

Corporate governance report

continued

Significant shareholdings

As at 13 March 2008, the Company had received notification in accordance with Rule 5.1.2 R of the UK Listing Authority's Disclosure and Transparency Rules from Legal & General Investment Management Limited and in accordance with Section 198 of the Companies Act 1985 from Barclays PLC of holdings of 5.17 per cent and 3.025 per cent respectively of the Company's issued ordinary share capital at the time of notification.

Powers of directors to issue shares

The directors require authority from shareholders in relation to the issue of shares by the Company. Whenever shares are issued, the Company has to offer the shares to existing shareholders pro rata to their holdings, unless it has been given authority by shareholders to issue shares without offering them first to existing shareholders. The Company seeks authority from its shareholders on an annual basis to issue shares, up to a maximum amount, and to issue up to five per cent of its issued share capital without observing pre-emption rights, in line with relevant regulations and best practice.

Details of shares issued during 2006 and 2007 are given in note H11 on page 258. Shares issued in 2005 dis-applying pre-emption rights amounted to 745,478, which were issued under the Group's share option schemes. The total number of shares issued dis-applying pre-emption rights amounted to less than 7.5 per cent over the last three years.

Powers of directors to buy back shares

The directors also require authority from shareholders in relation to the buying back of shares by the Company. The Company seeks authority by special resolution on an annual basis for the buyback of its own shares in accordance with the relevant provisions of the Companies Acts and other related guidance. The Company has not made use of that authority since it was last granted at its Annual General Meeting in 2007. This existing authority is due to expire at the end of this year's Annual General Meeting. A special resolution to approve the renewal of this authority will be put to shareholders at the Annual General Meeting on 15 May 2008.

Other information

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 299 and the supplementary information on pages 302 to 332. It is the responsibility of the auditor to form independent

opinions, based on its audit of the financial statements and its review of the EEV basis supplementary information; and to report its opinions to the Company's shareholders and to the Company, respectively. Its opinions are given on pages 301 and 334.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group. The criteria applied in the preparation of the financial statements are set out in the statement of directors' responsibilities on page 300.

After making appropriate enquiries, the directors consider that the Group has adequate resources to continue its operations for the foreseeable future. The directors therefore continue to use the going concern basis in preparing the financial statements.

US corporate governance and regulations

The Sarbanes-Oxley Act 2002 (the Act) was passed by the US Congress in July 2002 to establish new or enhanced standards for corporate accountability in the US. 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 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 the Act, which covers disclosure controls and procedures, a Disclosure Committee has been established reporting to the Group Chief Executive, chaired by the Group Finance Director and comprising members of senior management. The objectives of this Committee are to:

- Assist the Group Chief Executive and the Group Finance Director 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 Group Finance Director 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 Group Audit Committee, the internal auditors or the external auditor of the Company's internal controls.

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

The provisions of Section 404 of the Act require the Company's management to report on the effectiveness of internal controls over financial reporting in its annual report on Form 20-F, which is filed with the US Securities and Exchange Commission. To comply with this requirement to report on the effectiveness of internal control, the Group has undertaken a significant project to document and test 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 that will be published in the coming months.

In addition, the Disclosure Committee has regard to the UK Listing Regime, and evaluates whether or not a particular matter requires disclosure to the market.

Payment policy

It is the policy of the Group to agree terms of payment when orders for goods and services are placed and to pay in accordance with those terms. Trade creditor days, based on the ratio of amounts which were owed to trade creditors at the year-end to the aggregate of the amounts invoiced by trade creditors during the year, were 22 days.

Post balance sheet events

There have been no material events affecting the Company since the end of the financial year.

Significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid

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.

Compensation for loss of office

None of the terms of employment of the Company's directors includes specific change of control agreements. Terms applying on a termination of their office are set out in the Directors' Remuneration Report on page 110. In the US, in line with normal employment practice, senior executives participate on a discretionary basis in a plan which provides for compensation in the event that their employment is terminated as a result of a takeover. In addition, three employees in our Asian business participate in a similar plan.

Corporate governance report

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Information required to be disclosed in the directors' report

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

| Information | Section in Annual Report | Page number(s) |
|--|--|----------------|
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| Disclosure of information to auditor | Corporate governance report | 93 |
| Directors in office during the year | Corporate governance report | 87-89 |
| Principal activities | Operating and financial review | 25 |
| Dividend recommended for the year | Operating and financial review | 35 |
| Political and charitable donations and expenditure | Corporate responsibility review | 84 |
| Financial instruments | Operating and financial review | 65 |
| Post balance sheet events | Corporate governance report | 99 |
| Future developments of the business of the Company | Operating and financial review | 26-64 |
| Employment and employee involvement | Corporate responsibility review | 82-83 |
| Creditors – policy on payment and practice | Corporate governance report | 99 |
| Structure of share capital, including restrictions on the transfer of securities, voting rights and significant shareholders | Corporate governance report | 97-98 |
| Rules governing appointments of directors | Corporate governance report | 89 |
| Rules governing changes to the articles of association | Corporate governance report | 97 |
| Powers of directors generally and in relation to issuing or buying back shares | Corporate governance report | 89, 98 |
| Significant agreements impacted by a change of control | Corporate governance report | 99 |
| Agreements for compensation for loss of office or employment on takeover | Corporate governance report | 99 |

In addition, the risk factors set out on pages 336 to 339 are incorporated by reference into this directors' report.

On behalf of the Board of directors



Philip Broadley
Group Finance Director
13 March 2008