

Prudential Group Modern Slavery Transparency Statement 2017

Prudential plc is dedicated to providing protection, savings and investment opportunities to our customers, social and economic benefits to the communities in which we operate, jobs and opportunities to our employees and financial benefits for our investors. We are clear – slavery, human trafficking, child labour or any other abuse of human rights has no place in our organisation or supply chain. We set out below our transparency statement under the UK Modern Slavery Act 2015 ("**MSA**"), for the 2017 financial year, which details what we have done and are doing to help us deliver on this commitment. This statement is published on behalf of Prudential plc and each of its subsidiary commercial organisations carrying on a business in the UK which has an annual turnover in excess of £36 million¹ (each a "**Prudential Subsidiary**").

About us

Prudential plc is an international insurance and fund management services group ("**Group**"). We have significant operations in Asia, the US and the UK and Europe. In recent years, we have also expanded our operations in Africa. We serve around 26 million insurance customers and have £669 billion of assets under management (as at 31 December 2017). The Group consists of three main Business Units: Prudential Corporation Asia, Jackson National Life Insurance Company in the United States, and M&G Prudential. Further detail on the Group can be found here: <https://www.prudential.co.uk/about-us/how-our-business-works>

Modern Slavery

The MSA defines modern slavery as "slavery, servitude and forced or compulsory labour" and "human trafficking" ("**Modern Slavery**"). As a financial services provider, we believe that the risk of Modern Slavery occurring within our core financial services business is relatively low. Therefore, the focus of our efforts in relation to the detection and prevention of Modern Slavery is directed towards our supply chain, which is of a type that will be similar to that of many other financial services and professional services firms. Our supply chain providers include businesses that provide and maintain our IT network and systems, businesses that provide specialist professional and advisory services and businesses that support our staff and their work environment (such as facilities management and office services).

Our existing governance framework

We require the highest possible standards of professional and ethical conduct of all our people. Our Code of Business Conduct ("**Code**") sets out the standards that are required across the Group, by all employees and any individuals and organisations acting on our behalf. Our core values of prudence, security, integrity and initiative underpin all of our activities and, along with the standards required by this Code, are fundamental to the Group's long-term success. A copy of our Code can be accessed here: <https://www.prudential.co.uk/investors/governance-and-policies/code-of-business-conduct>

A strong governance framework supports the Code, at the heart of which sits the Group Governance Manual ("**GGM**"). The GGM sets out the policies and processes by which the Group operates within its framework of internal governance, taking into account relevant statutory and regulatory matters, including social, environmental and ethical practices adopted across the organisation. It is mandatory for each of Prudential's Business Units, on an annual basis, to evaluate and certify its compliance with the requirements set out within Group-wide policies as well as other matters. Formal reporting and approval procedures are followed when defining corrective actions to address instances of non-compliance.

The following GGM policies currently support us in meeting our MSA-related responsibilities:

¹ This statement does not apply to investee companies held by equity investment businesses within the Prudential Group.

- **Group Outsourcing and Third-party Supply Policy** – We are committed to making sure that we have a robust, well managed outsourced and third-party supplier network, not least as it allows our businesses to focus on their core business strengths. However, we are aware that outsourcing and using third-party suppliers also brings with it certain responsibilities. We have established requirements for the management of outsourcing and third party supply arrangements across the Group, including the due diligence/selection criteria, contractual requirements, the ongoing monitoring of such relationships and the reporting and escalation framework that supports the identification of critical supplier arrangements. Our Business Units may also adopt their own supporting policies and reporting procedures at a local level.

As part of these minimum standards, all Business Units are expected to take into consideration local legislation, including (where relevant) the requirements of the MSA and local and international law regarding the detection and prevention of Modern Slavery. As part of the selection process for a possible critical outsource or third party supply arrangement, this would include an assessment of the risks of the provider breaching the United Nations Universal Declaration of Human Rights. Under our Code, all of our employees are expected to ensure that third-party supply arrangements are entered into with consideration of the content of the Code and in compliance with the Group's Outsourcing and Third-Party Supply Policy.

- **Group Health and Safety Policy** – We recognise the importance of managing the health, safety and wellbeing of our employees, and of controlling the level of safety and health risk to which our employees, suppliers, customers and visitors are exposed. We are committed to ensuring compliance with health and safety legislation and standards to which our businesses are subject and we actively work with our suppliers and contractors to ensure they adopt good industry practice wherever they are based.
- **Group Employee Relations and Resourcing Policies** – 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 believe in respecting human rights and acting responsibly and with integrity. We require our Business Units to implement policies and practices that aim to ensure compliance with statutory and regulatory requirements in the local labour market and the prevention of Modern Slavery.
- **Group Security Policy, covering Confidential Reporting** – We operate 'Speak Out', an online and telephone confidential reporting service that encourages employees to raise concerns, including concerns about human rights violations such as Modern Slavery. Every concern submitted is assessed and investigated, as appropriate, with remedial action taken if required. The 'Speak Out' is overseen by our Group Audit Committee.

Steps we are taking

Prudential remains committed to the continued development of its approach to Modern Slavery-related risk identification, monitoring and reporting, and proactive mitigation of identified Modern Slavery risks.

Policies

Prudential's Code, Group-wide policies and governance processes are key tools in our journey to meet our Modern Slavery Act commitments. Policies are reviewed and updated regularly, most recently our Group Outsourcing and Third Party Supply policy was updated in July 2017, to reflect both internal objectives and regulatory requirements within which our business operates. Our Group's Outsourcing and Third Party Supply Policy was restructured to include stronger reference to pre-and-post contract due diligence. We will continue to review and refine our policies and procedures to align with our approach to prevent Modern Slavery.

Supply chain

Our procurement teams across our UK businesses have further embedded a co-ordinated response to the requirements of the MSA, with a focus on our external supply chain, as follows:

- Prudential continues to invest in E-Procurement tools that support the increased visibility and controls that enable appropriate supplier due diligence to be undertaken for key suppliers. These tools and frameworks are deployed using methods that help identify risks to the organisation in a timely and structured manner.
- In 2017, Property and Facilities category managers, both commercial and operational, together with their management and Senior Leadership team, undertook Modern Slavery training. An in-depth due diligence process for suppliers in agreed higher risk categories for Modern Slavery abuse, such as construction (including the main fit-out contractor for the new M&G Prudential HQ building in London), cleaning and catering, was developed. As a result, compliance with Prudential policies and proactive management in compliance with the MSA now forms part of the selection criteria. The agreed processes aim to understand and quantify the preparedness of such suppliers with respect to key risks indicators associated with Modern Slavery, such as compliance with the MSA, the presence and promotion of whistle-blowing processes, workers' remuneration, the provenance of materials and services. Prudential will run this due diligence process on annual basis to ensure robust ongoing risk management is in place.
- Our next step will be to deploy a refreshed due diligence programme in 2018. A section explicitly dedicated on Modern Slavery and designed to examine the depth of suppliers' provisions in respect to compliance with the MSA, including policies, MSA audits on sub-contractors, plans and actions related to non-conformances and breaches, etc., will be added to programme. Should any supplier submissions be found to be unsatisfactory and/or if any breaches by third parties are identified, Prudential will take relevant action to address these appropriately.
- As part of the procurement process for Total Facilities Management and Catering services across the UK occupied estate, Prudential ensured that the selection criteria covered key risk elements associated with Modern Slavery. All bidders were required to demonstrate compliance with the MSA, and evidence ethical sourcing, working practices compliant with the Advisory, Conciliation and Arbitration Service code of conduct, legitimate employment, remuneration and payment practices. The suppliers that demonstrated the highest standard of commitment to human rights and prevention of Modern Slavery in their organisations and supply chains successfully moved forward in the process.

Case studies demonstrating Prudential's progress in 2017 in respect to assessing and managing Modern Slavery risk

Roll-out of Prudential's Speak Out programme – committing to reduce and avoid Modern Slavery through better collaboration with managed suppliers

Prudential has been actively promoting its whistle blowing programme 'Speak Out', both within the organisation and across its suppliers, and especially those identified as higher-risk with respect to Modern Slavery (e.g. catering, cleaning). To ensure full access to information and the Speak Out programme, Prudential engaged its Facilities Managers who distributed promotional 'Speak Out' materials, conducted awareness-raising sessions and ensured that all materials including contact information were placed in areas designated for suppliers. This provided a channel to allow anyone to raise a concern. No Modern Slavery concerns were registered in 2017. In accordance with Prudential policies and values, and in partnership with the supplier organisations, individuals can access both Prudential and suppliers systems of support.

Implementation of stringent Modern Slavery measures in Prudential's relationship with main fit-out contractor for new MG Prudential HQ building in London

Equipped with the knowledge that the construction industry is identified as high risk, and facing the biggest fit-out project of a Prudential building in the UK, we set strict Modern Slavery compliance criteria for the successful fit-out contractor and its third and fourth party sub-contractors, ensuring that compliance with the Modern Slavery Act 2015 formed part of their tender packs.

Prior to the start of the works on the new M&G Prudential HQ building, all sub-contractors of the main fit-out supplier complied with a due diligence process aimed at evaluating their level of compliance with the MSA, including publishing MSA statements, having in place whistle-blowing processes, anti-trafficking/anti-slavery policies, etc. The initial review of submissions was positive. In addition, it was agreed that during 2018 the fit-out contractor would engage an external party to carry out an audit of the sub-contractors' submissions and level of compliance, and conduct training on Modern Slavery.

To further reduce and manage potential risk associated with Modern Slavery, the supplier will carry out audits on the site for the duration of the project. All site operatives will be provided with a Site Induction Questionnaire aiming to understand if the workers are subject to fair employment treatment and pay, and in possession of their own personal documentation (e.g. passports, travel documents). It will also provide the workers with access to additional whistle-blowing support.

Consolidation of managing agents in Europe and Asia - to drive visibility and more effective supplier management

M&G Real Estate undertook a rationalisation programme in 2016 and 2017 in response to the rapid expansion of its funds' investments across Europe and Asia Pacific. During this growth phase the business engaged with over 28 separate managing agents and this increased the potential risk for operational errors to be made. Following a comprehensive tender process the business selected two international real estate service providers: CBRE for Asia Pacific and JLL for continental Europe. The UK remains with CBRE as an earlier tender was administered following the outsourcing of property management in 2011. In a small number of countries we still operate with some individual agencies where specialist sector skills are required for example, residential, factory outlet centres and student accommodation. Included in the rationalisation and the respective master services agreement with each of JLL and CBRE are obligations for compliance with the MSA, our GGM policy and MSA statement (as can be amended from time to time). Each service provider is under a contractual obligation, pursuant to its master services agreement to ensure that neither it nor any of its officers, employees or other persons associated with it has been convicted of any offence involving slavery and human trafficking; or has been or is the subject of any investigation, inquiry or enforcement proceedings by any governmental, administrative or regulatory body regarding any offence or alleged offence of or in connection with slavery and human trafficking. Regular meetings are conducted with the service providers and formal quarterly review meetings are held to ensure compliance and control processes are followed and achieved.

Training and awareness-building

Every year, our employees are required to complete mandatory training reflecting our regulatory and legal obligations as a financial services provider. We also require our employees to comply with the

Code. Training and awareness-building of the requirements of the MSA continues to strengthen the Group.

- Senior management continues to be made aware of the Group's obligations under the MSA. Briefings have also been provided to directors of other Group companies as part of the process to approve this statement.
- In support of Prudential's compliance with the MSA, in 2017 a number of senior and mid-level Procurement, Supplier Relationship Management and Facilities Management managers attended and successfully completed the Chartered Institute of Procurement and Supply, Ethics in Procurement and Supply course. The programme covered unethical practices including fraud, bribery, corruption, human rights abuses and forced labour in supply chains. Prudential intends to continue providing access to the course in 2018 to employees who frequently interact with supplier organisations on various levels, to further improve its supply chain management and ethical principles.

Approval date

This 2017 statement was approved by Prudential plc board on 18 April 2018 and by each Prudential Subsidiary board between 20 April and 10 May 2018.

Evaluating our progress in 2017

During the 2017 financial year:

- So far as we are aware, no Modern Slavery concerns were identified as part of current monitoring procedures of our supply chain, including through our health and safety compliance, inspection and auditing processes.
- We had no reports to 'Speak Out', our online and telephone confidential reporting service involving Modern Slavery issues or concerns.
- Through the annual GGM policy attestation, Business Units have not raised any issues specifically relating to Modern Slavery.



Mike Wells, Group Chief Executive