

Corporate responsibility review

Acting responsibly

At Prudential, corporate responsibility (CR) is not an optional extra. It is fundamental to how we operate and is a philosophy that is now embedded in the business.

We recognise that our stakeholders increasingly support those companies that define and exhibit sound values around trust, ethics and environmental responsibility.

We also believe that a company's performance in key areas of conduct such as corporate governance, environmental management and employment practices can have a significant impact on its financial performance.

Over the last year we have therefore reviewed our CR strategy to ensure that it continues to align our business objectives with our stakeholder concerns.

Management and policy

Prudential has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures, for example our Group Code of Business Conduct, our CR Policy and our Health and Safety Policy. We set our own codes and policies that often go further than legislative requirements.

Prudential also operates a Group Risk Framework which focuses on reputation issues, including those of a social, ethical and environmental nature. The controls, which are applicable across the Group, are set out in the Group Governance Manual.

Prudential's Group Finance Director, Philip Broadley, has Board level responsibility for social, environmental and ethical risk

Stakeholder dialogue

Stakeholder engagement enables our employees and relevant external groups to help shape what we do and ensure that their reasonable expectations are translated into business value. In 2005, the CR unit discussed the CR programme with customers and consumers in the UK, using PruBus, a qualitative research study. Prudential UK has separately continued to hold monthly MeetPru events, which give our customers the opportunity to meet members of the UK executive team and ask questions about both their own policies and broader issues, including the CR programme.

Improving financial capability

Our financial education programme is based on the recognition that we need to play our part in enabling consumers to make the right decisions for their individual needs. Such decisions range from debt management to savings needs. Informing and empowering consumers to make such decisions will, we believe, build better and more permanent relationships between consumers and providers.

We began developing our Financial Literacy programme in the United Kingdom in 2001. Five years later, we are seeing significant progress.

In the UK, via partnerships with diverse organisations such as Citizens Advice, the Personal Finance Education Group (pfeg), Specialist Schools and Academies

Trust (SSAT) and National Institute of Adult Continuing Education (NIACE), thousands of adults and children are now benefiting and learning how to make decisions that will have a profound effect on the quality of their lives.

We extended our initiative to Asia in 2004, with an innovative programme called 'Investing in Your Future', which focuses on women, who are often responsible for planning for their family's financial needs. This was first launched in China and rolled out to Vietnam in 2005. During 2006, we will extend this programme into India. To date, more than 5,000 women have graduated from the programme in Asia.

More details of our international financial literacy programme are available in our 2005/06 'Learning for Life' publication. The booklet can be accessed at www.prudential.co.uk/prudential-plc/cr/library/research/

Investing in our communities

In 2005, we invested £4.7 million in a wide range of projects around our business, supporting education, 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 £3.5 million. A detailed breakdown of Prudential's investment in the

community and our policy on not making political donations is laid out on page 59.

A new international employee volunteering programme, 'The Chairman's Award', was launched across the Group in December 2005. The initiative encourages employees to volunteer with charities within their local communities. The charities involved all address the needs of the elderly or children, and run projects that have aspects of financial literacy at their core, thereby supporting the Group's CR programme. We now have projects in most of our markets.

In 2005, Prudential's employees and our businesses around the world made significant financial contributions in response to four separate disasters: the Asian tsunami; Hurricane Katrina in the US; the London bombings and the Mumbai floods.

The Prudential Caring Fund was set up in January 2005, to help the local residents in countries severely impacted by the devastating Asian tsunami. Over £800,000 was raised from voluntary employee donations, along with matched funding by Prudential's business units in the UK, the US and Asia.

The money raised has been distributed to the countries hardest hit by the tsunami: Indonesia (the primary recipient); India; Thailand and Sri Lanka. We used our local knowledge to identify

management. The Board discusses Prudential's performance on this at least once a year. The Board also reviews and approves our CR report and strategy.

The Corporate Responsibility Committee is a specialist Group-wide committee chaired by the Group Finance Director, and is responsible for reviewing business conduct and social and environmental policy.

Our CR unit develops our strategy, provides training across the Group, and works closely with individual business units to provide advice ensuring that our core values are maintained and assisting with the adaptation of Group-wide initiatives so that they meet local needs.

In 2005, we engaged KPMG LLP to conduct a review of our CR management and internal and external reporting arrangements. KPMG provided a report to our senior management team, summarising recommendations for improvement. In particular, KPMG highlighted that Prudential would benefit from conducting another formal review of the material CR risks for the business. In response to this, a CR risk workshop was organised in February 2006, with participation from all of the business units.

In 2006, we have engaged KPMG to review the key CR performance indicators identified in our workshop, which we will use to help develop our CR risk management strategy for reporting and external assurance.

appropriate charities to ensure our donations made the most impact. Our support focused on children and the rebuilding and/or improvement of schools and libraries.

In Indonesia, for example, we are working with United Nations Children's Fund (UNICEF) to support their 'Creating Learning Communities for Children' initiative. Our support will help improve the quality of education at over 90 primary schools by improving school management, community participation, and the entire teaching/learning process – training over 1,700 teachers and benefiting over 21,000 students.

Socially responsible investment (SRI)

M&G's approach to socially responsible investment (SRI) is set out in the booklet 'Issues Arising from Share Ownership', available at www.mandg.co.uk. SRI has focused principally on equity markets, with the property investment community slower to address the issue of sustainability. However, with more than £17.2 billion (as at 31 December 2005) of funds under management, Prudential Property Investment Managers Limited (PruPIM), a subsidiary of M&G, is one of the UK's largest commercial property investment managers and accounts for approximately 80 per cent of Prudential's direct environmental impact in the UK. Through participation in the Institutional Investors Group on climate change and our participation on the property working group of the

United Nations Environment Programme Finance Initiative (UNEP FI), PruPIM is creating awareness of the implications of climate change for property investment and how we should address this.

Employee work-life balance

Engaging with employees and understanding their expectations about corporate values, transparency, career development, performance management, diversity and work-life balance is important. This understanding helps us to attract, retain and motivate our employees.

In Asia, for example, employee education is provided across our Asian markets through PRUuniversity, which is available to all staff and is offered in 12 languages. Programmes are centrally credited and many are endorsed by external learning institutions. The courses cover CR, management and leadership, technical and business skills as well as a comprehensive range of self-improvement material including language courses.

Further information about our approach to equal opportunities and employee involvement can be found on pages 58 and 59.

Environment/sustainable development

Protecting the environment is essential for the quality of life of current and future generations. The challenge is to combine continuing economic growth with long-term sustainable development. As such, we will endeavour to ensure

our policies and business actions promote the consideration of the environment.

PruPIM is the first UK property company to achieve full ISO14001 certification, the internationally recognised environmental management standard. The scope of this certification covers all PruPIM's operations, including its property investment portfolio in the UK and its head office function, in High Holborn, London.

In the US, Jackson National Life (JNL) has carefully monitored and worked to minimise any negative environmental impact since it moved to its current headquarters in 2000, working with state and local authorities on new projects which protect the environment.

Further information can be found in 'Acting Responsibly', our full Corporate Responsibility Report 2005/6, accessed at www.prudential.co.uk/prudential-plc/cr/. A hard copy of the report is available from our CR unit: Laurence Pountney Hill, London EC4R 0HH. Tel: 020 7548 3706.