

Prudential plc.

Basis of Reporting: Diversity, Community Investment, GHG emissions and other Environmental Metrics 2016 Reporting Period

Contents

1. Diversity.....	2
2. Community Investment.....	3
3. Environment.....	5

Summary

This Basis of Reporting document outlines the scope of KPIs reported covering diversity, community investment, GHG emissions data and other environmental metrics by Prudential plc. for the Prudential plc.2016 CR Report and annual statement in the directors report.

1. Diversity

KPI Published: Gender Diversity

Definition	<p>Gender Diversity - Male and Female total headcount reported for the following breakdown:</p> <ul style="list-style-type: none">• Non-Executive Directors (including the Chairman);• Executive Directors;• Group Executive Committee [GEC] (includes Executive Directors);• Senior Managers (does not include the Chairman, Directors, and GEC members);• Whole company (includes the Chairman, Directors, and GEC members).
Scope of indicator reported	<p>Permanent employees (typically constitutes any headcount which is full time equivalent, as amended for country specific situations), across the Prudential Group, covering Prudential Corporation Asia, North American Business Unit, Prudential UK & Europe, PGDS, Prudential Africa, M&G, PruCap & PPMG, Group Head Office and the Chairman and NEDs.</p>
Reporting period	<p>Total headcount breakdown is reported as at 31st December 2016.</p>
Unit/Normalisation:	<p>All permanent employees in each Business Unit/Group Head Office</p> <p>Permanent employee total headcount, and split by Male /Female, was requested of the HR Director for each Business Unit, as at 31st December 2016.</p>
Data collection method:	<p>Total numbers were downloaded from each respective Business Unit's HR Information System, and submitted to Group Head Office HR for Group wide consolidation. Validation was performed by Group Head Office HR and consolidated, consistently both with previous years' approaches and across the different Business Units / Group Head Office.</p>

	Total headcount reported excludes Joint Ventures.
Main assumptions:	The 'Senior Manager' population represents the most pivotal roles across the Prudential Group, typically one level below GEC.
Third party data verification:	Third party data verification has been carried out by Deloitte.

2. Community Investment

2.1 Overview

Prudential plc is an international financial services group with operations in Asia, the US, the UK and Africa. The inherent long-term social value of our business is complemented by community investments in each of the markets where we operate.

We establish long-term relationships with our charity partners to ensure that the projects we support are sustainable and we work closely with them to ensure that our programmes continuously improve.

Many of our employees play an active role in their communities through volunteering, charitable donations and fundraising. In the UK, the US and Asia we offer our employees the opportunity to support charities through payroll giving.

2.2 Definition

Community investment spend:

- UK and Europe (charitable cash donations) (£m)
- Asia, the US and Africa (charitable cash donations) (£m)
- In-kind donations across the Group (£m)

Scope of Indicator reported

We calculate our community investment spend using the internationally recognised London Benchmarking Group standard. This includes cash donations to registered charitable organisations, as well as a cash equivalent for in-kind contributions including staff time and the donation of office space and equipment.

Information is gathered from across the Prudential Group, covering Prudential Corporation Asia, Jackson in the US, Prudential UK & Europe, M&G and Prudential Africa.

2.3 Reporting Boundaries

In terms of cash donations, the approach taken for entities classified as Joint Ventures and Associate partners (India Life, India ES, China Life and Malaysia Takaful) aligns with the Equity Share Method approach taken in the consolidated Group accounts.

Reporting period: 1 January 2016 - 31 December 2016

2.4 Unit/ Normalisation

Amounts are reported in UK Sterling using YTD average exchange rates as at December 2016.

2.5 Data collection method

Cash donations are extracted from our financial reporting and accounting system by Group Finance using a specific communication investment cost-allocation code. This is reconciled by the Group Corporate Responsibility team with internal community investment activity reported through the non-financial reporting system.

In-kind donations are collated by the Business units and using a generic non-financial reporting template. The templates are consolidated by the Group Corporate Responsibility team, using values determined in the Assumption list below.

Management costs include salary costs related to Community Investment programme co-ordination, and communication around these activities from business units with significant CR activities: Prudential Group Head Office, Prudential Corporation Asia, Jackson in the US, Prudential UK & Europe and M&G.

2.6 Main Assumptions

Average hourly rate – used for volunteering hours

Total number of staff employed and total costs of employment sourced from Prudential Annual Report 2015 (p.168).

Average cost of Prudential employee = Total employment costs/total number of staff

Average annual cost = 1,475,000,000 /25512 = 57815.92

Average weekly cost = 57815.92/ 52 = 1111.84

Average daily cost = 1111.84/ 5 = 222.368

Average hourly cost = 222.368/ 7.5 = 29.65

Currency conversion calculations

YTD average exchange rates as at December 2016 were sourced internally from Finance.

Office space assumptions

UK and US office: £700/day

UK and US auditorium: £1000/day

Asia office: £450/day

Assumed all 2016 donations to be office use unless specified as auditorium event.

- The value of office space is consistent with 2015 rates, and based on the cost recovery rate for average meeting room size rather than commercial value for prudence;
- Cost recovery calculated using an average square footage of meeting rooms at London office;
- Discount applied to Asian office space (35%);
- Costs for catering and equipment were excluded from the office space rates;
- Assumed all donations to be office use unless specified as auditorium event.

Equipment assumptions

In 2016 each business unit has provided an estimated value for donated items based on equivalent cost to buy/hire at a reduced rate of 20%

- Used computers were valued each £100 each
- Printers were valued at \$500 each
- Telephones/toners valued at £16.50 each
- Electrical appliances and furniture (e.g. chairs, cabinets, blender, etc) valued at £72 each
- Disaster relief packs/supplies valued at £3.39 each

3. Greenhouse gas (GHG) emissions and other environmental metrics

3.1 Scope

The purpose of this document is to outline the approach taken by Prudential plc to reporting our greenhouse gas (GHG) emissions as published in our Directors' Annual Report, online and in other supplementary reports. Prudential has had processes in place to measure and report on our global GHG emissions since mandatory emissions reporting was introduced in 2013 for UK 'quoted' companies.

Prudential's GHG emission data, measured in carbon dioxide equivalent (CO₂e), comprises of:

- Direct emissions from the combustion of gas for heating, fugitive refrigerant emissions and emissions from company owned or exclusively leased vehicles (termed Scope 1)
- Indirect emissions from electricity, heat and steam in our buildings (Scope 2)
- Other indirect emissions from our value chain (Scope 3) which we report on as a matter of best practice. For 2016, this includes business travel booked from the UK, global water consumption and the emissions associated with the disposal of waste generated from our investment properties and our occupied properties in the UK and US.

3.2 Reporting Boundary

Prudential uses the 'operational control' approach as the basis for reporting GHG emissions. In practice this means that we report on 100% of emissions where we, or one of our subsidiaries, has the full authority to introduce and implement operating policies. Under this approach, our GHG emissions from all owned and leased facilities globally over which we have operational control are counted. We also include estimated usage for full service gross leased offices and data centres where we receive metered energy consumption and invoices. Prudential plc owns assets which are held on its balance sheet in the financial statements over which it does not have operational control. These are excluded from the GHG emissions reporting under the operational control boundary.

This boundary approach covers emissions generated from over 400 occupied leases, covering 590,348 square meters. To determine the sites where emission reporting was required, lease information was taken from our central lease database. The central database is maintained for all regions and contains information about whether a site is subleased, the area which the lease covers and the period with which the lease is valid.

Reporting within our investment portfolio covered 2,049,174 square meters. Lease information is taken from the central lease database and then the ruleset for the operational boundary applied to determine total emissions under Prudential's operational control.

3.3 Assessment Methodology

Prudential plc uses 'The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (GHG protocol (revised edition) as the global standard)' 2004, as the guiding methodology for calculating carbon emissions. The GHG Protocol was co-developed by the World Resources Institute and the World Business Council for Sustainable Development.

An amendment to the GHG Protocol was published in 2015, making it a requirement that companies undertake 'dual reporting' of Scope 2 emissions. In 2016 Prudential reviewed its reporting methodology for Scope 2 emissions in recognition of the revised guidance. As the Group operates in a number of mature and emerging markets, the availability of market-based factors that met the necessary quality criteria was deemed insufficient for reporting and as such our 2016 reporting continues to use the location-based factors already available.

3.4 Reporting Period

The reporting period covers 01 October 2015 to 30 September 2016. This does not correspond with the Director's Report (01 January 2016 to 31 December 2016) because the reporting period was brought forward by three months to improve the availability of invoice data (which often lags by one month or more after the usage period) and reduce the reliance on estimated data.

3.5 Emission Factors

Our 2016 reporting has used the following emission sources:

- UK DEFRA 2016 GHG Conversion Factors for Scope 1, UK Scope 2 and Scope 3 reporting
- IEA 2016 GHG Conversion Factors for global Scope 2 reporting (excluding UK).

3.6 Materiality considerations / exclusions

Prudential has set a materiality threshold of 5%. The following exclusions have been made based on this:

- Within Asia, Agents' business travel, (scooters – these do not come under Prudential's operational control and collection of this information would be extremely difficult).
- Minor works (gardeners, minor construction works, so small as to be immaterial, anticipated < 1%).
- Emissions from refrigerants from small split-system air conditioning units are so small as to be immaterial (anticipated < 0.1%). The electricity use from these units has been reported.
- Travel booked outside of the UK is not currently included in our reporting.
- FRI lease properties in the investment portfolio are included where data are available and Prudential continues to work towards extending its reporting to cover these properties. Currently 19% of FRI leases are reporting consumption.

3.7 Intensity Ratio

The intensity metric is Tonnes of CO₂e.Sq. meter (Net Lettable Area). Our emissions are normalised by the floor area of our occupied properties held at 30 September 2016 and investment properties reporting consumption between 1 October 2015 and 30 September 2016. Net lettable area is used for all occupied properties and for all investment properties where available. Where not available, alternative measurement methodologies are used to supplement data, i.e. net internal area or gross internal area.

3.8 Changes from 2015

In 2016 we improved the data collection, verification and reporting process for our investment estate by introducing a new centralised data collection system covering global operations. This has resulted in us being able to present the intensity metric using floor area for only that part of the investment portfolio under our operational control. 2015 data has been restated under this revised basis. All reported normalised emissions for years prior to 2015 have not been restated under the revised basis and therefore are not comparable with the 2015 and 2016 data.

3.9 Key Performance Indicators

Our approach to the core metrics in our GHG emissions reporting is detailed below. These KPI have been tested as part of the annual external assurance process.

KPI: Scope 1 GHG Emissions		
Emission Source	Remit	Data sources and assumptions
Fuel combustion - gas	Global	<p>Gas consumption (kWh) was obtained from invoices and supplier reports and then entered into our GHG calculation model.</p> <p>If we have received an invoice for part of the month only then data is accrued for the remaining days of the month based on the existing average daily rate per meter squared. Accruals are only applied to the months where the lease is active; however, if there is incomplete lease information that the model assumes a conservative approach i.e. the property is open for the full reporting period.</p> <p>All costs have been converted into a common currency (GBP) based on the company end of month spot rate at 30/09/2016. This allows for a normalised GBP/kWh (or other energy unit) to be used for accruals and/or estimation purposes in the model.</p>
Fuel combustion - oil	Global	<p>Oil consumption (litres) from back-up generators was calculated by recording the run time, diesel consumption rate per hour and generator capacity and efficiency where possible. Where this is not possible, fuel top ups and/or dips has been used.</p>
Fugitive emissions	Global	<p>Refrigerant losses are based on invoices from the provision of top up gases as well as reports from air conditioning engineers and catering equipment engineers. Losses are recorded in kg and then entered into our GHG calculation model.</p>
Vehicle fleet	Global	<p>Transport is calculated either based on litres of fuel consumed/purchased (preferred) or distance travelled.</p> <ul style="list-style-type: none"> ▪ Mileage from company owned vehicles is supplied by property contracts on a quarterly basis. ▪ Mileage of leased cars is provided by an extract from the expense system on a monthly basis. This includes vehicle type and size of engine. <p>All data is converted to KM travelled before being entered into our GHG calculation model. Any missing fuel and mileage data has been extrapolated for the full reporting year using average miles or litres per day multiplied by missing days.</p>

KPI: Scope 2 GHG Emissions		
Emission Source	Remit	Data sources and assumptions
Electricity, heat, steam and cooling	Global	<p>Indirect energy consumption (kWh) was obtained from invoices and supplier reports and then collated into our GHG calculation models using country specific emission factors. Every building in the site list either has invoice/accrual or estimated electricity consumption/cost.</p> <p>If we have received an invoice for part of the month only then data is accrued for the remaining days of the month based on the existing average daily rate per meter squared.</p> <p>If a site has no consumption data available, then estimation has been applied. An average substitute is calculated using internal benchmarks at the following levels:</p> <ol style="list-style-type: none"> 1. (Best option) Is an average figure available for country in question by property type? 2. If no... Is an average figure available by country level? 3. (Final option) If no...Use the average contained within the Prudential data model. <p>If any sites do not have a property type (e.g. Sales office), the model will assume the average benchmarking figure for their respective country.</p> <p>Estimations and accruals are only applied to the months where the lease is active; however, if there is incomplete lease information that the model assumes a conservative approach i.e. the property is open for the full reporting period.</p> <p>All costs have been converted into a common currency (GBP) based on the company end of month spot rate at 30/09/2016. This allows for a normalised GBP/kWh (or other energy unit) to be used for accruals and/or estimation purposes in the model.</p>

KPI: Scope 3 GHG Emissions		
Emission Source	Remit	Data sources and assumptions
Water consumption	Global	The total quantity of water consumed is obtained from invoices and supplier meter readings and recorded in cubic meters and then collated into our GHG calculation models.
Waste generated	Investment properties and the UK and US occupied properties	<p>Waste data is provided by waste management companies, property managers and waste transfer notes. Waste figures do not include buildings where Prudential is a tenant without operational control of waste.</p> <p>At sites where the waste is not weighed, the reported weight is based on the assumed weight per uplift of different types of recycling, based on industry averages, and multiplied by the number of 'uplifts' at each property. Waste figures within the UK are inclusive of feminine hygiene waste.</p>
Air Travel	Travel booked from the UK only	<p>Annual travel reports are provided by our two UK travel management companies that cover travel booked from the UK. All distances are reported in km and converted to CO₂e using the DEFRA 2016 emission factors including radiative forcing uplift. Data for the reporting period were run on 7th November to allow any cancellations of booked travel to filter through.</p> <p>No assumptions or estimations have been made for travel booked by individuals and claimed via the expense system.</p>
Other Business Travel – Rail and grey fleet	Travel booked from the UK only	<p>Annual travel reports are provided by our two UK travel management companies that cover travel booked from the UK. A cut-off date of the 7th November is applied to allow cancellations to filter through.</p> <p>Grey fleet mileage is provided by an extract from the expense system on a monthly basis and this which includes vehicle type and size of engine.</p> <p>No assumptions or estimations have been made for travel booked by individuals and claimed via the expense system.</p>

3.10 Data reported by region

	Scope 1			Scope 2	Scope 3			
	Fuel Combustion	Fugitive emissions	Vehicle Fleet	Electricity Use	Business Travel	Waste produced	Waste Recycled	Water consumed
Asia Occupied	✓	✓	✓	✓	✗	✗	✗	✓
Continental Europe Occupied	✓	✓	✓	✓	✗	✗	✗	✓
UK Occupied	✓	✓	✓	✓	✓	✓	✓	✓
US Occupied	✓	✓	✓	✓	✗	✓	✓	✓
Investments	✓	✗	N/A	✓	N/A	✓	✓	✓