Prudential plc Group Responsible Investment Policy

As a life insurer, asset owner and manager, Prudential plc (Hereinafter "Prudential") is a long-term steward of its beneficiaries' assets. We have a responsibility to our clients, the communities and environment in which we operate, to apply Environmental, Social & Governance (ESG) considerations into our investment decisions and our fiduciary and stewardship duties.

The purpose of the Group Responsible Investment Policy (RI Policy) is to guide the Business Units within the Group and our affiliated asset managers to articulate how they consider ESG factors in their investment activities. Prudential believes that ESG considerations are increasingly important elements of good investment practices. The objective of the RI Policy and guidelines is to manage ESG risks and improve long run returns on assets.

Responsible Investment Principles

It is Prudential's fiduciary duty to act in the best interests of its clients taking into consideration financial security. The following principles provide a general framework of thinking to our overall investment strategy and in-scope asset book.

- We take into consideration ESG factors that have the potential to have a material financial impact.
- We apply a long-term approach, whilst remaining sensitive to mandate time horizons and individual ESG issues.
- We take an inclusive transitional approach, where we are mindful of the need to implement Responsible Investment pillars in a way that acknowledges the nature of the markets in which we operate and seeks to share the financial and social burden of the transition in a fair manner.
    - In 2022, we published a whitepaper on Supporting a just and inclusive transition, encapsulating our approach and initiatives to address the socioeconomic challenges that come with the transition in emerging markets. In this paper, we set out our approach to prioritize engagement and Financing the Transition over divestment. In 2024, we published three additional papers on our approach on RI topics with a specific focus on emerging markets. The papers covered stewardship, Prudential proprietary framework on Financing the Transition, and Eastspring-Prudential paper on investing in climate transition in capital markets.
- We identify ESG risk factors and incorporate them into our general risk management and monitoring processes.
- Where material trade-offs exist, we seek to apply judgement in setting out a reasoned investment case that is consistent with our fiduciary duty and overall investment strategy.
- We require investment managers to engage with and influence investee companies on business sustainability and company behaviour, where appropriate. A focus on transitioning companies towards the creation of a more sustainable economy is possible and desirable across all types of investment mandates.
- With a longer-term transitional perspective in mind, if we believe that investee company behaviour is not sustainable and highly unlikely to improve over time, we may revise our mandates, in consultation with the investment manager, to reduce our holding in that company. We may also exclude a company from our investment portfolios.
- We are committed to take a longer-term approach to fostering innovation, which may include seeding new investment strategies in order to create effective solutions.
- Where applicable, we will review and implement recognised industry standards and frameworks to address certain ESG issues and to inform and enhance our approach.
- We recognize the power of our voice within a broader alliance. As such, we actively contribute to sustainable collaborative initiatives, such as the Principles of Responsible Investment, collaborative engagement and the UN-convened Net Zero Asset Owner Alliance (NZAOA). Additionally, we support the advancement of global standards that improves corporate governance and investor stewardship.
- We acknowledge we are part of an ongoing ESG journey. We expect that our approach will evolve over time to reflect changes in business practices, structures, technology, and the law.

These principles support, and do not supersede, our overall objective of achieving a good return investment for our clients for an appropriate level of risk.

Scope

This policy applies to the portfolio of assets held on behalf of the insurance entities of Prudential and is relevant for all investment managers when managing assets on behalf of Prudential. Joint ventures are excluded from the scope of the policy. Funds managed by group-owned asset managers on behalf of third-party clients, and assets under the responsibility/discretion of customers, (e.g., unit-linked funds), are not in scope. Although unit-linked funds are outside the scope of the policy, Prudential strives to offer RI unit-linked funds to customers where feasible.

Governance

The Group Investment Committee (GIC) is designated to oversee Prudential's Responsible Investment activities, including the approval of the Group RI Policy. The Group RI Policy is integrated in the Group Investment Policy to ensure ESG considerations are embedded in our investment approach. To assist the Group Chief Financial Officer in providing oversight for the Group and its subsidiaries relating to RI activities and requirements, the GIC provides a forum for the Group and its business units to discuss RI topics and proposals.

The Group Sustainable Finance Council (GSFC) is a sub-committee under the GIC to ensure transparency in Sustainable Finance definitions and qualify investments based on these definitions. It also operates as technical review for Prudential to keep pace with industry standards.

Meanwhile, the Group Executive Sustainability Committee (GESC) provides a holistic assessment of sustainability matters in line with the implementation of the Sustainability strategy, including RI activities.

Group Targets on Responsible Investment

1. Net zero by 2050 and 55% reduction by 2030

Prudential commits to making its portfolios net zero by 2050, in line with the pathways of the Intergovernmental Panel on Climate Change (IPCC) to keep the temperature increase well below 2°C as set out in the Paris agreement. Prudential aligns the policy on carbon reduction with the protocol as set out by the NZAOA on asset classes, carbon metrics, base year, etc. Aligned with the NZAOA, Prudential will be setting 5-year intermediate carbon reduction targets for the portfolio. The current intermediate target is 55% reduction of the Weighted Average Carbon Intensity[1] of the portfolio by 2030. The exact methodology for the carbon footprint metrics can be found in the basis of reporting document on the website.

2. Engagement target

Prudential commits to engaging with companies that are responsible for 65% of the financed emissions of the investment portfolio. The list of contributors responsible for 65% of Prudential's financed emissions is updated annually at year end.

3. Financing the transition

In 2023, Prudential established an internal target to mobilize capital into financing the transition by 2030. Financing the transition is viewed as investment directed into enablers, industry leaders, or high-impact sectors

[1] The carbon footprint of the investment portfolio (and hence the decarbonization target) is calculated for the following assets: Assets from majority-and wholly owned businesses; Shareholder and policyholder assets; Assets in the following asset classes: listed equities and classified corporate bonds, using industry practice; Assets in the following investment vehicles: segregated mandates, collective investment schemes and exchange traded funds (ETFs); Assets managed on our main portfolio management system (Aladdin) only

with the explicit intention of enabling and accelerating the net-zero transition. Prudential's proprietary Financing the Transition framework can be found here.

Responsible Investment Implementation pillars

To achieve the policy objectives, Prudential has defined several implementation pillars. Further details of our responsible investment activities and case studies can be found in Prudential's sustainability report, available on the website.

Pillar #1: Exclusion:

Prudential may exclude a company from the investment portfolio if its products or conduct is considered to be unacceptable. Exclusion details are outlined in Appendix II.[2]

Pillar #2: ESG Integration:

ESG integration is defined as the ongoing consideration of ESG factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns[3]. ESG integration is relevant for the entire investment process. ESG-integration is expected for the following parts of the investment processes:

- Asset allocation
- Portfolio management
- Risk management
- Manager selection and monitoring (where applicable)

Pillar #3: Stewardship:

Prudential's approach to stewardship is set out in more detail here, and covers corporate, asset manager and policy engagement, with a specific focus on emerging markets.

Engagement

Where appropriate and possible, Prudential expects asset managers to represent the asset owners in maintaining a dialogue with the companies in which the business units invest in order to ensure that they manage ESG risks and opportunities effectively, and where appropriate improve their performance and conduct in relation to relevant ESG matters. Engagement can be triggered by managers' ongoing monitoring of an investee's general ESG practices, or be thematically focused on specific topics, such as climate change, palm oil, timber, and UNGC.

Prudential may appoint external engagement specialists to strengthen the overall engagement effectiveness across our diverse regions and topics.

[2] In rare cases, exemption requests may be reviewed on a case-by-case basis, subject to the approval of the relevant governing body and provision of well-reasoned supporting evidence that are aligned with industry recognized frameworks or other extenuating circumstances.

[3] *Definitions for Responsible Investment Approaches (cfainstitute.org)

Topic	Key engagement asks
Climate change	Engage with companies responsible for 65% of our financed emissions and top 20 scope 3 emissions contributors (Eastspring only)
Biodiversity – palm oil	Engage on sustainable palm oil
Biodiversity – timber	Engage on credible deforestation policy
UN Global Compact	Engage with UNGC violators to operate in line with the ten UNGC principles
ESG-integration	Engage with investees on financially material ESG risks and opportunities
Others	Ad-hoc requests

Prudential may request Eastspring to engage in other topics on an ad hoc basis should such topics be considered material and require immediate action. Also, Prudential expects Eastspring to have an escalation process in place if a company does not respond (positively) to engagement.

Voting

Prudential expects asset managers to formulate a voting policy that supports long-term performance by investee companies by taking into account relevant ESG issues, and provide guidance on proxy voting. This voting policy should be as consistent as possible for the different markets in which Prudential operates.

Specific to climate, Prudential requires Eastspring to vote in line with the following guidance for any proposals related to climate change. In general, Prudential votes in favour of decarbonisation strategies and climate change approaches that are in line with the goals of the Paris Agreement. Eastspring should assess proposals on a case-by-case basis relating to the company's climate action plan, climate disclosure and/or climate risk management.

Pillar #4: Investment allocation:

Investment allocation is allocating the asset owner's capital towards environmental or social needs appropriate to the markets in which Prudential operates, while also securing the required financial returns from such investment opportunities that meet the long-term needs of Prudential's customers and investors. Any trade-off between this initiative and risk/return should be raised and discussed by the governing body to ensure fiduciary duty is fulfilled.

Pillar #5: Market influence:

Prudential recognises our critical role on further assisting our markets' sustainability initiatives through bilateral channels or industry partners. Especially for ESG topics, both direct and industry wide engagement with governments or other regulatory agencies will be pursued in a constructive manner where appropriate.

In general, exclusion, ESG integration, and stewardship requirements apply to all asset classes except for cash and derivatives. Due to the limited discretion to certain investment vehicles, its application on Collective Investment Schemes (CIS) should be on a best effort basis.

Policy requirements

For applicable portfolios, this policy requires Business Units:

- to integrate ESG considerations in the relevant day to day operations aligned with the requirements set out in this Policy;
- required to integrate the Group's externally communicated and internal targets and commitments on RI in their investment activities and work to achieve these targets to the best of their ability with the flexibility to be more ambitious.
- to implement the Group's exclusions in their investment processes, based on the vehicle's ability to exercise exclusions, to avoid (direct) exposure to such holdings;
- to incorporate ESG considerations into their investment processes and decisions and demonstrate their process for considering ESG issues

In addition, asset managers are required to:

- engage with companies on Responsible Investment topics on behalf of Prudential and report on these engagements.
- formulate a voting policy if they can vote on shareholder proposals on behalf of Prudential. Voting records should be made available by asset managers upon request.

Appendix I – Thematic engagement expectations

The asset manager is expected to screen the portfolio on the following topics to inform engagement (subject to data availability), where such issues are deemed financially material based on the below guidance:

Description	Portfolio's exposure to (unsustainable) palm oil
Definition	Companies producing palm oil and the degree of sustainable palm oil as defined by certification of the Roundtable on Sustainable Palm Oil (RSPO). A screen on the degree of RSPO certification will give insight in companies producing unsustainable palm oil in the portfolio to influence them to produce sustainable palm oil. This screen focuses on palm oil producers due to data limitations. The engagement requirements cover the entire palm oil supply chain as all actors in the supply chain have a responsibility to encourage sustainable palm oil.
Reporting	Exposure to degree of RSPO certification of palm oil producers: **% of RSPO certification** — **Categorization** 0% - 20% — Worst performers 20% – 80% — Improvement needed 80 – 100% — Best in class Producers for which the external data provider cannot identify any RSPO certification (i.e. company is a verified palm oil producer, but no data is available for RSPO certification) will be labelled as 'worst performers'.
Requirements	Engage with palm oil producers labelled as 'worst performers' and 'improvement needed' on RSPO certification, and with other actors in the supply chain (buyers and other relevant stakeholders). Engagement can be done both bilaterally and through collaborative engagement. An evaluation of the engagement of the holding will be done annually. The asset owner and the asset manager will jointly recommend further actions. These further actions are: • Stay invested, with or without further engagement • Divestment (company will be added to the list of group-wide exclusions) The recommendation will consider (but not be limited to): • The level of state ownership of each producer • The progress of the company on RSPO certification • Exposure in the portfolio, and impact of divestment

Description	Portfolio's exposure to (unsustainable) timber
Definition	Companies that have been identified as producing, depending on, or using commodities that contribute to deforestation, and timber in particular. There is wide variability of practices in this industry relating to responsible forestry, conservation and ethical biodiversity practises.
Reporting	Exposure to companies that have been identified as producing, depending on or using commodities that contribute to deforestation, and timber in particular.
Requirements	**Engagement criteria:** All timber-related companies identified following the above definition are assessed and engaged **Engagement frequency:** At least annual and as required

Description	Portfolio's exposure to companies violating the UN Global Compact

Definition	Companies violating (failing) or close to violating (watch list) one or more of the ten principles of the UN Global Compact based on data of an external data provider. The Global Compact of the United Nations (UNGC) is a non-binding United Nations pact to encourage businesses to adopt sustainable and socially responsible policies, and to report on their implementation. The ten principles of the UNGC are derived from international agreements on four topics: human rights, labour, environment and anti-corruption. A screen on violators of the UNGC in the portfolio is needed to encourage companies to change their conduct and comply with international agreements brought together in the UNGC.
Reporting	Exposure to companies: • Violating the UN Global Compact screen (failing) • Close to violating the UN Global Compact screen (watch list)
Requirements	**Engagement criteria:** Engagement with companies violating the UN Global Compact. Engagement can be done both bilaterally, through collaborative engagement, or via a third-party stewardship service provider. **Engagement frequency:** An evaluation of the engagement of the holding will be done annually The asset owner and the asset manager will jointly recommend further actions. These further actions are: • Stay invested, with or without further engagement • Divestment (company will be added to the list of group-wide exclusions) The recommendation will consider (but not be limited to): • The nature and scale of the negative impact, including an assessment of the investment manager whether the label of violator is accurate in their opinion • Whether the incident is structural or non-structural • The progress of the company on remedying the negative impact • Exposure in the portfolio, and impact of divestment
Other remarks	• Where companies are on the watchlist for UNGC violation, Prudential expects the asset manager to take this into account when making an investment decision for both existing and new holdings. • The way Prudential respects human rights within the organization (including investments and supply chain) is set out in Prudential's modern slavery statement. Other relevant policies linking to the ten principles of the UN Global Compact (e.g. anti-money laundering) are listed in the Sustainability report on the Prudential website. In extreme cases, these policies may overrule the requirements as set out in this policy.

Appendix II – Definitions for exclusions*

Thermal coal

Description	**Portfolio's exposure to companies generating more than 30% of their revenue from coal mining and/or electricity generated from coal**
Definition	• Following the definition of the external data provider for coal revenue data • Exceptions for certified labelled bonds and companies demonstrating alignment to industry frameworks in line with a 1.5°C emission pathway can be granted on a case-by-case basis. These investments must contribute to a transition consistent with (or better than) the Paris Agreement.

Tobacco production

Description	**Portfolio's exposure to companies that produce tobacco**
Definition	Companies labelled as 'Tobacco' by GICS level 3 (or GICS Sub-Industry)

Controversial weapons

Description	**Portfolio's exposure to companies that are involved in controversial weapons**
Definition	Companies with verified involvement in cluster munitions, anti-personnel mines, biological weapons, chemical weapons, and nuclear weapons outside of the UN Treaty on the Non-Proliferation of Nuclear Weapons

Private investments in direct new coal, oil & gas activities

Description	**Portfolio's exposure in direct private investments to companies/projects that are involved in new coal assets, and oil & gas fields**
Definition	Companies with involvement in new capacity for coal mining, coal power plants and/or new oil & gas fields Exemptions can be granted for companies demonstrating alignment to industry frameworks in line with a 1.5°C emission pathway can be granted on a case-by-case basis to support a just transition.
Notes	This exclusion applies to new direct private investments in the portfolio

*: Exclusions apply at Prudential level and will be implemented in the investment vehicles that Prudential directly controls (segregated mandates). It may also apply to CIS to the extent that investment discretion allows. Given the limited discretion to ETFs, they are outside of exclusion scope.