

Prudential plc

Basis of Reporting: Diversity, Community Investment, GHG emissions and other Environmental Metrics 2020 Reporting Period

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 2020 ESG Report and annual statement in the directors report.

Diversity

KPI Published: Gender Diversity

Definition	<p>Gender Diversity - 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, Executive Directors, and GEC members)*; • Whole company (includes the Chairman, Directors, GEC members and Senior Managers) full time equivalents (FTE). <p>* reported as actual headcount number</p>
Scope of indicator reported	<p>Whole company total provided as full time equivalent Permanent / Fixed Term Contract of Employment employees (as amended for country specific situations)</p> <p>1) As at 31 December 2020 - across Prudential plc covering Prudential Corporation Asia, North American Business Unit, Prudential Africa, Group Head Office and the Chairman and NEDs</p>
Reporting period	Total headcount breakdown is reported at 31 December 2020 (year-end).
Unit/Normalisation	All permanent/Fixed Term Contract of Employment employees in each Business Unit/Group Head Office.
Data collection method	<ul style="list-style-type: none"> • Permanent/ Fixed Term Contract of Employment employee total headcount, and split by gender <p>1) As at 31 December</p> <ul style="list-style-type: none"> • Total numbers were provided by each of the Business Unit in scope (Prudential Corporation Asia, North American Business Unit, Prudential Africa, Group Head Office) • BU numbers validated by appropriate representative of the HR Director for each Business Unit, as at 31st December 2020. • Group Talent consolidated responses to produce final data set
Main assumptions	Total headcount reported excludes Joint Ventures.

The 'Senior Manager' population represents the most pivotal roles across the Prudential Group, including Executive Council (EC), CEOs of Local Business Units (LBUs) as well as C suite in LBUs that are critical for our the definition and execution of our strategy and which is comparable to what was previously referred to as the Leadership Team (LT). The definition of Senior Managers in 2020 thus has changed and the number of Senior Managers have doubled compared to 2019 after the re-categorization

Third party data
verification

Third party data verification has been carried out by Deloitte.

Community Investment

Overview

Prudential plc is an Asia-led portfolio of businesses focused on structural growth markets. The business helps individuals de-risk their lives and deal with their biggest financial concerns through life and health insurance, and retirement and asset management solutions.

The inherent long-term social value of our business is complemented by community investments in each of the markets where we operate (Asia, the United States and Africa). 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.

Definition

Community investment spend:

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

Scope of indicator reported

We calculate our community investment spend using the internationally recognised Business for Societal Impact (B4SI) Framework, formerly known as the London Benchmarking Group Framework. Details can be found at: <https://b4si.net/framework/community-investment/>

This includes cash contributions to registered charitable organisations, as well as a cash equivalent for in-kind contributions including staff time contributions, donation of office space and equipment and management costs. Information is gathered from across the Prudential Group, covering Prudential Corporation Asia, Jackson in the US, Prudential Africa and the London head office.

Reporting boundaries

For cash donations, the approach taken for entities classified as Joint Ventures and Associate partners aligns with the Equity Share Method approach taken in the consolidated Group accounts. In-kind donations are reported as a whole.

Reporting period

1 January 2020 - 31 December 2020

Unit/normalisation

Amounts are reported in US dollars

Data collection method

Cash donations are consolidated by Group Finance.

In-kind donations are collated through a generic non-financial reporting template that is circulated by Group Finance and consolidated by Group Communications, using values determined in the assumption list below.

Main assumptions

Average hourly rate applied to volunteering hours

Total number of staff employed, and total costs of employment are sourced from the Prudential plc Annual Report 2019 (p.229).

Average cost of Prudential employee = total employment costs, continuing operations / total number of staff, continuing operations.

2019 calculation:

- Average annual cost: $\$1,466,000,000 / 19,004 = \$77,141.65$
- Average weekly cost: $\$77,141.65 / 52 = \$1,483.49$
- Average daily cost: $\$1,483.49 / 5 = \296.70
- Average hourly cost: $\$296.70 / 7.5 = \39.56

Currency conversion calculations

All currency conversions are made using YTD average exchange rates as at December 2020, based on data from Bloomberg/Reuters and supplied by Group Finance.

Office space assumptions

The value of office space is consistent with previous rates used, and based on the cost recovery rate for average meeting room size rather than commercial value for prudence. Cost recovery is calculated using an average square footage of meeting rooms at the London head office. A 35 per cent discount is applied to office space in Asia.

Costs for catering and equipment are excluded from the office space rates.

Daily rates:

- UK and US office: £700 = \$898
- UK and US auditorium: £1000 = \$1,282
- Asia office: £450 = \$577

Conversion from UK£ to US\$ is based on a rate of 1.2824, representing the YTD average exchange rate as at December 2020. All donations are assumed to be office use, unless specified as an auditorium event.

Equipment assumptions

Each business unit has provided an estimated value for donated items, using local knowledge of the market value of the donated item.

Management costs

Management costs include salary costs related to community investment programme coordination/ communication for businesses with significant CR activities.

Environment

Greenhouse gas (GHG) emissions and key environmental performance indicators

1. Scope

This document explains the approach taken by Prudential plc to collating and reporting our environmental data and GHG emissions published in our Director's Annual Report, our ESG Report, online and select supplementary reporting e.g. CDP. We have robust processes in place to capture, monitor and measure our performance and we aim to report openly and transparently.

GHG emissions are broken down into three scopes; we have included full reporting for Scope 1 and 2 and select Scope 3 reporting as best practice.

- Scope 1 emissions are our direct emissions from the combustion of fuel, fugitive emissions and company owned vehicles.
- Scope 2 emissions cover our indirect emissions from the purchase of electricity, heating and cooling.
- Scope 3 emissions include UK booked business travel, global water consumption and waste generated from our UK and US properties.

2. Reporting Period

Our 2020 reporting period covers 01 October 2019 to 30 September 2020. This does not correspond with the Director's Report (01 January 2020 to 31 December 2020) 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. Reporting Boundary

We apply the 'operational control' approach as the boundary for reporting our environmental data. 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.

The demerger of M&G on 21 October 2019 from Prudential plc means there has been a change in the reporting boundary to exclude the assets occupied and the associated emissions with their business operations and investments in 2020.

This boundary approach covers emissions generated from approximately 400 occupied leases, covering 506,961 square meters. To determine the sites where emission reporting was required, lease information was taken from our central lease database.

Prudential 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 scope of reporting under the operational control approach.

4. Assessment Methodology

Prudential uses the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (2015 revised edition) as the methodology for calculating our GHG emissions. The GHG Protocol was co-developed by the World Resources Institute and the World Business Council for Sustainable Development.

In 2017, we underwent a significant review of our capabilities to comply with the 'dual reporting' of Scope 2 emissions and have sourced market-based factors for the UK and Europe. Our Asian, African and North American markets continue to use the location-based factors already available as market-based factors were deemed insufficient for reporting.

For our UK occupied, residual mix factors were used where supplier factors were unavailable.

5. Emission Factors

Our 2020 reporting has used the following sources of emission factors to calculate our footprint measured in carbon-dioxide equivalent (CO₂e).

- Scope 1: UK DEFRA 2020 GHG Conversion Factors
- Scope 2 calculations use the IEA GHG 2020 Conversion Factors for location-based reporting. Market-based reporting uses supplier emission factors for our UK REGO-backed supply and RE-DISS factors where available.
- Scope 3: UK DEFRA 2020 GHG Conversion Factors.

Note - In our reporting the classification of air not strictly aligned with SECR guidance. With the demerger most of our operations are outside the UK and thus most of the flights no longer originate / end in the UK. Therefore, the SECR categorisations are not entirely appropriate for our reporting. For example, to follow the guidance a flight from Sydney to Dallas Fort Worth in the USA (13,799 km) would have the same (international) emission factor applied as a flight from Sydney to Melbourne (850 km). The methodology adopted applies the breakdown into domestic/short and long haul based on distance travelled to determine the emissions factor applied and it is believed to be more appropriate, particularly now that Prudential plc operations in the UK are minimal.

6. Materiality considerations / exclusions

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

- Waste data for PCA and Africa is not currently included in our reporting.
- UK business travel – scooters are excluded as these do not come under Prudential's operational control and collection of this information would be extremely difficult.
- Waste data for PCA and Africa is not currently included in our reporting.
- Water data for Africa is not currently included in our reporting
- 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.

7. Intensity Ratio

The intensity metric is kilograms of CO₂e per m² (Net Lettable Area). Our emissions are normalised by the floor area of our occupied properties held at 30 September 2020 reporting consumption between 01 October 2019 and 30 September 2020. Net lettable area is used where available. Where not available, alternative measurement methodologies are used to supplement data, i.e. net internal area or gross internal area.

We have also reported tonnes of CO₂e per employee. This calculated as a snapshot on Full Time Employees on 31 August 2020 (the closest available figures to our reporting year-end) and excludes contingent workers, agents and Joint Ventures. This intensity metric is not assured by Deloitte.

8. Methodology changes from 2020

In 2020 the reporting process for the occupied estate has stayed consistent with 2019.

Where updated billing information or emissions factors become available after year end reporting, prior year figures may be restated for accuracy. This will be detailed alongside restated figures.

9. Calculation Methodology

Our approach to the core metrics in our GHG emissions reporting is detailed below. To ensure we have complete coverage during the reporting period, consumption data may be accrued for missing invoices/supplier data, or estimated where we have received no information for a property (e.g. a new lease that became active during the reporting year and no invoices have yet been received). In this case, benchmarking data is used to estimate kWh for the property. If there is incomplete lease information then we assume a conservative approach, i.e. that the property is open for the full reporting period.

Emission Source	Data sources and assumptions	Accrued/estimated
Energy and Emissions		
Fuel combustion - gas	KPIs: Total energy consumption (MWh) and Scope 1 emissions (CO ₂ e) Gas consumption (kWh) obtained from invoices, supplier reports and manual meter reads. The 'gross' calorific value is used for carbon conversions when both gross and net are available.	✓

Emission Source	Data sources and assumptions	Accrued/estimated
Fuel combustion - oil	<p>KPIs: Total energy consumption (MWh) and Scope 1 emissions (CO₂e)</p> <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. The 'gross' calorific value is used when both gross and net are available.</p>	✓
Fugitive emissions	<p>KPIs: Scope 1 emissions (CO₂e)</p> <p>Refrigerant losses are based on estimates using the data from last year. This is due to the unavailability of actual data / invoices for the provision of top up gases as well as reports from air conditioning engineers and catering equipment engineers not being available for the reporting year. Losses are recorded in kg.</p>	✓
Vehicle fleet	<p>KPIs: Scope 1 emissions (CO₂e)</p> <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 contacts 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.</p>	✓
Electricity	<p>KPIs: Total energy consumption (MWh) and Scope 2 emissions (CO₂e) – both market and location based</p> <p>Indirect energy consumption (kWh) obtained from invoices, supplier reports and manual meter reads. 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 (all costs converted into a common currency (GBP) based on the company end of month spot rate (30 Sep 2020).</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. 	✓

Emission Source	Data sources and assumptions	Accrued/estimated
	<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>Country specific emission factors are used. To comply with the dual reporting requirements of the GHG Protocol, both location and market based factors have been published in 2020.</p>	
Heating and cooling	<p>KPIs: Total energy consumption (MWh) and Scope 2 emissions (CO₂e) Indirect energy consumption (kWh) was obtained from invoices.</p>	✓
Waste and Recycling		
Waste generated	<p>KPIs: Total waste produced (tonnes), Total waste diverted from landfill (tonnes and %), Total waste recycled (tonnes and %), and Scope 3 emissions (CO₂e)</p> <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. Final waste treatments are based on DEFRA classifications.</p>	✓
Water Consumption		
Water consumption	<p>KPIs: Total water consumption (m³) and Scope 3 emissions (CO₂e) The total quantity of water consumed is obtained from invoices and supplier meter readings and recorded in cubic meters or kilolitres.</p>	✓

Emission Source	Data sources and assumptions	Accrued/estimated
Business Travel		
Air Travel	<p>KPIs: Scope 3 emissions (CO₂e)</p> <p>Annual travel reports are provided by our UK travel management companies that cover travel booked from the UK. All distances are reported in km and converted to CO₂e using the DEFRA 2020 emission factors including DEFRA Well to Tank for air travel and radiative forcing uplift. Data for the reporting period were run on 7 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	<p>KPIs: Scope 3 emissions (CO₂e)</p> <p>Annual travel reports are provided by our UK travel management companies that cover travel booked from the UK. A cut-off date of the 7 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>	✘

	Scope 1			Scope 2	Scope 3			
	Fuel Combustion	Fugitive emissions	Vehicle Fleet	Electricity Use	Business Travel	Waste produced	Waste Recycled	Water consumed
Asia Occupied	✓	✓	✓	✓	✗	✗	✗	✓
UK Occupied	✓	✓	✓	✓	✓	✓	✓	✓
US Occupied	✓	✓	✓	✓	✗	✓	✓	✓
Africa Occupied	✓	✓	✓	✓	✗	✗	✗	✗