

ACTING RESPONSIBLY BUILDS TRUST

Success in the long term depends not just on our financial results, but also on how we behave. We, like other UK insurers, are increasingly being asked to disclose our views on and response to a range of social, environmental and ethical issues. Globalisation, for example, is a trend that no international business can afford to ignore, offering opportunities for growth and efficiency. But the choices we make as a company affect people, including our customers and employees around the world.

Our focus on acting responsibly and with integrity is not new. It is a philosophy that we have striven to incorporate within the way we work throughout our history. Responsible corporate behaviour is essential in maintaining successful relationships with, among others, our customers, our people and the communities around our business. Understanding our stakeholders' needs today can also help us innovate in a way that creates both commercial and social future value.

MANAGEMENT AND POLICY

ABI Guidelines

The Association of British Insurers (ABI) has set out guidelines for companies to report on how they incorporate corporate responsibility issues into the management of business. We seek to follow the guidelines.

Prudential operates a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures, responsibility for which is allocated to named contacts within Group Head Office. These include our Group Code of Business Conduct, our Corporate Responsibility Policy and our Health and Safety Policy. Responsibility for compliance with these policies within the business units rests with each business unit's management.

Prudential's Group Finance Director, Philip Broadley, has responsibility on the Board for social, environmental and ethical risk management and the Board discusses Prudential's performance on this at least once a year. The Board also reviews and approves our corporate responsibility report and strategy.

The Corporate Responsibility Policy Group (CRPG) is a specialist Groupwide committee reporting to the Group Finance Director and is responsible for making recommendations on business conduct and social and environmental policy. The CRPG submits a report on corporate responsibility activity across the business to the Board.

Our Corporate Responsibility (CR) unit also defines strategy, provides training on, co-ordinates and profiles our approach to social, environmental and ethical issues and works closely with individual business units to advise on and guide the development of CR activity.

We are investigating how to incorporate CR issues into an external assurance programme on which we will report during 2005.

INITIATIVES

Promoting Healthy Lifestyles

PruHealth, our private medical insurance joint venture that provides financial incentives for people to lead healthier lifestyles, was launched in 2004 in the UK. The more effort people make to improve their general levels of fitness, control their weight, stop smoking and maintain sensible levels of alcohol intake, the lower their premiums will be. The PruHealth model is based on similar schemes which have been established in South Africa and, more recently, in the US. In all these markets, there have been significant changes in people's attitude and behaviour. For example, in Illinois, 79 per cent of policyholders took up a new fitness programme or changed their eating plan within 12 months of becoming a policyholder; this compares with a 32 per cent average among all policyholders.

Improving Financial Capability

Given the increasing variety and complexity of financial products, there is an urgent need to provide financial education and we play an active role around the world in addressing this issue. Four years into our financial education programme, we are seeing significant progress. In the UK, via partnerships with charities such as Citizens Advice, thousands of adults and children are now benefiting. Last year, we extended our work to China. Already, about 1,000 women in 211 State Owned Enterprises in Beijing have graduated from Prudential Corporation Asia's new Invest In Your Future programme. This draws on the skills of our female colleagues who understand the issues currently facing women in China. The programme has proved both popular and successful and we now intend to extend the initiative to elsewhere in China and into Vietnam.

Investing in our Communities

In 2004 we invested £4.5 million in a wide range of projects around our business, supporting, for example, educational, welfare and environmental initiatives. This total includes the significant contribution made by many of our people around the Group through volunteering, often linked with professional skills development. It also includes direct donations to charitable organisations of £2.7 million. A detailed breakdown of Prudential's investment in the community and our policy on not donating to political parties can be viewed on page 54.

In the wake of Asia's tsunami tragedy, we established the Prudential Caring Fund in late December 2004. Prudential staff and Company matching has amassed a total of £800,000. The funds will be channelled into four hard-hit countries where we have a presence: Indonesia, India, Malaysia and Thailand. Prudential Corporation Asia is working with aid agencies to determine how best to allocate these funds, to ensure they have the maximum impact. In particular, we are focusing our support on children, some of the most vulnerable victims of the tragedy.

Maintaining Universal Standards

In 2003, Prudential UK opened an offshore call centre and back office processing unit in Mumbai, India. Prudential Process Management Services is a wholly-owned subsidiary of Prudential plc and employs around 1,000 people. The Mumbai operation has enabled Prudential's UK business to significantly reduce its operating costs whilst improving its customers' experience, for example, through the replacement of telephone computerised interactive voice technology with an immediate connection to a well trained member of staff. The work environment, training and technology standards are the same as those offered in the UK and, for the second year running, Prudential UK, including its Mumbai centre, was accredited as an Investor in People.

Socially Responsible Investment

During 2004, Prudential plc along with 143 institutional investors pledged its support to the Carbon Disclosure Project. This aims to encourage the disclosure of greenhouse gas emissions and to facilitate its integration into general investment analysis.

M&G's approach to socially responsible investment (SRI) is set out in the booklet *Issues Arising from Share Ownership*, available at www.prudential.co.uk/cr SRI has mostly focused on equity markets, with the property investment community slower to address the issue of sustainability. However, with more than £14.8 billion of funds under management Prudential Property Investment Managers Limited, a subsidiary of M&G, is the UK's largest commercial property investment manager and accounts for approximately 80 per cent of Prudential's direct environmental impact in the UK. As a leading participant in the Institutional Investor's Group on Climate Change, we are creating awareness of the implications of climate change for property investment and how the industry should address this.

Employee Work Life Balance

One means of attracting and retaining talented, motivated and committed people is to help them achieve an appropriate work life balance. Jackson National Life provides a subsidised child development centre for the children of employees. A unique aspect of the centre is that the subsidy is based on family income, with a greater discount for those on lower incomes. The centre was officially accredited by the National Association for the Education of Young Children in 2004.

Further information about our approach to equal opportunities and employee involvement can be found on pages 53 and 54.

A detailed report on our performance is given in our on-line CR report at www.prudential.co.uk/cr and a hard copy of this is also available from our Corporate Responsibility unit.