

Corporate responsibility review

Acting responsibly

Corporate Responsibility (CR) is fundamental to how Prudential operates and is a philosophy that is now embedded in the business.

Prudential recognises that its stakeholders, which include its customers, people, shareholders and the communities around its businesses, increasingly support those companies that define and exhibit sound values around trust, ethics and environmental responsibility.

Prudential also believes that its performance in key areas of conduct such as corporate governance, environmental management and employment practices can have a significant and positive impact on the Group's financial performance.

Prudential's main focus in 2006 was to ensure that its CR strategy continued to align with its business objectives and with its 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 its Group Code of Business Conduct, its CR Policy and its Health and Safety Policy. Prudential sets its own codes and policies that often go further than legislative requirements.

Prudential also operates a Group Risk Framework which focuses on reputation issues. The controls, which are applicable across the Group, are clearly set out in the Group Governance Manual.

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

Below the Board, the Corporate Responsibility Committee is a specialist Group-wide committee chaired by the Group Finance Director. It is responsible for reviewing business conduct and social and environmental policy and ensures consistency across the Group's international businesses.

The Corporate Responsibility team, which is located in Group Head Office, develops its strategy, provides training across the Group, and works closely with individual business units to provide advice, ensuring that the Group's core values are maintained and assisting with the development and adaptation of Group-wide initiatives so that they not only fit the overall Group principles but also meet local needs.

Group Code of Business Conduct

Prudential's Group Code of Business Conduct (the Code) sets out the ethical standards the Board requires of itself, its employees, agents and others working on behalf of the Group, in their dealings with employees, customers, shareholders, suppliers, competitors, the wider community and the environment. This policy is now in force across the Group and compliance by all business units is mandatory. The Code is published both internally on the Group Head Office intranet and externally on the Prudential website. It is also integrated within the Group Governance Manual and

is covered by the annual compliance certification process. In 2006, we translated the Code into Chinese, Korean and Thai. These translations are now available on Prudential's internet site.

As part of the Corporate Responsibility strategy, Prudential engaged KPMG in 2006 to review, at the Group Head Office level, the Group Code of Business Conduct, the process by which Prudential communicates the Code and the systems in place for monitoring the Code. Prudential is currently in the process of reviewing the findings from this review and formulating a plan for implementing improvements.

Stakeholder dialogue

Stakeholder engagement enables employees and relevant external groups to help shape what Prudential does and ensure that their reasonable expectations are translated into business value. This means listening to and working with its stakeholders and being very clear about its intentions and priorities.

During 2006, Prudential commissioned research organisation Ipsos Mori to help it gauge which CR issues are important to its key stakeholders. The results indicated that good environmental management and climate change are, perhaps unsurprisingly, very high on the agenda for companies in general. Issues such as ethical investment and transparent product information are also highlighted as important for financial services companies. In response, the CR team is working with the Group Health, Safety and Environment team and Prudential Property Investment Managers Limited (PRUPIM), part of M&G, to ensure that Prudential is effectively addressing and aligning its environmental management practices.

Assisting people to manage their investments is fundamental to the Group's business. Prudential UK has therefore continued to hold monthly MeetPru events, which give its 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. M&G has developed a number of spin-free guides for investors which provide straight-forward, easy-to-understand information on a range of investment options, including bonds and equities, while also tackling subjects such as 'understanding risk'.

Improving financial capability

The Group's core financial education programme is based on the need to play its 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, Prudential believes, build better and more permanent relationships between consumers and providers.

Prudential began developing its Financial Literacy programme in the United Kingdom in 2001. Six years later, Prudential is seeing significant continued progress, both in the UK and internationally.

In the UK, via partnerships with diverse organisations such as Citizens Advice; the Personal Finance Education Group (pfeg); Specialist Schools and Academies Trust and National Institute of Adult Continuing Education, thousands of adults and children are now benefiting from learning how to make decisions that will have a profound effect on their financial wellbeing.

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Prudential extended its initiative to Asia in 2004, with an innovative programme called Investing in Your Future, which focuses on women, who are often responsible for planning their family's financial needs. This was first launched in China and rolled out in Vietnam in 2005. During 2006, Prudential extended this programme into India and piloted a project in Malaysia. To date, more than 10,000 women have graduated from the programme in Asia.

Investing in our communities

In 2006, Prudential invested £4.7 million in a wide range of projects around its business, supporting education, welfare and environmental initiatives. This total includes the significant contribution made by many of the people around the Group through volunteering, often linked with professional skills development. It also includes direct donations to charitable organisations of £3.15 million.

In December 2005, The Chairman's Award, the Group's international employee volunteering programme was launched across the Group.

The programme is managed by the Group CR team and is co-ordinated by local business unit champions around the world.

Prudential recognises that many employees already make a significant contribution to charities as volunteers in their own free time. The Chairman's Award was set up to recognise this involvement in the community and to give all the Group's employees the opportunity to get involved with a local charitable project and to increase the value of the community support they offer through additional contributions.

The charities that Prudential supports were selected following a Group-wide survey of its employees, which identified a preference for projects that address the needs of children and the elderly within their local community. Prudential has identified sustainable projects which, where possible, have education at their core. This lies at the heart of the Group CR programme aiming to raise levels of financial capability worldwide.

In 2006, over 1,600 employees registered to volunteer and The Chairman's Award supported over 50 projects around the world. For example, over 180 pre-school children in Thailand will be able to attend new child care centres thanks to the volunteering efforts of Prudential's employees, where The Chairman's Award is funding the redevelopment and refurbishment of four centres in the Srirattana district in the Srisaket province. Similarly, employees from Jackson in Denver have been volunteering through Junior Achievement's schools programme, helping to educate and inspire young people to value free enterprise, business and economics to improve the quality of their lives. Over 160 students have benefited from the volunteering efforts of the Group's employees.

Responsible investment (RI)

M&G's approach to responsible investment (RI) is set out in the booklet Issues Arising from Share Ownership, available at www.mandg.co.uk. RI has focused principally on equity markets. However, with more than £19 billion (as at 31 December 2006) of funds under management, PRUPIM, is one of the UK's largest commercial property investment managers and accounts for over 80 per cent of Prudential's direct environmental impact in the UK.

Through participation in the Institutional Investor's Group on climate change and its 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 Prudential should address this.

Employees

The following information is given principally in respect of employees of the Group in the UK. The policy towards employees overseas is the same but the practical application of the policy varies according to local requirements.

Equal opportunity

Prudential recognises, respects and values difference and diversity. Its equal opportunities policy is to be fair, responsible and caring in all aspects of the business. The Group seeks to ensure all employees and applicants to its businesses are given equal opportunity in all aspects of employment to ensure that the Group's businesses attract, retain and promote the best available talent. All the businesses work to embed these principles in all aspects of their management practices and to ensure that this is evident to employees in their day-to-day work.

It is Group policy to give full and fair consideration and encouragement to the employment of applicants with suitable aptitudes and abilities, and to continuing the employment of staff who become disabled, and to providing training and career development opportunities to disabled employees.

Employee involvement

The Group has effective communication channels through which employees' views can be sought on issues which concern them. Throughout the Group there is close consultation between management and other employees on appropriate matters of concern, with a view to keeping employees informed about the progress of the Group's business and the economic factors affecting it. Communication with employees is achieved in a number of ways, including one-to-one staff briefings and through the Group's intranet site.

M&G's Staff Consultative Committee and UK Insurance Operations' Employee Forum promote communication and consultation throughout their respective businesses and provide for dialogue on a range of issues of interest to their staff.

Following the creation of PGDS in 2006, which brought together IT infrastructure staff into one Group business, PGDS in the UK commenced the development of a staff consultative forum with the election of representatives. It is intended that this forum, along with effective direct consultation, will deliver an excellent two-way dialogue between staff and PGDS management.

In 2006, employees were again invited to participate in the Prudential Savings-Related Share Option Scheme. The Scheme has now been operating for 23 years and 40 per cent of UK staff currently participate. The Prudential International Savings-Related Share Option Scheme (ISSOS) for employees has been operating since 2000 in Hong Kong, Malaysia and Singapore; since 2001 in Taiwan and India; and since 2003 in Korea. On average 15 per cent of employees in those countries covered by the ISSOS currently participate. In addition, since 2002 Prudential has operated the International Savings-Related Share Option Scheme for Non-Employees (ISSOSNE) for its agents in Hong Kong. Currently 11 per cent of agents participate.

Following shareholder agreement in 2000 to authorise the Board to introduce a Share Incentive Plan, The Prudential UK Share Incentive Plan (SIP) was introduced in 2004 for employees of Prudential UK Services Limited and The Prudential Assurance Company Limited, and in 2005 for employees of Prudential Services Limited. This plan enables employees to buy Prudential shares on a tax-efficient basis. For every four Partnership shares bought, an additional Matching share is granted. Currently 12 per cent of eligible staff participate.

The trustees of each of the Group's UK pension schemes include elected individuals.

Training and development

In the UK, Prudential is a member of the Employers' Forum on Disability, the Employers in the Community Network, set up by the National Centre for Volunteering, Race for Opportunity and the Work Foundation. These organisations aim to share best practice, promote the benefits of a diverse workforce and make discrimination in the workplace a thing of the past.

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

Prudential recognises that it will benefit from the opportunity for its employees to develop their talents and achieve satisfying and rewarding careers. Prudential is therefore committed to promoting individual development and regularly assesses employees' abilities, progress and individual training needs.

In Asia, employee education is provided across the Group's Asian markets through PRUuniversity, which is available to all staff and is offered in multiple 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.

Treating customers fairly

The financial services industry is working with the UK regulator, Government and consumers to improve the way they treat customers. Prudential now has more than seven million customers in Asia, over three million policies and contracts in force across the US through Jackson, and over seven million customers in the UK through Prudential UK. Prudential is committed to providing a high level of customer service, communicating openly with customers, providing clear information and to monitoring levels of satisfaction.

Prudential UK has signed up to the Association of British Insurers' (ABI) Customer Impact Scheme. This Scheme is part of the industry's commitment to continuously build on customers' experiences, and Prudential will participate in an annual customer survey, to measure changes in its customers' experiences and attitudes. Jackson measures its customer service quality through annual benchmarking surveys. Prudential Corporation Asia surveyed a sample of its customers in each of its 16 retail businesses in Asia, to assess the likelihood of its customers recommending Prudential Corporation Asia to their family and friends.

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. Prudential will endeavour to ensure its policies and business actions promote the consideration of the environment.

The CR team is working with its peers in other companies to develop an industry-wide approach to climate change. Prudential is part of the Forge Group, a consortium of financial institutions formed to address the CR issues facing the financial services industry and to develop a consistent approach towards their management. In November 2006, the Forge Group agreed that its focus in 2007 will be climate change and its strategic implications for the financial services sector.

In the US, Jackson 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.

Supply chain management

Prudential recognises that its own social, environmental and economic impacts are associated not only with the products and services it supplies but also with the performance of its suppliers and contractors.

It is Prudential's policy to work in partnership with its suppliers to help them reduce their impact on the environment and to manage the challenges of sustainable growth. The number of suppliers engaged on a business as usual basis is very high. Prudential has therefore chosen to focus on those suppliers that potentially pose the greatest risk to the environment. As a result, Prudential has identified 55 suppliers to work with on the programme.

Donations

Prudential is committed to supporting the communities where it is an employer. In 2006, the Group spent £4.7 million in support of the community. Within this, direct donations to charitable organisations amounted to £3.15 million, of which £2.35 million came from European (EU) operations. This is broken down as follows: Education £1,068,000; Social and Welfare £809,000; Environment and Regeneration £82,000; Cultural £149,000 and Staff Volunteering £242,000. The aggregate figure for charitable donations from Prudential's non-EU subsidiaries (Jackson and Prudential Corporation Asia) amounted to £0.8 million. It is the Group's policy not to make donations to political parties or to incur political expenditure, within the meaning of those expressions as defined in the Political Parties, Elections and Referendums Act 2000, and the Group did not make any such donations or incur any such expenditure in 2006.

Further information can be found in Acting Responsibly, the Group's Corporate Responsibility Report 2006/7, accessed at www.prudential.co.uk/prudential-plc/cr/. Hard copies of the report are available from the Group's CR team: Laurence Pountney Hill, London EC4R 0HH. Tel: 020 7548 3706

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Non-financial key performance table

The table below summarises key programme areas against our commitments, and outlines some of the Group's achievements to date and Prudential's priorities for 2007.

Programme areas	Key performance Indicator	Measurement
Financial Literacy	Continue to invest and help people to become more informed about their financial well-being and build the long-term capacity of community organisations to provide financial education.	Monitor progress with charity partners. All charity partners to complete a post-donation evaluation form.
Customers	Continue to maintain high standards of customer service.	Tracking systems in place to monitor customer satisfaction. To provide information for customers in a variety of ways.
	To continue being a responsible investor on behalf of our clients.	Contribute to the investment performance of M&G funds.
	To gain a comprehensive understanding of the costs and benefits of sustainable property investments.	To implement relevant sustainable property investment techniques across our PRUPIM property portfolio in a way that will increase sustainability, while protecting and enhancing investor returns.
Community	Make a measurable and positive impact in the communities where we operate.	Annual community spend as a percentage of pre-tax profit. Level of colleague volunteering.
Employees	Communicate internally about the value and benefit of CR, the goals and purpose of the organisation and the Group Code of Business Conduct.	Use a variety of communication channels e.g. CR e-learning module, employee magazines, Group intranet site, news updates, videos and webcasts.
	Maintain our commitment to health and safety management across the Group.	Total number of recordable health and safety incidents (under RIDDOR: Reporting of Injuries and Diseases and Dangerous Occurrences Regulations). Currently only measured in the UK.
Supply chain	Work with suppliers to maximise the beneficial social impact of our business, and reduce the environmental impact.	Total number of suppliers with whom we have discussed environmental or CR issues.
Environment	Minimise our environmental impact, prevent pollution and unnecessary damage to the environment from our operations.	Periodically review our environmental impact. Ongoing measurement of building energy efficiency, water efficiency, waste recycling of our actively managed property portfolio.
Shareholders	Focus on maximising long-term shareholder value, thereby delivering returns to investors.	Dialogue with investors. Dialogue with investment analysts responsible for ethical investment funds. Inclusion in socially responsible indices e.g. FTSE4Good.

Progress in 2006	Looking forward – in 2007 we plan to:
<p>Prudential extended the financial literacy programme to India. Piloted the programme in Malaysia during December 2006.</p>	<p>Continue implementing the financial literacy programme in China, India and Vietnam, and we will review the pilot programme in Malaysia.</p>
<p>Prudential Corporation Asia has developed a detailed Customer Satisfaction model in Malaysia for its sales and service process. Jackson measures its customer service quality through annual benchmarking surveys. Prudential UK is accredited to the Association of British Insurers (ABI's) Customer Impact Scheme.</p>	<p>Roll out the Customer Satisfaction model in Asia to other parts of its business and use feedback to improve customer service. Prudential UK plans to work closely with the ABI on the Customer Impact Scheme.</p>
<p>Prudential regularly updates customers on products and important financial topics through MeetPru events, Plan from the Pru, Pru News, the Prudential Magazine, and the M&G Spin-Free guides.</p>	<p>Continue to provide customers with clear and responsible marketing information.</p>
<p>M&G manages two ethical investment funds: Prudential M&G Light Green Fund and the Prudential Ethical Trust Fund.</p>	<p>Continue to maintain active dialogue with our investee companies.</p>
<p>Worked with the United Nations Environment Programme Finance Initiative (UNEP FI) to establish a Socially Responsible Property Investment Working Group.</p>	<p>Play a central role in the activities of both the Investment Property Forum/Institutional Investors Group on Climate Change, Responsible Property Investment Working Group and the UNEP FI Responsible Property Investment Workstream.</p>
<p>Based on IFRS statutory operating profit, Prudential's community spend equates to 0.53 per cent.</p>	<p>Continue to make a measurable and positive impact in the communities where we operate.</p>
<p>Successfully launched the new employee volunteering programme, The Chairman's Award and created appropriate relationships with charities in each of our markets to support this. Over 1,600 employees volunteered.</p>	<p>Ensure we have community investment programmes running in most of our markets.</p>
<p>Continued to update employees on CR initiatives and the Group Code of Business Conduct through the annual CR report, the annual CR webcast and fortnightly news updates.</p>	<p>Update and roll out the CR e-learning module to all new employees. Continue to review and communicate our CR report and policies.</p>
<p>We have recorded four RIDDOR accidents in the UK.</p>	<p>Continue to work with business units to ensure compliance with the Group H&S Framework. Ensure each business unit produces an H&S action plan.</p>
<p>Rolled out UK CR supply chain programme to 55 suppliers.</p>	<p>Continue to work in partnership with our suppliers to help them reduce their social and environmental impacts.</p>
<p>Prudential developed a new Environmental Policy Statement which has been approved at Group level. A pilot scheme for an improved building management system is being tested in Reading, UK. If successful, this will reduce energy consumption and be introduced in other business units. Reviewed performance data.</p>	<p>Provide environmental performance data across the Group. Establish an Environment Network initially in the UK and the US.</p>
<p>We have achieved ISO14001 certification for 10 actively managed properties.</p>	<p>We are continuing to roll out ISO14001 certification across our entire managed portfolio by the end of 2007. We are developing our monitoring and targeting system to measure environmental performance.</p>
<p>The Company has continued with a programme of dialogue with shareholders, across a broad geographic spread. Dialogue with investment analysts, CR rating agencies and research organisations responsible for ethical investment funds. Met FTSE4Good global CR criteria and awarded continued membership.</p>	<p>Further dialogue with the investment community. Continue dialogue with the investment community. Continue to monitor progress and engage with the FTSE4Good co-ordinators.</p>