

**Corporate responsibility review**

Harvey McGrath, Chairman, Prudential plc is the Board sponsor for corporate responsibility (CR).

CR is a philosophy that is firmly embedded in Prudential's operations around the world as an integral part of the way we do business.

We strive to minimise the social, ethical and environmental impact of our activities and to maximise the opportunities. We recognise the importance of engaging with our stakeholders and responding to their concerns. To do this we maintain a regular dialogue and conduct periodic research on the issues that matter most to them.

In 2009, financial institutions came under continued scrutiny as a result of the market turmoil. Insurance companies are, however, fundamentally different from banks because we invest in assets for the long-term. During the financial turmoil we played a significant role to help stabilise the market by providing liquidity during difficult times to the benefit of the whole economy.

Insurance companies have a unique role in society by helping people manage uncertainty and plan for a more secure future. In this way, our commercial value is linked to the social value of what we offer to our customers.

Our approach to CR is underpinned by our founding values of integrity, security and prudence. Throughout our 160-year history we have been committed to helping our customers safeguard their financial security and protect their families. This, together with our contribution to the well-being of the communities in which we operate, is as strong today as it has always been.

**CR framework**

In late 2008, we enhanced our CR framework to further drive sustainability performance, provide greater focus to our programmes and activities, and to enable a more consistent approach to our reporting. We frame our CR activities around five core themes:

- 1 Fair and transparent products meeting customer needs
- 2 Best people for the best performing business
- 3 Protecting the environment
- 4 Supporting local communities
- 5 Accountability and governance

While the Group sets the overall strategy for CR, our framework gives our businesses the flexibility to implement programmes that best meet their local markets. This recognises that our people on the ground are closest to their customers, and their communities, and know best how to meet their needs and expectations.

**Fair and transparent products meeting customer needs**

Understanding and responding to our customers' needs is at the heart of our business. It is something we have been doing for over 160 years.

Today, we have significant operations in Asia, the US and the UK. We serve over 15 million customers in Asia, we have nearly 2.8 million policies and contracts in force across the US, in the UK we have approximately seven million customers through Prudential UK, and our asset management business, M&G, serves retail and institutional investors, including 350,000 private investors.

**Responding to customers' needs**

We are committed to listening to our customers and understanding their individual needs so that we can help them make well-informed decisions. The demographics of our geographies, and our areas of expertise, mean the profiles of our customers and our products vary across our operations.

For example, in Asia, we have broadened our accident and health protection product portfolio, recognising the importance customers place in healthcare for their extended family. By offering effective, economical solutions, we give our customers peace of mind. Our offering in this product suite includes innovative solutions such as our first-in-market Multiple Claims Critical Illness products that allow customers to make up to three claims. Another example of our commitment to provide local products meeting local needs was the launch in 2009 of our Shariah-compliant Islamic fund management business in Malaysia, Prudential Al-Wara' Asset Management Berhad.

In the US, there are approximately 78 million people who will move from the workforce into retirement during the next decade. Jackson, our US business, is focused on understanding and meeting customers' post-retirement needs. During 2009, a period of unprecedented financial turmoil, savers began to seek greater certainty. Jackson was quick to respond through making its variable annuity products more widely available. It also provided customers with the flexibility to select, and only pay for, those benefits that met their unique financial requirements. During 2009, Jackson also introduced a bespoke educational series for advisors to help them respond to customer concerns about the impact of the economic climate on their savings and income.

BUSINESS REVIEW

**Our five corporate responsibility themes**



The UK is characterised by an ageing population. Low savings rates and high levels of consumer debt, coupled with an increasing shift in responsibility for providing retirement income away from government and employers towards individuals, have resulted in people being inadequately provided for during increasingly long periods of retirement. As a result, there is a growing need for financial advice and financial products, including guarantees and longevity protection.

Prudential UK is helping to bridge this gap, principally through our core annuities, pensions and investment products where we can maximise the advantage we have in offering with-profits and other multi-asset investment funds. We are the largest annuity provider in the UK with approximately 1.5 million annuities in payment. In addition, our with-profits offering is among the strongest in the industry, with our With-Profits fund consistently outperforming the market for our long-term investors and providing them with attractive returns compared with many other investment options. It also protects investors from the full impact of volatile market conditions while giving them the confidence of knowing that their savings are invested in a financially strong and well-managed fund.

At M&G, our UK and European asset manager, we believe in offering clients straightforward products together with clear and balanced information, helping them make the right investment decisions for their needs. At M&G, our strategy is to invest in companies and not just chase share prices. We are informed shareholders, not traders, which means taking a long-term approach to investment opportunities and, provided our investment case remains intact, maintaining our conviction in the companies we hold.

In response to the significant reduction in bank lending in 2009, M&G created the M&G UK Companies Financing Fund. This fund seeks to offer valuable finance to medium to large-sized (mid cap) companies and has attracted some £1.6 billion in commitments from clients.

A number of our customer-focused initiatives deliver wider benefits across other areas of our CR agenda. For example, in the US, Jackson's customer e-delivery strategy – via its new website – is providing customers with information 'on-demand', while also helping to protect the environment by conserving resources and generating cost savings for our business.

Clearly, it is in our own interest to understand and respond to ongoing demographic change as it enables us to tailor our products and services more effectively. However, we also take a leading role in efforts to understand the implications of these changes on a global scale.

In mid 2010, we will publish 'The Global Ageing Preparedness Index' in partnership with the Centre for Strategic and International Studies. This will analyse 20 countries and their responses to the needs of an ageing population. We expect the index to make a useful contribution and broaden the debate.

### **Serving our customers**

We do not underestimate the importance of the financial decisions our customers face and the trust they place in us to help them meet their changing requirements for savings, income and protection.

In 2009, Prudential Corporation Asia, was named 'Asia Pacific Health Insurer of the Year' by Frost and Sullivan, underscoring consumers' trust and confidence in our brand in that region, and the professionalism of our teams.

In the US, we once again earned recognition as a World Class service provider in the latest benchmarking study of North American service centres by the Service Quality Measurements Group (SQM). This marked the fifth year that Jackson has achieved World Class status. Jackson also earned SQM's 'Highest Customer Satisfaction by Industry' award for having the highest rate of customer satisfaction in the financial services industry.

Our businesses participate actively in industry efforts to serve customers better. In the UK, the Financial Services Authority (FSA) has established Treating Customers Fairly principles. In support of this, Prudential is a member of the Association of British Insurers' (ABI) Customer Impact Scheme that seeks to drive continuous improvement through the monitoring of customers' experiences. In 2009, Prudential UK saw an increase in the number of customers rating it 'very good' or 'excellent' for the time taken to arrange an annuity – from 45 per cent in 2008 to 62 per cent in 2009. Prudential UK also won two five-star awards at the Financial Adviser Service Awards as well as receiving the award for the best annuity provider at the Professional Adviser Awards 2010.

We always try to resolve any problems for our customers as quickly and smoothly as possible. In 2009, the Financial Ombudsman Service (FOS) in the UK first published its complaints data showing the number of cases upheld by FOS in favour of the consumer. Prudential was well above the industry norm, ranking 4th in the list of almost 150 financial services companies.

### **Best people for the best performing business**

At Prudential, we strive to create an environment that enables us to attract and retain the right people – those who are committed and able to deliver top performance for our customers and shareholders. To achieve this we continue to drive our Human Resources (HR) strategy around five key themes:

- Getting the right people into the business
- Building and rewarding performance
- Growing a strong talent pipeline
- Developing credible successors
- Developing an organisation that works

### **Diversity**

We are committed to integrating diversity into our business practices. Our policies are guided by the principles of the UN's Universal Declaration of Human Rights and the International Labour Organisation's core labour standards.

We fully recognise the value that a diverse workforce brings to our organisation and believe it should reflect the diversity of the markets in which we operate. It is Group policy to give full and fair consideration and encouragement to the employment of applicants with suitable aptitudes and abilities. It is also our policy to continue employing people who become disabled, and to provide training and career development opportunities to disabled employees.

We also train our people to be aware of, and sensitive to, the needs of employees and customers with a disability.

We strengthened our diversity agenda in 2009 by working to harmonise the way employee diversity information is collected across the Group for reporting purposes. We also reviewed and updated a number of our employment policies. These included our maternity/adoption policy in the UK, and our Equal Treatment policy in Asia.

In addition, our businesses worldwide continued to drive initiatives in 2009, reflecting our commitment to diversity. For example, our Korean life insurance business, together with our Asian fund management operation, introduced employee training on aspects of our diversity policies. In the UK, M&G, our asset management business, runs annual workshops for all managers to support our diversity agenda. This includes 'Respect in the Workplace' and 'The Employment Life Cycle'. Employees of our property investment management business, PRUPIM, participate in an on-line learning programme on age discrimination legislation.

In 2009, we also participated in the Financial Services Inquiry into the sex discrimination and gender pay gap report of the Equality and Human Rights Commission.

### **Building and rewarding performance**

We believe that employees should be rewarded according to the contribution they make to our business, as a whole. We reward our people based on both the results they achieve as well as their behaviours and competencies. Our remuneration policies are regularly reviewed to ensure that our reward structure keeps pace with the markets in which we operate, and that they remain relevant to the growth of our business.

Following the Walker Review of corporate governance in the UK banking industry, we undertook an internal review of our remuneration structures and governance against 'good practice' as defined by the FSA. As a result of this review, we are confident that our procedures and practices meet the standard of 'good practice'.

Inherent in our reward strategy is provision for our employees to benefit from the Group's success through share ownership. In the UK, we operate two all employee share plans: a Share Investment Plan (SIP) and a Save As You Earn (SAYE) scheme. In 2009 over 68 per cent of eligible employees participated in the SAYE scheme and almost 27 per cent in the SIP. In Asia, we operate two SAYE schemes similar to those in the UK, open to both employees and agents. More than 32 per cent of eligible employees and just below 25 per cent of eligible agents participated in these schemes in 2009.

### **Growing a strong talent pipeline**

We recognise that the talent and knowledge of our people is key to our continued success. In 2009, we implemented strategic resourcing programmes for country CEOs in Asia, and for the Finance function globally, to improve our medium and long-term talent pipeline.

In the US, the Jackson Professional Development Unit (PDU) and its training programme was expanded. The PDU runs a comprehensive training curriculum for all Jackson's wholesalers, who in turn provide ongoing training to advisers. In addition during 2009, Jackson launched a monthly training programme to help the company's field wholesalers to enhance their product knowledge.

### **Developing credible successors**

Every year we conduct a review across the Group to identify, develop and reward people with leadership potential. During 2009, we held five Management Development Programme and seven Leadership Development Programme events. These events support the Group's succession and development strategy and, in 2009, over 100 individuals were assessed for their development potential.

Our flagship Momentum Programme, operating since 2007, aims to recruit high-potential individuals early in their careers and to provide them with a fast-track development plan. Through business placements and training modules, the candidates gain the management skills and experience required in international business. Momentum has a strong diversity focus and is open to people both within and outside of Prudential. In 2009 the Momentum website received more than 33,000 visits from 131 countries, and over 1,700 people from 49 countries applied. This is the highest number of applicants since the launch of the programme, and double the number of applications received in 2008. The 17 successful applicants increased the total number of participants in the programme to 37, who are in roles across all four of our businesses.

### **Developing an organisation that works**

We are committed to effective communication to support employee engagement and commitment. We conduct regular employee surveys in our businesses around the world to monitor our people's level of engagement with Prudential as an employer, identify the effectiveness of our organisation's structures and practices, and highlight areas for improvement.

In each of our Business Units there are dedicated intranet sites and regular magazines to keep employees up to date, and provide a mechanism to pose questions to their respective Chief Executive. There are also a number of employee consultation forums in place such as the M&G Staff Consultative Committee and the UK Employee Forum within Prudential UK.

At Group Head Office, a dedicated team provides regular communication to employees across the Group from the Group Leadership Team. This enables employees to understand the Group strategy, direction and performance.

Our Prudential UK business has a long-standing relationship with the union Unite, and this year is the 40th anniversary of this association.

### **Protecting the environment**

We are committed to playing our part in protecting the environment but we also want to ensure that our contribution counts. Given that the built environment is responsible for approximately 40 per cent of all carbon emissions, it makes sense for us to focus our efforts on two distinct strategies: reducing the direct impact of our own business operations, and ensuring that the properties we manage through PRUPIM are environmentally compliant and responsible. We believe that this approach is not simply the right thing to do, but also that it is a way of creating value as our sustainability objectives are aligned with our business objectives of creating a competitive advantage for the PRUPIM brand.

Prudential participates in the Carbon Disclosure Project – an annual commitment to disclose information on carbon emissions and strategies for managing the risks posed by climate change.

Full details of our environmental policy can be found on our website at: [www.prudential.co.uk/prudential-plc/cr/managementpolicies](http://www.prudential.co.uk/prudential-plc/cr/managementpolicies)

### **Reducing our direct impact**

Under the European Union Energy Performance of Buildings Directive, Energy Performance Certificates (EPCs) are required for any building that is constructed, sold, or rented. EPCs rate the energy of a building enabling both property investors and prospective occupiers to consider energy efficiency ratings and levels of carbon emissions. In 2009 we introduced Energy Performance Certificates for both our occupied and commercial properties in the UK. We also gained ISO 14001 certification for our sites in Reading and London – achieving our target of certification for all our occupied properties by the end of 2009.

Our corporate property team has identified a three-year Group-wide environmental strategy for all occupied buildings, with roll-out scheduled to commence in 2010.

For the second year running, we also endorsed the ClimateWise principles on climate change in the UK. All of Prudential's North America operations – including Jackson, and PPM America – signed up for the second successive year to the US Climate Leaders programme. This is an Environmental Protection Agency (EPA) and industry/government partnership that works with companies to develop comprehensive climate change strategies. In 2009, Jackson also launched its environmental 'Work Smart' programme for employees.

In Asia, we grade our buildings using a clear and transparent environmental classification system. Where opportunities arise, we then improve our overall sustainability by migrating to properties in the highest category for environmental performance.

### **Our property investment portfolio**

PRUPIM's vision as a leading sustainable real estate manager is to deliver superior investment performance through integrating sustainability into its business culture, activities and decision making. It seeks not only to address its own impacts but also to influence the property sector through innovation and thought-leadership.

PRUPIM was the first UK property company to achieve the International Environmental Management Standard ISO 14001 for the management of its real estate investment portfolio. In 2009, PRUPIM achieved ISO 14001 certification for an additional six managed investment properties and achieved PAS99 – the world's first integrated management system which includes ISO 14001 – at 10 managed shopping centres, taking the total to 52 PRUPIM properties that have been accredited to date.

PRUPIM also launched the Sustainable Refurbishment Framework. This complements the Sustainable Development Framework, both of which are public resources to actively encourage sustainable practices, with the aim of sharing PRUPIM's many years of experience in this area with the property industry as a whole.

PRUPIM is a signatory of the United Nations Principles for Responsible Investment and continues to lead the property industry's developments in sustainability through their active involvement in the British Property Federation, British Council of Shopping Centres, UK Green Building Council, Green Property Alliance, UN Environment Programme Finance Initiative, Institutional Investors Group on Climate Change, and, more recently, the Better Buildings Partnership – an initiative supported by the Mayor of London.

PRUPIM's strategic approach and progress to date can be found in their sixth annual Sustainability Report published in 2009. For more details please visit [www.PRUPIM.com](http://www.PRUPIM.com)

## Chairman's Award

**Since its launch, the Chairman's Award has gone from strength to strength, and in 2009, more than 2,600 employees signed up to the programme and supported over 30 projects around the world.**

More than £250,000 was donated to our global charity partners. This includes the additional cash sums awarded to the winning projects, voted for by colleagues across the Group.

The 2009 winning project was Plan International, Thailand. This project, supported by 368 volunteers in Thailand, aims to make a sustainable improvement to the lives of children and communities living in poverty.



### **Supporting local communities**

We strive to ensure that our investment in local communities has a sustainable benefit. We encourage our businesses to build projects around financial capability, education, and meeting the needs of the most vulnerable in society, particularly the elderly and the young.

### **Employee volunteering**

Our approach to community investment is to support charitable organisations and appropriate NGOs, not just through funding, but with the experience and expertise of our employees. In 2009, approximately one in four employees volunteered in their community.

In 2006, we launched our flagship volunteering programme, The Chairman's Award, supporting our global charity partners. This programme has gone from strength to strength and, in 2009, over 30 projects around the world were supported.

Each year, a shortlist of volunteering programmes is chosen by a judging panel and employees are asked to vote for the project they believe has made the greatest impact. All of the projects included in the Chairman's Award receive a financial donation from the Group for each employee who signs up as a volunteer, and the top five short-listed projects receive additional funding.

### **Building financial capability**

We began developing our financial capability programme in the UK in 2001, and are continuing to see significant progress, both in the UK and, increasingly, internationally.

In the UK, we work in partnership with a diverse range of organisations such as Citizens Advice, the Personal Finance Education Group (pfeg), the Specialist Schools and Academies Trust, and the National Institute of Adult Continuing Education. As a result of these collaborative initiatives, thousands of adults and children are now benefiting from learning how to make decisions that will have a profound effect on their financial well-being. At the end of 2009, we extended the reach of our UK-schools module 'Adding up to a Lifetime' by launching an online version.

In 2009, our financial capability strategy in Asia gained further momentum, with over 2,000 women participating in our 'Investing in Your Future' seminars. The seminars, first launched in China in 2004, support women who are often responsible for planning the family's financial needs. The programme has been rolled out to Vietnam, India and Indonesia. To date, more than 22,800 women have participated.

Prudential also partnered with the Chinese Ministry of Education, the Chinese Academy of Social Sciences (CASS) and the Chinese Insurance Regulatory Commission (CIRC) to develop and introduce an insurance education curriculum in schools across the country. This programme has reached over 5,000 students from 26 schools in seven provinces since its launch in 2007.

### **Disaster relief**

Supporting the relief efforts after natural disasters in our communities is another important part of our activities. In November 2009, we continued the work we began in 2008 in response to the earthquake in Sichuan, with the opening of a new, state-of-the-art library at the Guihua School in Pengzhou, Sichuan.

In September 2009, when a massive earthquake struck Western Sumatra, Indonesia near the city of Padang, we responded immediately to support our employees, agents and the wider community. We activated the Group's Disaster Relief Fund straight away, our team on the ground immediately began working with local relief charities and we set up a mechanism for our employees across the Group to donate. In addition, a team of Prudential volunteers from six different countries across Asia travelled to Padang to help rebuild homes.

### **Donations**

In 2009 the Group spent £6.5 million in support of its community investment strategy. Direct donations to charitable organisations amounted to £5.6 million, of which approximately £2.7 million came from EU operations.

This is broken down as follows: Education £1,589,000; Social and Welfare £632,000; Environment and Regeneration £73,000; Cultural £94,000 and Staff Volunteering £301,000. The aggregate figure for charitable donations from Prudential's non-EU subsidiaries (Jackson National Life Insurance Company and Prudential Corporation Asia) amounted to £2.9 million.

It is the Group's policy not to make donations to political parties nor to incur political expenditure, within the meaning of those expressions as defined in the Political Parties, Elections and Referendums Act 2000. The Group did not make any such donations or incur any such expenditure in 2009.

### **Accountability and governance**

#### **The Board**

The Board discusses the Group's CR performance at least once a year and also reviews and approves the Group CR Report and strategy on an annual basis.

### **Responsibility committee**

Below the Board, the Responsibility Committee comprises senior representatives from relevant Group functions and each of our core businesses. This committee is responsible for monitoring the Group's CR activities and for raising issues that need to be addressed.

### **Code of business conduct**

Consideration of environmental, social and community matters is embedded in our Code of Business Conduct.

### **Payment policy**

It is our Group policy to agree terms of payment when orders for goods and services are placed, and to pay in accordance with those terms.

In the UK we strengthened this policy in 2009 by signing up to the Prompt Payment Code, launched in December 2008 by the UK Department for Business, Enterprise and Regulatory Reform. In 2009, our trade creditor days, based on the ratio of amounts which were owed to trade creditors at the year-end to the aggregate of the amounts invoiced by trade creditors during the year were 22 days.

### **Supply chain management**

Prudential recognises that its own social, environmental and economic impacts go beyond the products and services it supplies to include the performance of its suppliers and contractors.

It is our policy to work in partnership with suppliers whose standards are consistent with our Group Code of Business Conduct. We are also committed to helping our suppliers reduce their impact on the environment.

Procurement practices in Prudential UK have been successfully accredited with the Chartered Institute of Purchasing and Supply (CIPS) certification, an industry benchmark of recognised good practice.

Prudential's 2009 on-line CR Report can be found at [www.prudentialreports.com/2009cr](http://www.prudentialreports.com/2009cr)