

Prudential plc

Basis of Reporting: Diversity, Community Investment, GHG emissions and other Environmental Metrics 2021 Reporting Period

This Basis of Reporting document outlines the scope of KPIs reported covering diversity, community investment, GHG emissions data and other environmental metrics by Prudential plc for the Prudential plc 2021 Annual Report & Accounts and ESG Report.



Diversity

Scope of indicator reported

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).

As at 31 December 2021 – 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 2021 (year end).

Definition

Gender diversity – reported for 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, and split by gender.

As at 31 December.

- Total numbers were provided by each of the businesses and offices in scope.
- Numbers validated by appropriate representative of the HR Director for each business unit.
- Group Talent consolidated responses to produce final data set.

Main assumptions

Total headcount reported excludes joint ventures.

The senior manager population represents the most pivotal roles in our Group below the Group Executive Committee, instrumental in defining and executing the Group, business unit and functional strategies. This represents the roles and leaders who impact the most of our strategy and drive the transformation of our business, being representative of the diversity of new capabilities needed for now and the future, ensuring a balance between headquarters and business roles. This definition will evolve according to the way our business is evolving.

One senior manager from Prudential BSN Takaful Berhad, our Malaysia Takaful JV, is specifically included since the senior manager population is a designated list that includes him. The purpose of this is to be 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.

Community investment

Scope of indicator reported

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

Reporting period

1 January 2021 – 31 December 2021.

Reporting boundaries

Joint ventures are not included in cash donations reporting.

Definition

Charitable cash donations are reported for Asia, Africa and the UK, excluding joint ventures. 2020 comparative figures have been restated to exclude discontinued operations and joint ventures.

Unit/normalisation

Amounts are reported in US dollars.

Currency

All currency conversions are made using YTD average exchange rates as at December 2021, based on data from Bloomberg/Reuters and supplied by Group Finance.

Data collection method

Cash donations are consolidated by Group Finance.

Third party data verification

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

Environment

Greenhouse gas (GHG) emissions and key environmental performance indicators

Scope

This document explains the approach taken by Prudential plc to collating and reporting our environmental data and GHG emissions published in our Annual Report & Accounts, our 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 our UK and Asia businesses;
 - fuel and energy related activities;
 - global water consumption from our UK, USA and Asia properties; and
 - waste generated from our UK, USA and Asia properties.

Reporting period

Our 2021 reporting period covers 01 October 2020 to 30 September 2021. This does not correspond with the Annual Report & Accounts (01 January 2021 to 31 December 2021) 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.

On 13 September Prudential plc demerged from Jackson, our US operation. Therefore, the data in our reporting for Jackson covers the period of 1 October 2020 to 13 September 2021 to align to our operational control reporting boundary.

Reporting boundary

We apply the 'operational control' approach as the boundary for reporting our environmental data. In practice, 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 496,569m². 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 Greenhouse Gas (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 have been able to expand this to include Hong Kong as well. Our other Asian, African and legacy North American 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 as such 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 year have different emission factors applied than those reported for the remaining nine months (January to September). This is to ensure representative emissions reporting.

Our 2021 reporting has used the following sources of emission factors to calculate our footprint measured in carbon-dioxide equivalent (CO₂e).

- Scope 1: UK DEFRA 2020 and 2021 GHG Conversion Factors.
- Scope 2: Calculations use the IEA GHG 2020 and 2021 Conversion Factors for location-based reporting. Market-based reporting uses supplier emission factors for our UK and Hong Kong based operations. The emissions factors used for the UK are from the REGO scheme and for Hong Kong, those published in the Hong Kong Stock Exchange Reporting Guidance 2021.
- Scope 3: UK DEFRA 2020 and 2021 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 (13,799 km) would have the same (international) emission factor applied as a flight from Sydney to Melbourne (850 km). 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 minimal.

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) – so small as to be immaterial (anticipated <1 per cent).
- Emissions from refrigerants from small split-system air conditioning units are so small as to be immaterial (anticipated <0.1 per cent). The electricity use from these units has been reported.

The assurance scope does not cover all of the environmental metrics reported by Prudential and a table is provided at the end of this section to highlight the assured metrics.

Assurance scope

The assurance scope does not cover all the environmental metrics reported by Prudential.

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

- Scope 1 and 2 emissions for Asia, UK, USA and Africa;
- Scope 3 Fuel and Energy related activities for all regions; and
- Total water consumption (cubic metres), US, UK and Asia.

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 2021 reporting consumption between 01 October 2020 and 30 September 2021. 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 31 August 2021 (the closest available figures to our reporting year end) and excludes contingent workers, agents and joint ventures. This intensity metric is not assured by EY.

Methodology changes from 2021

In 2021 the data reporting process for the occupied estate has been enhanced using an environmental data management platform, ESP. The platform is being used to collate the data received for the quarterly RFI as used in previous years. ESP enables an improved data management and reporting approach including additional checks in the data inputs throughout the process.

The migration of the ESP has provided the opportunity to improve the accuracy of data reported through the enhanced accruals methodology within the platform. The accruals in ESP 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 will only accrue for accounts with missing values and when new invoices are uploaded for accounts the system will automatically refresh to reflect the fact that new data has been inputted, overriding the accrued data. The accruals methodology is:

- If invoiced data exists for the previous month, ESP 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 ESP 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, ESP will use the most recent invoice received for that account and apply that pro-rated daily rate multiplied by the days to accrued for that month.
- 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 and is carried out external to ESP and uploaded into the platform for any building where accounts cannot be obtained using the data from ESP.

By virtue of the migration to the environmental data management platform ESP, the reporting for Scope 3 emissions is being expanded in 2021 to include the fuel and energy related emissions generated.

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.

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 has 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
Energy and emissions / continued		
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 ESP either using the previous month or same month previous year for a missing invoice, and a daily average for 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> <ol style="list-style-type: none"> 1. (Best option) Is an average figure available for country in question by property type? 2. If no... Is an average figure available by country level? 3. (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 that the model assumes a conservative approach, ie the property is open for the full reporting period.</p> <p>Country-specific emission factors are used. To comply with the dual reporting requirements of the GHG Protocol, both location and market-based factors have been published in 2021.</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		

Emission source	Data sources and assumptions	Accrued/ estimated
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>	✗
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 and Asia. 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 2021 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>	✗

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 & Accounts, the 'Stewarding the human impacts of climate change' section of our ESG Report, 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 2021 report includes the weighted average carbon intensity (WACI) of Prudential plc's investment portfolio for year end 2019 (the baseline year from which reduction targets are measured) and year end 2021. EY has provided ISAE (UK) 3000 (July 2020) limited assurance of these results.

Reporting boundary

The investment portfolio assets included in 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 93.5 per cent of our investment portfolio as at 31 December 2021.
- 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 business units.
- 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 on this with our fund managers in order to measure and report in future.
- Asset classes for which the Net Zero Asset Owner Alliance does not yet recommend a methodology to measure the carbon footprint of these asset classes.
- Assets not managed on our main portfolio management system, including assets managed by third-party managers on other systems – we are working on this with our fund managers in order to measure and report in future.

Methodology

Prudential uses the WACI to manage, measure and report the normalised carbon footprint of the investment portfolio. This measure is recognized by the TCFD, the Net Zero Asset Owner Alliance (NZAOA) and the Partnership for Carbon Accounting Financials (PCAF).

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

$$\sum_i Emissions\ intensity_i * \frac{MV\ of\ investment_i}{MV\ of\ in\ scope\ assets\ for\ which\ emissions\ are\ available}$$

Definitions used in the WACI calculation are:

- Emissions intensity: carbon emissions of investment portfolio companies expressed in tons CO₂e /\$m revenue.
 - 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 is market value of the investment portfolio assets per the reporting date.

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 industry standards for the calculation of the carbon footprint of the investment portfolio. As a member of the NZAOA, Prudential aligns to the NZAOA Target Setting Protocol to the extent possible.

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 in three categories known as Scope 1, Scope 2 and Scope 3. The carbon footprint of the investment portfolio uses the Scope 1 and 2 CO₂e of invested companies.

The external data provider collects CO₂ equivalent emissions data for the investment portfolio companies. Data is collected once per 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 may use proprietary methodologies to estimate CO₂ equivalent emissions. The disclosed data and estimations combine to give the coverage, as reported in the 'Stewarding the human impacts of climate change' section of our ESG report. Where no disclosed data or estimation is available, the remaining investment portfolio assets are assumed to have the same CO₂ equivalent emissions to the companies for which there is coverage.

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.