaire and carried out by the Chairman and Group Company Secretary. The findings were presented to the Board in February 2014 and an action plan is being agreed to address any areas identified by the review. In accordance with the UK Code, it is intended that the 2014 review will be carried out by external facilitators.

The performance of the non-executive directors and the Group Chief Executive is evaluated by the Chairman in individual meetings. Philip Remnant, the Senior Independent Director, led 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.

Diversity

The Group seeks, through its diversity policy, to encourage the recruitment and retention of talented individuals from a diverse range of backgrounds. 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 in the recruitment process extends to the Board and is an important diversity 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.

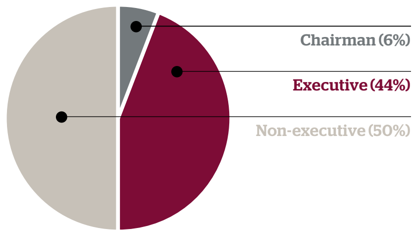
2012 Board performance evaluation

A summary of the Board's progress against a number of actions arising from its 2012 effectiveness review can be found below:

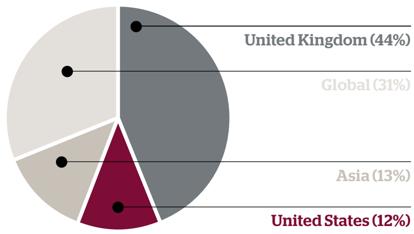
Theme	Action taken
Information flows to the Board and principal committees	Improvements to Board papers continued with a view to streamlining and enhancing the flow of information to the Board and its committees facilitating effective decision making
Senior leadership	Further opportunities for the Board to meet senior leadership across the Group were included in the programme of business for the Board and will continue to be included going forward
Delegation of authority	The Board reviewed the delegations of its authority, confirming that these continued to be appropriate for the business carried out by the Group
Review of terms of reference	A review of the terms of reference was carried out in order to ensure that these remained in line with best practice and that the committees continued to have appropriate authority to fulfil their responsibilities without creating duplication of activities
Committee membership	Philip Remnant and Alice Schroeder were appointed to the Audit Committee following the regular review of membership for the principal committees

Diversity

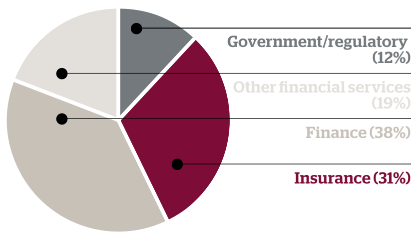
Board composition



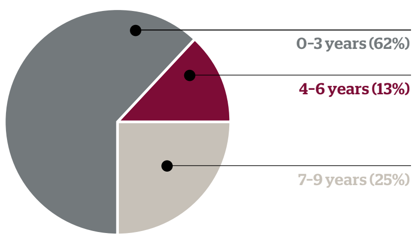
Regional experience



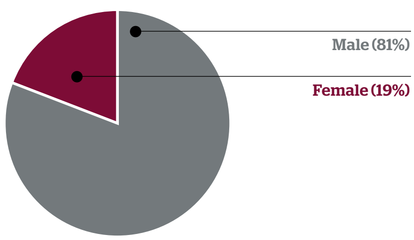
Sector



Tenure of non-executive directors



Board gender composition



Group governance

The Board is responsible for establishing a system of internal control and for reviewing its effectiveness. To achieve this, the Board has established frameworks for internal governance, risk and corporate responsibility. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 Code and Corporate Governance Code issued by the Hong Kong Stock Exchange (the 'HK Code'), as well as the relevant provisions of the Sarbanes-Oxley Act. In complying with the UK Code, the Group follows the 2005 Turnbull Guidance relating to the sections of the UK Code dealing with risk management and internal control.

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 reviewed by the Audit Committee as described on page 75.

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.

Governance framework

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: Describes the Group's approach to risk management and the key risk arrangements and standards for risk management and internal control which support compliance with the Group's internal, statutory and regulatory requirements. The strategic report provides further detail on Prudential's risk appetite and exposures on pages 46 to 53 and corporate responsibility activities on pages 54 to 61. 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 page 81.

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.

Internal control

The Board reviewed the effectiveness of the system of internal control in February 2014, 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 Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place throughout the period and up to the date of this report, and confirms that the system remains effective.

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 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 2013. This included a number of sector-specific and business issues, as well as legal, accounting and regulatory changes and developments. 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 key issues currently facing their function. 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 also received updates and briefings relevant to their duties as directors of a company listed on the Hong Kong Stock Exchange.

Terms of appointment for non-executive directors

Non-executive directors are appointed on the understanding that they serve an initial term of three years. Subject to review by the Nomination Committee, it would be →

Corporate governance report continued

expected that they would serve a second term of three years. In both instances, non-executive directors remain subject to annual election at the Annual General Meeting. After six years of service, non-executive directors may be appointed for a further year, up to a maximum of three years, subject to rigorous annual review by the Nomination Committee and annual election at the Annual General Meeting. Good governance does not support the practice of serving longer than nine years on the Board as a non-executive director.

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.

Re-election

Jackie Hunt, Anthony Nightingale and Alice Schroeder will stand for election for the first time at the 2014 Annual General Meeting. In keeping with the provisions of the UK Code, all other directors will stand for re-election.

The Board believes that the non-executive directors bring a wide range of business, financial and international experience to the Board and its committees.

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 criteria 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.

Alistair Johnston was a partner in the Group'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 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.

Conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association allow its 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, along with other appointments 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, and the Nomination Committee annually reviews such declarations prior to the publication of the Annual Report.

Directors' interests

Individual directors' interests are set out on page 116 of the directors' remuneration report.

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, review or advisory groups and charitable trusts, 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 on pages 66 to 68.

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 that they do not lead to any conflicts of interest.

In line with the UK Code, executive directors would not be expected to hold 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 on page 118.

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 2013 and remain in force.

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

Meetings

The Board met on 10 occasions during the year, which included one meeting held at the Group's overseas operations in Thailand. These meetings enable the directors to develop a fuller understanding of the Group's operations and to meet with the senior management.

One overseas strategy event was held in the US and the Board also met on one additional occasion to address business outside of the usual scheduled meetings.

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

Table 1 (overleaf) details the number of Board and Committee meetings attended by each director during the year.

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

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 directors is governed by the relevant provisions of the Companies Act 2006, the UK and HK Codes and the Company's Articles of Association.

In the ordinary course of business, Board and committee papers are provided 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.

Board committees

Corporate governance framework

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

During the year, the Board constituted a Group Disclosure Committee with the purpose of assisting the Company in fulfilling its obligations for the release of any inside information under the various listing requirements to which the Company is subject. A Standing Committee was also constituted with authority to deal with business requiring attention between scheduled Board meetings.

The committee chairmen report to the Board on matters of significance after each meeting. Each Board committee has written terms of reference which were reviewed during the course of the year to ensure that these remained in line with best practice and that each committee continued to have suitable delegated authority to fulfil their responsibilities without creating duplication of activities. Copies of the updated terms of reference can be found on the Company's website.

The committees have access to the services of the Group Company Secretary and may seek external professional advice at the Company's expense.

The effectiveness of the committees is considered annually as part of the overall performance review of the Board. Details of the evaluation process are set out more fully on page 70.

A report on the activities undertaken by each committee during the course of the year is set out on pages 74 to 83.

Table 1

Number of meetings held	Board (scheduled) 10	Board (additional) 1	Overall attendance
Chairman			
Paul Manduca	10	1	100%
Executive directors			
Tidjane Thiam	10	1	100%
Nic Nicandrou	10	1	100%
Rob Devey[1]	7	1	100%
John Foley	10	1	100%
Jackie Hunt[2]	3	n/a	100%
Michael McLintock	10	1	100%
Barry Stowe	10	1	100%
Mike Wells	10	1	100%
Non-executive directors			
Keki Dadiseth[3]	0	1	25%
Howard Davies	10	1	100%
Michael Garrett[4]	7	1	100%
Ann Godbehere	10	1	100%
Alistair Johnston	10	1	100%
Kai Nargolwala	10	1	100%
Anthony Nightingale[5]	6	n/a	100%
Philip Remnant	10	1	100%
Alice Schroeder[6]	6	n/a	100%
Lord Turnbull	10	1	100%

Notes
1 Rob Devey was eligible to attend eight meetings during the year, up until his resignation on 5 September 2013.
2 Jackie Hunt was eligible to attend three meetings during the year, from the date of her appointment.
3 Keki Dadiseth was eligible to attend four meeting during the year, up until his resignation on 1 May 2013.
4 Michael Garrett was eligible to attend eight meetings during the year, up until his resignation on 31 August 2013.
5 Anthony Nightingale was eligible to attend six meetings during the year, from the date of his appointment.
6 Alice Schroeder was eligible to attend six meetings during the year, from the date of her appointment.

Corporate governance framework

Audit Committee report

'Ensuring that the new reporting requirements were suitably implemented was a key focus for the Committee during 2013.'

Ann Godbehere
Chairman of the Audit Committee

Membership

Director	Meetings attended
Number of meetings held	**12**
Ann Godbehere (Chairman)	12
Howard Davies	12
Alistair Johnston	12
Philip Remnant (appointed 1 January 2013)	12
Alice Schroeder[1] (appointed 10 June 2013)	6

Note
1 Alice Schroeder was eligible to attend six meetings during the year, from the date of her appointment.

Biographical details of the members can be found on pages 66 to 68.

The Board determined that Ann Godbehere, the Committee Chairman, has recent and relevant financial experience for the purposes of the UK Code and the Hong Kong Listing Rules. In March 2013, the Board designated Ann Godbehere as its Audit Committee financial expert for the purposes of the Sarbanes-Oxley Act. This will be reviewed during 2014 in conjunction with the publication of Form 20-F.

Role and responsibilities of the Committee

The Committee's role is to assist the Board in meeting its responsibilities for the integrity of the Group's financial reporting, including the effectiveness of the internal control and risk management systems, and for monitoring the effectiveness and objectivity of the internal and external auditors.

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, going concern assumption and key judgemental areas contained therein;**
- **Consider and advise the Board in meeting its obligation to report that the Annual Report is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;**
- **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 to the Board for the re-appointment of the external auditor;**
- **Approve 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 whistle-blowers; and**
- **Review the effectiveness of the business unit audit committees.**

In performing its duties, the Committee has access to employees and their financial or other relevant expertise across the Group.

Meetings

The Committee held 11 scheduled meetings and one additional meeting during the year and worked closely with the Risk Committee to ensure that any pertinent areas of overlap were appropriately addressed. The Chairman of the Risk Committee is a member of the Audit Committee and the Committee Chairman is a member of the Risk Committee. The cross-membership helps ensure that both committees work together effectively to cover all relevant issues.

The Chairman of the Board, the Group Chief Executive, the Chief Financial Officer, the Group Chief Risk Officer, the Group General Counsel and head of Group-wide Internal Audit, as well as other senior staff from the Group Finance, Internal Audit, Risk, Compliance and Security functions attended the meetings by invitation 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.

How the Committee discharged its responsibilities in 2013

During the year, the Committee undertook the following work:

Financial reporting

The Committee assessed whether suitable accounting policies had been adopted throughout the accounting period and whether management had made appropriate estimates and judgements over recognition, measurement and presentation of the results. The Committee also focused on material transactions, clarity of disclosures, significant audit adjustments, the going concern assumptions, compliance with accounting standards and obligations under applicable laws, regulations and governance codes. The Committee further considered changes to the Annual Report requirements, including the introduction of the new strategic report, additional disclosures of the Audit Committee report and the fair, balanced and understandable requirement under the UK Code, providing advice to the Board in respect of this last requirement. In preparing the Annual Report, the Group has taken the opportunity to reassess the structure of the narrative sections and the Committee's work in this area included consideration and discussions with management so that the narrative sections provide an enhanced description of the Company's business and results.

Accounting policy changes on consolidated investment holdings (IFRS 10), accounting for joint ventures and associated undertakings (IFRS 11 and IFRS 12), fair value measurement (IFRS 13) and accounting for the Group's defined benefit pension schemes (revised IAS 19) were also considered. In addition, the Committee considered the impact that the acquisitions of REALIC and Thanachart Life would have on the financial statements.

Key assumptions and judgements in respect of the Group's investments, insurance liabilities, and deferred acquisition costs are important, and in this regard, the main areas of focus were:

— Oversight of the assumptions applied and operation of internal controls in respect of the items shown below, and more generally, in the preparation of the results;
— Specific assumptions for:
  – Mortality and credit risk for UK annuity business;
  – Economic and policyholder behaviour assumptions affecting the measurement of Jackson guarantee liabilities and amortisation of deferred acquisition costs;
— Non-recurrent adjustments to Asia policyholder liabilities; and
— Investment and derivative valuations, in particular considering the results of independent valuations by the external auditor.

The Committee also considered judgemental matters regarding provisions for certain open tax items.

The Committee received detailed papers from management regarding Group capital, Group liquidity, subsidiary capital and subsidiary liquidity prior to recommending to the Board that it could conclude that the financial statements should continue to be prepared on the going concern basis.

As part of its assessment of the explanation of performance, the Committee considered judgemental aspects of the Group's reporting of non GAAP metrics and in relation to the Group's supplementary reporting on the European Embedded Value (EEV) basis, specifically:

— The appropriateness of the economic assumptions underpinning the projected rates of return and risk discount rates;
— The appropriateness of changes to EEV operating assumptions and the level of operating experience variances; and
— Disclosures to explain the proposed change from 2014 so that the EEV results will be prepared on a post-tax only basis.

The Committee considered the effects of volatility in equity market movements, and changes in interest and foreign currency translation rates on the Group's results, accounting presentation and disclosure.

For all of the above areas, the Committee received input from management and the external auditor prior to reaching its conclusions.

Confidential reporting

The Committee is responsible for reviewing the Group's whistle-blowing procedures and received, as a standing item, reports on concerns raised through these channels, as well as any management action taken in response.

The Confidential Helpline Policy (the 'Policy') is kept under regular review by the Committee and is maintained as part of the Group Governance Manual. No material changes to the Policy have been made during the course of 2013, although it has been updated to reflect the latest guidance issued by the Institute of Business Ethics.

The Committee also met with the head of Group Security, who is responsible for the Policy, without the presence of management, in respect of its responsibilities for reviewing whistle-blowing procedures and any concerns regarding such issues.

Business unit audit committees

Every business unit has its own audit committee which provides oversight to the respective business unit and supports the work of the Committee. Any relevant matters discussed at business unit level are reported 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, and by the external auditor.

In 2013, the standard terms of reference for the business unit audit committees were updated in line with revised provisions included in the Committee's terms of reference. These will be adopted in 2014 by the business unit audit committees, with minor variations, to address local requirements or the particular requirements of the business.

The Committee Chairman also reviewed and approved the appointments to the business unit audit committees.

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 the business unit audit committees

An annual assessment of the business unit audit committees was carried out by Group-wide Internal Audit in order to ensure that these committees continued to function effectively and provide appropriate support to enable the Committee to fulfil its responsibilities.

The assessment was conducted by the internal audit teams in each of the business units and considered whether each of the committees was fulfilling its responsibilities as documented in their terms of reference. Attendance rates by committee members and evidence of the committees' coverage of key business unit issues, as well as the appropriate escalation of concerns to the Committee formed part of the criteria used for the evaluation. The assessment further factored in the suitability of the business unit audit committee structures and the appropriateness of the membership on each committee.

The results of the assessment concluded that the business unit audit committees continued to operate effectively and the Committee considered a report on the findings at its meeting in December.

Audit Committee report continued

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.

Group-wide Internal Audit

Group-wide Internal Audit is a fundamental function which supports the Committee in meeting its legal and regulatory responsibilities and also in complying with provisions of the UK and HK Codes. The independent assurance provided by the function formed a key part of the Committee's deliberations on the systems of internal control and risk management.

Each of the Group's business units has an internal audit team, the heads of which report to the Head of Group-wide Internal Audit. Internal audit resources, plans, budgets and its work are overseen by both the Committee and the relevant business unit audit committee. The Head of Group-wide Internal Audit reports functionally to the Committee and for management purposes to the Group Chief Executive.

As part of its remit, the Committee periodically meets with the head of Group-wide Internal Audit without the presence of management.

During the year, the Committee considered the following matters:

Effective Internal Audit in the Financial Services Sector

In July 2013, the Chartered Institute of Internal Auditors (CIIA) issued recommendations on Effective Internal Audit in the Financial Services Sector. Group-wide Internal Audit benchmarked their current structure and practices against the guidelines and the results of the benchmarking were also externally quality assured. While largely compliant, a programme of enhancement is scheduled to be completed to deliver full compliance in 2014. Aligned with the CIIA guidance for effective Internal Audit in the Financial Services Sector, the revised Charter of Group-wide Internal Audit has been published on the Company's website. In addition, the Committee has formally assessed that Group-wide Internal Audit has sufficient resources to discharge its mandate.

Internal auditor performance

In addition to periodic external effectiveness reviews (such as that conducted by PwC in 2012), the Committee regularly assesses the performance and effectiveness of the internal audit function, and did so during the course of the 2013. The assessment was performed by Group-wide Internal Audit Quality Assurance and conducted in accordance with the CIIA's professional practice standards. For 2013, the assessment concluded that Group-wide Internal Audit complies with the requirements of internal audit policies, procedures and practices, and standards in all material respects and is aligned with its mandated objectives. As such, the Committee determined that Group-wide Internal Audit continued to operate effectively.

Group Compliance

The Committee received regular reports from Group Compliance, who is 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 2013, the Committee also considered and approved changes to the Group Compliance Policy, the Anti-Money Laundering and Counter Terrorist Policy and the Group Sanctions Policy to take account of changes in the relevant legal and regulatory environments.

External audit

The Committee is responsible for overseeing the relationship with the external auditor, KPMG Audit Plc, monitoring its performance, objectivity and independence, to ensure that its coverage is focused and that suitable overlap with the work of internal audit is achieved. As part of its remit, the Committee met with the external auditor without the presence of management on two occasions during the year.

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. A key component of this assessment is the consideration that the auditor is sufficiently robust in its challenge. The review of the effectiveness of the external audit process was conducted through a questionnaire-based exercise administered by Group Finance. This was circulated to key stakeholders involved in the statutory audit, including committee members, executive management, finance, Group-wide Internal Audit and risk functions across the Group. A report on the principal findings of the review was considered by the Committee in May 2013, alongside a response to the review prepared by KPMG.

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 2014, concluding that there was nothing in the performance of the auditor which required a change.

The Committee acknowledges the provisions contained in the UK Code in respect of audit tendering, along with the current proposals of the UK Competition Commission and the European Union. The Committee intends to comply with these changes and will finalise its decision on the timeline for completing a tender of the external audit service when legislative requirements become final.

In line with the Auditing Practices Board Ethical Statements and the Sarbanes-Oxley Act, a new lead audit partner was appointed 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 be re-appointed as auditor of the Company. Due to a legal reorganisation within KPMG, the specific entity being appointed for 2014 will be KPMG LLP rather than KPMG Audit Plc as currently. The Board has, therefore, decided to put KPMG Audit Plc's parent entity, KPMG LLP, forward to be appointed as auditor and a resolution concerning their appointment will be put to a shareholder vote at the Annual General Meeting on 15 May 2014.

Auditor independence

The Committee's responsibility to monitor the independence and objectivity of the external auditor is supported by the Auditor Independence Policy (the 'Policy'), which is reviewed by the Committee annually. The Policy sets out the circumstances in which the external auditor may be permitted to undertake non-audit services.

Changes to the Policy were agreed during 2013, which implemented the Financial Reporting Council's prohibition on the use of the internal audit function to provide direct assistance to the external auditor and the provisions relating to the introduction of a mandatory audit tender.

The four key principles of the Policy specify 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.

The Committee regularly reviewed the external audit strategy and received reports from the auditor on its own policies and procedures regarding independence and quality control, and sought annual confirmation of KPMG's independence in line with industry standards.

The Policy has two permissible service types, including those that require specific approval by the Committee on an engagement basis and those that are pre-approved by the Committee with an annual limit. In accordance with the Policy, the Committee approves these permissible services, classified as either audit or non-audit services, monitoring the annual limit on an ongoing basis. All non-audit services undertaken by the auditor were agreed prior to the commencement of work and were confirmed as permissible for the external auditor to undertake under the provisions of the Sarbanes-Oxley Act.

The main non-audit services provided by KPMG in 2013 included:

- Financial risk management services such as actuarial, forensic and enterprise resource management;
- Reports on internal controls not required by legislative authority;
- Tax compliance and advisory services; and
- Due diligence services.

Fees payable to the auditor

The fees payable to the external auditor for the year ended 31 December 2013 amounted to £15.2 million, of which £3.6 million was payable in respect of non-audit services. Non-audit services accounted for 24 per cent of total fees payable.

Additional information can be found in note B3.4 to the financial statements on page 163.

Dialogue with the regulator

Ongoing dialogue with the Prudential Regulatory Authority (PRA) was maintained through the usual cycle of close and continuous meetings with the Committee Chairman and relevant members of management. Discussions focussed on the Committee's responsibilities on matters of financial reporting, audit and compliance.

The meetings were also used to better understand the PRA's areas of focus and how these might impact the responsibilities of the Committee.

Training

The Committee received detailed presentations on a range of topics including updated financial accounting developments, the new reporting requirements, briefings on developments in the regulatory environment, and received the minutes of both the Disclosure Committee and the Assumptions Approval Committee for information. Further information on the Disclosure Committee appears on page 73. The Assumptions Approval Committee reviewed the key assumptions to be used for financial reporting, business planning, forecasting and the IAS 19 valuation of the three UK defined benefit pension schemes.

Nomination Committee report

'Maintaining the right balance of skills and knowledge is key to achieving the Group's strategic objectives and the Committee focussed on these in considering new appointments to the Board.'

Paul Manduca
Chairman of the Nomination Committee

Membership

Director	Meetings attended
Number of meetings held	**4**
Paul Manduca (Chairman)	4
Howard Davies	4
Ann Godbehere	4
Philip Remnant (appointed 1 January 2013)	4
Lord Turnbull	4

Biographical details of the members can be found on pages 64 to 68.

Role and responsibilities of the Committee

The purpose of the Committee is to assist the Board in ensuring that it maintains the appropriate balance of skills, knowledge and diversity to support the Group's strategic objectives, and that a clear and transparent appointment process for directors is in place.

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;**
- **Consider and, where necessary, authorise any actual or potential situational conflicts arising out of a proposed new appointment, changes in the circumstances of an existing appointment or those of a director's connected person; and**
- **Develop, where appropriate, and periodically review, any objectives established for the implementation of diversity on the Board and monitor progress toward the achievements of those objectives.**

Meetings

The Committee met on four occasions during the year.

The Group Chief Executive is closely involved in the work of the Committee and was invited to attend and contribute to meetings. The Group HR Director was also invited to attend meetings.

How the Committee discharged its responsibilities in 2013

During the year, the Committee undertook the following work:

Board composition

The Committee reviewed the composition of the Board and, in particular, the non-executive directors, to ensure that the balance of skills, experience and knowledge continued to be appropriate for the Group's business to meet the strategic objectives. The Committee also considered whether any additional skills and experience would be needed, either to complement those already on the Board, or to plan for filling vacancies due to the future retirement of non-executive directors.

Succession planning

The Committee reviewed the succession plans for both executive and non-executive appointments to the Board, taking into account the strategic objectives of the Group and the future retirement of directors, as well as the level of diversity desirable for a Group with such a global reach. Further information on the diversity of the Board can be found on page 70. The process included consideration of the anticipated demands of the business and the skills and knowledge required to successfully deliver against these.

Appointment of directors

Two new non-executive directors and one executive director were appointed during the course of the year.

The Committee initiated the recruitment process for two non-executive directors to replace Keki Dadiseth and Michael Garrett who retired in 2013, and made recommendations to the Board on the appointment of Alice Schroeder and Anthony Nightingale (details of the process are set out in the box opposite). Korn Ferry Whitehead Mann and Ridgeway Partners were appointed to assist in the searches leading to the appointment of Alice Schroeder and Anthony Nightingale respectively. Neither of the search consultancies used in the process undertook any other significant work for Prudential.

With the assistance of Egon Zehnder, the Committee also led the search process for the appointment of Jackie Hunt as

Chief Executive, Prudential UK & Europe. Egon Zehnder assisted Prudential in finding candidates for a number of executive positions below Board level during the course of the year.

Appointment of non-executive directors

Alice Schroeder and Anthony Nightingale were appointed as non-executive directors during the course of the year, following the scheduled retirement of Keki Dadiseth and Michael Garrett as part of the continuous refreshment of the Board.

The Committee evaluated the skills and knowledge required in order to ensure the Board was appropriately balanced to meet the needs of the Group and agreed role specifications setting out the key attributes expected in the successful candidates.

The search consultancies shared with the Nomination Committee a long list of potential non-executive directors. The Committee reviewed the potential candidates provided by Korn Ferry Whitehead Mann and Ridgeway Partners, agreeing a shortlist of individuals meeting the key skills, knowledge and personal attributes, as identified by the Committee. The Committee members and Group Chief Executive then met with the identified candidates, further evaluating them against the needs of the business and the Board.

The Committee gave consideration to the external commitments of the candidates to ensure they could dedicate sufficient time to meet the demands of the role and that they were suitably independent of the Group to fulfil the role of a non-executive director. On completion of the process, the Committee agreed to recommend Alice Schroeder and Anthony Nightingale to the Board for appointment.

Conflicts of interest and independence

The Board has delegated authority to the Committee to consider, and where necessary authorise, any actual or potential conflicts of interest arising in respect of the directors. The Committee considered potential conflicts of interest as they arose during the course of the year and in respect of the appointments of new directors.

The Committee also supports the Board in its annual consideration of the Conflicts of Interest Register, which is carried out prior to the publication of the Annual Report, and considers the independence of the non-executive directors, in the context of the criteria set out in the UK and HK Codes.

Risk Committee report

'The Committee continued to strengthen the Group risk framework, taking a more universal approach to the Group's risks that went beyond the management of financial risk.'

Howard Davies
Chairman of the Risk Committee

Membership

Director	Meetings attended
Number of meetings held	**5**
Howard Davies (Chairman)	5
Ann Godbehere	5
Kai Nargolwala	5
Lord Turnbull	5

Biographical details of the members can be found on pages 66 to 68.

Role and responsibilities of the Committee

The Committee is responsible for assisting the Board in providing leadership, direction and oversight of the Group's overall risk appetite, risk tolerance and risk management framework.

The principal responsibilities of the Committee are to:

- **Review the Group's 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.**

Meetings

The Committee met on five occasions during the year and continued to maintain close links with the Audit Committee. The Chairman of the Audit Committee is a member of the Risk Committee and the Committee Chairman is a member of the Audit Committee. This cross-membership facilitates an effective linkage between both committees, ensuring that any risk assurance relevant to financial reporting is referred to that Committee.

The Chairman of the Board, the Group Chief Executive, the Chief Financial Officer, the Group Chief Risk Officer, the Group-wide Internal Audit Director and the Group General Counsel are invited to attend the meetings, as is the Chief Operating Officer, Group Risk and Director of Risk Advisory and Technical Analysis.

How the Committee discharged its responsibilities in 2013

During the year, the Committee undertook the following work:

Group risk framework

The Committee continued its granular review of the Group risk framework, expanding and strengthening it in respect of the Group's significant investment portfolios and taking account of Prudential's wider stakeholders.

Extensive 'road-testing' of the framework was carried out during the course of 2012 and 2013, with the Committee receiving regular feedback on the implementation in the business units. Once the Committee was satisfied that the strengthened framework was both appropriate for the business and functioning robustly, it was recommended to the Board for approval.

Key Group risks

The Committee continued to monitor the Group's key risks against the changing economic backdrop and strategic objectives approved by the Board in June.

The Committee determined that the principal risks to the Group remained largely unchanged and continued to provide oversight to management's actions in respect of these risks.

The Committee reviewed the adequacy of capital levels in respect of the principal risks to the Group, including the levels of capital buffers for unforeseen risks.

Regulatory and economic capital models

The development and finalisation of the model used in the preparation of the Group's Pillar I disclosures required under Solvency II were areas of focus for the Committee. The appropriateness of the underlying model and the assumptions forming the basis of the Economic Capital Model were further key areas of consideration for the Committee and both items formed a notable part of the Committee's deliberations over the course of 2013.

Stress testing

Alongside the Committee's regular review of the Reverse Stress Test Exercise, Prudential also participated in the industry-wide stress testing carried out by the PRA.

The Committee considered the impact of the additional testing on the operation of the business units, approving the proposed timeline for the coordinated exercise and governance process for signing off the results.

Dialogue with the regulator

Ongoing dialogue with the PRA was maintained through the usual cycle of close and continuous meetings with the Committee Chairman and Group Chief Risk Officer. Discussions focussed on the Pillar I disclosures under Solvency II and the Economic Capital Model, which sets out the Group's approach to risk appetite and the Group risk framework.

The meetings were also used to better understand the PRA's areas of focus and how these might impact the responsibilities of the Committee.

Training and support

The Committee regularly received updates from Group Risk, Group-wide Internal Audit and the Group Treasurer on industry and market developments and their impact on Prudential.

The Committee received the minutes of the Group Executive Risk Committee, along with any matters escalated by the other risk management committees.

In performing its duties, the Committee has access to the Group Chief Risk Officer, as well as other employees and their relevant expertise across the Group.

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.

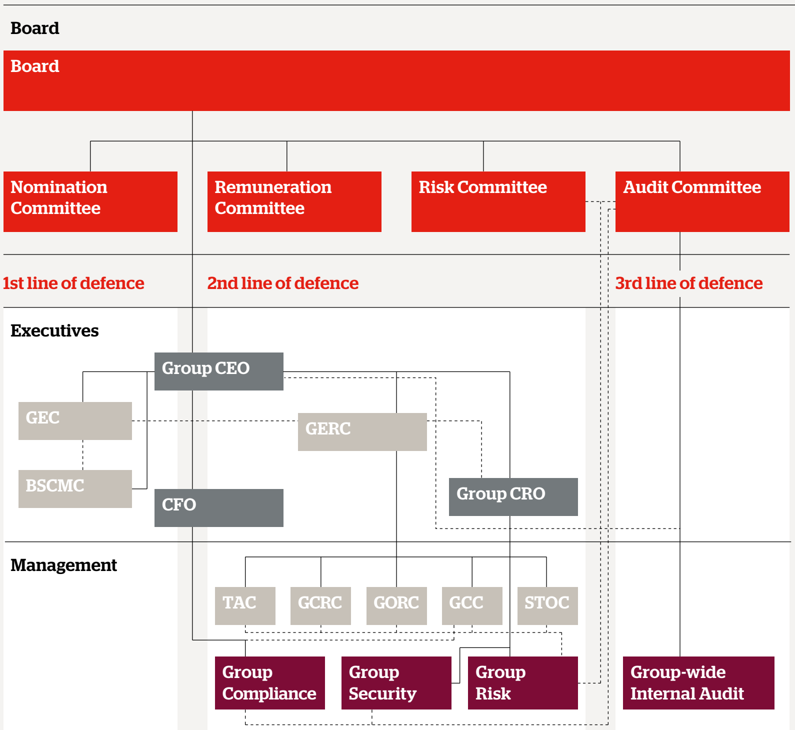
The control procedures and systems established within the Group are designed to manage rather than eliminate the risk of failure to meet business objectives. They can only provide reasonable and not absolute assurance against material misstatement or loss and focus on aligning the levels of risk-taking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

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. The diagram below 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.

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 objectives

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

1 Framework
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;

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

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

4 Communication
Effectively communicate the Group's risk, capital and profitability position to both internal and external stakeholders; and

5 Culture
Foster a risk management culture, providing quality assurance and facilitating the sharing of best practice.

Risk Committee report continued

Risk management – the first line of defence

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

Group Executive Committee (GEC)
Purpose: Supports the Group Chief Executive in the executive management of the Group and is comprised of the chief executives of each of the Group's major business units, as well as a number of functional specialists.

Meets: Usually fortnightly

Balance Sheet and Capital Management Committee (BSCMC)
Purpose: 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. The BSCMC is comprised of a number of functional specialists.

Meets: Monthly

Risk oversight – the second line of defence

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.

Group Executive Risk Committee (GERC)
Purpose: Oversees the Group's risk exposures, including market, credit, liquidity, insurance and operational risks, and also monitors the Group's capital position.

Reports to: Group Chief Executive

Meets: Monthly

Technical Actuarial Committee (TAC)
Purpose: Sets the methodology for valuing Prudential's assets, liabilities and capital requirements under Solvency II and the Group's internal economic capital basis.

Reports to: GERC

Meets: Usually monthly and more often as required

Group Credit Risk Committee (GCRC)
Purpose: Reviews the Group's investment and counterparty credit risk positions.

Reports to: GERC

Meets: Monthly

Group Operational Risk Committee (GORC)
Purpose: Overseas the Group's operational risk exposures.

Reports to: GERC

Meets: Quarterly

Group Compliance Committee (GCC)
Purpose: Oversees the effectiveness of risk and capital management for all financial and non-financial risks faced by Prudential Group and has responsibility to consider Group-wide regulatory compliance risks and controls.

Responsibility for these risks has moved to the GORC from January 2014.

Reports to: GERC

Meets: Every two months

Solvency II Technical Oversight Committee (STOC)
Purpose: Provides ongoing technical oversight and advice to the Board and executive in respect of their duties with regard to the Group's Internal Model.

Reports to: GERC

Meets: Usually 10 times annually

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 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

Group-wide Internal Audit (GwIA)
The third line of defence comprises the Group-wide Internal Audit function, which provides independent and objective assurance to the Board, Audit and Risk Committees and the Group Executive Committee, to protect the assets, sustainability and reputation of the organisation.

Reporting

The 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 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 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 Committee and the Board.

Routine internal reporting by the business units varies 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 Committee

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 89 to 123.

Corporate governance codes

In line with its listings on the London and Hong Kong stock exchanges, Prudential applies the principles of the UK and HK codes.

The Board confirms that it has complied with all relevant provisions set out in the UK and HK Codes throughout the accounting period. With respect to Code Provision B.1.2(d) of the HK Code, the responsibilities of the Remuneration Committee do not include making recommendations to the Board on the remuneration of non-executive directors. In line with the principles of the UK Code, fees for non-executive directors are determined by the Board.

The principles of the UK and HK Codes have been applied as set out earlier in the corporate governance report and also in the directors' remuneration report, which can be found on pages 89 to 123. The UK Code can be viewed on the Financial Reporting Council's website, with the HK Code available on the website of the Hong Kong Stock Exchange.

Shareholders

Communication with shareholders

Being a major institutional investor, Prudential is very aware of the importance of maintaining a good relationship 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 December 2013, the conference was held in London and new Growth and Cash targets for 2014 to 2017 were published.

The latest analysts' and brokers' reports are circulated regularly to Board members. 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 371 to 372 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 15 May 2014 at 11.00am.

The Annual General Meeting is an important forum for both institutional and private shareholders and all shareholders are encouraged 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.

Prudential 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 Group's website.

Details of the 2013 AGM, including the major items discussed at the meeting and the results of the voting, can be found on the Group's website. All directors in office at the time of the Annual General Meeting held on 16 May 2013 attended the meeting, with the exception of Keki Dadiseth, 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 are able to require the directors to hold a general meeting. Written shareholder requests should be addressed to the Group Company Secretary at the registered office.

Company constitution

Prudential is governed by the Companies Act 2006, other applicable legislation and regulation, and provisions in its Articles of Association. Any change to the Articles of Association must be approved by special resolution of the shareholders. There were no changes to the constitutional documents during 2013.

The Memorandum and Articles of Association are available on the Group's website.

Share capital

The issued share capital as at 31 December 2013, which is set out in Note C10 on page 257, consisted of 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 branch registers in Ireland or Hong Kong.

	Issued share capital	Number of accounts on the register
2013	2,560,381,736	57,013
2012	2,557,242,352	60,522

Prudential 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 depositary 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.

Prudential 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.

Rights and obligations

The rights and obligations attaching to the Company's shares are set out in full in the 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, 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 11 March 2014, Trustees held 3 per cent of the issued share capital under the various plans in operation.

Rights to dividends under the various schemes are set out in the directors' remuneration policy section of the remuneration report.

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 Conduct Authority (FCA) and the Hong Kong Stock Exchange, as well as under the Rules of some of the Group's employee share plans.

All directors are required to hold a number of shares under guidelines approved by the Board, which they would also be expected to retain as described on page 100 of the directors' remuneration report.

Significant shareholdings

The following notifications have been disclosed under the FCA's Disclosure and Transparency Rules in respect of notifiable interests exceeding 3 per cent in the voting rights of the issued share capital.

As at 31 December 2013	% of total voting rights
Capital Group Companies, Inc.	10.12
BlackRock, Inc.	5.08
Norges Bank Investment Managers	4.03

No further notifications have been received between the end of 2013 and the date of this report.

Authority to issue shares

The directors require authority from shareholders in relation to the issue of shares. Whenever shares are issued, these must be offered to existing shareholders pro rata to their holdings, unless the directors have been given authority by shareholders to issue shares without offering them first to existing shareholders. Prudential 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 offering them to existing shareholders, in line with relevant regulations and best practice. Disapplication of statutory pre-emption procedures is also sought for rights issues. The 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 15 May 2014.

Details of shares issued during 2013 and 2012 are given in Note C10 on page 257.

In accordance with the terms of a waiver granted by the Hong Kong Stock Exchange, Prudential 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 the Company's own shares. Prudential 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. This authority has not been used since it was last granted at the Annual General Meeting in 2013. This existing authority is due to expire at the end of this year's Annual General Meeting and a special resolution to renew the authority will be put to shareholders at the Annual General Meeting on 15 May 2014.

Model code for securities transactions by directors

Prudential 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 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 and 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 issued by the FCA 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 127 to 289 and the supplementary information on pages 296 to 330. 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 291 and 332.

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 pages 290 and 331.

Company law also requires the Board to approve the strategic report. In addition, the UK Code requires the directors' statement to state that they consider the annual report and financial statements, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The directors are further required to confirm that the strategic report includes a fair review of the development and performance of the business, with a description of the principal risks and uncertainties. Such confirmation is included in the statement of directors' responsibilities on pages 290 and 331.

The strategic report provides, on pages 46 to 53, a description of the Group's risk and capital management, which includes a description of the Group's liquidity position. These risks are also discussed in the audited sections of the Group Chief Risk Officer's report on the risks facing our business and our capital strength.

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 and that each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Going concern

In accordance with the requirements of the guidance issued by the Financial Reporting Council in October 2009 'Going Concern and Liquidity Risk: Guidance for directors of UK companies 2009', after making sufficient 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 strategic report on pages 34 to 45. The risks facing the Group's capital and liquidity positions and their sensitivities are referred to in the strategic report on pages 46 to 53. Specifically, the Group's borrowings are detailed in Note C6 on pages 235 to 236, the market risk and liquidity analysis associated with the Group's assets and liabilities can be found in Note C3.5(a) on pages 206 to 208, policyholder liability maturity profile by business units in Notes C4.1(b), C4.1(c) and C4.1(d) on pages 215, 217 and 218 respectively, cash flow details in the consolidated statement of cash flows and provisions and contingencies in Note C12. The directors, therefore, have continued to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 December 2013.

Post-balance sheet events

Significant events affecting the Group which have taken place after the end of the financial year are detailed in Note D4 on page 272.

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.

Significant contracts

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 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 2012 and 2013.

For the year ended 31 December 2013, none of the directors, 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 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	Strategic report	13
Disclosure of information to auditor	Additional disclosures	86
Directors in office during the year	Board of directors	73
Dividend recommended for the year	Strategic report	45
Details of qualifying third party indemnity provisions	Corporate governance report	69
Corporate responsibility governance	Corporate responsibility review	61
Political donations and expenditure	Corporate responsibility review	59
Greenhouse gas emissions	Corporate responsibility review	60
Financial instruments – risk management objectives and policies	Strategic report	46
Post-balance sheet events	Note D4 of the Notes on the Group financial statements	272
Future developments of the business of the Company	Group Chief Executive's report	12
Employment policies and employee involvement	Corporate responsibility review	56-57
Structure of share capital, including restrictions on the transfer of securities, voting rights and significant shareholders	Corporate governance report	83
Rules governing appointments of directors	Corporate governance report	71
Rules governing changes to the Articles of Association	Corporate governance report	84
Powers of directors	Corporate governance report	73
Significant agreements impacted by a change of control	Additional disclosures	86
Agreements for compensation for loss of office or employment on takeover	Additional disclosures	86

In addition, the risk factors set out on pages 362 to 366 and the additional unaudited financial information set out on pages 335 to 361, are incorporated by reference into this directors' report.

Signed on behalf of the Board of directors

Alan F Porter
Group Company Secretary
11 March 2014