Responsible Investment Policy

As a life insurer, asset owner and manager, Prudential plc is a long-term steward of its clients' 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 is to guide the Business Units within the Group 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 Responsible Investment Policy and guidelines is to manage ESG risks and improve long run returns on assets. While conflicts of interest could occur, Prudential believes that incorporating ESG considerations in investment decisions and engagement will produce better results for both clients and communities.

Responsible Investment Principles

The Group's overall strategic ambition is: 'Making healthcare accessible and affordable, empowering our clients to save for their goals and increased financial inclusion in society through the increased provision of health and protection and long-term savings'. To achieve the Group's strategic ambition, 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 strategies 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.
- 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 active 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 to meet our client requirements.
- 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 global standards of corporate governance and investor stewardship by promoting standards, such as the principles of the International Corporate Governance Network.
- 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 plc and is relevant for all investment managers when managing assets on behalf of Prudential plc. Joint ventures are excluded from the scope of the policy. Although unit-linked funds are outside the scope of the policy, Prudential plc strives to offer ESG unit-linked funds to customers where feasible.

Governance

At Board level, the Responsibility & Sustainability Working Group has been established to oversee the embedding of the Group's ESG framework and progress on diversity and inclusion initiatives and employee engagement activities. The Group ESG Committee oversees execution of ESG activity at a management level. The Group Responsible Investment Advisory Committee (GRIAC) is a sub-committee of the Group ESG Committee with designated responsibility to oversee Prudential's Responsible Investment activities. The Committee assists the Group Chief Financial Officer and Chief Operating Officer in providing oversight of the activities of the Group and its subsidiaries relating to Responsible Investment activities and requirements. The GRIAC provides a forum for Group and the Business Units / Local Business Units (BUs / LBUs) to discuss topics and propose approaches related to Responsible Investment.

Responsibility & Sustainability Working Group
Board level working group, oversees the embedding of the Group's ESG Strategy

Group ESG committee
Focused on the holistic assessment of ESG matters material to the Group

Group Responsible Investment Advisory Committee
Operational responsibility for oversight of Responsible Investment activity

Implementation strategies

To achieve the policy objectives, Prudential plc has defined several implementation strategies.

These implementation strategies lead to both requirements and expectations for the businesses.

Policy requirements

The policy requires Business Units:

- to maintain an awareness of the potential risks to their reputation arising within their investment activities from ESG related issues (see appendix I);
- to incorporate ESG considerations into their investment processes and decisions and demonstrate their process for considering ESG issues;
- required to integrate the Group's externally communicated and internal targets and commitments on Responsible Investment in their investment activities and implement Responsible Investment initiatives that support the Group's targets and commitments to the best of their ability with the flexibility to be more ambitious.
- to implement the Group's exclusions in their processes (taking into account the different investment vehicles) to make sure the Group does not invest (directly) in any of these holdings (see appendix);
- to report on the ESG metrics consistently.

In addition, asset managers are required:

- to engage with companies on Responsible Investment topics on behalf of Prudential plc and report on these engagements.
- to formulate a voting policy to ensure the asset managers vote on shareholder proposals on behalf of Prudential plc and report the voting records.

Appendix I – Definitions for screening the portfolio

The asset manager is expected to screen the portfolio on the following topics:

<table>
<tr><th>Description</th><th>Portfolio’s exposure to (unsustainable) palm oil</th></tr>
<tr><td>Definition</td><td>Companies producing palm oil and the degree of sustainable palm oil as defined by certification of the Roundtable on Sustainable Palm Oil (RSPO).

Palm oil is the world's most produced, consumed and traded vegetable oil. Palm oil is a very efficient crop and contributes to rural poverty alleviation and rural development in many regions. But its irresponsible production of palm oil has caused widespread rainforest destruction and wildlife (biodiversity) loss, exacerbated climate change, and impacted the rights of local communities. However, palm oil production does not have to be destructive and can be produced responsibly as a part of sustainable development.[1] The Roundtable on Sustainable Palm Oil (RSPO) has developed a set of environmental and social criteria which companies must comply with in order to produce Certified Sustainable Palm Oil (CSPO). When they are properly applied, these criteria can help to minimize the negative impact of palm oil cultivation on the environment and communities in palm oil-producing regions.[2]

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.</td></tr>
<tr><td>Reporting</td><td>Exposure to degree of RSPO certification of palm oil producers:

<table><tr><th>% of RSPO certification</th><th>Categorization</th></tr><tr><td>0% - 20%</td><td>Worst performers</td></tr><tr><td>20% – 80%</td><td>Improvement needed</td></tr><tr><td>80 – 100%</td><td>Best in class</td></tr></table>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’.</td></tr>
<tr><td>Requirements</td><td>Engagement 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</td></tr>
</table>

[1] Source: Palm Oil | WWF (panda.org)

[2] Source: About | RSPO - Roundtable on Sustainable Palm Oil

<table>
<tr><th>Description</th><th>Portfolio’s exposure to companies violating the UN Global Compact</th></tr>
<tr><td>Definition</td><td>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.</td></tr>
<tr><td>Reporting</td><td>Exposure to companies:
Violating the UN Global Compact screen (failing)
Close to violating the UN Global Compact screen (watch list)</td></tr>
<tr><td>Requirements</td><td>Engagement with companies violating the UN Global Compact. Engagement can be done both bilaterally and through collaborative engagement. The possible outcomes of engagement are:
Failed: company shows no change
Progress: the company changed its behavior but is still labeled as a violator
Successful: company has changed it behavior and is no longer a violator
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</td></tr>
<tr><td>Other remarks</td><td>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 ESG report on the Prudential website. In extreme cases, these policies may overrule the requirements as set out in this policy.</td></tr>
</table>

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Appendix II – Definitions for exclusions

Coal companies

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 MSCI for coal revenue data • Exceptions for certified green bonds can be granted on a case-by-case basis. These bonds must contribute to a transition consistent with (or better than) the Paris Agreement. The portfolio manager should also seek a solid basis/reasonable assurance that funding provided by the green bond is not freeing up additional financial capacity for that issuer or related companies in the market that will be used to fund non-sustainable alternatives.
Target	Complete divestment by end 2021 for equities, and end 2022 for corporate bonds

Tobacco

Description	**Portfolio's exposure to companies that produce tobacco**
Definition	Companies labelled as 'Tobacco' by GICS level 3 (or GICS Sub-Industry)
Target	Complete divestment by end 2021

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
Target	Complete divestment by end 2021