6 Strategic Enabler: Good governance and responsible business practices

Strong governance processes are the foundation of our business and critical to maintaining trust with stakeholders, particularly in the highly regulated financial markets within which we operate. Our governance framework is clear about our standards of behaviour and those standards flow into every part of what we do, including our financial performance and tax practices, as well as operating to mitigate financial crime and informing how we deal with our customers and suppliers. We also recognise the importance of reducing the direct impact of our own operations on the environment and see this as a non-negotiable responsible business practice.

Standards of conduct

Our Group Code of Business Conduct sits at the heart of the Group Governance Manual, our internal governance framework that sets out the principles by which we conduct our business and ourselves. The Code highlights the ethical standards that the Board expects of itself, our employees, our agents and others working on behalf of the Group, and is supported by a set of Group-wide principles and values that define how the Group expects business to be conducted in order to achieve its strategic objectives. Our Group Governance Manual presents our Group-wide approach to governance, risk management and internal control, and is subject to regular review to ensure that we meet the expectations of our stakeholders. In 2020 the Group Governance Manual was updated to align with our post-demerger structure and revised operating model, and now serves as the single governance data source for all colleagues across the Group. Each business must certify annual compliance with the requirements set out in the Manual, including the Code, Delegated Authorities and Group-wide policies.

Tax strategy and reporting

The responsible and sustainable management of our tax affairs helps us to maintain constructive relations with our stakeholders and play a positive role in the economy and the wider communities in which we operate. In 2020 we made a total tax contribution of $2,114 million. This significant contribution plays an important part in helping the communities in which we operate to provide valuable public services and build infrastructure for the benefit of the wider community and the economy.

We understand the importance of paying the right amount of tax on time. We manage our tax affairs transparently and seek to build constructive relationships with tax authorities in all the countries in which we operate. Our Tax Risk Policy outlines our processes to identify, measure, control and report on tax risk, and is regularly reviewed and refreshed.

Our tax strategy is published annually and complies with the mandatory requirements under the UK 2016 Finance Act, focusing on:

- Acting responsibly and taking an objective view in all our tax matters;
- Managing tax in line with our Group governance and risk management procedures; and
- Ensuring transparency and engagement with all our stakeholders.

In addition, our tax strategy document includes a number of additional disclosures, including a country-by-country disclosure of revenues, profits, average employee numbers and taxes for countries where more than $5 million tax was paid. Furthermore, we provide a breakdown of the types and amount of taxes we pay globally. This includes taxes borne and collected on employee income, such as social security. Our tax strategy document also provides more detail on what drives our tax payments and demonstrates that our tax footprint (ie where we pay taxes) remains consistent with our business and employee footprint.

We actively monitor developments in the tax transparency agenda and look to further develop the disclosure of meaningful tax information to help our various stakeholders' understanding of our tax footprint. We will be publishing our updated tax strategy, which will include more information on the tax we paid in 2020, how we manage our tax affairs and the governance and management of tax risk, by 31 May 2021.

Fighting financial crime

We take the fight against money laundering, terrorist financing, bribery, corruption and fraud seriously and are committed to implementing and maintaining industry-leading policies and standards.

Our Group-wide financial crime policies were updated in 2020 to integrate Group and business unit policy requirements, reflecting a streamlined governance structure across the Group following the demerger of M&G plc.

All our Group-level financial crime policies are cascaded down to local business units through regional compliance teams, which ensure adherence to the Group requirements and applicable local laws and regulations. These policies form part of the Group Governance Framework, with business units attesting their compliance to the requirements each year. During the year, the Group and business units undertake a range of monitoring activities to ensure that business units are complying with Group policies and the legal and regulatory framework by which we are governed. This includes quarterly reporting, annual risk assessments, compliance monitoring reviews and reporting to Board-level committees, as set out below. Specifically, our Anti-Money Laundering and Sanctions and Anti-Bribery and Corruption policies provide clear standards and guidance to our diverse businesses and highlight the importance of effective due diligence when dealing with customers, vendors and other third parties.

We complete annual risk assessments across all our businesses to assess and monitor their risk profile. The residual financial crime risk is managed through the continuous enhancement of the control environment and is implemented at local level. In recent years we have implemented an automated transaction monitoring system in Hong Kong, Singapore, Indonesia, the Philippines and Vietnam to profile transactions and identify suspicious activities for reporting to law enforcement agencies.

We are committed to complying with international sanctions requirements and continue to monitor international sanctions closely, integrating updated lists into our regular customer and vendor screening processes. During the course of 2020, we have focused in particular on the US-China sanctions that have been issued in order to assess their impact on our business activities. We have upgraded our screening capabilities across all of our Asian businesses, ensuring compliance with regulatory requirements and improving operational efficiency.

The Group Risk Committee continues to review the effectiveness of the financial crime programme and the Group Compliance team regularly updates the Committee on risks, issues, the effectiveness of controls and the improvements made to processes in the financial crime framework. The Group Risk Committee regularly reviews a number of risk indicators in relation to financial crime, including the numbers and percentages of high-risk customers and politically exposed persons, and seeks investigation of movements.

It also reviews trends in automated transaction activity alerts and employee-generated suspicious transaction reports. The Committee also reviews gifts and hospitality received and offered to ensure that they comply with our policy. All material matters on financial crime are reported to the Committee.

The financial crime teams remain committed to professional development and regularly participate in conferences and seminars in the UK, the US, Hong Kong and Singapore to build colleagues' skills and knowledge in specialist areas. Best practices are cascaded through training and communications, as well as the implementation of enhancements to operational systems. These ensure that our colleagues are fully prepared to recognise any form of economic crime and take adequate steps to combat it. We provide training to our staff to ensure that they are familiar with international standards and best practice, as well as being well equipped to implement our policies in their respective markets. Training completion levels are monitored throughout the year.

Whistleblowing

Our Group-wide whistleblowing procedures apply to all our colleagues and are supported by Speak Out, our Group-wide whistleblowing programme. Speak Out is available both internally and externally to staff, contractors, vendors, agents, customers and the public, enabling reporters to raise concerns in a choice of languages through web and hotline channels. Reporters are able to log concerns covering a range of issues, including but not limited to anti-bribery and corruption, compliance breaches, discrimination and harassment and health and safety. Concerns are recorded by an independent third party and investigated by internal appropriately trained and skilled investigators that are independent of the businesses they investigate. On an annual basis, all colleagues are required to complete a Speak Out computer-based training module. The programme is also supported by communications and awareness materials.

Whistleblowing reporting is overseen by the Group Audit Committee and business unit audit committees through quarterly reporting and through frequent discussion with the Group Resilience Director, with any material issues reported to the Board. On an annual basis, emerging trends and an assessment of the effectiveness of our whistleblowing approach are reported to the Group Audit Committee.

The Speak Out programme is widely used throughout the Group, and during 2020 cases were reported across 24 jurisdictions, including the US, the UK, Hong Kong, Singapore and the Philippines. The number of cases reported across our Asian business units represented 87 per cent of Speak Out cases, which is a reflection of our business footprint. During 2020, the top three issues reported through our whistleblowing channels related to discrimination, harassment or unfair treatment, compliance breaches and misconduct. HR-related cases accounted for 43 per cent of the total cases reported. This figure is in line with the external benchmarks that we use to monitor our Speak Out programme. The percentage of cases being reported openly, rather than anonymously, increased by 3 per cent year-on-year from 2019, which is considered an indicator of growing trust and confidence in the programme. Our Group Security Policy outlines our zero-tolerance approach to retaliation against reporters of any concerns raised via Speak Out.

Supply chain

Our Group Code of Business Conduct outlines the values and standards that are required of each of our suppliers. Our Group Third Party Supply Policy is core to our supply chain governance and specifies our position on supply chain management, setting out our approach to due diligence, selection criteria, contractual requirements and ongoing monitoring of relationships.

Business units conduct due diligence before engaging with, and ultimately selecting, a new supplier. We perform regular due diligence, including daily anti-money laundering checks on our supplier payments, supplier review meetings and audits where required, and our policies and procedures are supported by regular employee training exercises.

Our due diligence requires our suppliers to pass financial stability tests and demonstrate a track record of high performance. We also review the controls the supplier has in place to prevent data leakage and look for any personal data protection issues. Additional due diligence is enacted for any problem categories where we are exposed to potential labour malpractice issues. Our Speak Out whistleblowing service enables employees to raise any concerns they may have in relation to our third-party relationships, and our contractors and third-party suppliers are also able to use this service.

In Asia, we have continued to progress our roll-out of the Coupa procurement management platform across our business units. By improving visibility across all third party spend, the system will facilitate cost savings, procurement and expense controls and process efficiencies. The system has now been implemented across our businesses in Hong Kong, Malaysia, Singapore, Thailand, Indonesia and the Philippines. Our business units in Vietnam and Taiwan and our asset management business, Eastspring, are expected to roll-out Coupa over the course of 2021, ensuring that more than 80 per cent of our third-party expenditure in Asia is processed and approved on one common platform.

We are also rolling out a dedicated third-party risk management system module and accompanying processes that will digitise and automate our vendor governance procedures, enabling us to complete all necessary risk assessments as part of our vendor and contract onboarding processes. This system module, Coupa Risk Assess, integrates into our Coupa procurement management platform and will provide us with detailed visibility of third-party risks across all our key risk domains, in particular information and technology security, data privacy, anti-bribery and corruption and business continuity and resiliency risks. This will improve our ability to mitigate risks and strengthen preventative risk management controls, thereby improving the resilience of our supply chain collaboratively with our vendors, providing greater assurance on our operating business environment. Coupa Risk Assess will also enable us to generate detailed insights into the level of commitment to ESG issues across our supplier footprint. The implementation is expected to be completed across all our markets in Asia during 2021.

To ensure that ESG is embedded in our end-to-end procurement processes, we have developed a specific ESG question set and scoring matrix. This is now incorporated in all our Global RFPs (request for pricing) issued to suppliers during the tender stage and requires a formal response by the potential supplier in respect of the following:

- Their commitment to ESG globally;
- Governance of ESG within their organisation;
- The leadership structure they have within their own organisation on ESG matters;
- ESG transparency on reporting and how that is executed;
- The responsible sourcing practices they use for their own supply chain buying;
- The use of management systems to track their own ESG compliance;
- Ethics and policy documents with their organisation to formally mandate ESG topics;
- Labour practice documents (to confirm ethical behaviour/modern slavery controls);
- Health and Safety best practices are confirmed as embedded for employee wellbeing; and
- Initiatives the supplier is launching to enhance their own ESG agenda.

Upholding our commitments to human rights

Being a responsible business requires organisations to ensure that they meet and strive to surpass commitments to the UN's Declaration of Human Rights. We are committed to ensuring that modern slavery, human trafficking, child labour or any other issue that subjugates human rights is eradicated from our supply chain. For more information around how we are identifying and managing our risks in relation to modern slavery, human trafficking, and child and forced labour, please read our Modern Slavery Statement on the Prudential plc website.

Case study

Supporting smaller suppliers during Covid-19

In our commitment to supporting our supply chain through the difficult trading circumstances triggered by the global pandemic, we provided payment assistance from March 2020. We immediately switched to 10-day payment terms for all our London head office small suppliers with under 100 employees. This has so far benefited 136 suppliers with a total of £6 million of accelerated payments made to assist their cash flow.

Across Asia, we apply the Third Party Risk Management policy, which ensures compliance to the Group's Third Party Supply policy. All third-party agreements across all countries in Asia are required to undergo due diligence activities, which include human trafficking, anti-money laundering and anti-bribery and corruption checks on the third parties that we deal with.

As in 2019, we reviewed our UK supplier spend to examine and reconfirm that, against the Walk Free Foundation's Global Slavery Index, we are not exposed to modern slavery issues in our supply chain. Our repeat review of this exercise has identified that, across the top 100 countries in the index, 2.5 per cent of UK procurement spend is exposed to these territories. This compares to 2.8 per cent in 2019. Our spend in these countries is in categories that are typically considered to be low-risk, such as property rental and professional services. Full supplier due diligence is maintained in these areas to avoid any potential issues and an expert panel meets each week to review both new contracts and renewals to ensure that we remain vigilant on potential modern slavery exposure and ESG topics. In the UK, we require our suppliers to pay their employees the London or UK Living Wage, as set by the Greater London Authority and Centre for Research in Social Policy respectively.

Responsible working practices and health and safety procedures

Prudential recognises the importance of health, safety and wellbeing to help staff get the most out of life and meet our business objectives. By providing a safe and healthy workplace and preventing work-related injury and ill-health through the implementation of appropriate policy and standards, we are able to provide an environment that helps employees to connect, grow and succeed in their work. In 2020 the Group-level policy and standards were revised and aligned with ISO 45001:2018, the international standard for Occupational Health and Safety. The policy and standards apply to all our companies, locations and activities.

For the year ending 31 December 2020, no work-related fatalities were recorded (2019: zero). There were 30 health and safety incidents, resulting in 422 days of lost time (2019: 74 incidents resulting in 203 days of lost time). The increase in lost time is accounted for by two incidents in the United States: a road traffic accident (164 lost days), and a manual handling case (198 lost days).

Health and safety programmes across the Group have this year primarily focused on the response to Covid-19, ensuring that appropriate precautions are implemented in the workplace. We have also focused on providing training and awareness on prevention measures and health and safety best practices for the home. Communications are regularly sent to staff reminding them of the behaviours and protocols needed to protect themselves and the wider community from Covid-19. Our communications have focused on local regulatory changes, maintaining high standards of hygiene, protocols around health monitoring and attendance at the office, and sensible social distancing. Where staff have returned to the office, masks are encouraged to be worn by staff in common areas of the office and in some jurisdictions this is mandated due to local regulations. The Group has also provided intranet resource centres where staff can seek information concerning Covid-19 precautions and best practices, travel restrictions and Covid-related news.

Health and safety teams across the Group have provided online seminars for staff and are available to staff should they have any questions or concerns. We have also implemented PRUThrive, a holistic wellbeing programme to support the mental, physical, financial, family and social wellbeing of employees. We also provide a 24-hour Employee Assistance Programme, offering support and advice through an external provider, and in 2020 launched a science-based mental health and wellbeing app.

Treating customers fairly and responsible product design

The value that products are likely to bring to our customers and the quality of product materials and ongoing communications are given the utmost consideration in our businesses. Although many of the financial needs and objectives of our customers are simple, the products we design may seem complex from a customer's perspective. This complexity may make it difficult for a customer to understand the costs and value of the product, and how best to utilise the product to meet their needs.

Prudential's products are designed in accordance with customer conduct standards of treating customers fairly and of providing products and services that meet customer needs, are easy to understand and deliver real value. We design products with a deep understanding of the target customers' protection and savings needs across their life stages. Our development process includes the assessment of policyholders' reasonable expectations created by the product and determines how those expectations are met and managed throughout the product life cycle.

We aim to simplify our insurance products and how they are explained in product documentation and by salespersons, so that customers can easily understand the features, benefits and associated terms and conditions and are able to clearly assess how products fit with their needs. To protect vulnerable customers, our product development process identifies customer segments for whom the product is not suitable and/or where assistance and further protection might be needed during the sales journey (eg additional point of sales controls, welcome calls). Identifying and treating vulnerable customers with extra care is a core component of training for our sales force.

New products are approved by business unit product committees that comprise of participants from relevant business functions to ensure there is a complete understanding of product risks, including financial, capital and regulatory considerations, as well as a focus on the potential customer experience.

Through Pulse, our health and wealth super-app, we are increasingly focused on making insurance more inclusive to underserved populations of society, through bite-sized digital products and services at little or no cost, and minimal or no underwriting criteria or barriers. We are also expanding from mortality and morbidity protection, to helping people prevent and postpone adverse health events. Accessible to everyone, Pulse combines healthcare and technology to help and incentivise people to prevent and postpone disease and protect customers by empowering them to take control of their health and wellbeing. We are also working with our distribution partners to increasingly design protection products with diversity and inclusion in mind, such as creating products for gender-specific needs.

We strive to ensure our claims process is simple, fair and transparent, and our staff and agents are professionally trained to support customers in their time of need. Each of our businesses closely monitors customer satisfaction using surveys at touchpoints throughout the customer journey, and also through the monitoring of complaints.

Our businesses are required to comply with their local regulatory requirements and meet our Group-wide policies and standards, including our Group Code of Business Conduct and our Customer Conduct Risk Policy, which covers the fair treatment of customers. Compliance is achieved through the regular training of intermediaries to ensure that the salesforce has a clear understanding of our products, the target customers for each product, and the customer risks inherent in each product; and through the embedding of controls, including customer financial needs analysis and risk appetite profiling, to ensure the suitability of product sales. We are increasingly using technology, particularly electronic point-of-sale tools and e-submissions, to control the sales process and provide sufficient consumer safeguards. During 2020, our compliance controls evolved as we introduced virtual face-to-face selling and remote selling options during the Covid-19 pandemic. Compliance monitoring is performed across the customer and product life cycle, and disciplinary frameworks reinforce compliance through actions up to and including termination.

Management of direct operational environmental impacts

We seek to actively reduce our direct impact on the environment in line with our purpose of improving the lives of our customers and their communities. To understand our impact, we measure our environmental performance and take action to improve our performance.

Our Group Environment Policy forms part of our Group Governance Manual and applies to our operational properties worldwide, guiding our approach to the management of the direct impacts of our business units. This includes compliance with environmental laws and regulations with respect to emissions, energy consumption, water use, waste disposal, environmental supply chain management and the adoption of risk management principles for all property-related matters. As with all policies, business unit performance is monitored against the Group Environment Policy and updates are provided to the Board. More information on our broader strategic approach to the management of climate change risks and opportunities is provided in the stewarding of the human impacts of climate change section on page 20 of this report.

The highlights of our 2020 environmental performance are available below. Our 2020 reporting covers the period 1 October 2019 to 30 September 2020, and selected indicators are assured by Deloitte LLP. Where relevant, comparatives have been restated to remove M&G data.

We have set a target to become net carbon neutral across our Scope 1 and Scope 2 emissions by the end of 2030, through a combination of a 25 per cent reduction per full time employee (FTE) in our operational emissions, and the implementation of carbon offsetting initiatives. The expression of the target in terms of an intensity ratio, rather than as a gross emissions figure, allows for the future growth in the size of our business, while driving improvements in the overall efficiency of our operations. These targets will take effect from 2021. Further details are provided later in this section.

Energy and emissions data

Greenhouse gas (GHG) emissions are broken down into three scopes. We have included full reporting for Scope 1 and 2 and selected Scope 3 reporting. 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. We have stated our Scope 2 emissions using both the location and market-based methods in line with the GHG Protocol Scope 2 Guidance. Our Scope 3 footprint includes UK-booked business travel, water consumption from the UK, US and Asia, and waste generated from the UK and US. Aligned with our past commitments, we chose to offset our UK-procured air travel emissions.

SECR Report

We are required to report our global GHG emissions for 2020 in accordance with the Streamlined Energy and Carbon Reporting (SECR) format of the Companies Act 2006 (Strategic and Directors' Reports). This statement is shown below.

	2020	
	UK and offshore	**Global (excluding UK and offshore)**
Emissions from activities for which the company own and control, including combustion of fuel and operation facilities (Scope 1) tCO_2e	147	5,490
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location based) tCO_2e	125	42,995
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, market based) tCO_2e	208	42,995
Total gross Scope 1 and Scope 2 emissions (location-based) tCO_2e	272	48,485
Intensity ratio: tCO_2e/m^2	0.0484	0.0972
Intensity ratio: tCO_2e/fte	1.0146	2.6245
Energy consumption used to calculate above emissions: kWh (Scope 1)	764,344	23,903,383
Energy consumption used to calculate above emissions: kWh (Scope 2)	543,498	77,714,027

For the purposes of compliance with the requirements of SECR, we confirm that no energy reduction projects were undertaken in the UK portfolio during 2020. Information on our Asian initiatives is included below under 'Regional emissions trends'.

Group Position

A summary of our Scope 1, 2 and 3 emissions is provided below. The table also includes a total for Scope 3 data in relation to air travel, water and waste.

Emissions Source (tCO_2e)	**2020**	**2019**	**Change**
Gross emissions			
Scope 1	5,637	7,332	-23.1%
Scope 2 – Market based	43,203	49,092	-12.0%
Scope 2 – Location based	43,120	48,900	-11.8%
Scope 3	2,164	6,248	-65.4%
Total: Scopes 1 & 2*	48,840	56,424	-13.4%
Total: Scopes 1, 2 & 3†	51,004	62,672	-18.6%
Carbon intensity			
kg per m^2 – Scopes 1 & 2	96.24	105.38	-8.7%
Tonnes per employee – Scopes 1 & 2	2.61	3.14	-16.9%
kg per m^2 – Scopes 1, 2 & 3	100.51	117.05	-14.1%

* Market based emissions.
† Assured Scope 3 emissions.

Data notes:
Reporting period: 1 October 2019 to 30 September 2020.
Full details about scope of reported data included in our Basis of Reporting on the Prudential plc website.
Deloitte LLP has provided limited assurance over selected environmental metrics in accordance with the International Auditing and Assurance Standards Board's (ISAE3000 (Revised)) international standard. Further information and Deloitte's assurance statement can be found on the Prudential plc website.
Data restatements: 2019 Scope 1 emission data restated to reflect improved availability of fuel usage data.
To enable comparative reporting in terms of performance reductions (both absolute and by intensity) the reported data for 2019 and 2020 excludes M&G.

Across our occupied estate, our global absolute Scope 1 and 2 (market-based) GHG emissions were 48,840 tCO_2e, down 13.4 per cent on 2019. The main driver of the decline was the widespread reduction in energy use within our office network associated with the Covid-19 pandemic.

When normalised against net lettable floor area, our Scope 1 and 2 emissions were 96.24 kg CO_2e/m^2. This represented an 8.7 per cent reduction over 2019.

The magnitude of the decline across the total Scope 1 and 2 emissions was relatively modest, given the scale of the operational disruption caused by the pandemic. This reflects that most of the office estate in Asia and Africa remained open through the period to support a continued, albeit reduced, employee presence (through for example split team working). With social distancing measures in operation, the increased floor space required for each employee did not result in a proportionate reduction in energy use. It should also be noted that the effect of the timing of the reporting period for Group emissions (1 October 2019 to 30 September 2020) means that only nine months of pandemic-related impacts were captured in the 2020 reporting. With more of our employees working from home (and, therefore, consuming electricity) there has been an increase in emissions from this source, which has not been captured in our reporting.

We have, however, started work to model the potential impact in order to understand the associated implications, noting that these would technically be categorised as Scope 3 emissions.

Total Scope 3 reported emissions fell by nearly two-thirds to 2,164 tCO_2e. Air travel, which accounts for the majority of reported Scope 3 emissions, and it fell by 67.7 per cent to 1,965 tCO_2e reflecting the impact of travel restrictions and other control measures related to the pandemic. We continue to work with our business units across all of our regions to extend our Scope 3 emission reporting.

Across Scope 1, 2 and 3, emissions per square metre fell 14.1 per cent to 100.51 kg CO_2e/m^2.

In 2021, we intend to review our Scope 3 reporting boundaries and broaden these over time. Our ultimate intention is to calculate and disclose emissions from our wider supply chain and investment portfolio in line with broader improvements in the quality of data and breadth of disclosures.

Regional emission trends
The restructuring of the Group, resulting in the demerger of M&G, has substantially reduced the Group's office footprint in the UK. The majority of the estate is now located in Asia and, to a lesser extent, in Africa.

Asia's Scope 2 emissions have been in decline since 2017, falling to 23,183 tCO_2e for Scope 2 emissions from 26,627 tCO_2e in 2019 and were impacted by the pandemic, as noted above. During 2020, a total of 34 energy efficiency and behavioural change projects were carried out in Asia, with a combined estimated saving of 895 tCO_2e per year. Measures implemented included the installation of LED lighting, installation of direct current motors in fan coil units and reducing lighting operation hours. We also implemented eight waste reduction initiatives in 2020, including initiatives such as donating excess furniture to be used in an agency office rather than disposal in Malaysia, and providing reusable lunch bags and reducing the use of plastic single use water bottles in Indonesia.

Our occupied estate in Africa expanded by 68 per cent in 2020, with a concurrent increase in headcount of 75 per cent, and we expect the Africa footprint to continue to grow. The gathering of energy data in Africa continues to become more reliable, leading to improvements in data quality and completeness.

The Jackson property portfolio represents 26 per cent of the occupied area of Prudential and accounts for 49 per cent of the Scope 1 and 2 emissions footprint. This is predominately due to the presence of data and disaster recovery centres in the portfolio, which are very energy-intensive and against which it is more challenging to deliver energy saving. However, there has been a 12.1 per cent intensity reduction in Scope 1 and 2 emissions in 2020, reducing them to 179 kg CO_2e/m^2. These reductions can be attributed predominantly to lower occupancy and shutdowns associated with the pandemic, as the occupied area and overall headcount have remained consistent with 2019. The impact of the pandemic is also noted in the 35 per cent reduction in Scope 1 emissions.

Waste and recycling
The quality of our waste and recycling reporting continues to improve, although some challenges remain. For example, where we are tenants in multi-tenanted buildings, the data is only provided to us on a consolidated basis and not broken down by individual tenant.

During 2020 we generated 749 tonnes of waste in the UK and US included in our Scope 3 reporting. The Scope 3 carbon emissions associated with our total waste generation are calculated at 140 tCO_2e, a minor contribution to our overall corporate footprint in comparison with the energy use of our buildings and air travel. Of the UK and the US total, 62 per cent was diverted from landfill through recycling, composting or incineration.

The gathering of waste data in Asia has increased in 2020. We have developed a set of Waste Management Guidelines to raise awareness of the importance of accurate reporting of waste, as well as to practical advice on waste reduction measures for employees engaged in waste management activities.

Water consumption
In 2020, absolute use of water across our global occupied estate (excluding Africa) was 170,648 m^3, an intensity ratio of 0.35m^3/m^2, a reduction of 26 per cent when compared with our like-for-like water consumption in 2019.

As part of our site assessment programme in Asia, the inspection team looked at our water usage to identify ways in which we could reduce our water consumption. As we are predominately tenants in multi-tenanted buildings, where the landlords are responsible for the maintenance and management of the air conditioning, toilets and other common facilities, only limited opportunities to reduce our water consumption were identified.

Global environmental targets
In 2016 we developed a global environmental targets framework to drive improvements in environmental operational performance. As reported in our 2019 report, this framework was based on the operational footprint of the pre-demerger Prudential Group and, as such, several targets are no longer relevant to the demerged Group.

Our Asian operations have completed four of their five targets, and partially completed the fifth target. Through the programmes implemented as part of this process, we have gained a greater insight into how our sites currently consume energy and the opportunities to reduce this consumption. Notably, we have completed an environmental emission review for the 20 largest energy-consuming locations; created environmental guidelines for all new leasing and fit-out projects; and reviewed our water efficiency and waste management with guidelines adopted by our businesses. The energy management campaign was delayed to better leverage the data collected in the energy assessment, and then further delayed by the Covid-19 pandemic, but will be launched in 2021 to support our new targets.

New targets for 2030

During 2020, we reviewed our global environmental targets framework and have established new targets for the period 2021 to 2030. Our aim is to become net carbon-neutral across our Scope 1 and Scope 2 emissions by the end of 2030, through a combination of a 25 per cent reduction (per FTE) in our operational emissions and implementing carbon offsetting initiatives. This commitment is aligned to our purpose of helping people get the most out of life by enabling a lower-carbon economy through good governance and responsible business practices. The new target will apply across all our operations and improve our ability to communicate a simple and clear environmental strategic direction to all our stakeholders.

During 2020, we engaged a global property services company in a multi-year contract to provide specialist environmental consultancy services to support our aim of reducing the intensity ratios in our Scope 1 and 2 carbon emissions.

Our priority is to reduce our carbon emissions, on an intensity metric, and the site assessment programme has highlighted a number of initiatives that we can implement across the property portfolio to achieve this aim, as well as practical measures that we can take to deliver operational improvements. From these assessments, Scope 1 and 2 carbon reduction road maps are being developed to support the delivery against our target.

We have gained a clear understanding of how we use energy within our property portfolio, and given that the majority of our office space is leased on relatively short-term commitments, we have opportunities to address operational improvements as leases come up for renewal through implementing energy-saving measures or selecting more energy-efficient spaces.

In parallel to these initiatives in our existing property portfolio, we are rolling out a campaign in 2021 to drive behavioural change in terms of energy, water and waste reduction, and it is anticipated that this will be vital to the achievement of our targets.

We are implementing a range of tools and initiatives that will enable further reductions in the Group's energy consumption footprint over the longer term. Some examples include the development of green leasing and design guidelines to assist property management teams to select premises and design our workplaces that will help achieve energy efficiencies; the embedding of sustainability considerations being highlighted in our project approval process; and improved performance tracking through the use of a web-based platform, which will enable our businesses to track progress against targets at an asset level.

Enforcement actions and other regulatory events

No fines or regulatory actions occurred during the year for environmental incidents (2019: zero).

> "Our aim is to become net carbon-neutral across our Scope 1 and Scope 2 emissions by the end of 2030, through a combination of a 25 per cent reduction (per FTE) in our operational emissions and implementing carbon offsetting initiatives."