

INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF PRUDENTIAL PLC ON SUSTAINABILITY METRICS WITHIN THE 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

This report is produced in accordance with the terms of our engagement letter dated 27th October 2022 for the purpose of reporting to the Directors of Prudential plc (the ‘company’) in connection with the selected Key Performance Indicator’s as defined within ‘Appendix A’ (the ‘Subject Matter’) for the reporting period ended 31 December 2022.

This report is made solely to the company’s Directors, as a body, in accordance with our engagement letter dated 27th October 2022. Those terms permit disclosure on Prudential plc’s website, solely for the purpose of Prudential plc showing that it has obtained an independent assurance report in connection with the Subject Matter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s Directors as a body, for our examination, for this report, or for the opinions we have formed.

Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose. Our report must not be recited or referred to in whole or in part in any other document nor made available, copied or recited to any other party, in any circumstances, without our express prior written permission. This engagement is separate to, and distinct from, our appointment as the auditors to the company.

Responsibilities of the company

As Directors of the company, you are responsible for the Subject Matter which is attached as Appendix A to this report. The Directors of the company remain solely responsible for presenting the Subject Matter in accordance with the Basis of Reporting 2022 (the ‘Reporting Criteria’), attached as Appendix B to this report.

Responsibilities of Ernst & Young LLP

It is our responsibility to provide a conclusion on the Subject Matter based on our examination. The Basis of Reporting 2022 has been used as the Reporting Criteria against which to evaluate the measurement and presentation of the Subject Matter defined within Appendix A.

Our approach

We conducted our engagement in accordance with International Standard on Assurance Engagements (UK) 3000 (July 2020) *Assurance engagements other than audits or reviews of historical financial information* (“ISAE (UK) 3000 (July 2020)”) as promulgated by the Financial Reporting Council (FRC). For the purpose of the engagement, we have been provided by the Directors with the Subject Matter.

In performing this engagement, we have applied International Standard on Quality Control (ISQC) 1 and the independence and other ethical requirements of the Institute of Chartered Accountants of England and Wales (ICAEW) Code of Ethics (which includes the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA)).

We have performed the procedures agreed with you and set out in our engagement letter dated 27th October 2022. Our work included, but was not limited to:

- ▶ Undertaking management interviews to form an understanding of the reporting process in relation to the Subject Matter;

- ▶ Performing walkthroughs to gain an understanding of Prudential plc's systems and procedures in place to capture, collate, aggregate, validate and source data required to generate the Subject Matter;
- ▶ Identifying the risk of material misstatement for each in-scope Key Performance Indicator and/or Metric and designed analytical or substantive procedures to obtain sufficient appropriate evidence to form our conclusion over the Subject Matter;
- ▶ Performed analytical procedures over the Subject Matter to identify potential anomalies within the Subject Matter and obtain Management explanations;
- ▶ On a sample basis, executed test of details to substantiate the completeness and accuracy of the calculation as defined by the Reporting Criteria and reconcile Information Provided by the Entity (IPE) to underlying and source data;
- ▶ Read the supporting narrative to the Subject Matter to confirm that it has been reported in a fair, balanced and understandable manner when compared to the Reporting Criteria; and
- ▶ Obtaining management representations.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on the Subject Matter. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Our conclusion is based on historical information and the projection of any information or conclusions in the attached report to any future periods would be inappropriate. Our examination excludes audit procedures such as verification of all assets, liabilities and transactions and is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the information.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the accompanying Subject Matter as defined in Appendix A is not fairly stated, in all material respects, based on the Reporting Criteria set out in Prudential plc's Basis of Reporting 2022 as defined in Appendix B.

Ernst & Young LLP

Ernst & Young LLP

London, United Kingdom

22 March 2023

Appendix A: Subject Matter Information

The metrics listed below constitute the Selected Information within the scope of this report.

Category	Metrics
Environmental <u>Reporting period:</u> 12 months to 30 September 2022	<p>Green house gas emissions for the Group (UK, PCA and African Operations)</p> <ul style="list-style-type: none"> Total scope 1 greenhouse gas emissions (tCO₂e) Total scope 2 greenhouse gas emissions (tCO₂e) (location based) Total scope 2 greenhouse gas emissions (tCO₂e) (market based) Total scope 1,2 and 3* green house gas emissions (tCO₂e) Proportion of scope 1 & 2 emissions related to the UK (%) Proportion of scope 1 & 2 emissions related to areas outside of the UK (%) Normalised Scope 1 and 2 greenhouse gas emissions (KG CO₂e/sq.m) Normalised Scope 1, 2 and 3 greenhouse gas emissions (KG CO₂e/sq.m) Scope 3 Greenhouse Gas emissions as a result of fuel and energy related activities from Prudential plc's global Scope 1 and 2 emissions (tCO₂e) <p>Energy use for the Group (UK, PCA and African Operations)</p> <ul style="list-style-type: none"> Total energy usage (kWh) Proportion of energy use related to the UK (%) Proportion of energy use related to areas outside of the UK (%) <p>Water consumption (UK and PCA)</p> <ul style="list-style-type: none"> Total water consumption (cubic metres) <p>Waste</p> <ul style="list-style-type: none"> UK waste and recycling (tonnes) % diverted from landfill (UK occupied properties)
Community Investment <u>Reporting period:</u> 12 months to 31 December 2022	<p>Community investment</p> <ul style="list-style-type: none"> UK (Charitable cash donations) (\$) Asia (Charitable cash donations) (\$) Africa (Charitable cash donations) (\$)
Employee Diversity <u>Reporting period:</u> 12 months to 31 December 2022	<p>Employee Diversity</p> <ul style="list-style-type: none"> Gender breakdown of: <ul style="list-style-type: none"> Global population Senior Managers Executive Committee Non-Executive Directors Executive Directors
Weighted Average Carbon Intensity <u>Reporting period:</u> 12 months to 31 December 2022	<p>Weighted Average Carbon Intensity</p> <ul style="list-style-type: none"> Weighted Average Carbon Intensity (tCO₂e/\$mn revenue) for the year to 31 December 2022
Absolute emissions <u>Reporting period:</u> 12 months to 31 December 2022	<p>Absolute Carbon Emissions from investment portfolio</p> <ul style="list-style-type: none"> Absolute emissions (tCO₂e) for the year to 31 December 2022

*assured scope 3 as defined within the 2022 Basis of Reporting ('the Reporting Criteria'). Refer to Appendix B.

Appendix B: Basis of Reporting 2022 (the 'Reporting Criteria')

Prudential plc

Basis of Reporting: Diversity, community investment, Greenhouse gas (GHG) emissions and other environmental metrics, 2022 reporting period

This Basis of Reporting document outlines the scope of Prudential plc's KPIs for diversity, community investment, GHG emissions data and other environmental metrics, published in the Prudential plc 2022 Annual Report and ESG Report.



Diversity

Scope of indicator

KPI published: Gender diversity

Whole company total provided as full-time equivalent permanent/fixed-term contract of employment employees (as amended for country-specific situations), at 31 December 2022 – across Prudential plc covering all business units and head office functions in Asia, Africa and London, and the Chairman and Non-executive Directors (NEDs).

Reporting period

Total headcount breakdown is reported at 31 December 2022.

Definition

Gender diversity – reported with the following breakdown:

- Non-executive Directors (including the Chair)*;
- Executive Directors*;
- Group Executive Committee [GEC] (includes Executive Directors)*;
- Senior managers (does not include the Chair, Executive Directors, and GEC members)*; and
- Whole company (includes the Chair, Directors, GEC members and Senior Managers) full-time equivalents (FTE).

* Reported as actual headcount number

Unit/normalisation

All permanent/fixed-term contract of employment employees in each location.

Data collection method

- Permanent/fixed-term contract of employment employee total headcount, split by gender.
- As at 31 December:
 - Total numbers were provided by each of the businesses and offices in scope;
 - Numbers were validated by appropriate representative of the HR Director for each local business; and
 - Group Talent consolidated responses to produce the final data set.

Reporting boundary

Asia, Africa and the United Kingdom. Joint ventures are not included in total headcount reported.

Main assumptions

- The senior manager population represents the most pivotal roles in our Group below the Group Executive Committee. The senior manager category represents the roles and leaders that are instrumental in defining and executing the Group, business unit and functional strategies, and drive the transformation of our business; and is representative of the diversity of new capabilities needed for now and the future, ensuring a balance between headquarter and business roles. This definition will evolve with our business.
- One senior manager from Prudential BSN Takaful Berhad, our Malaysia Takaful joint venture is included, since the senior manager population is a designated list that includes this role. This is consistent with all reports surrounding the senior manager population.

Third-party data verification

EY has provided ISAE (UK) 3000 (July 2020) limited assurance over these results.

The assurance report is available on the [Prudential plc website](#).

Community investment

Scope of indicator

We calculate and categorise our community investment spend using the internationally-recognised Business for Societal Impact (B4SI) Framework: <https://b4si.net/framework/community-investment/>

Reporting period

1 January 2022 – 31 December 2022.

Definition

Community investment is defined as Prudential's voluntary engagement or activity with both charitable and non-charitable organisations that extends beyond our core business activities to create a positive impact on society.

The B4SI Framework states that community investment spend can be in the form of cash or in-kind donations. The cash contribution is defined as the gross monetary amount a company paid or is committed to pay in support of a community organisation/project; which can include direct donations/grants to charitable organisations or payments towards non-charitable organisations to support a community organisation or project for example, cause-related marketing.

We will only be reporting cash contributions in our total community investment spend figure, although the Group also undertakes significant in-kind charitable activity such as volunteering and donations of items such as toys, laptops, and equipment, but these are not reported.

Assessment methodology

Our total cash contribution includes:

- Cash donations, disaster relief funding to charities, non-profits, non-governmental organisations (NGOs), social enterprises and strategic partners;
- Cash spent with key strategic partners to promote and broaden the audience/outreach of our community investment programmes, solely to support community investment programmes;
- Cash spent with third-party vendors for running community investment programmes;
- Cash funding to our local business for running community investment programmes; and
- Cash spent with NGO partners to implement our regional community investment programmes, namely:
 - Cha-Ching curriculum implementation in schools;
 - SAFE STEPS programme on road safety;
 - SAFE SCHOOLS programme for Republic of the Philippines, Department of Education;
 - Early Childhood Development programme; and
 - Regional Volunteering Programme.

Our total cash contribution excludes:

- Covid-19 relief funding to charities, non-profits, non-governmental organisations (NGOs), social enterprises and strategic partners as this is a short term funding support during the pandemic and Covid relief fund will not be continued in 2023. This will be separately disclosed in our ESG report under 'Covid-19 relief fund' section.

Reporting boundary

Asia, Africa and the United Kingdom, excluding joint ventures.

Basis of accounting

All disclosures have adopted the cash basis of accounting for the reporting period.

Currency/unit/normalisation

Amounts are reported in US dollars.

All currency conversions are made using year-to-date average exchange rates as of 31 December 2022, based on data from Bloomberg/Reuters and supplied by Group Finance.

Data collection method

Cash contributions are recorded by each of our local businesses through the year. A spreadsheet is circulated to each business at year end, which requests details of all community investment spend by organisation/activity/category. The businesses' submissions are consolidated by Group Finance and reviewed by Prudence Foundation, to ensure all reported activity falls within our definition of community investment. Group finance also converts all activity recorded in local currency into US\$.

Third-party data verification

EY has provided ISAE (UK) 3000 (July 2020) limited assurance over these results.

The assurance report is available on the [Prudential plc website](#).

Environment

Greenhouse gas (GHG) emissions and key environmental performance indicators

Scope

This document sets out the approach taken by Prudential plc to collate and report the environmental data and GHG emissions published in our Annual Report, ESG Report, online and select supplementary reporting, eg CDP. We have robust processes in place to capture, monitor and measure our performance and we aim to report openly and transparently.

GHG emissions are broken down into three scopes; we have included full reporting for Scope 1 and 2 and select Scope 3 reporting as best practice.

- Scope 1 emissions are our direct emissions from the combustion of fuel, fugitive emissions and company-owned vehicles.
- Scope 2 emissions cover our indirect emissions from the purchase of electricity, heating and cooling.
- Scope 3 emissions include:
 - business travel for UK, Asia and Africa businesses;
 - water consumption from our UK, Asia and Africa properties;
 - waste generated from our UK, Asia and Africa properties; and
 - fuel and energy-related activities for UK, Asia and Africa properties.

Reporting period

Our 2022 reporting period covers 01 October 2021 to 30 September 2022. This does not correspond with the Annual Report (which covers 01 January 2022 to 31 December 2022) because the reporting period was brought forward by three months to improve the availability of invoice data (which often lags by one month or more after the usage period) and reduce the reliance on estimated data.

Reporting boundary

We apply the 'operational control' approach as the boundary for reporting our environmental data. This means that we report on 100 per cent of emissions where we, or one of our subsidiaries, has the full authority to introduce and implement operating policies. Under this approach, our GHG emissions from all owned and leased facilities globally over which we have operational control are counted. We also include estimated usage for full service gross leased offices and data centres where we receive metered energy consumption and invoices.

This boundary approach covers emissions generated from approximately 400 occupied leases, covering 341,132m². To determine the sites where emission reporting was required, lease information was taken from our central lease database.

Prudential owns assets which are held on its balance sheet in the financial statements over which it does not have operational control. These are excluded from the scope of reporting under the operational control approach.

Assessment methodology

Prudential uses the GHG Protocol Corporate Accounting and Reporting Standard (2015 revised edition) as the methodology for calculating our GHG emissions. The GHG Protocol was co-developed by the World Resources Institute and the World Business Council for Sustainable Development.

In 2017, we underwent a significant review of our capabilities to comply with the 'dual reporting' of Scope 2 emissions and sourced market-based factors for the UK; in 2021 we expanded this to include Hong Kong. Our other Asian and African markets continue to use the location-based factors already available as market-based factors were deemed insufficient for reporting. For our UK-occupied buildings, residual mix factors were used where supplier factors were unavailable.

Emission factors

Our reporting period includes data collected over two calendar years. Emission factors are published on a calendar year basis, and we apply the relevant emission factors based on the year in which the emissions are generated. Therefore, emissions generated in the first three months (October to December) of our reporting period have different emission factors applied than those reported for the remaining nine months (January to September). This is to ensure representative emissions reporting. The exception to this rule is Hong Kong Scope 2 market-based emission factors, which does not split across two calendar years (2021/2022), given the latest published emission factors being representative of 2021.

Our 2022 reporting has used the following sources of emission factors to calculate our footprint measured in carbon-dioxide equivalent (CO₂e):

- Scope 1: UK DEFRA 2021 and 2022 GHG Conversion Factors.
- Scope 2: The IEA GHG 2021 and 2022 Conversion Factors are used for location-based reporting. Market-based reporting is used for the following locations:
 - UK and Hong Kong-based operations: the emissions factors used for the UK are from the REGO scheme, and the emissions factors for Hong Kong adhere to Hong Kong Stock Exchange Reporting Guidance 2022, aligning with the most recently published emission factors of relevant power companies, CLP Holdings 2021 Sustainability Report and HKEI Sustainability Report 2021.
 - Malaysia-based operations: the emission factors used for Malaysia have been adjusted based on procurement of renewable energy. Renewable energy covers 31 per cent of electricity consumption for Malaysia's operations. Renewable energy procurement has been reported via the following programmes:
 - GET Scheme TNB Malaysia (procurement period: March to September 2022); and
 - Sarawak Energy Renewable Energy Credits (RECs) (procurement period January to September 2022).
- Scope 3: UK DEFRA 2021 and 2022 GHG Conversion Factors.

Note: In our reporting the classification of air travel is not strictly aligned with SECR guidance. Our operations are outside the UK and thus most of the flights no longer originate/end in the UK. Therefore, the SECR categorisations are not entirely appropriate for our reporting. For example, to follow the guidance a flight from Sydney to Dallas Fort Worth in the USA (13,799km) would have the same (international) emission factor applied as a flight from Sydney to Melbourne (850km). The methodology adopted applies the breakdown into domestic/short and long-haul based on distance travelled to determine the emissions factor applied and it is believed to be more appropriate, particularly now that Prudential plc operations in the UK are limited.

Materiality considerations/exclusions

We have set a materiality threshold of 5 per cent of total GHG emissions. The following exclusions have been made based on this:

- Business travel – scooters are excluded as these do not come under Prudential's operational control and collection of this information would be extremely difficult;
- Minor works (gardeners, minor construction works) – anticipated to be less than 1 per cent of total GHG emissions and are considered immaterial; and
- Emissions from refrigerants from small split-system air conditioning units are so small as to be immaterial (anticipated <0.1 per cent of total GHG emissions). The electricity use from these units has been reported.

Intensity ratio

The intensity metric is kilograms of CO₂e per m² (net lettable area). Our emissions are normalised by the floor area of our occupied properties held on 30 September 2022 reporting consumption between 01 October 2021 and 30 September 2022. Net lettable area is used where available. Where not available, alternative measurement methodologies are used to supplement data, ie net internal area or gross internal area.

We have also reported tonnes of CO₂e per employee. This is calculated as a snapshot on full-time employees on 30 September 2022 (the closest available figures to our reporting year end) and excludes contingent workers, agents and joint ventures.

Methodology changes from 2022

In 2022 the data reporting process for the occupied estate has been enhanced from environmental data management platform ESP to Canopy. The Canopy platform is a system upgrade with improved functionality. The platform is being used to collate the data received for the quarterly Request for Information (RFI) as used in previous years. Canopy enables an improved data management and reporting approach including additional checks in the data inputs throughout the process.

Canopy provides the opportunity to improve the accuracy of data reported through the enhanced accruals methodology within the platform. The accruals in Canopy follow an industry standard and accrue for any missing invoices at an account (meter) level and are made for months with no or partial data available. Where there are multiple accounts in a building, ESP only accrued for accounts with missing values and when new invoices were uploaded for accounts the system automatically refreshed to reflect that new data had been inputted, overriding the accrued data. The accruals methodology in Canopy is:

- If invoiced data exists for the previous month, Canopy uses the pro-rated daily rate (cost or consumption) and multiplies that by the number of days to accrue for that month;
- If invoiced data does not exist for the previous month then Canopy will use the pro-rated daily rate from the same month previous year, multiplied by the days to accrue for that month;
- If neither of the above exist, Canopy will use the most recent invoice received for that account and apply that pro-rated daily rate multiplied by the days to accrue for that month; and
- If an account does not follow a calendar month, any accruals will consider the daily rate of any invoices overlapping in that calendar month.

The estimation methodology remains the same as in previous years for any building where accounts cannot be obtained using the data from Canopy, details are collated separately and uploaded into the platform.

Where updated billing information or emissions factors become available after year end reporting, prior year figures may be restated for accuracy. This will be detailed alongside restated figures.

As part of continuous improvement, the fleet Data methodology was enhanced to ensure greater accuracy of figures and to reflect improved understanding of data and operations. The data enhancement included removal of vehicle level accounts from Canopy and replacing with consolidated local business level accounts. This was a result of identified over-accruals within transport data. This doesn't represent a method change, however, should ensure that accruals are more accurate in Canopy. See page 15, Prudential PLC SECR Reporting 2022, Methodology and Assumptions report for further information.

Calculation methodology

Our approach to the core metrics in our GHG emissions reporting is detailed below. To ensure we have complete coverage during the reporting period, consumption data may be accrued for missing invoices/supplier data, or estimated where we have received no information for a property (eg a new lease that became active during the reporting year and no invoices have yet been received). In this case, benchmarking data is used to estimate kWh for the property. If there is incomplete lease information then we assume a conservative approach, ie that the property is open for the full reporting period.

Emission source	Data sources and assumptions	Accrued/estimated
Energy and emissions		
Fuel combustion – gas	KPIs: Total energy consumption (MWh) and Scope 1 and 3 emissions (CO ₂ e). Gas consumption (kWh) obtained from invoices, supplier reports and manual meter reads. The 'gross' calorific value is used for carbon conversions when both gross and net are available.	✓
Fuel combustion – oil	KPIs: Total energy consumption (MWh) and Scope 1 and 3 emissions (CO ₂ e). Oil consumption (litres) from back-up generators was calculated by recording the run time, diesel consumption rate per hour and generator capacity and efficiency where possible. Where this is not possible, fuel top ups and/or dips have been used. The 'gross' calorific value is used when both gross and net are available.	✓
Fugitive emissions	KPIs: Scope 1 emissions (CO ₂ e). Refrigerant losses are based on estimates using the data from last year. This is due to the unavailability of actual data/invoices for the provision of top-up gases, as well as reports from air conditioning engineers and catering equipment engineers not being available for the reporting year. Losses are recorded in kg.	✓
Vehicle fleet	KPIs: Scope 1 and 3 emissions (CO ₂ e). Transport is calculated either based on litres of fuel consumed/purchased (preferred), or distance travelled. <ul style="list-style-type: none"> • Mileage from company-owned vehicles is supplied by property contacts on a quarterly basis. • Mileage of leased cars is provided by an extract from the expense system on a monthly basis. This includes vehicle type and size of engine. All data is converted to km travelled before being entered into our GHG calculation model.	✓

Emission source	Data sources and assumptions	Accrued/ estimated
Electricity	<p>KPIs: Total energy consumption (MWh) and Scope 2 and 3 emissions (CO₂e) – both market and location-based.</p> <p>Indirect energy consumption (kWh) obtained from invoices, supplier reports and manual meter reads. Every building in the site list either has invoice/ accrual or estimated electricity consumption/cost.</p> <p>Accruals are used where we have either not received an invoice or received an invoice for part of the month. This calculation is automatically carried out in Canopy either using the previous month or same month previous year for a missing invoice, and a daily average where part of a month is missing.</p> <p>If a site has no consumption data available, then estimation has been applied. An average substitute is calculated using internal benchmarks at the following levels:</p> <ul style="list-style-type: none"> • (Best option) Is an average figure available for country in question by property type? • If no... is an average figure available by country level? • (Final option) If no... use the average contained within the Prudential data model. <p>If any sites do not have a property type (eg sales office), the model will assume the average benchmarking figure for their respective country.</p> <p>Estimations and accruals are only applied to the months where the lease is active; however, if there is incomplete lease information then the model assumes a conservative approach, ie that the property is open for the full reporting period.</p> <p>Country-specific emission factors are used where feasible, aligning with two periods, October to December 2021 and January to September 2022. To comply with the dual reporting requirements of the GHG Protocol, both location and market-based numbers have been published in the 2022 report.</p>	✓
Heating and cooling	<p>KPIs: Total energy consumption (MWh) and Scope 2 and 3 emissions (CO₂e).</p> <p>Indirect energy consumption (kWh) was obtained from invoices.</p>	✓
Waste and recycling		
Waste generated	<p>KPIs: Total waste produced (tonnes), total waste diverted from landfill (tonnes and %), total waste recycled (tonnes and %), and Scope 3 emissions (CO₂e).</p> <p>Waste data is provided by waste management companies, property managers and waste transfer notes. Waste figures do not include buildings where Prudential is a tenant without operational control of waste.</p> <p>At sites where the waste is not weighed, the reported weight is based on the assumed weight per uplift of different types of recycling, based on industry averages, and multiplied by the number of 'uplifts' at each property. Waste figures within the UK are inclusive of feminine hygiene waste. Final waste treatments are based on DEFRA classifications.</p>	✗

Emission source	Data sources and assumptions	Accrued/ estimated
Water consumption		
Water consumption	<p>KPIs: Total water consumption (m³) and Scope 3 emissions (CO₂e).</p> <p>The total quantity of water consumed is obtained from invoices and supplier meter readings, and recorded in cubic meters or kilolitres.</p>	✓
Business travel		
Air travel	<p>KPIs: Scope 3 emissions (CO₂e).</p> <p>Annual travel reports are provided by our travel management companies that cover travel booked from the UK, Asia and Africa. All distances are reported in km and converted to CO₂e using the DEFRA 2020 and 2021 emission factors, including DEFRA Well to Tank for air travel and radiative forcing uplift.</p> <p>No assumptions or estimations have been made for travel booked by individuals and claimed via the expense system.</p>	✗
Other business travel – rail and grey fleet	<p>KPIs: Scope 3 emissions (CO₂e).</p> <p>Annual travel reports are provided by our UK travel management companies that cover travel booked from the UK. A cut-off date of 7 November 2022 is applied to allow cancellations to filter through.</p> <p>Grey fleet mileage is provided by an extract from the expense system on a monthly basis and this includes vehicle type and size of engine.</p> <p>No assumptions or estimations have been made for travel booked by individuals and claimed via the expense system.</p>	✗

Assurance scope

EY has provided ISAE (UK) 3000 (July 2020) limited assurance of the components of greenhouse gas emission data as follows:

	Limited Assurance								
	Scope 1			Scope 2	Scope 3				
	Fuel combustion	Fugitive emissions	Vehicle fleet	Electricity use	Fuel and energy-related activities	Water consumed	Business travel	Waste produced	Waste recycled
Asia Occupied	✓	✓	✓	✓	✓	✓	✓	✗	✗
UK Occupied	✓	✓	✓	✓	✓	✓	✓	✓	✓
Africa Occupied	✓	✓	✓	✓	✓	✗	✓	✗	✗

Emissions relating to the investment portfolio

Scope

This document explains the approach taken by Prudential plc to report the carbon footprint of the investment portfolio ('investment portfolio') in the Annual Report and Accounts, the ESG Report, and online and select supplementary reporting. We have robust processes in place to capture, monitor and measure our performance and we aim to report openly and transparently.

Reporting period

Our 2022 report includes the weighted average carbon intensity (WACI) and absolute carbon footprint of Prudential plc's investment portfolio year end 2022 and for year end 2019 (the baseline year from which reduction targets are measured). EY has provided ISAE (UK) 3000 (July 2020) limited assurance of these results.

Reporting boundary

All shareholder and policyholder assets in the investment portfolio for the calculation of the WACI are aligned to the protocol of the Net-Zero Asset Owner Alliance as follows

- Assets from wholly owned businesses only;
- Assets in the following asset classes only: listed equities and classified corporate bonds, using industry practice;
- Assets managed on our main portfolio management system only, which constitutes over 92.9 per cent of our investment portfolio as at 30 September 2022; and
- Assets in the following investment vehicles: segregated mandates, collective investment schemes and exchange traded funds (ETFs).

The investment portfolio assets currently excluded from the calculation are:

- Assets from joint ventures, as Prudential plc does not have full authority to change investment strategies of these businesses;
- Assets managed by Eastspring on behalf of other clients, as Prudential does not control these assets;
- Assets for investment-linked products (ILP), also referred to as unit-linked products, as Prudential cannot change the investment strategy for these funds from what is selected by the policyholder;
- Real estate assets, as data on the carbon emissions of our real estate investments are not currently available. We are working with our fund managers to measure and report on this in future;
- Asset classes for which the Net-Zero Asset Owner Alliance does not yet recommend a methodology to measure the carbon footprint; and
- Assets not managed on our main portfolio management system, including assets managed by third-party managers on other systems. We are working with the fund managers to measure and report on this in future.

Methodology for weighted average carbon intensity

Prudential reports the WACI of the investment portfolio using the following formula, which is aligned to the methodology from the NZAOA, TCFD and PCAF:

$$\sum_n^i \text{Emissions intensity}_i * \frac{\text{MV of investment}_i}{\text{MV of in scope assets for which emissions are available}}$$

Definitions used in the WACI calculation are:

- Emissions intensity: carbon emissions intensity of the investment portfolio company expressed in: tonnes CO₂e of the investee company ÷ \$million revenue of the investee company.
 - The carbon emissions of an investment portfolio company cover Scope 1 and Scope 2 carbon emissions.
 - CO₂e, per the Greenhouse gas (GHG) Protocol, includes carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).
- MV of investment_i is market value of the investment portfolio asset as at the reporting date.
- MV of in scope assets for which emissions are available is the total market value of the investment portfolio.

Methodology for absolute carbon footprint of the investment portfolio (financed emissions)

Prudential also reports the absolute carbon emissions (also known as 'financed emissions') related to all shareholder and policyholder assets in the investment portfolio. This metric is monitored and is used for the target on engagement.

Prudential reports the absolute carbon footprint using the following formula, which is aligned to the methodology from the NZAOA, TCFD and PCAF:

$$\sum_n^i \text{Absolute carbon emissions issuer}_i * \frac{\text{MV of investment}_i}{\text{Enterprise value including cash}_i}$$

Definitions used in the calculation of the absolute carbon footprint are:

- *Absolute carbon emissions issuer_i*: the Scope 1 and Scope 2 CO₂e of the company in the investment portfolio.
 - CO₂e, per the GHG Protocol, includes carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).
- *MV of investment_i* is the market value of the investment portfolio asset as at the reporting date.
- *Enterprise value including cash_i*: the market capitalisation and debt of the company in the investment portfolio without the deduction of cash or cash equivalents.

Data

Prudential uses carbon data from its external data provider to calculate the GHG emissions related to the investment portfolio. The external data provider classifies emissions per the GHG Protocol in three categories known as Scope 1, Scope 2 and Scope 3. The carbon footprint of the investment portfolio uses the scope 1 and Scope 2 CO₂e of invested companies.

The external data provider collects CO₂e emissions data for the investment portfolio companies. Data is collected once a year from the most recent corporate sources, including annual reports, corporate social responsibility reports, websites, CDP submissions and/or government databases. When companies do not disclose data, the data provider uses proprietary methodologies to estimate CO₂e emissions. The disclosed data and estimations combine to give the coverage, as reported in the 'Stewarding the human impacts of climate change' section. The inclusion of assets in the absolute carbon footprint calculation is dependent on the data provider having all data elements of the calculation available.

The external data provider supplies Scope 1 and Scope 2 data as point-in-time and time series data. The point-in-time data is a snapshot of the carbon data available as at the specified date. The time series data locks in the data for a fiscal year after an additional year has elapsed. For our baseline year of 2019, time series data is used to maintain stability in the baseline from which reductions are measured. The point-in-time data is used for all years other than the baseline, to provide the latest available result.

Dependencies

The methodology as set out in this document has the following dependencies:

- External data provider: Prudential plc relies on its external data provider to supply the carbon data of the investment portfolio. This creates a dependency on data availability from the external data provider and its estimation methodology as described below.
- Asset classifications: Prudential plc relies on its external data provider to provide the classification of its assets to determine if they fall within the reporting boundary.
- Industry standards: Prudential plc has chosen to align to the NZAOA, TCFD and PCAF industry standards for the calculation of the carbon metrics of the investment portfolio.

Third-party data verification

EY has provided ISAE (UK) 3000 (July 2020) limited assurance over the WACI and financed emissions results.

The assurance report is available on the [Prudential plc website](#).