

# DIRECTORS' REMUNERATION REPORT

124 Directors' remuneration report

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REMUNERATION REPORT



# DIRECTORS' REMUNERATION REPORT

## Dear Shareholder

I am pleased to present the Remuneration Committee's report on directors' remuneration for the year to 31 December 2010.

Firstly, I would like to welcome Lord Turnbull and Paul Manduca to the Committee. I would also like to thank James Ross, who has stepped down from the Committee after six years, for his contribution.

In May 2010, we listed our shares in Hong Kong and Singapore. As a result, you will find that some additional information is provided in this year's Directors' Remuneration Report and that the format used to present some data has been revised to comply with these new listing requirements.

The primary objective of our remuneration policy remains unchanged: to attract high calibre executives, to encourage them to contribute to the success of Prudential by achieving our business plans, generating returns for shareholders, and to reward them based on the Company's success and their individual contributions. The policy supports the Company's strategy and goals, and aims to comply with good practice in the markets where the Group operates.

2010 was another successful year for the Group. As you will see from our results, we have delivered outstanding business performance, achieving strong sales and profits. This demonstrates the success of the Group's strategy of focusing on value over volume and capitalising on growth opportunities in our chosen markets around the world. The Group's prudent but proactive risk based approach has ensured that our capital position remains robust and resilient. We have significantly out-performed our international peer group over the last three years, which resulted in full vesting under the Group Performance Share Plan.

In considering the 2010 Annual Bonus payments for executive directors, the Committee sought to balance the appropriate level of reward for the achievement of results which exceeded all performance targets with the costs associated with the proposed AIA transaction. After careful consideration, the Committee used its discretion to take the cost of the AIA transaction (which is excluded from the Group's reported IFRS and EEV operating profit) fully into account in determining the results to be used for bonus purposes. Bonuses for all executive directors were therefore based on the results after all AIA transaction costs. For 2010, it was agreed with the Group Chief Executive that the portion of his bonus (50%) which would normally be payable immediately in cash would be converted into shares and deferred for three years.

In the Group Chief Executive's Report, Tidjane Thiam set out three Group-wide operating principles which have underpinned the sound management of the Group. These principles are reflected in the reward policies operated by the Group and in the way that the Remuneration Committee makes its decisions, as set out below:

### Balanced approach to performance management

The Group believes that sustainable growth requires new business profitability, IFRS profitability and cash generation to develop in parallel; no one of these measures should be achieved at the expense of the others. The basket of annual bonus plan measures rewards the simultaneous delivery of these key indicators. Bonuses are also determined by the achievement of personal measures which assess executives' individual non-financial contributions to the development of the Group and to the execution of our strategy.

## DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report has been prepared by the Remuneration Committee (the 'Committee') and has been approved by the Board. Shareholders will be given the opportunity to approve the report at the Annual General Meeting on 19 May 2011.

This report has been drawn up in accordance with the Combined Code on Corporate Governance, Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, the UK Listing Authority Listing Rules and the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong. KPMG Audit Plc has audited the sections contained on pages 138 to 148.

During the year, the Company has complied with the provisions of Section 1 and Schedule A of the Combined Code on Corporate Governance then in force regarding directors' remuneration.

### Disciplined capital allocation

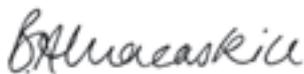
The Group has a rigorous focus on allocating capital to the geographies and products with the best returns and shortest payback opportunities. Our objective is to create the highest possible sustainable returns for shareholders, as reflected in our share price and dividends. To align the interests of our executives with those of our shareholders and to reward them for delivering these returns, the Group Performance Share Plan is based on total shareholder return and only rewards participants if the Group's share price growth and dividends are superior to those provided by other international insurance organisations over a three-year period.

### Proactive risk management

Effectively managing risk across our operations is essential if the growth which we create is to provide shareholders with lasting value. The Remuneration Committee is therefore mindful of the need for pay to reward the delivery of strong business results without encouraging inappropriate risk taking. Given the longevity of the products which we offer, an important aspect of our remuneration policy has always been a focus on sustainable long-term performance. We continue to achieve this in a number of ways including an emphasis on cash generation and preservation of capital in our annual bonus plan performance measures, the deferral of a proportion of the annual bonus into Company shares for three years and substantial shareholding guidelines for executives.

The Committee has and will continue to review the implications of emerging guidelines and regulations on our remuneration governance structures, policies and practices, and will implement any changes where appropriate.

I trust that you will endorse the policies outlined in our report.



**BRIDGET MACASKILL**  
CHAIRMAN, REMUNERATION COMMITTEE

8 March 2011

# DIRECTORS' REMUNERATION REPORT

## The Remuneration Committee

The Committee is responsible for:

- Determining the remuneration policy for the Chairman and the executive directors of the Company;
- Monitoring the remuneration of a defined leadership population and for individuals earning over £1 million per annum.

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

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

The members of the Committee during 2010 are listed below. All are independent non-executive directors:

Bridget Macaskill (Chairman)  
Keki Dadiseth FCA  
Michael Garrett  
James Ross (until 9 November 2010)  
Lord Turnbull KCB CVO (from 9 November 2010)  
Paul Manduca (from 9 November 2010)

In 2010, the Committee met seven times. Some key activities during the year included:

- Reviewing the requirements of the latest governance guidelines and consultations, including the FSA's revised Remuneration Code;
- Considering how remuneration arrangements should support the implementation of the Solvency II framework, due to be implemented in 2012;

- Considering the package to be offered to Mike Wells upon his appointment as President and CEO of Jackson and the payments to be made to Clark Manning as he transitioned out of this role;
- Agreeing the package to be offered to John Foley as he joined the Board as Group Chief Risk Officer;
- Establishing the performance measures and targets for the annual and long-term incentive plans, and considering the appropriate level of payments to be made; and
- Overseeing the remuneration of the Group Leadership Team (comprising around 100 senior individuals including the Group Executive Committee) and of employees with remuneration over £1 million per annum.

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

In making its decisions, the Committee called on advice from Deloitte LLP and PricewaterhouseCoopers LLP. Market data was sourced from Deloitte LLP, Towers Watson and McLagan Partners. Linklaters and Slaughter & May provided legal counsel, including advice on employment law and the operation of the Company's share plans. Some of these firms also provided other services to the Company: Deloitte LLP, PricewaterhouseCoopers LLP and Slaughter & May in relation to taxation and other financial matters, Towers Watson in relation to actuarial advice and Slaughter & May in relation to commercial, corporate and general legal advice.

### Remuneration principles

In determining remuneration policy, the Committee applies the following principles:

- A substantial portion of total remuneration is delivered through performance-related reward with the highest levels of reward only being paid for the highest levels of achievement;
- A significant element of performance-related reward is provided in the form of shares;
- The total remuneration package for each executive director is set with reference to the relevant employment market;
- The performance of business unit executive directors is measured at both a business unit and Group level;
- Performance measures include absolute financial measures and relative measures, as appropriate, to provide alignment between achieving results for shareholders and the rewards for executives;
- Reward structures are designed to deliver fair and equitable remuneration for all employees; and
- Reward arrangements are designed to minimise regulatory and operational risk.

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

# DIRECTORS' REMUNERATION REPORT

## Summary of main components of remuneration and related requirements

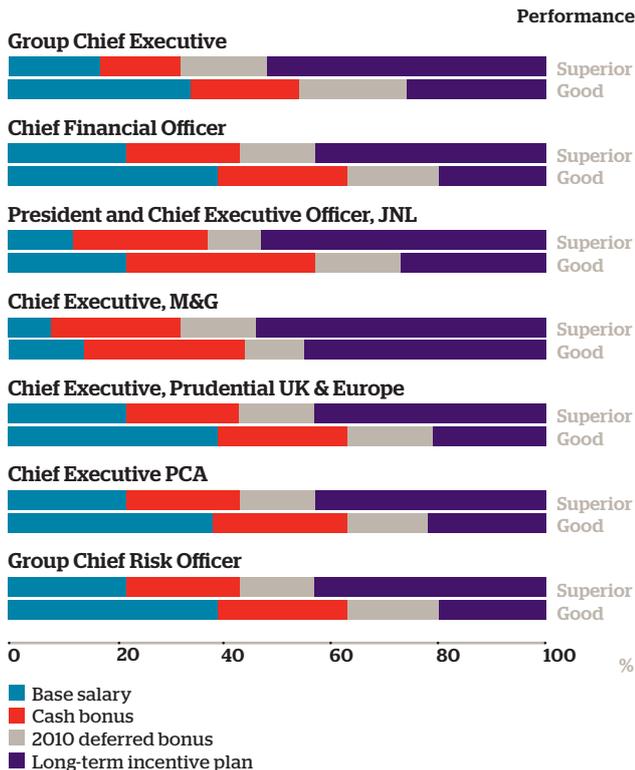
The table below summarises the Company's policies as they were applied during 2010. The Committee intends to adopt the same approach in 2011:

ELEMENT	PURPOSE	APPROACH
Total compensation	Adopts appropriate compensation structures and reward payouts to attract high calibre executive directors.	Benchmarked against the relevant market for the role, taking into account the individual's contribution and experience. Market position is compared with companies of similar size and complexity to Prudential in the relevant market for the role.  Consideration is also given to remuneration arrangements and levels offered to other Prudential employees.
Base salary	Along with benefits, provides the guaranteed element of remuneration necessary to recruit and retain the best people to lead our business.	Based on scope of role and market position, as well as the individual's contribution and experience, taking into account total remuneration, market movement of salaries in comparator organisations and salary increases for employees generally.  The Committee reviews salaries annually. Any changes in base salaries are effective from 1 January.
Annual bonus	Rewards the achievement of business results and individual objectives in a given year.	Executive directors have annual bonus plans based on the achievement of Group and business unit financial performance measures and individual contribution. 2010 Group and business unit targets focused on profitability, cash flow and capital preservation.  Bonuses are not pensionable.
Deferred bonus	Reinforces the need for annual results to be grounded in business performance which is sustained over the longer term.	Executive directors are required to defer between 30 per cent and 50 per cent of annual bonus (for Michael McLintock, 50 per cent of bonus over £500,000 is deferred) into Prudential shares for three years.
Long-term incentive	Rewards executive directors for delivering sustainable long-term returns for shareholders.	All executive directors participate in the Group Performance Share Plan under which awards vest based on relative TSR performance against a peer group of international insurers.  Business unit Chief Executives also participate in business unit plans which focus on financial measures which contribute to the long-term success of the business unit and, therefore, the Group.

ELEMENT	PURPOSE	APPROACH
All-employee share plans	Offer all employees an opportunity to participate in the success of the Company.	The structure of plans is determined by market practice and local legislation. Executive directors are eligible to participate in all-employee plans on the same basis as other employees in their location.
Benefits	Provide health and security benefits as part of the fixed element of remuneration. Set at an appropriate level compared with peers.	Executive directors receive benefits, for example participation in medical insurance schemes, the use of a car and driver, and security arrangements. No benefits are pensionable.  Executive directors are also entitled to participate in M&G investment products on the same terms as other employees.
Pension and long-term savings	Provide opportunities for executive directors to save for an income in retirement in a cost efficient manner.	It is the Company's policy to provide efficient pension and other long-term savings vehicles to allow executive directors to save for their retirement. The Company's policy for all external appointments since June 2003 has been to provide a pension contribution as a fixed percentage of salary.  The level of Company contribution is related to competitive practice in the executive directors' employment markets.
Shareholding guidelines	Encourage executives to build an interest in the Company's shares and support alignment with shareholder interests.	The Group Chief Executive and Chief Executive of M&G are required to hold shares equal to 200 per cent of base salary. A policy of 100 per cent of base salary applies for other executive director roles. Executive directors have five years in which to build their shareholding.

# DIRECTORS' REMUNERATION REPORT

On a policy basis, the package for 2011 will offer the following proportions of fixed and variable and short- and long-term reward for our executive directors:



In this chart, 'Good' performance results in the payment of plan annual bonuses and threshold vesting of long-term incentive awards while 'Superior' performance generates maximum payment of annual bonuses and maximum vesting of long-term incentive awards.

## Components of remuneration

### Base salary

The limited increases to executive directors' base salaries effective on 1 January 2010 were detailed in the 2009 Remuneration Report. No executive director has been awarded a salary increase effective on 1 January 2011.

Mike Wells's salary on his appointment as Chief Executive of Jackson is \$1,000,000. John Foley's salary on his appointment as Group Chief Risk Officer is £550,000. Mike Wells's and John Foley's salaries will next be reviewed with effect from 1 January 2012.

## Annual bonus

The 2010 annual bonus plans for the majority of executive directors included Group and business unit performance measures based on:

- IFRS operating profit
- EEV operating profit
- Holding company cash flow; and
- Insurance Group Directive (IGD) Capital Surplus.

These performance measures have been selected because they recognise the importance of generating profit while maintaining cash flow and capital coverage. Please see the Financial Statements and the Risk and Capital Management section of the Business Review for full definitions of these measures. Michael McLintock's annual bonus plan incorporated Business Unit measures including growth in third party funds, M&G investment performance and M&G IFRS operating profit (excluding PruCap). The performance measures for Jackson are IFRS pre-tax operating income (with the target and result adjusted to reflect the revised presentation of operating profit) and EEV new business profit.

A portion of the annual bonus for each executive director is based on the achievement of personal objectives. These include the executive's contribution to Group strategy as a member of the Board and specific goals related to their functional and/or business unit role (for instance, project measures relating to the implementation of the Solvency II requirement). In addition, all employees are required to comply with the regulatory, governance and risk management practices and policies as these relate to their role and business area. Specifically, all business units must act within the Group's risk appetite.

Executive directors' bonus opportunities, the weighting of performance measures for 2010 and the proportion of annual bonuses deferred are set out opposite.

The table opposite sets out the proportion of each executive director's annual bonus which must be deferred. This portion is deferred for three years in the form of the Company's shares and is used to reinforce executive directors' focus on the sustained success of the Company.

Despite continued turbulence in the financial markets, Prudential's leadership team has remained focused on delivery. The Group achieved exceptional results against all of the financial annual incentive plan measures leading to attainment of bonus payments at close to the maximum level, even after offsetting all of the costs associated with the proposed AIA transaction. This was reflected in the value delivered to shareholders by the rising share price and the dividends paid. On the basis of this performance, the Committee approved the 2010 bonus payments set out on page 138.

## Executive directors' bonus opportunities, the weighting of performance measures for 2010 and the proportion of annual bonuses deferred

	Maximum bonus opportunity (% of salary)	Deferral requirement	Weighting of measures		
			Financial measures		Personal objectives
			Group	Business unit	
Rob Devey	160%	40% of total bonus	20%	60%	20%
Clark Manning	c 320% <sup>(note 1)</sup>	30% of total bonus	25%	65%	10%
Michael McLintock	<sup>(note 2)</sup> 50% of bonus above £500,000		10%	75%	15%
Nic Nicandrou	160%	40% of total bonus	80%	–	20%
Barry Stowe	160%	40% of total bonus	20%	60%	20%
Tidjane Thiam	180%	50% of total bonus <sup>3</sup>	80%	–	20%

### Notes

- 1 Clark Manning's annual bonus figures and the weighting of measures shown include a notional figure for his 10 per cent share of the Jackson senior management bonus pool based on the performance of Jackson.
- 2 Michael McLintock's annual bonus and long-term incentive opportunities are based on M&G's performance both in absolute terms and relative to its peers. His bonus and long-term incentive opportunities are determined by an assessment of market competitive rewards for median and superior performance. In line with practice in the asset management sector, there is no specified maximum incentive award. Michael's total remuneration is subject to an overriding cap which requires that his total remuneration must not be greater than 3 per cent of M&G's annual IFRS profit.
- 3 For 2010, it was agreed with the Group Chief Executive that the portion of his bonus (50%) which would normally be payable in cash would be converted into shares and deferred for three years.

During the first quarter of 2010, the vesting of deferred share awards for UK employees (including UK-based executive directors) was accelerated in light of the impending changes to UK taxation. Some of the shares were sold to meet the resulting tax liabilities while the remaining shares were immediately converted into restricted share awards. These will vest on the same terms and timescale as the original deferred share awards. The Committee believed that it was appropriate for executive directors to pay tax on these awards at the rate in force when the annual bonuses were originally calculated and when the deferral was made. Please see the Other Share Awards table on page 144 for details.

### Long-term incentives

All executive directors participate in the Group Performance Share Plan (GPSP). Awards vest on the basis of the Group's relative Total Shareholder Return (TSR) performance against a peer group of international insurers. Those executive directors with responsibility for a business unit also participate in plans linked to the long-term success of the relevant unit. The Committee will continue to keep the performance measures used in the long-term incentive plans under review to ensure their continued relevance.

Details of the awards made under these plans in 2010 can be found on pages 142 and 143.

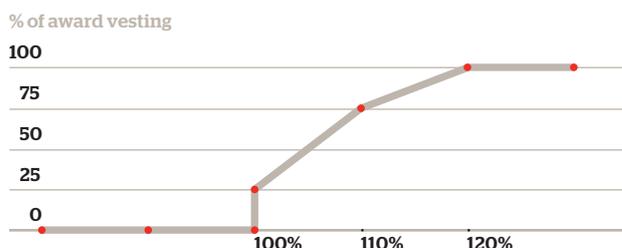
### Group Performance Share Plan (GPSP)

All executive directors participate in the GPSP. This plan delivers shares to participants subject to Prudential's Total Shareholder Return (TSR) performance over a three year period.

Prudential's TSR performance over the performance period is compared with the TSR performance of an index composed of 10 international insurers (see box below). This performance measure was selected because it focuses on the value delivered to shareholders. TSR is measured on a local currency basis since this has the benefits of simplicity and directness of comparison.

The peer group used for the 2008 and 2009 GPSP awards was comprised of the organisations listed below plus Friends Provident (Friends Provident was removed from the comparator group for outstanding and future awards in November 2009 when it delisted). The organisations listed will also comprise the peer group used for 2011 GPSP awards.

The vesting schedule for GPSP awards is set out below:



Performance achieved by Prudential (percentage of index)

Peer Companies within the Index used for 2010 GPSP awards  
Aegon, Allianz, Aviva, Axa, Generali, ING, Legal & General, Manulife, Old Mutual and Standard Life

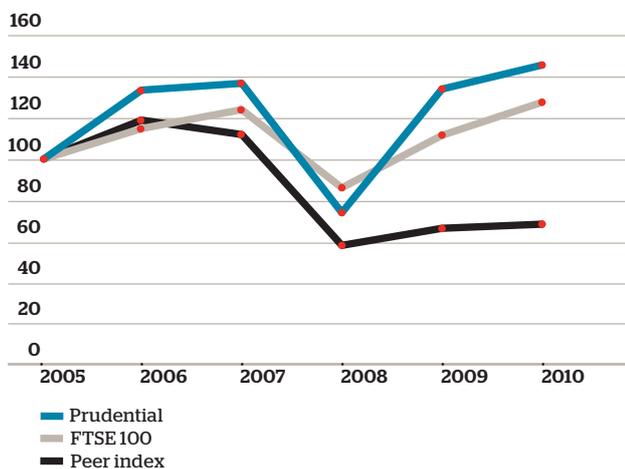
# DIRECTORS' REMUNERATION REPORT

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

On 31 December 2010, the performance period for the 2008 GPSP award (which began on 1 January 2008) came to an end. Prudential's TSR performance over this period was equal to 133.7 per cent of the peer index. The Committee, having satisfied itself about the quality of the Company's underlying financial performance, confirmed vesting of 100 per cent of the 2008 GPSP award (in 2009, 100 per cent of the 2007 GPSP award vested).

The line chart below compares Prudential's Total Shareholder Return (TSR) during the five years from 1 January 2005 to 31 December 2010 with that of the peer group against which TSR is measured for the purposes of the Group Performance Share Plan. Our performance is also shown relative to the FTSE 100 since Prudential is a major company within this Index.

## Prudential TSR v FTSE 100 and peer group total returns index %



TSR represents the growth in the value of a share plus the value of dividends paid, assuming that the dividends are reinvested in the Company's shares on the ex-dividend date.

## Business Unit Performance Plans (BUPP)

For executives with regional responsibilities, the Business Unit Performance Plans (BUPPs) deliver shares subject to performance over a three-year period.

For the Asia and Jackson BUPPs, the performance measure applied to all outstanding awards is the increase in the relevant region's Shareholder Capital Value (SCV) over the performance period. SCV represents shareholders' capital and reserves on a European Embedded Value (EEV) basis for each business unit, and was selected as a performance measure since it reflects the value contributed to the Group and its shareholders by each business unit.

The levels of SCV growth required for vesting of outstanding BUPP awards are set out in the table below. The SCV growth rates required in Prudential's business regions vary to reflect the relative maturity of each market and business environment.

Percentage of BUPP award which vests	Compound annual growth in SCV over three years	
	Jackson	Asia
0%	< 8%	< 15%
30%	8%	15%
75%	10%	22.5%
100%	12%	30%

Vesting occurs between these performance levels on a straight line basis.

In the past, BUPP awards for executives in the UK business unit were also assessed on the basis of SCV growth. During 2009, the Committee decided that future BUPP awards for the UK Business Unit would be based on the same relative TSR measure applied to GPSP awards. As a result, 2010 awards made under the UK BUPP reflect those TSR conditions applied to 2010 GPSP awards.

On his appointment in November 2009, Rob Devey was granted a 2009 BUPP award with a performance measure of growth in Shareholder Capital Value (SCV) of Prudential UK. Shortly after his appointment the strategy for the UK business was redefined and the Committee concluded that the TSR performance target used for the GPSP in 2009 provided a better alignment with the cash-generative priorities of the UK Business Unit than SCV, and therefore the target was amended accordingly.

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

On 31 December 2010, the performance periods for the 2008 BUPP awards (which began on 1 January 2008) came to an end. Over the period, the SCV of the Asia and Jackson business units grew by 15 per cent per annum and 3.9 per cent per annum respectively (on a compound basis). The Committee, having satisfied itself about the quality of the Asia business unit's underlying financial performance, confirmed vesting of 30 per cent of the 2008 Asia BUPP award. No part of the Jackson 2008 BUPP award vested (in 2009, 63.6 per cent of 2007 Asia BUPP award vested while no part of the 2007 UK and Jackson BUPP awards vested). Please see page 143 for details.

The rules of the GPSP and BUPP set a limit on the value of shares which may be awarded to an executive in a financial year. The combined value of shares awarded under the two plans may not exceed 350 per cent of salary (550 per cent of salary for executives based in the US). The awards made in a particular year are often below this limit. On a change in control of Prudential, vesting of awards made under these arrangements would be prorated for performance and to reflect the elapsed portion of the performance period.

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

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

#### **Profit growth**

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

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

#### **Investment performance**

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

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

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

The number of phantom shares awarded depends on the performance of M&G and Michael McLintock's individual contribution in the financial year prior to the year in which the award is made. Therefore, the number of phantom shares to be awarded in 2011 relates to M&G's performance in 2010 and is calculated on the basis of its expected value. The expected value of the award is determined by a third party (PricewaterhouseCoopers LLP). Based on 2010 performance, an award of 1,318,148 phantom shares with an anticipated value of £1,779,500 will be made in 2011. The ultimate value of the award will be determined with reference to the profit and investment performance of M&G over the three years from 1 January 2011 to 31 December 2013. Based on 2009 performance, an award of 987,179 phantom shares with an anticipated value of £1,925,000 was made in 2010.

# DIRECTORS' REMUNERATION REPORT

On 31 December 2010, the performance period for the 2008 awards under the M&G Executive Long-Term Incentive Plan (which began on 1 January 2008) came to an end. M&G's profit grew by 52 per cent over the period and M&G's investment performance was in the second quartile. The Committee, having satisfied itself about the quality of M&G's underlying financial performance, confirmed vesting of the 2008 award with a value of £2.62 per share (in 2009, the 2007 award vested with a value of £1.68 per share).

## All-employee share plans

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

## Save As You Earn (SAYE) schemes

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

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

## Share Incentive Plan (SIP)

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

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

## Pensions and long-term savings

For executive directors in the UK and Asia hired externally after 30 June 2003, it is the Company's policy to provide a supplement in lieu of pension of 25 per cent of base salary. This includes, where relevant, any Company contributions to the staff defined contribution pension, which UK executive directors may choose to join. This plan has no salary cap. This approach applies to Rob Devey, Nic Nicandrou, Barry Stowe and Tidjane Thiam, and these executives are provided with life assurance cover of up to four times salary. All these executive directors, except Barry Stowe, have opted to become members of the staff defined contribution pension plan.

Clark Manning is eligible to participate in Jackson's Defined Contribution Retirement Plan, a qualified 401(k) retirement plan, on the same basis as all other US based employees. The Company provides matching contributions of 6 per cent of base salary (Clark Manning's salary for pension purposes is limited to \$245,000). He is also eligible to participate in the profit sharing element of the plan which provides eligible participants with an annual profit sharing contribution, depending on the financial results of Jackson for the plan year, to a maximum of an additional 6 per cent of pensionable salary. An annual profit sharing contribution equivalent to 5 per cent of pensionable salary was made in 2010 (6 per cent of pensionable salary in 2009). Clark Manning is provided with life assurance cover of two times salary.

Michael McLintock participates in a contributory defined benefit scheme that provides a target pension of two thirds of final pensionable earnings on retirement at age 60 for an employee with 30 years or more potential service, for which his contribution is four per cent of basic salary. Michael McLintock participates on the same basis as other employees who joined M&G at the same date. Benefits under the plan are subject to a notional scheme earnings cap (set at £123,600 for both the 2009/10 and 2010/11 tax years) which replicates the HMRC earnings cap in force before A-Day (6 April 2006). Michael McLintock is entitled to supplements based on his salary above the notional earnings cap and he is provided with life assurance cover of four times salary.

In 2010, the Long Term Savings Plan (LTSP) and the Alternative Retirement Benefit Scheme (ARBS) were established to provide long-term savings vehicles for executive directors and other employees. The LTSP was established under ordinary UK tax legislation for Employee Benefit Trusts and the ARBS was established under specific UK tax legislation relating to Employer Financed Retirement Benefit Schemes. If the trustees accept annual discretionary contributions to either of these plans, no cash supplement for pension purposes will be paid to UK based executive directors. No further payments will be made into these plans.

## Service Contracts

### Chairman's letter of appointment and benefits

Harvey McGrath was appointed as a non-executive director on 1 September 2008 and became Chairman on 1 January 2009. He is paid an annual fee of £500,000 which is fixed for three years. A contractual notice period of 12 months by either party applies. Harvey McGrath is provided with life assurance cover of four times his annual fees and the use of a car and driver. No pension allowance is paid and he is not a member of any Group pension scheme. Harvey McGrath is also entitled to medical insurance coverage but he has not taken up this benefit.

### Executive directors' service contracts and letters of appointment

The normal notice of termination that the Company is required to give executive directors is 12 months. Accordingly, in normal circumstances, a director whose contract is terminated would be entitled to one year's salary and benefits in respect of their notice period. Additionally, outstanding awards under annual and long-term incentive plans may vest depending on the circumstances and according to the rules of the plans. When considering the termination of any service contract, the Remuneration Committee will have regard to the specific circumstances of each case, including the director's obligation to mitigate his loss. Payments are phased over the notice period.

### Policy on external appointments

Subject to the Group Chief Executive's or Chairman's approval, executive directors are able to accept external appointments as non-executive directors of other organisations. Any fees paid may be retained by the executive director. During 2010, Michael McLintock earned £42,500 as a trustee of another organisation. Other directors served as non-executive directors on the boards of educational and cultural organisations without receiving a fee for such services.

# DIRECTORS' REMUNERATION REPORT

Executive director	Date of contract	Notice period to the Company	Notice period from the Company
Rob Devey	1 July 2009	12 months	12 months
John Foley	8 December 2010	12 months	12 months
Clark Manning <sup>(note 1)</sup>	7 May 2002	12 months	12 months
Michael McLintock	21 November 2001	6 months	12 months
Nic Nicandrou	26 April 2009	12 months	12 months
Barry Stowe	18 October 2006	12 months	12 months
Tidjane Thiam	2 September 2007	12 months	12 months
Mike Wells <sup>(note 1)</sup>	15 October 2010	12 months	12 months

## Note

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

Non-executive director	Appointment by the Board	Initial election by shareholders at AGM	Notice period	Expiration of current term of appointment <sup>1</sup>
Keki Dadiseth	1 April 2005	AGM 2005	6 months	AGM 2011
Howard Davies	15 October 2010	AGM 2011	6 months	AGM 2014
Michael Garrett	1 September 2004	AGM 2005	6 months	AGM 2011
Ann Godbehere	2 August 2007	AGM 2008	6 months	AGM 2011
Bridget Macaskill	1 September 2003	AGM 2004	6 months	AGM 2013
Paul Manduca	15 October 2010	AGM 2011	6 months	AGM 2014
Kathleen O'Donovan	8 May 2003	AGM 2004	6 months	AGM 2013
James Ross <sup>2</sup>	6 May 2004	AGM 2005	6 months	AGM 2011
Lord Turnbull	18 May 2006	AGM 2006	6 months	AGM 2012

## Notes

- 1 Subject to re-election
- 2 James Ross will retire from the Board at the AGM on 19 May 2011.

## Non-executive directors' letters of appointment

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

Non-executive directors are usually appointed for an initial three year term commencing with their election by shareholders at the first Annual General Meeting following their appointment. They are typically expected to serve for two terms of three years from their initial election by shareholders although the Board may invite them to serve for an additional period. Their appointment is subject to continued performance and re-election by shareholders.

## Non-executive directors' fees

Non-executive directors are not eligible to participate in annual bonus plans, long-term incentive plans or pension arrangements. Their fees are determined by the Board and reflect their individual responsibilities, including chairmanship and membership of any committees. The Board reviews fees annually and the last fees changes were effective on 1 July 2008.

The structure of the annual fees paid is detailed below:

	From 1 July 2008 (£) <sup>1</sup>
Basic fee	66,500
Audit Committee Chairman – additional fee	50,000
Audit Committee member – additional fee	20,000
Remuneration Committee Chairman – additional fee	22,500
Remuneration Committee member – additional fee	10,000
Risk Committee Chairman – additional fee <sup>2</sup>	50,000
Risk Committee member – additional fee <sup>2</sup>	20,000
Senior Independent Director – additional fee	30,000

## Notes

- 1 Or date on which the Committee was established, if later.
- 2 The Risk Committee was established on 9 November 2010.

Please see the table on page 138 for details of the fees received by individual non-executive directors during 2010.

Currently the non-executive directors use the net value of £25,000 of their total annual fees to purchase shares in the Company. Shares are purchased each quarter and are held at least until retirement from the Board.

## Shareholding guidelines

	Shareholding guideline after five years as % of base salary	Shareholding at 8 March 2011 as % of base salary (note 1)	Date by which shareholding guideline must be/has been met
Rob Devey	100%	95%	1 July 2014
John Foley	100%	650%	31 December 2015
Clark Manning <sup>(note 3)</sup>	100%	–	7 May 2007
Michael McLintock	200%	1,154%	21 November 2006
Nic Nicandrou	100%	162%	26 April 2014
Barry Stowe <sup>(note 2)</sup>	100%	265%	18 October 2011
Tidjane Thiam	200%	203%	20 September 2012
Mike Wells <sup>(note 2)</sup>	100%	303%	15 October 2015

### Notes

- 1 Based on the share price as at 31 December 2010 (£6.68). Calculated using base salaries on 31 December 2010 or on the date of appointment, if later.
- 2 Shareholdings for Barry Stowe and Mike Wells include American Depositary Receipts (ADRs). One ADR is equivalent to two Prudential plc shares.
- 3 Clark Manning ceased to be an executive director on 31 December 2010.

### Shareholding guidelines

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

Executive directors should have a substantial shareholding to maximise the community of interest between them and other shareholders. This may be built up over a period of five years. Shares earned and deferred under the annual incentive plan are included in calculating the executive director's shareholding. Until the guideline is met, at least half of the shares released from the long-term incentive plans (after tax) should be retained by the executive director.

### Directors' shareholdings

The interests of directors in ordinary shares of the Company are set out opposite. This includes shares acquired under the Share Incentive Plan (detailed in the table on page 147), deferred annual incentive awards and interests in shares awarded on appointment (detailed in the 'Other Share Awards' table on page 144). All interests are beneficial.

	1 January 2010	31 December 2010	8 March 2011
Keki Dadiseth	27,489	30,655	30,655
Howard Davies <sup>(note 1)</sup>	–	575	575
Rob Devey	50,575	78,261	78,261
John Foley <sup>(note 2)</sup>	–	–	535,386
Michael Garrett	32,425	36,972	36,972
Ann Godbehere	11,518	14,628	14,628
Bridget Macaskill	23,970	44,006	44,006
Paul Manduca <sup>(note 1)</sup>	–	1,260	1,260
Clark Manning <sup>(note 3)</sup>	277,273	473,069	–
Harvey McGrath	296,785	299,540	299,540
Michael McLintock	663,818	604,390	604,390
Nic Nicandrou <sup>(note 4)</sup>	114,653	133,555	133,621
Kathleen O'Donovan	20,621	23,484	23,484
James Ross	18,643	21,190	21,190
Barry Stowe <sup>(note 5)</sup>	125,519	264,437	264,437
Tidjane Thiam	291,901	273,025	273,025
Lord Turnbull	12,562	15,589	15,589
Mike Wells <sup>(note 6)</sup>	–	–	293,842

### Notes

- 1 Howard Davies and Paul Manduca were appointed on 15 October 2010.
- 2 John Foley became an executive director on 1 January 2011.
- 3 Part of Clark Manning's interest in shares is made up of 30,935 ADRs (representing 61,870 ordinary shares). Clark ceased to be an executive director on 31 December 2011.
- 4 Nic Nicandrou's interest in shares on 8 March 2011 includes his monthly purchases made under the SIP plan in January, February and March 2011.
- 5 Part of Barry Stowe's interest in shares is made up of 48,847 ADRs (representing 97,694 ordinary shares). 8,513.73 of these ADRs are held within an investment account which secures premium financing for a life assurance policy).
- 6 Part of Mike Wells's interest in shares is made up of 146,921 ADRs (representing 293,842 ordinary shares). Mike became an executive director on 1 January 2011.

# DIRECTORS' REMUNERATION REPORT

## DIRECTORS' REMUNERATION FOR 2010 (AUDITED INFORMATION)

£000	Salary/fees	2010 Cash bonus	2010 Deferred bonus	Total 2010 bonus	Benefits*	Cash supplements for pension purposes†	Total emoluments 2010	Total emoluments 2009 including cash supplements for pension purposes	Value of anticipated releases from LTIPs in respect of performance periods ending 31 December 2010‡
<b>CHAIRMAN</b>									
Harvey McGrath	500	–	–	–	43	–	543	542	–
<b>EXECUTIVE DIRECTORS</b>									
Rob Devey <sup>(note1)</sup>	550	496	331	827	43	154	1,574	808	–
Clark Manning <sup>(note2)</sup>	679	1,462	626	2,088	21	–	2,788	2,753	1,218
Michael McLintock	350	1,052	552	1,604	53	87	2,094	2,129	3,312
Nic Nicandrou <sup>(note3)</sup>	550	512	341	853	43	161	1,607	654	–
Barry Stowe <sup>(note4)</sup>	666	625	417	1,042	285	167	2,160	1,688	937
Tidjane Thiam	900	–	1,570	1,570	64	225	2,759	1,955	2,099
<b>TOTAL EXECUTIVE DIRECTORS</b>	<b>3,695</b>	<b>4,147</b>	<b>3,837</b>	<b>7,984</b>	<b>509</b>	<b>794</b>	<b>12,982</b>	<b>9,987</b>	<b>7,566</b>
<b>NON-EXECUTIVE DIRECTORS</b>									
Keki Dadiseth <sup>(note5)</sup>	87	–	–	–	–	–	87	86	–
Howard Davies	27	–	–	–	–	–	27	–	–
Michael Garrett	77	–	–	–	–	–	77	77	–
Ann Godbehere	119	–	–	–	–	–	119	94	–
Bridget Macaskill	89	–	–	–	–	–	89	89	–
Paul Manduca	18	–	–	–	–	–	18	–	–
Kathleen O'Donovan	87	–	–	–	–	–	87	109	–
James Ross	108	–	–	–	–	–	108	107	–
Lord Turnbull	88	–	–	–	–	–	88	87	–
<b>TOTAL NON-EXECUTIVE DIRECTORS</b>	<b>700</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>700</b>	<b>649</b>	<b>–</b>
<b>OVERALL TOTAL</b>	<b>4,895</b>	<b>4,147</b>	<b>3,837</b>	<b>7,984</b>	<b>552</b>	<b>794</b>	<b>14,225</b>	<b>11,178</b>	<b>7,566</b>

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

† Pension supplements that are paid in cash and contributions to the LTSP and/or the ARBS are included in the table. The policy on pensions is described in the section on 'Pensions and long-term savings' on page 134.

‡ Value of anticipated long-term incentive plan releases is the total of cash paid plus, for shares released, the value of the released shares based on the share price at 31 December 2010. All executive directors participate in long-term incentive plans and the details of share releases from awards with a performance period ending 31 December 2010 are provided in the footnote to the tables on share awards on pages 142 to 146. Executive directors' participation in all-employee plans are detailed on page 147.

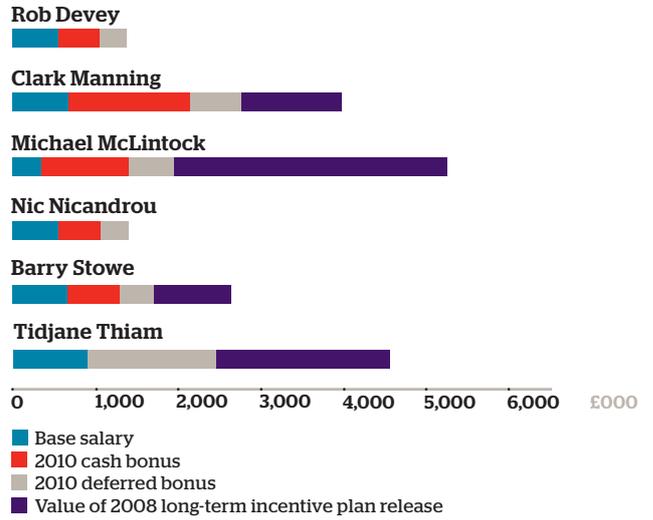
### Notes

- 1 Rob Devey elected not to receive his cash supplement for pension purposes in full during 2010. The Company made a request to the Trustees of the Alternative Retirement Benefit Scheme to accept a contribution equivalent to this supplement. The value of this contribution is included in the table above.
- 2 Clark Manning's bonus figure excludes a contribution of \$12,250 from a profit sharing plan which has been made into a 401(k) retirement plan. This is included in the table on pension contributions on page 147.
- 3 Nic Nicandrou elected not to receive his cash supplement for pension purposes in full during 2010. The Company made a request to the Trustees of the Long Term Savings Plan to accept a contribution equivalent to this supplement. The value of this contribution is included in the table above.
- 4 Barry Stowe's benefits relate primarily to his expatriate status, including costs of £153,384 for housing, £47,639 for children's education and £42,509 for home leave.
- 5 Keki Dadiseth was paid allowances totalling £10,083 in respect of his accommodation expenses in London whilst on the Company's business as is the usual practice for directors who are not resident in the UK.

**Summary of remuneration provided for 2010**

This chart summarises the remuneration received by executive directors in 2010. This includes actual base salary paid during the year, total annual bonus awards for 2010 performance (including deferrals into shares) and the long-term incentives plan releases in respect of awards made in 2008. Since Rob Devey and Nic Nicandrou joined the Group in 2009, they did not have long-term incentive awards for 2008.

**Remuneration received by executive directors in 2010**



# DIRECTORS' REMUNERATION REPORT

## DIRECTORS' REMUNERATION FOR 2009

£000	Salary/fees	2009 Cash bonus	2009 Deferred bonus	Total 2009 bonus	Benefits*	Cash supplements for pension purposes†	Total emoluments 2009	Total emoluments 2008 including cash supplements for pension purposes	Value of anticipated releases from LTIPs in respect of performance periods ending 31 December 2009‡
<b>CHAIRMAN</b>									
Harvey McGrath	500	–	–	–	42	–	542	–	–
<b>EXECUTIVE DIRECTORS</b>									
Rob Devey (from 16 November 2009) <sup>(note 1)</sup>	69	360	240	600	138	1	808	–	–
Clark Manning <sup>(note 2)</sup>	696	1,724	304	2,028	29	–	2,753	1,768	1,223
Michael McLintock	320	1,125	625	1,750	53	6	2,129	2,154	2,572
Nic Nicandrou (from 28 October 2009) <sup>(note 3)</sup>	98	330	220	550	5	1	654	–	–
Barry Stowe <sup>(note 4)</sup>	646	432	185	618	262	162	1,688	1,207	1,098
Tidjane Thiam <sup>(note 5)</sup>	763	528	528	1,056	49	87	1,955	1,244	–
<b>TOTAL EXECUTIVE DIRECTORS</b>	<b>2,592</b>	<b>4,499</b>	<b>2,103</b>	<b>6,602</b>	<b>536</b>	<b>257</b>	<b>9,987</b>	<b>6,373</b>	<b>4,893</b>
<b>NON-EXECUTIVE DIRECTORS</b>									
Keki Dadiseth <sup>(note 6)</sup>	86	–	–	–	–	–	86	73	–
Michael Garrett	77	–	–	–	–	–	77	73	–
Ann Godbehere	94	–	–	–	–	–	94	81	–
Bridget Macaskill	89	–	–	–	–	–	89	86	–
Harvey McGrath (until 31 December 2008)	–	–	–	–	–	–	–	167	–
Kathleen O'Donovan	109	–	–	–	–	–	109	108	–
James Ross	107	–	–	–	–	–	107	101	–
Lord Turnbull	87	–	–	–	–	–	87	81	–
<b>TOTAL NON-EXECUTIVE DIRECTORS</b>	<b>649</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>649</b>	<b>770</b>	<b>–</b>
<b>OVERALL TOTAL</b>	<b>3,741</b>	<b>4,499</b>	<b>2,103</b>	<b>6,602</b>	<b>578</b>	<b>257</b>	<b>11,178</b>	<b>7,143</b>	<b>4,893</b>

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

† Pension supplements that are paid in cash are included in the table. The policy on pensions is described in the section on 'Pensions and long-term savings' on page 134.

‡ Value of anticipated long-term incentive plan releases is the total of cash paid plus, for shares released, the value of the released shares based on the share price at 31 December 2009. All executive directors participate in long-term incentive plans and the details of share releases from awards with a performance period ending 31 December 2009 are provided in the tables on share awards on pages 142 to 146. Executive directors' participation in all-employee plans are detailed on page 147.

### Notes

- As part of Rob Devey's appointment terms, it was agreed that any bonus award would be assessed as if he had been in employment for the whole of 2009. Rob Devey elected not to receive his cash supplement for pension purposes in full during 2009. In March 2010, the Company made a request to the Trustees of the Alternative Retirement Benefit Scheme to accept a contribution equivalent to this supplement. This amount is included in the remuneration table for 2010.
- Clark Manning's bonus figure excludes a contribution of \$14,700 from a profit sharing plan which has been made into a 401(k) retirement plan.
- As part of Nic Nicandrou's appointment terms, it was agreed that any bonus award would be assessed as if he had been in employment for the whole of 2009. Nic Nicandrou elected not to receive his cash supplement for pension purposes in full during 2009. In March 2010, the Company made a request to the Trustees of the Long Term Savings Plan to accept a contribution equivalent to this supplement. This amount is included in the remuneration table for 2010.
- Barry Stowe's benefits relate primarily to his expatriate status, including costs of £148,051 for housing, £41,528 for children's education and £32,607 for home leave.
- Tidjane Thiam's 2009 annual bonus outcome was determined taking into account the period of time he was remunerated as Chief Financial Officer and Group Chief Executive.
- Keki Dadiseth was paid allowances totalling £5,398 in respect of his accommodation expenses in London whilst on the Company's business as is the usual practice for directors who are not resident in the UK.

## Payments in 2010 to past and newly appointed executive directors

### Mark Tucker

The 2008 Directors' Remuneration Report provided details of the remuneration arrangements which applied to Mark Tucker following his resignation as Group Chief Executive. These arrangements were implemented as intended by the Committee. In January 2010, a final payment in respect of salary and benefits (£307,938) was made to Mark Tucker relating to restrictions on his employment. Outstanding deferred share awards were released during the year in accordance with the scheme rules.

On 31 December 2010, the performance period for Mark Tucker's 2008 Group Performance Share Plan award came to an end. His GPSP award was prorated for service (21/36ths) and its vesting remained dependent on TSR performance achieved over the three-year performance period. Since this condition was met in full, Mark Tucker's prorated 2008 GPSP award will vest and will be released at the same time as those of other participants in the plan. This award was the last that Mark Tucker had outstanding under a Prudential long-term incentive plan.

### Nick Prettejohn

The 2009 Directors' Remuneration Report provided details of the remuneration arrangements that would apply to Nick Prettejohn after he resigned from the position of Chief Executive UK & Europe. These arrangements were implemented as intended by the Committee. As a result, Nick Prettejohn received:

- A final payment in respect of salary and benefits (£303,375) in January 2010, relating to restrictions on his employment up to 1 April 2010;
- Prorated 2009 annual bonus (9/12ths) based on his length of service during the year and paid in cash in March 2010 (£505,271);
- Outstanding deferred share awards were released in accordance with the scheme rules; and
- The long-term incentive plan awards for 2007, 2008 and 2009 have vested or will vest at the end of each relevant three year performance period prorated based on service, i.e. 33/36ths, 21/36ths and 9/36ths respectively. Vesting remains dependent on performance achieved over the relevant performance periods and any shares releases will occur at the same time as for all other participants in the GPSP and BUPP.

### Clark Manning

Clark Manning stepped down from his role as President and Chief Executive of Jackson and as an executive director on 31 December 2010. Clark Manning remains Chairman of Jackson until 30 April 2011 and will act in an advisory role until 31 December 2011. Clark Manning will receive the following payments:

- Salary and benefits will continue to be paid to Clark Manning until 31 December 2011;
- A prorated 2011 annual bonus opportunity (4/12ths) based on his length of service during 2011 with any payment to be made in cash in March 2012;
- The deferred portion of the bonus awarded to Clark Manning in respect of performance in 2007 will be released to him in March 2011. The deferred portions of the bonuses awarded to Clark Manning in respect of performance in 2009 and 2010 will be released in March 2012;
- Outstanding awards made under the GPSP and BUPP will vest (subject to the achievement of performance conditions) on the same schedule as awards made to other executive directors. These awards will be prorated to reflect the portion of the performance periods which had elapsed on 31 December 2011. No further awards will be made to Clark under any long term incentive plan during 2011 or in any subsequent year.

No other amounts were paid during the financial year or were receivable by directors (or past directors) in connection with leaving the organisation. No amounts were paid to Mike Wells, John Foley or to any other executive directors in connection with their appointment.

# DIRECTORS' REMUNERATION REPORT

## Directors' outstanding long-term incentive awards

### Share-based long-term incentive awards

The table below sets out the outstanding share awards under the Group Performance Share Plan and Business Unit Performance Plans.

Plan name	Year of initial award	Conditional share awards outstanding at 1 January 2010 (Number of shares)	Con- ditional awards in 2010 (Number of shares)	Market price at date of original award (pence)	Scrip dividend equivalents on vested shares (Number of shares released)	Rights exercised in 2010	Rights lapsed in 2010	Conditional share awards outstanding at 31 December 2010 (Number of shares)	Date of end of per- formance period
<b>ROB DEVEY</b>									
GPSP	2009	120,898		639				120,898	31 Dec 11
BUPP	2009	120,897		639				120,897	31 Dec 11
GPSP	2010		104,089	568.5				104,089 <sup>2</sup>	31 Dec 12
BUPP	2010		104,089	568.5				104,089 <sup>2</sup>	31 Dec 12
		241,795	208,178					449,973	
<b>CLARK MANNING</b>									
GPSP	2007	191,140		745	20,269	191,140		0	31 Dec 09
BUPP	2007	95,570		745			95,570	0	31 Dec 09
GPSP	2008	182,262		674.5				182,262 <sup>3</sup>	31 Dec 10
BUPP	2008	91,131		674.5				91,131 <sup>4</sup>	31 Dec 10
GPSP	2009	468,476		455.5				468,476 <sup>1</sup>	31 Dec 11
BUPP	2009	468,476		455.5				468,476 <sup>1</sup>	31 Dec 11
GPSP	2010		302,442	568.5				302,442 <sup>12</sup>	31 Dec 12
BUPP	2010		302,442	568.5				302,442 <sup>12</sup>	31 Dec 12
		1,497,055	604,884		20,269	191,140	95,570	1,815,229	
<b>MICHAEL McLINTOCK</b>									
GPSP	2007	52,040		745	5,517	52,040		0	31 Dec 09
GPSP	2008	48,330		674.5				48,330 <sup>3</sup>	31 Dec 10
GPSP	2009	92,022		455.5				92,022	31 Dec 11
GPSP	2010		66,238	568.5				66,238 <sup>2</sup>	31 Dec 12
		192,392	66,238		5,517	52,040		206,590	
<b>NIC NICANDROU</b>									
GPSP	2009	316,328		639				316,328	31 Dec 11
GPSP	2010		208,179	568.5				208,179 <sup>2</sup>	31 Dec 12
		316,328	208,179					524,507	
<b>BARRY STOWE</b>									
GPSP	2007	105,706		745	11,207	105,706		0	31 Dec 09
BUPP	2007	52,853		745	3,562	33,614	19,239	0	31 Dec 09
GPSP	2008	107,988		674.5				107,988 <sup>3</sup>	31 Dec 10
BUPP	2008	53,994		674.5				53,994 <sup>4</sup>	31 Dec 10
GPSP	2009	196,596		455.5				196,596 <sup>1</sup>	31 Dec 11
BUPP	2009	196,596		455.5				196,596 <sup>1</sup>	31 Dec 11
GPSP	2010		129,076	568.5				129,076 <sup>12</sup>	31 Dec 12
BUPP	2010		129,076	568.5				129,076 <sup>12</sup>	31 Dec 12
		713,733	258,152		14,769	139,320	19,239	813,326	
<b>TIDJANE THIAM</b>									
GPSP	2008	314,147		674.5				314,147 <sup>3</sup>	31 Dec 10
GPSP	2009	299,074		455.5				299,074	31 Dec 11
GPSP	2010		510,986	568.5				510,986 <sup>2</sup>	31 Dec 12
		613,221	510,986					1,124,207	

## Cash rights granted under the Business Unit Performance Plan

	Plan name	Year of initial award	Face value of conditional awards outstanding at 1 January 2010 £000	Conditionally awarded in 2010 £000	Payments made in 2010 £000	Cash right lapsed in 2010 £000	Face value of conditional awards outstanding at 31 December 2010 £000	Date of end of performance period
<b>CLARK MANNING</b>	BUPP	2007	624			624	0	31 Dec 09
	BUPP	2008	652 <sup>(note 4)</sup>				652	31 Dec 10
	Total		1,276			624	652	
<b>BARRY STOWE</b>	BUPP	2007	325		206.7	118.3	0	31 Dec 09
	BUPP	2008	358 <sup>(note 4)</sup>				358	31 Dec 10
	Total		683		206.7	118.3	358	

## Notes

- The awards in 2009 and 2010 for Clark Manning and Barry Stowe were made in ADRs (1 ADR = 2 Prudential plc shares). The figures in the table are represented in terms of Prudential shares.
- 2010 awards made under the GPSP and the BUPP have a performance period from 1 January 2010 to 31 December 2012. In determining the 2010 conditional share awards the shares were valued at the average share price for the 30 days immediately following the announcement of Prudential's 2009 results, and the price used to determine the number of shares was 528.39 pence. The awards for Clark Manning and Barry Stowe were made in ADRs (one ADR = 2 Prudential plc shares or \$15.97). The figures in the table are represented in terms of Prudential shares.
- At 31 December 2010 Prudential's TSR performance was 133.7 per cent of the TSR performance of the index. Hence it is anticipated that awards granted under this scheme in 2008 will vest in full. This will result in 182,262 shares vesting for Clark Manning; 48,330 shares for Michael McLintock; 107,988 shares for Barry Stowe and 314,147 shares for Tidjane Thiam plus, in each case, scrip dividend equivalents on these vested shares.
- At 31 December 2010, Shareholder Capital Value performance under the 2008 BUPPs was as follows:

	% compound annual growth in SCV	Anticipated number of shares released from 2008 BUPP share award (note 5)	Anticipated value of 2008 BUPP cash award release £000
Jackson	3.9%	Nil	Nil
Asia	15.0%	16,198	107

- Scrip dividend equivalents will be released on these vested shares.

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

Details of all outstanding awards under cash-based long-term incentive plans up to and including 2010 are set out in the table below. The performance period for all awards is three years.

	Year of initial award	Face value of conditional awards outstanding at 1 January 2010 £000	Conditionally awarded in 2010 £000	Payments made in 2010 £000	Face value of conditional awards outstanding at 31 December 2010 £000	Date of end of performance period
<b>MICHAEL McLINTOCK</b>						
Phantom M&G shares	2007	1,333		2,239		31 Dec 09
M&G Executive LTIP	2008	1,141			1,141	31 Dec 10
M&G Executive LTIP	2009	1,830			1,830	31 Dec 11
M&G Executive LTIP	2010		1,925		1,925	31 Dec 12
<b>TOTAL CASH PAYMENTS MADE IN 2010</b>				<b>2,239</b>		

## Note

Michael McLintock's 2007 long-term incentive awards were under the M&G Chief Executive Long-Term Incentive Plan. The phantom share price at the beginning of the performance period was £1. The change in the phantom share price equals the change in M&G profit, modified up or down by the investment performance of M&G over the performance period. For the 2007 award of 1,333,000 units, the option price at the end of the performance period was £1.68. This resulted in a payment of £2,239,440 to Michael McLintock. For the 2008 award of 1,141,176 units, the option price at the end of the performance period was £2.62. This will result in a payment of £2,989,881 to Michael McLintock.

# DIRECTORS' REMUNERATION REPORT

## Other share awards

The table below sets out the share deferred annual incentive awards and interests in shares awarded on appointment. The values of the deferred share awards are included in the deferred bonus figures in the table on page 138. The number of shares is calculated using the average share price over the three business days commencing on the day of the announcement of the Group's annual financial results for the relevant year. For the awards from the 2009 annual bonuses, made in 2010, the average share price was 528.92 pence. Please see the table on page 147 for details of shares acquired under the Share Incentive Plan.

	Year of initial grant	Conditional share awards outstanding at 1 January 2010 (Number of shares)	Conditionally awarded in 2010 (Number of shares)	Scrip dividends accumulated (Number of shares)	Shares released in 2010 (Number of shares)	Conditional share awards outstanding at 31 December 2010 (Number of shares)	Date of end of restricted period	Shares released in 2010 (Number of shares)	Date of release	Market price at original date of award (pence)	Market price at date of vesting or release (pence)
<b>ROB DEVEY</b>											
Awards under appointment terms	2009	50,575				50,575	31 Mar 12			639	
Restricted share award based on deferred 2009 annual incentive award <sup>(note2)</sup>	2010		45,375	953	18,642	27,686	31 Dec 12	18,642	12 Mar 10	552.5	552.5
<b>CLARK MANNING</b>											
Deferred 2006 annual incentive award	2007	10,064			10,064	0	31 Dec 09	10,064	9 Mar 10	723	519.5
Deferred 2007 annual incentive award	2008	17,825		635		18,460	31 Dec 10			635	
Deferred 2009 annual incentive award	2010		59,792	2,078		61,870	31 Dec 12			552.5	

	Year of initial grant	Conditional share awards outstanding at 1 January 2010 (Number of shares)	Conditionally awarded in 2010 (Number of shares)	Scrip dividends accumulated (Number of shares)	Shares released in 2010 (Number of shares)	Conditional share awards outstanding at 31 December 2010 (Number of shares)	Date of end of restricted period	Shares released in 2010 (Number of shares)	Date of release	Market price at original date of award (pence)	Market price at date of vesting or release (pence)
<b>MICHAEL McLINTOCK</b>											
Deferred 2006 annual incentive award	2007	90,090			90,090	0	31 Dec 09	90,090	9 Mar 10	723	519.5
Deferred 2007 annual incentive award <sup>(note1)</sup>	2008	112,071			112,071	0	31 Dec 10	112,071	9 Mar 10	635	519.5
Deferred 2008 annual incentive award <sup>(note1)</sup>	2009	217,410			217,410	0	31 Dec 11	217,410	9 Mar 10	349.5	519.5
Restricted share award based on deferred 2007 annual incentive award <sup>(note1)</sup>	2010		66,029	2,356		68,385	31 Dec 10			519.5	
Restricted share award based on deferred 2008 annual incentive award <sup>(note1)</sup>	2010		128,093	4,571		132,664	31 Dec 11			519.5	
Restricted share award based on deferred 2009 annual incentive award <sup>(note2)</sup>	2010		118,165	2,484	48,545	72,104	31 Dec 12	48,545	12 Mar 10	552.5	552.5
<b>NIC NICANDROU</b>											
Awards under appointment terms	2009	10,616			10,616	0	31 Mar 10	10,616	9 Mar 10	639	519.5
		5,889			5,889	0	31 Mar 10	5,889	9 Mar 10	639	519.5
		13,898				13,898	31 Mar 11			639	
		16,059				16,059	31 Mar 11			639	
		68,191				68,191	31 Mar 12			639	
Restricted share award based on deferred 2009 annual incentive award <sup>(note2)</sup>	2010		41,594	874	17,088	25,380	31 Dec 12	17,088	12 Mar 10	552.5	552.5

# DIRECTORS' REMUNERATION REPORT

## Other share awards continued

	Year of initial grant	Conditional share awards outstanding at 1 January 2010 (Number of shares)	Conditionally awarded in 2010 (Number of shares)	Scrip dividends accumulated (Number of shares)	Shares released in 2010 (Number of shares)	Conditional share awards outstanding at 31 December 2010 (Number of shares)	Date of end of restricted period	Shares released in 2010 (Number of shares)	Date of release	Market price at original date of award (pence)	Market price at date of vesting or release (pence)
<b>BARRY STOWE</b>											
Awards under appointment terms	2006	7,088			7,088	0	1 Jan 10	7,088	9 Mar 10	702	519.5
		2,110			2,110	0	1 May 10	2,110	8 Jun 10	702	525.5
Deferred 2007 annual incentive award	2008	43,777		1,562		45,339	31 Dec 10			635	
Deferred 2008 annual incentive award	2009	21,064		751		21,815	31 Dec 11			349.5	
Deferred 2009 annual incentive award	2010		36,386	1,264		37,650	31 Dec 12			552.5	
<b>TIDJANE THIAM</b>											
Awards under appointment terms	2008	48,362			48,362	0	31 Mar 10	48,362	9 Mar 10	662	519.5
		41,135			41,135	0	31 Mar 10	41,135	9 Mar 10	662	519.5
		49,131				49,131	31 Mar 11			662	
Deferred 2008 annual incentive award <sup>(note1)</sup>	2009	110,403			110,403	0	31 Dec 11	110,403	9 Mar 10	349.5	519.5
Restricted share award based on deferred 2008 annual incentive award <sup>(note1)</sup>	2010		65,046	2,321		67,367	31 Dec 11			552.5	
Restricted share award based on deferred 2009 annual incentive award <sup>(note2)</sup>	2010		99,851	2,099	41,022	60,928	31 Dec 12	41,022	12 Mar 10	552.5	552.5

### Notes

1 These awards replaced the 2007, 2008 and 2009 deferred share awards which vested during the year.

2 These 2010 awards are a net deferred share award.

3 The Deferred Share Awards in 2010 for Clark Manning and Barry Stowe were made in ADRs (1 ADR = 2 Prudential plc shares). The figures in the table are represented in terms of Prudential shares.

## Shares acquired under the Share Incentive Plan

	Year of initial grant	Share Incentive Plan awards held in Trust at 1 January 2010 (Number of shares)	Partnership shares accumulated in 2010 (Number of shares)	Matching shares accumulated in 2010 (Number of shares)	Dividend shares accumulated in 2010 (Number of shares)	Share Incentive Plan awards held in Trust at 31 December 2010 (Number of shares)
<b>NIC NICANDROU</b>						
Shares held in Trust	2010	0	240	60	3	303

### Note

- 1 Nic Nicandrou participated in the Share Incentive Plan (SIP) for the first time in 2010. The table above provides information about shares purchased under the SIP together with Matching Shares (awarded on a 1:4 basis) and dividend shares. The total number of shares will only be released if Nic Nicandrou remains in employment for five years.

## Outstanding share options

The following table sets out the share options held by Tidjane Thiam in the UK Savings Related Share Option Scheme (SAYE) as at the end of 2010. No other directors hold shares in any other option scheme.

	Date of initial grant	Exercise period		Beginning of period	Number of options					End of period	Exercise price (p)	Market price at 31 December 2010 (p)
		Start	End		Granted	Exercised	Cancelled	Forfeited	Lapsed			
<b>TIDJANE THIAM</b>	25 Apr 08	1 Jun 11	30 Nov 11	1,705	–	–	–	–	–	1,705	551	668

### Notes

- 1 No gains were made by directors in 2010 on the exercise of share options (2009: £0).  
 2 No price was paid for the award of any option.  
 3 The highest and lowest share prices during 2010 were 681 pence and 487.5 pence respectively.

## Dilution

Releases from Prudential's GPSP and BUPP are satisfied using new issue shares rather than by purchasing shares in the open market. Shares relating to options granted under all-employee share plans are also satisfied by new issue shares. The combined dilution from all outstanding shares and options at 31 December 2010 was 0.2 per cent of the total share capital at the time. Deferred shares will continue to be satisfied by the purchase of shares in the open market.

## Directors' pensions and life assurance

The Company's pension policy is set out on page 134. Details of directors' pension entitlements under HMRC approved defined benefit schemes and supplements in the form of contributions to pension arrangements paid by the Company are set out in the following table.

	Age at 31 December 2010	Years of pensionable service at 31 December 2010	Accrued benefit at 31 December 2010 £000	Additional pension earned during year ended 31 December 2010		Transfer value of accrued benefit at 31 December <sup>3</sup>		Amount of (B - A) less contributions made by directors during 2010 £000	Contributions to pension and life assurance arrangements <sup>4</sup> £000
				Ignoring inflation on pension earned to 31 December 2009 <sup>1</sup> £000	Allowing for inflation on pension earned to 31 December 2009 <sup>2</sup> £000	2010 A £000	2009 B £000		
				Rob Devey	42				
Clark Manning	52							20	
Michael McIntock	49	18	50	3	1	856	755	87	20
Nic Nicandrou	45								0
Barry Stowe	53								5
Tidjane Thiam	48								0

### Notes

- 1 As required by the Companies Act remuneration regulations.  
 2 As required by Stock Exchange Listing rules.  
 3 The transfer value equivalent has been calculated in accordance with the M&G Group Pension Scheme's transfer basis.  
 4 Supplements in the form of cash are included in the table on page 138.

# DIRECTORS' REMUNERATION REPORT

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

Total contributions to directors' pension arrangements in 2010, including cash supplements for pension purposes, were £624,921 (2009: £876,466) of which £44,608 (2009: £298,586) related to money purchase schemes.

### Five highest paid individuals (unaudited information)

Of the five individuals with the highest emoluments in 2010, one was a director whose emoluments are disclosed in this report (2009: two; 2008: two). The aggregate of the emoluments of the other four individuals for 2010 (2009: three; 2008: three) were as follows:

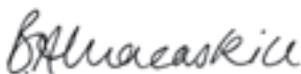
	2008	2009	2010
Base salaries, allowances and benefits in kind	1	1	1
Pension contributions*	–	–	–
Bonuses paid or receivable	10	12	18
Share based payments and other cash payments	2	4	6
<b>TOTAL</b>	<b>13</b>	<b>17</b>	<b>25</b>

\* Pension contributions payable in the period were less than £150,000 in each period.

Their emoluments were within the following bands:

	2008	2009	2010
£2,600,001 – £2,700,000	1		
£4,700,001 – £4,800,000	1		
£5,000,001 – £5,100,000			1
£5,200,001 – £5,300,000		1	
£5,300,001 – £5,400,000			1
£5,400,001 – £5,500,000		1	
£6,000,001 – £6,100,000	1		1
£6,600,001 – £6,700,000		1	
£8,300,001 – £8,400,000			1

Signed on behalf of the Board of directors



**BRIDGET MACASKILL**  
CHAIRMAN, REMUNERATION COMMITTEE  
8 March 2011



**HARVEY MCGRATH**  
CHAIRMAN  
8 March 2011