



PRUDENTIAL



# Environmental, Social and Governance Report 2016

Prudential plc



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# Foreword

Prudential exists to take the risk out of people's lives. By offering financial protection against adverse events and providing opportunities to save and then turn those savings into secure retirement income, we help remove the uncertainty from some of the biggest decisions our customers face.

While serving our customers is at the centre of our business, we approach all of our stakeholders with the same sense of responsibility and commitment. From our investors, suppliers and employees to the wider communities in which we operate, we work with a clear, positive purpose.

This report summarises our environmental, social and governance performance over 2016 and shows how that approach is applied and its outcomes for all our stakeholders. It demonstrates how, across many different areas including our products, our technology, the environment and our communities, Prudential is a sustainable business with a positive impact.

I hope you find the report useful and informative.



A handwritten signature in black ink, appearing to read 'Mike Wells'. The signature is fluid and cursive, written over a white background.

**Mike Wells**  
Group Chief Executive  
Prudential plc

# About Prudential

Prudential plc is an international financial services group serving around 24 million life customers and with £599 billion of assets under management. The Group has operations in Asia, the US, the UK, Europe and Africa, and has primary listings on stock exchanges in London and Hong Kong, with secondary listings in Singapore and New York.

## What we do

Prudential provides long-term savings and protection products, retirement income solutions and asset management to customers in markets on four continents, enabling them to look to the future with confidence.

We were founded in London in 1848 on the principles of integrity, security and prudence, and we still adhere to those values today. Through our innovative products and strong distribution networks, we meet the growing needs of customers in different parts of the world. By helping to build better lives and stronger communities and to fuel the growth cycle, we create long-term value for both our customers and our shareholders.

## We are focused on three main opportunities around the world

In Asia, there is a growing and increasingly affluent middle class that is largely uninsured and has significant and growing needs for protecting its health and managing its wealth. We create and distribute products to meet those needs.

In the US, the baby boomer generation is moving into retirement, and will continue to do so at the rate of 10,000 people per day for the next 20 years. We provide retirement products and income strategies aimed at meeting their needs.

In the UK, which has an ageing population that has not saved enough for the future, there is an increasing demand for savings products and retirement income solutions. Our UK businesses offer products that meet that demand.

## United States

Prudential's US operation, Jackson National Life Insurance Company, provides retirement products and income strategies aimed at the 75 million baby boomers in the US. Jackson's pursuit of excellence in product innovation and distinctive distribution capabilities have helped it forge a solid reputation for meeting the needs of customers.



## Africa

We now have operations in four African countries – Ghana, Kenya, Uganda and Zambia – offering more than two million new customers access to the benefits that the Group provides.



## United Kingdom and Europe

Prudential is a leading provider of savings and retirement income products in the UK. Prudential UK's particular strength lies in investments that help customers meet their long-term goals, while also protecting them against short-term market fluctuations.

M&G Investments is an international asset manager with £265 billion in assets under management and more than 80 years' experience of investing on behalf of individuals and institutions. Its goal is to help our customers prosper by securing long-term returns from their savings.



## Asia

Prudential Corporation Asia has leading insurance and asset management operations across 14 markets and serves the emerging middle-class families of the region's outperforming economies. Prudential has been operating in Asia for over 90 years and has built high-performing businesses with multi-channel distribution, a product portfolio centred on regular savings and protection, award-winning customer services and a widely recognised brand.

Eastspring is Prudential's Asian asset management business, managing more than £118 billion in assets on behalf of institutional and retail clients. Eastspring provides investment solutions across a broad range of asset classes, including equities, fixed income, multi-asset, infrastructure and alternatives.



# About this report

## Overview

This report provides a summary of Prudential plc's environmental, social and governance (ESG) performance for the 2016 calendar year (except where noted).

The content of the report meets the new ESG 'comply or explain' requirements under the Hong Kong Listing Rules introduced on 1 January 2016.

Much of the material contained in this report can also be found in the Group's regular financial, corporate responsibility and other reporting. This is the first time the Group has reported all of this and other ESG material in the same publication.

Under the Hong Kong Listing Rules, the Group is required to produce a new ESG report every financial year. We are committed to continuing to develop our ESG reporting into the future.

## Scope of the report

The information in this report covers Prudential's activities both at Group level and within our various operations around the world.

## Our approach to ESG

Prudential's purpose is to help people de-risk their lives and deal with their biggest financial concerns. We use our capabilities, footprint and scale to meet the long-term savings and protection needs of an increasingly self-reliant middle class, creating value for both our customers and our shareholders.

Our relationships with our customers are long-term, so it is vital that our strategy and its execution ensure that we are a sustainable business. Our success in delivering for our customers and shareholders depends on effective engagement with our stakeholders.

Managing a sustainable business means managing a wide range of ESG issues. Every one of these areas is integral to our performance and sustainability and we approach them accordingly.

## ESG governance and prioritisation

In 2016, we established a cross-functional working group to undertake a Group-wide review to identify the ESG issues that are most material for Prudential. This included identifying ESG trends, risks and opportunities directly applicable to Prudential, and wider ESG issues reported on by our peers. We determined the relevance and significance of each ESG issue to Prudential and our stakeholders, and then prioritised these issues according to the greatest impact on the sustainability of our business. The most significant issues have been included in this report.

The preparation of this report by the ESG working group was overseen by our Group Risk Committee, our Group Audit Committee and, ultimately, our Board.

We continually monitor the changing environment in which we operate to ensure that those ESG issues that are important to our stakeholders are captured and managed on an ongoing basis. This means that our material ESG issues can be very complex, with conflicting stakeholder interests and expectations. We endeavour to manage these expectations in a transparent and fair manner. Our comprehensive identification processes allow us to respond to our material ESG issues in a considered and managed way.

## Content of the report

Our key ESG issues fall into the following areas: business integrity, customers, environment, responsible investment, suppliers, technology, people and communities. Our material is therefore presented in these categories within the report. The order of presentation is not intended to reflect any particular priority.

Ten of our material ESG issues correspond to reporting 'Aspects' in the ESG Reporting Guide under the Hong Kong Listing Rules. Given the nature of our business, only one 'Aspect', Health and Safety, was identified as not being as material to the Group as other ESG issues and has only been briefly covered on page 23 of the report.

We continually monitor the changing environment in which we operate to ensure that those ESG issues that are important to our stakeholders are captured and managed on an ongoing basis

# How we engage with our stakeholders

Appropriate engagement with our stakeholders is key in helping us to identify and manage our ESG issues and ensure the success of our business. The feedback we receive from our external stakeholders, in particular, helps us to design and improve the processes and policies with which we govern ourselves.

Our stakeholders range from private individual customers to institutional investors, employees, charitable organisations and national regulators. As such, our channels of engagement differ depending on the stakeholder

– some are formal and others more informal. Most of our stakeholder engagement is conducted by our local businesses, although our Group Head Office leads on engagement for others, such as with our investors.

Below is a summary of who our global and local stakeholders are, how we engage with them and the areas of interest for each group in 2016.

Stakeholder group	How does Prudential engage with these stakeholders?	Areas of interest raised by these stakeholders in 2016
<b>Customers</b>	Contact centres, online servicing, face-to-face advice, annual statements, surveys.	Retirement income choices, service delivery (including service delays), UK pensions freedom reform.
<b>Investors</b>	Half and full-year results, Annual Report, Annual General Meeting, investor briefings.	Customer satisfaction, product suitability, diversity, employee training and retention, remuneration, succession planning, responsible investment, financial strength and performance, risk management.
<b>Employees</b> (including contractors, potential recruits and trade unions)	Surveys, town hall meetings, awaydays, team meetings, appraisals, intranets, training programmes.	Diversity and inclusion, employee relations.
<b>Governments</b> (including central banks, stock exchanges and global policy bodies)	Meetings, input to policy papers, sector-wide analysis, partnering and/or speaking at public and private events, data input.	Responsible business, role in financial stability, customer fairness and engagement, sector regulation, responsible investment.
<b>Regulators</b>	Senior management meetings, discussions on key policy proposals, annual meeting of the Regulatory College of Supervisors, continuous working-level engagement.	Governance, conduct risk, cyber security, customer protection, Solvency II, G-SII and international capital standards.
<b>Civil society</b>	Meetings, data sharing, sector benchmarks.	Inclusion, education, disaster relief, climate change support and funding.
<b>Media</b>	Media releases, meetings and calls, monitoring of media output.	Financial performance, business strength, leadership, remuneration, low-carbon economy.
<b>Suppliers</b>	Assessments, contract negotiations, review meetings.	Data protection, anti-bribery and corruption, environment (waste management), human rights, Modern Slavery Act.

# Business integrity

Responsible and ethical behaviour is of fundamental importance to us and is integrated throughout our business. We believe that the way in which we conduct ourselves on a daily basis is key to building trust, maintaining our reputation and positive relationships with our stakeholders and ultimately in achieving business success.

As such, we set ourselves high standards for professional and ethical conduct and work to ensure that these standards are met by all our employees and by any individuals and organisations acting on our behalf.

Responsibly managing our business is both imperative for Prudential and the right thing to do. We have embedded a robust framework throughout our operations to ensure that we have the necessary infrastructure to manage existing and emerging risks in this area.

## Standards of conduct

We have a clear, strong governance framework. Our [Business Code of Conduct](#) and our Group Governance Manual include a series of guiding principles to govern the day-to-day conduct of all our employees and any organisations acting on our behalf. They set out what we expect of each of our employees and what our customers and communities expect of us – the highest possible standards of professional and ethical conduct. This is reinforced by specific policies across all our operations and markets, which are regularly reviewed to help ensure we act in a responsible manner in everything we do.

During 2016, we launched an independent, externally hosted whistleblowing website and hotline system, Speak Out, which allows individuals to raise concerns and seek guidance on a broad range of issues (see case study opposite). To help us to identify further improvements and contribute to knowledge sharing in the industry on whistleblowing, we participate in the Public Concern at Work benchmarking forum, which sets a standard for the whistleblowing systems in use across the financial services sector. This will complement continued training and awareness building across the Group in 2017.

In line with our commitment to managing our existing and emerging conduct risks, we plan further upgrades to our investigations and reporting system in 2017 to improve oversight of our investigations of concerns. The enhanced system will allow more effective link analysis, which may identify systemic issues. The system will also provide globally consistent processes, promote swifter escalation of significant issues and allow subject matter expertise to focus on those issues in a more timely fashion.

## Financial strength

Prudential contributes to financial stability and sustainability in all of the markets in which we operate by maintaining sound compliance with all relevant regulatory requirements and more broadly through the positive role we play in the global economy.

The disciplined execution of our strategy, underpinned by the cash-generating nature of our business and our maintenance of appropriate capital, positions us well to be able to continue to deliver high-quality products and services to our 24 million customers and long-term profitable growth to our shareholders, and thus to add strength and stability to the financial system of which we are a part.

For detail on our financial performance last year, please see our [Annual Report 2016](#).

Following recent work by our regulator, the Financial Stability Board on Global Systemically Important Insurers (G-SIIs), Prudential was reaffirmed as a designated G-SII in 2016 in light of updates made to the methodology. This status reflects our size, market importance and global interconnectedness as an insurance provider, in that our financial stability is considered important to the global financial system and economies. As a result, we are subject to additional regulatory requirements, including enhanced Group-wide supervision, effective resolution planning and development of a Systemic Risk

Management Plan, a Recovery Plan and a Liquidity Risk Management Plan. We are monitoring the development and potential impact of the policy measures and are continuing to engage with regulators on the implications of these measures.

## Responsible tax practices

The responsible and sustainable management of our tax affairs helps support our constructive relations with our stakeholders and plays a positive role in the economy. We understand the importance to governments of paying the right amount of tax on time, and so we take our tax compliance obligations seriously. Our tax affairs are managed transparently (in line with our tax strategy and our tax risk policy) and we seek to build constructive relationships with tax authorities. More information on our tax strategy, what we mean by paying 'the right amount of tax' and our tax practices will be made available on our website before 30 June 2017.

In 2016, the Group's global tax contribution was just under £2.89 billion. This significant contribution plays an important part in helping the communities in which we operate provide valuable public services and build infrastructure for the benefit of the wider community and the economy.

During 2016, we reviewed our tax strategy and our tax risk policy, both as part of our regular governance review and to comply with new UK legislation that requires us to publish our UK tax strategy for the first time in 2017. As a global financial services group, we will also provide insight on our responsible and sustainable tax practices worldwide, alongside additional tax disclosures, which complement the existing disclosures in our 2016 Annual Report.

## Fighting financial crime

Financial crime can have significant consequences for our customers, our business and the economies in which we operate and we are committed to participating in industry-wide efforts to

address this. We maintain and implement our own anti-money laundering, counter-terrorist financing, anti-bribery and corruption and anti-fraud practices and procedures.

We do not tolerate corruption and the payment or receipt of bribes for any purpose, and have set out a clear [Anti-Bribery and Corruption Policy](#) to guide behaviour in this area. We believe that the prevention, detection and reporting of bribery and corruption is a shared responsibility, and our policy requires all our employees to receive appropriate training to ensure that they are able to recognise, avoid and report any potential instances of bribery or corruption, wherever they may be. We monitor anti-bribery and corruption proactively and carry out regular risk assessments across all of our businesses, as we recognise that practices, customs and regulatory requirements vary greatly across our markets. Our Group Risk Committee receives regular updates on the

management of anti-bribery and corruption risk and the Group Audit Committee reviews the effectiveness of the programme on an annual basis. During 2016, an external review of the Group's anti-bribery and corruption programme was undertaken. Recommendations from the review are being taken forward by management.

Specialist teams across each of our businesses support our anti-financial crime programme, conducting fraud risk assessments and developing and supporting anti-fraud systems and controls tailored to their specific business risks and regulatory environment.

We have Group-wide policies in place in relation to anti-money laundering, fraud, counter-terrorist financing and sanctions. Detailed risk assessments are conducted by all our businesses, supplemented by proactive programmes of monitoring appropriate to the specific regulatory

requirements of each local jurisdiction. The Group Audit Committee reviews the effectiveness of the programme and associated controls on an annual basis, and regular updates are provided to the Group Risk Committee. Due to the sensitive nature of these policies, we have not made them publicly available.



### **Case study: Speak Out Enabling individuals to raise concerns about misconduct**

In 2016, we launched an independent, externally hosted whistleblowing website and hotline system, Speak Out, which allows individuals to raise concerns and seek guidance on issues ranging from bribery, corruption and fraud to damage to the environment. The hotline is supported by our Confidential Reporting Requirements Policy Standard, which can be found [here](#).

The programme includes a multilingual, externally hosted website available to all employees, which is complemented by Freephone telephone lines. Speak Out is publicised across the Group, using a broad range of different media to encourage our staff, and also our contractors, vendors and agents, to raise any concerns they may have about conduct across the Group.

We address any concerns raised through the Speak Out process, ensuring that all issues raised are dealt with appropriately, where necessary through objective, independent and robust investigations. The Audit Committees across the Group monitor the progress of Speak Out investigations.

# Meeting customers' needs

Serving our customers well is core to our strategy and to creating long-term sustainable value. We provide fair and transparent products to meet our customers' needs, often providing solutions as they face the biggest financial challenges of their lives.

Those challenges vary in different parts of the world, and in each of our businesses we are focused on providing for a distinct set of needs: the significant and growing demand for saving and protection of the middle class in Asia, the retirement income needs of baby boomers in the US, the financial requirements of the UK's ageing population, which needs both to save more and to access secure income in retirement, and the growing needs of customers in our new markets in Africa.

Our customers' needs are continually evolving. We want them to stay with us for the long term, and this involves proactively listening to them, and developing new and innovative products and solutions, to improve access to financial protection and deliver consistent and sustained performance over the long term.

## Our commitment to customers

The way we treat and engage with our customers puts them at the heart of what we do. This includes product proposition planning, the sales process and the ongoing service we deliver from policy inception through to when the product finishes its life cycle.

We aim to provide the highest standards of service at all times to our customers when managing their products, across our Group. We understand the trust that people put in us when they choose our products and services to meet their financial objectives and believe we have a duty to act to advance their interests responsibly and with integrity. To deliver this, we work to deliver against a set of five commitments to our customers, outlined in our Business Code of Conduct:

- 1 Treat customers fairly, openly and honestly.
- 2 Provide and promote a range of products and services that meet customer needs, are easy to understand and deliver real value.
- 3 Maintain the confidentiality of our customer information (except where the law requires disclosure).
- 4 Provide and promote high standards of customer service and monitor these standards rigorously.
- 5 Ensure that our complaints processes provide an effective and fair means of arbitration between the Group's businesses and customers.

Our Group Customer Risk Policy sets out how we achieve these five customer commitments, and we assess compliance with this annually, requiring regular reporting of key performance metrics, and the completion of annual assessments by our respective businesses.

Our businesses shape their own customer strategies given their distinct market needs, in order to best deliver those five commitments to their customers by implementing policies and procedures that are relevant to their respective markets. We work hard to give our customers the highest level of service throughout their engagement with us. We manage this right through from reviewing our sales processes to ensure that there are no conflicts of interest for our front-line staff, to the ongoing monitoring of performance covering the full customer life cycle.

## Addressing complaints

We have very high standards and do everything we can to ensure that all our customers receive the best possible service. If we get things wrong, we work hard to resolve the issue and restore high service standards. Rather than a Group-wide customer service policy, we have locally operated procedures in place to manage complaints from our customers in a timely, robust and professional manner. We monitor our complaints closely and our businesses undertake frequent root-cause analysis to drive improvements in our service and complaints handling and resolution.

In the UK, we are required to publish half yearly complaint figures – the latest available data can be accessed at: [www.pru.co.uk/about/complaints-data](http://www.pru.co.uk/about/complaints-data)

There are clear channels for our customers to complain, and a defined process for dealing with each complaint. Even in the best organisations, mistakes can occasionally happen or expectations may not always be met. We appreciate when our customers tell us when we have got something wrong, not least as it allows us to try and put things right and make improvements for the future. We always work to resolve customer complaints to our customers' satisfaction as quickly as possible, even when a complaint is more complex and takes longer to investigate.

Our customers' needs are continually evolving. We want them to stay with us for the long term, and this involves proactively listening to them, and developing new and innovative products and solutions



**Case study: Hong Kong  
Focus on health and nutrition**

As a life insurance provider, Prudential is aware of the importance of health and nutrition in ensuring a long and happy life, and the need to promote and educate on this topic. In Hong Kong, our customers have been offered access to a DNA-based health and nutrition test (nutrigenomics), providing individually tailored insights into how genetics affect their nutrition needs, dietary sensitivity and well-being. This nutrigenomics test was followed by granting access to nutrition experts through a mobile app to help customers achieve their health goals.

**Regulatory investigations**

We aim to provide transparency and accountability over any ongoing investigations.

In March 2016, the UK Financial Conduct Authority (FCA) published a report setting out its findings from its thematic review of the fair treatment of long-standing customers. (The FCA had investigated whether a number of firms, including Prudential UK, had failed to meet its standards.) The FCA has since published guidance for firms which provides additional detail on the actions they should be taking in order to treat their closed-book customers fairly.

In October 2016, the FCA also published the conclusions of its Thematic Review of Non-Advised Annuity Sales Practices. In conjunction with this, Prudential has agreed with the FCA to review annuities sold without advice after 1 July 2008 to its contract-based defined contribution pension customers in the UK. The review has commenced and is examining whether customers were given sufficient information about their potential eligibility to purchase an enhanced annuity, either from Prudential or from another pension provider. In due course Prudential will contact customers who may not have been given sufficient information and will provide redress, where appropriate.

**2016 highlights  
– product design and innovation**

Putting customers at the centre of our transactions involves a focus on product simplicity, transparency and fairness. Our businesses regularly review their product sets to ensure that they are designed fairly with regard to fees, rates and claims management policies, and that we innovate by developing new products and services and improve our existing products to meet changes in customer needs, market developments and technological advances. We regularly review our customer communications to ensure that they clearly articulate the costs and benefits of our products in a way that is easy for our customers to understand.

In 2016, a key focus of product development across our businesses has been to provide our customers with more flexibility and choice to meet their continuing changes in lifestyle needs.

In Asia, we opened a new Customer, Digital and Innovation Centre, which provides fully networked facilities that offer real-time customer testing of our digital platforms. These state-of-the-art focus group facilities will allow us to embed our customers' insights directly into our product, service and technology strategies. In addition, Prudential Singapore became the first insurer in

Singapore to launch an online community portal for customers to share ideas and to provide direct feedback on products and services. The new 'Pru-for-you' service encourages regular dialogue with our customers and will provide us with much better insight into their needs in order to provide products tailored to their financial and lifestyle requirements.

In the US, we have developed our product propositions to provide customers with full investment choice, to enable them to pay only for the guarantees and product features that they want. In 2016, we launched Perspective Advisory, the company's first fee-based variable annuity. Perspective Advisory was developed to meet increased market demand for products compatible with fee-based accounts and platforms as a result of the new 2016 US Department of Labor Fiduciary Rules. Our US business also relaunched its online Center for Financial Insight, which provides investors and employees with greater insight into important financial and investing topics. Since the relaunch in July 2016, more than 70,000 unique visitors have accessed information from the Center, 55,000 of whom are new visitors to Jackson.com.

In the UK, in light of the recent pensions freedom reform, we have continued to evolve our PruFund franchise, offering an increased range of choices in funds to

# Meeting customers' needs

## Continued

### Case study: Africa

#### Supporting hospitalisation costs

Prudential also helps to tackle healthcare financing in developing markets through provision of products such as Prudential Africa's Hospital Cash Product. This product pays a fixed benefit to customers on hospitalisation to prevent loss of income for those working in the informal sector. It plays a vital role in helping people live longer and healthier lives by seeking treatment earlier.

The Prudential Africa Hospital Cash Product is part of our micro insurance business which has helped over a million customers in sub-Saharan Africa in the last few years.

suit a spectrum of risk appetites. We extended the ways our customers can access investment funds to include the introduction of an online application process for the popular Prudential ISA product. We also launched the new Prudential Retirement Account – an online account-based plan that provides customers with the flexibility to save for their retirement, provide an income in retirement and facilitate access to their fund as they save. Improvements were also made to the tele-underwriting service for the Prudential Investment Plan, reducing the amount of time advisers spend on administration and giving them more time with their clients.

While we do not operate a formal Group-wide policy on product responsibility or product risk, we have in place a number of processes which help manage the risks arising from these areas.

#### Increasing access to financial protection

Access to insurance remains a critical issue, both in terms of product availability and distribution. We work hard to challenge ourselves to provide increased access to financial protection for potential customers, and to ensure that we build out and diversify our distribution channels for our current customers.

Distribution plays a key role in our ability to reach, attract and retain these valued customers across our regions. Our businesses work collaboratively with local NGOs and policymakers on this topic to better understand how we can address this, providing increased financial protection for our customers.

During 2016, we have continued to enhance our service offering to make dealing with Prudential as easy as possible. Prudential UK developed and rolled out a web-based video relay service to improve the way we connect with our deaf customers. This connects our customers with a British Sign Language interpreter to relay the conversation with the Prudential call handler in real time. Prudential UK is the first retirement product provider in the UK to introduce this service.

#### Industry awards

Throughout the customer journey, we place our customers at the heart of our thinking as we seek to provide their long-term security. In 2016, we won a number of industry awards, reflecting clear customer focus:

- In the UK, we won the Financial Adviser Service Awards 2016 'Five Star' rating for Investments, and 'Five Star' rating for Pensions. We also won the Investment Life & Pensions MoneyFacts Awards 2016 for the Best Investment Service, Best Investment Bond Provider and Best Online Service.

- In the US, Jackson has been recognised by The Service Quality Measurement Group, Inc. (SQM) for excellence in call centre service for the 11th time since 2004. Jackson received a record five awards, including being recognised as one of three finalists for 'Contact Center of the Year', based upon having the greatest combined customer First Call Resolution rate and employee overall 'very satisfied' rating, the highest possible category.
- Prudential Hong Kong was one of the most decorated companies at the prestigious Hong Kong Insurance Awards 2016, with a total of three top awards and seven finalist accolades, spanning 15 categories.

# Environmental performance

Energy use and climate risks are moving up the agenda of many regulators, governments, NGOs and investors. As the built environment is the single largest source of global greenhouse gas (GHG) emissions, we recognise the part we can play, as the occupier of more than 400 properties worldwide and operator of data processing centres, in reducing these impacts. As an insurance provider and asset owner and manager, we also have an opportunity more broadly to reduce the impacts of climate change through the services and products we provide to our customers and our investment decisions, supporting the transition to a low-carbon economy.

## Managing our impact

Our approach to managing our energy and climate-related risk is based on understanding and measuring our environmental impacts and playing our part in reducing them.

The Group Code of Business Conduct underpins all our activities, including minimising the impacts of our business operations on the environment. In addition, we have a [Group-wide environmental policy](#) that applies to the operational property of all Group companies, guiding how we manage our direct environmental impacts, including compliance with regulations, energy and water use and waste disposal, as well as supply chain management and the adoption of risk management principles for all property-related matters.

Our Environment, Health and Safety function within Corporate Property has global accountability for the Group's environmental policies and performance, and our environmental performance is reported at least annually to the Board. We seek accreditation where relevant to help us minimise the impact of our operations on the environment and to drive improvements. For example, our UK property estate is certified to ISO 14001, the international standard for environmental management systems.

The indirect environmental impacts of our investment decisions are managed by our relevant asset management and ownership businesses. For example, the approach of M&G Real Estate to responsible property investment enables it to manage and respond to the growing range of environmental and social issues that can

impact property values. This approach also helps M&G Real Estate protect and enhance fund and asset performance for its clients. Further information on ESG integration and governance considerations in our investment decisions is provided on pages 14 and 15 of this report.

In order to monitor performance, we have comprehensive reporting processes in place to measure and report on our global GHG emissions, together with waste and water data. An Environment, Health and Safety Council is in place, which acts as the conduit between the Board and our Business Units, reviewing performance, setting targets and sharing good practice. Environmental data is collated and reviewed quarterly to track performance trends and we continue to improve the quality of our data, relying less on estimation and more on direct data and billing information.

Measuring and reporting of our global GHG emissions is required under the UK Companies Act 2006 and across our UK operations through the Carbon Reduction Commitment Energy Efficiency Scheme, with which we comply. Our environmental data for the period 1 October 2015 to 30 September 2016 is assured by Deloitte LLP in accordance with the International Auditing and Assurance Standards Board's International Standard on Assurance Engagements (ISAE 3000 [Revised]). Further information on our environmental performance and Deloitte LLP's assurance statement can be found [here](#).

## How we are performing Energy and climate change

In 2016, although our absolute Scope 1 (direct emissions from fuels used in our buildings and owned vehicles) and Scope 2 (indirect emissions from purchased electricity, heat and steam consumed in our buildings) GHG emissions increased by 2 per cent across our occupied estate, when normalised against net lettable floor area, our Scope 1 and 2 GHG emissions actually fell by 7 per cent to 123 kgCO<sub>2</sub>-e/m<sup>2</sup> in 2016 (2015: 132 kgCO<sub>2</sub>-e/m<sup>2</sup>), driven by our GHG emission reduction efforts. These include optimising energy consumption through better control of building heating and ventilation systems, the installation of low-energy LED lighting and upgrading to more energy-efficient equipment through our mechanical and electrical plant life cycle replacement programme.

[Our approach to managing our energy and climate-related risk is based on understanding and measuring our environmental impacts and playing our part in reducing them](#)

# Environmental performance

## Continued



### Case study: Jackson A star performer

In 2015, Jackson opened its new environmentally responsible building at its corporate headquarters in Lansing, Michigan. Energy efficiency was central to the design of this building, maximising the use of natural light, optimising the cooling load and installing low-energy LED lighting and a green roof. The real test of such green buildings is how they perform in practice and the team there looked to the Energy Star programme to help them.

Energy Star is a US Environmental Protection Agency (EPA) programme designed to promote energy-efficient products and buildings by certifying the top performers. The EPA's 1-100 energy star score allows comparison between different building types across the US. A score of 50 represents average performance, while a score of 75 indicates the building is better than 75 per cent of similar properties.

In October 2016, the Energy 1-100 score of the Lansing Corporate Head Office was 81 (December 2012 baseline: 45), an increase of 80 per cent, placing this facility in the top 20 per cent of all buildings of its type. During this time, GHG emissions decreased by 27 per cent (1,900 TCO<sub>2</sub>-e).

M&G Real Estate has reduced its absolute Scope 1 and 2 emissions over the past year by 24 per cent to 28,532 tonnes CO<sub>2</sub>-e (2015: 37,536 tonnes) driven by a mix of changes in the portfolio (acquisition and divestment), changes to operational control of the assets and the impact of our energy efficiency investments. Six Green Stars in the 2016 Global Real Estate Sustainability Benchmark survey were also achieved during the year out of eight participating funds, compared with four Green stars in 2015. M&G Real Estate's progress can be found in its annual Responsible Property Investment report at [www.mandg.co.uk/institutions/realestate/responsible-investing/](http://www.mandg.co.uk/institutions/realestate/responsible-investing/)

A detailed breakdown of our GHG emissions can be accessed [here](#).

### Sector benchmarks

We maintained our sector positioning in key benchmarks, including the Carbon

Disclosure Project, with a B rating in 2016 (level with our peers), and ClimateWise, the insurance sector climate initiative managed by the Cambridge Institute for Sustainability Leadership, maintaining our position of ninth out of 19 participants. Our performance in ClimateWise against six core principles is independently audited by PwC.

### Business travel

Our UK business continues to collect travel data from employees' expense claims for private and company car travel and from corporate travel providers for air and rail travel. The impact of business travel is dominated by air travel (99 per cent of the UK booked travel footprint), although UK business travel decreased from 13,507 tonnes CO<sub>2</sub>-e in 2015 to 10,990 tonnes CO<sub>2</sub>-e in 2016. We recognise the importance of this impact in establishing our carbon footprint and will work towards extending the collection of this data beyond our UK operations in 2017.

### Water use

Our absolute use of water across our occupied estate (UK, Europe, US and Asia) has increased by 3 per cent to 238,761m<sup>3</sup> (2015: 232,716m<sup>3</sup>). We will develop programmes during 2017 to conduct water audits of our major facilities and establish improved monitoring regimes to identify opportunities to reduce our use of water. Capturing accurate performance data remains a challenge for our business, given the complexity of our global office estate, reliance on estimation in some cases and continual changes to the portfolio, driven by our operational policy in favour of short building leases to retain flexibility for growth in Asia.

### Waste

During 2016, we generated 2,089 tonnes of waste for disposal from our occupied estate in the UK and US, compared with 1,895 tonnes in 2015. Of this, 77 per cent was

recycled, up from 59 per cent in 2013. We continue to seek opportunities to reduce waste to landfill. For example, compostable food and drinks packaging was introduced at Jackson National Life's Corporate Head Office in Lansing, Michigan.

Processes are in place to ensure compliance with legal requirements with regard to waste. We do not report separately the hazardous waste generated by our operations as these are minimal for an office-based business such as ours and not considered material. As with water, accurate data remains a challenge and we will continue to work with our waste contractors and other partners to refine the accuracy of our data collection methods.

### Enforcement actions

No fines or regulatory enforcement actions occurred during the year for environmental incidents, the same as in 2015.

### 2016 initiatives

The Group has recognised the growing importance that our stakeholders place on reducing our own operational environmental footprint and the impacts of our business more broadly. In addition to the performance data trends reported above, the following initiatives were undertaken in 2016.

### Setting global targets

A significant challenge for our business has been the need for a broader set of environmental targets to capture the Group's operations, as much activity to date has been driven by our UK activities. In recognition of this, the Corporate Property team engaged international colleagues during an Environment, Health and Safety Council meeting and established a global framework, detailing a roadmap to 2020 covering energy, water, waste, building sustainability standards, procurement and ecology in our operations in the UK, Asia and North America. We believe this approach better reflects the way our business is managed and recognises the different market dynamics and maturity of environmental improvement across our regions. This framework can be accessed [here](#).

### Collaborating with our UK supply chain

We have harnessed the expertise of our procurement team to exploit environmental improvement opportunities in our supply chain. A new 100 per cent renewable energy contract for electricity purchased for our UK occupied property estate has replaced an earlier low-carbon energy contract. This covers 16 per cent of our global electricity consumption (Scope 2 GHG emissions).

Our IT team has leased additional space in a new data centre. Sustainability criteria were established as part of the procurement strategy and we sourced a sustainable facility in London, which is BREEAM-certified (the UK's green building standard), powered by renewable energy and highly energy-efficient, with indirect fresh air providing evaporative cooling.

We have also procured new 'follow me' printing services to reduce paper consumption and introduced more agile working practices in a number of our UK offices.

### Water scarcity

Prudential is a member of the European Chief Risk Officer Forum and actively participates in many of its working groups on research and publications that promote and develop industry best practices in risk management, align regulatory requirements with risk management best practices and provide insights on emerging and long-term risks. In 2016, Prudential contributed to a publication summarising the risks that water scarcity poses to the

insurance sector and the role that the sector can play in delivering solutions. These issues include supply, pollution, health, treatment, conflicts, regulatory and reputational risks, many of which are complex and challenging to assess. The publication can be accessed at [www.thecroforum.org/water-risk/](http://www.thecroforum.org/water-risk/)

As part of our continued membership of ClimateWise, we will explore how best to contribute to the water scarcity debate and other aspects of climate change.

### Building our capacity

In recognition of the growing importance of the environment, we strengthened our internal environmental capabilities and focus with the recruitment of a Head of Environment, Health and Safety. This new global-facing role will work with our Business Units to drive forward our environmental programmes.

## Case study: Hong Kong

### Going for gold

Our business in Asia is growing fast. This keeps our property team based in Hong Kong busy finding new properties for our growing workforce and refurbishing others. During 2016, the team delivered our first Leadership in Energy and Environmental Design (LEED) Gold refurbishment in Prudential Corporation Asia at our One Island East offices in Quarry Bay, Hong Kong. LEED is a leading global sustainability standard for new builds and building refurbishments.

A low-energy refit was delivered through the installation of LED lighting, provision of daylight sensor controls and specification of energy-efficient appliances. All flushing water needs were met through municipal-supplied seawater rather than potable water and a new high-efficiency flow regulator was fitted to the water supply system that uses 40 per cent less water than standard fittings. We also took the opportunity to bring the indoor environment closer to nature through a green 'living' wall and improve air quality through a new highly efficient air filtration system and the use of low (solvent) emitting paints, adhesives and soft furnishings and carpets. Seventy-eight per cent of construction waste generated through the project was recycled and diverted from landfill.

# Responsible investment

In the context of rising environmental pressures from climate change and the continuing and evolving universe of social issues facing individuals and communities, it is imperative that global businesses give consideration to the opportunities and challenges that these present.

Responsible investment principles are increasingly used to manage the reputational risks connected to ESG issues arising from a company's investment activity. There are two critical principles that underlie responsible investment: firstly, that ESG factors are considered in the investment process; and secondly, that something entrusted to one's care is carefully and responsibly managed (ie stewardship).

As a global financial services group serving around 24 million life customers and with £599 billion of assets under management (as at 31 December 2016), Prudential's investments are subject to ESG considerations that we incorporate into our investment decisions in order to generate sustainable, long-term returns.

While these factors are sometimes difficult to measure in monetary terms, they can impact the risks and returns of our investments. For this reason, we place the utmost importance on selecting the right assets, understanding 'at risk' industries and markets, and deciding whether to invest, by assessing potential and actual investee performance in respect of ESG-related matters.

As well as incorporating ESG considerations into our decision-making process, we recognise that we have the opportunity and responsibility to positively influence investee behaviour. Our asset management businesses take an active approach to engaging with investees on ESG-related matters.

## Our approach

The Prudential Group manages assets across a number of businesses, the principal ones being M&G, headquartered in the UK and Eastspring, headquartered in Singapore. We also have an asset manager headquartered in Chicago, Illinois, owned by our US business. We are long-term investors and are committed to managing our customers' assets responsibly. Wherever there is a meaningful impact on risk and return, our investment teams incorporate ESG factors into investment analysis and decision-making processes. Owing to the distinct investment risks faced by our asset management businesses

– each investing in differing markets and asset classes – each business manages ESG-related matters through the pursuit of individual responsible investment strategies.

At M&G, the governance and management of responsible investment activities are overseen by a Responsible Investment Advisory Committee, with appointed responsible investment coordinators for each asset class. The incorporation of ESG considerations into investment decisions is directed by the [M&G responsible investment approach](#), with underlying policies guiding the approach on selected responsible investment issues.

To address the climate change agenda, for example, engagement is undertaken with investees, setting carbon reduction targets for our direct property portfolio. Complementing this, M&G supports the transition to a low-carbon economy by positively investing in providers of environmental solutions and technologies that aim to enable clean energy to be generated economically. For further information on how M&G manages responsible investment, including how stewardship responsibilities are discharged, see [here](#).

In 2015, Eastspring embarked on developing its business-specific strategy for responsible investment, determining its approach to responsible investment and defining its role as a responsible shareholder. This work is being led by Eastspring's Responsible Investment Working Group (RIWG). From the outset, Eastspring's approach has been 'investment-centred', cognisant that responsible investment and the wider ESG framework cannot simply be a package that can (or should) be transplanted from one institution to another.

[As one of the world's largest real estate investors, M&G's assets collectively make a significant contribution to the economy of its local and national communities](#)

## Stewardship

Our asset management businesses are long-term active investors, and we take our stewardship role seriously – often working closely with the companies in which we invest. Active voting is an integral part of our investment approach, both adding value and protecting our interests as shareholders. On a regular basis, we actively exercise our votes and engage with investees on strategy, risk, performance and governance, including on ESG-related matters.

At the beginning of 2017, M&G for the first time published an annual report on its stewardship activities, reflecting the importance that M&G gives to being transparent and demonstrating how an active fund manager operates. M&G's Corporate Finance and Stewardship Report 2016 can be found [here](#).

## Industry involvement

We take a supportive and collaborative approach to industry initiatives on responsible investment. Both M&G and PPMSA (our portfolio manager in South Africa) are signatories to the United Nations Principles for Responsible Investment (UNPRI), and Eastspring is currently evaluating its provisions. The UNPRI works to change the way investors think about ESG, and to help the investment community understand the implications of ESG factors and use these to enhance returns and better manage risks. M&G and PPMSA's UNPRI 2016 submissions can be found [here](#) and [here](#), respectively.

## 2016 developments

In Eastspring, members of the RIWG participated in a number of industry and collaborative initiatives including speaking at the 2016 PRI Conference in Singapore. In April 2016, Eastspring also formed an 'ESG Research, Risk & Engagement Committee', led by its Chief Investment Officer

(Equities), to look at (among other issues) its engagement practices on responsible investment and improving its understanding of current industry issues through collaborative initiatives.

As one of the world's largest real estate investors, M&G's assets collectively make a significant contribution to the economy of its local and national communities. The businesses that occupy the shopping centres, offices, retail and industrial properties in which we invest range from multi-national corporations to family businesses and sole traders. During 2016, M&G Real Estate conducted work to measure the direct and indirect impacts of its funds under management in order to better understand their socio-economic contribution. For further information on indirect investments in building new homes, or jobs generated, see the [M&G Responsible Property Investment Report](#).



### Case study: M&G ESG analysis in social housing

Due to the long-term nature of lending to the social housing sector, ESG factors have considerable impact, affecting both creditworthiness and collateral value. For example, long-term employment patterns and welfare risks affect the affordability of rental payments for tenants. At M&G, a diligent approach is taken to ESG analysis, with these factors being considered within credit analysis, due diligence, investment and engagement processes.

During credit analysis, M&G also assesses risk factors such as the proportion of tenants receiving state welfare payments and the geographical concentration of the diversity of housing stock, using scenario modelling to better understand and manage the impact of the ESG factors. M&G takes an active role in engaging with the sector, starting as part of the initial analysis and continuing throughout the loan. Successful engagement not only acts as an early-warning signal for problems, but also encourages better management practices and disclosure. This active engagement approach helps protect the interests of investors, tenants and housing associations.

# Our supply chains

As a global financial services organisation, we source goods and services from thousands of outsourced and third-party suppliers across the world. We recognise the need to source these goods and services in a way that maximises value and minimises our supply risk, and we do this in an ethically and socially responsible manner.

Given the number of our outsourced and third-party supply relationships, we also have a responsibility to the marketplace to make it as simple as possible for our suppliers to do business with us. We manage this through our responsible procurement practices.

## Managing our impact and risks

Given the geographical spread of our businesses, our supply chain is diverse and includes 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 cleaners, security staff and property maintenance and catering personnel.



### Case study: Group Head Office Continuous improvement with suppliers

The Corporate Property team at our Group Head Office operates a bespoke supplier relationship management handbook to manage its suppliers. Among other things, the handbook sets out how to segment suppliers against the financial value of contracts, how easy it is to replace them in the event of supplier failure and, as a result, the management 'tier' the supplier falls into. Under the handbook:

- For Tier 1 suppliers (our most material suppliers), a full programme of relationship management tools is available including: active management of individual risk registers, monitoring of contract compliance and financial integrity, annual due diligence and submission of insurance certificates and modern slavery compliance statements.
- For Tier 2 suppliers, a more risk-based approach is expected. The same relationship management tools are available as for Tier 1 suppliers.
- Tier 3 suppliers are expected to be managed using a category-based approach, with a risk profile commensurate to their exposure to Prudential.
- The management of Tier 4 suppliers (our least material suppliers) is limited to Prudential placing purchase orders and ensuring compliance with payment terms.

The Corporate Property team encourages innovation and continuous improvement and facilitates a quarterly forum where ideas can be presented. Once a year, Corporate Property awards a supplier excellence award to a member of its supply chain based on a set of criteria: agility and flexibility of supply; partnership and risk sharing; quality of communications; innovation and development support; practitioners of best practice; on-time delivery; quality performance and best value with cost-reduction initiatives.

Our businesses retain ultimate responsibility for any activity that is supplied or outsourced. If our supply arrangements fail, our businesses could suffer unforeseen business interruption, additional costs or even regulatory breaches.

For these reasons, it is vital that we actively manage our impact and risks in this area. These risks can vary according to the nature of the goods or services being provided, and where they are based.

We are committed to procuring goods and services from businesses whose standards and values align to our own, as set out in our Business Code of Conduct. To help achieve this, we have implemented a Group Outsourcing and Third-Party Supply Policy that sets out the requirements for the management of outsourcing and third-party supply arrangements across the Group. Given the operational and regulatory differences around the Group, our businesses can also adopt supporting policies and reporting procedures at a local level to better reflect their needs. As the current Group Outsourcing and Third-Party Supply Policy is due to be reviewed, it has not been made publicly available. Other policies, such as the Group Health and Safety Policy and our Group Employee Relations and Resourcing policies also support the management of our global supply chains and are (or will shortly be) available [here](#).

One of the ways we monitor compliance with these standards is through our 'Speak Out' service, a confidential online and telephone reporting service that encourages employees to raise concerns, including any regarding our suppliers. For more information on 'Speak Out', please refer to the 'Business Integrity' section of this report. More formally, our businesses are required to evaluate and certify compliance with the requirements of the Group Outsourcing and Third-Party Supply Policy on an annual basis.

Our businesses (and their respective procurement teams) are expected to undertake due diligence before engaging a new supplier. For a possible critical outsourcing and third-party supply arrangement, this would include an assessment of the risks of the supplier breaching the UN Universal Declaration of Human Rights. Once approved, the relationship with such suppliers is then actively managed, at the appropriate level, through combinations of ongoing due diligence, review meetings, annual attestations given by the suppliers and, if required, audits conducted on the relevant supplier.

Recognising that a large number of our suppliers are financially and operationally smaller than us, we are committed to ensuring that we pay them promptly, in accordance with our contractual obligations. For operational suppliers at our Group Head Office, for example, our accounts payable systems are set up to mirror the payment terms agreed and monthly reports are sent to management that identify individuals responsible for invoices that remain unpaid after the due date. Where there are outstanding queries with a supplier on an invoice, a typical response is to put to one side any disputed amount to allow the remainder of the invoice to be paid. (Further detail on our payment practices for the UK-based companies in our Group will be available in 2018 as part of our disclosures in response to the new reporting requirements under the Small Business, Enterprise and Employment Act 2015.)

To add rigour to their approach, our businesses also seek accreditation with recognised bodies. For example, the procurement practices of Prudential UK have been accredited with the Chartered Institute of Purchasing and Supply. This accreditation, in particular, helps to ensure that our processes are transparent for our UK suppliers.

### 2016 highlights

We believe in respecting human rights and acting responsibly and with integrity. We have always believed this commitment extends beyond our organisation and into our supply chain. Following recent regulatory developments in the UK around modern slavery, we undertook a number of initiatives in 2016 in relation to our outsourced and third-party suppliers. For more information around modern slavery and how we are identifying and managing our risks in relation to slavery, human trafficking, child and forced labour, please read our [2016 Modern Slavery Statement](#).

On a day-to-day basis, our suppliers are managed by the local teams in our businesses, as their supplier landscapes and the way they manage their suppliers differ accordingly. Prudential UK, for example, undertook a major transformation programme in 2016 to create a 'best in class' procurement and supply chain function, changing the way our UK business selects its suppliers and how it does business with them. As part of the programme, a new central repository system was set up for all of its procurement activities and supplier documentation, contractual templates were standardised and amended due diligence questions agreed. Preferred suppliers were also selected, approved and contracted by the UK procurement team to ensure a

streamlining of services. The programme also resulted in annual attestation processes being changed to an ongoing attestation process, which should more promptly highlight any concerns in relation to supplier compliance and track any remedial actions.

In Asia, we recognise the need to be proactive in meeting the expectations and challenges of the changing markets. Across the region we operate in mature, developing and emerging markets, which provide a diversity of challenges. For example, regulations are constantly changing and evolving. In Singapore, the Monetary Authority Singapore (MAS) issued new guidelines on Outsourcing Risk Management in July 2016. In emerging markets, such as Laos, the vendor community is less familiar with the expectations of multinational corporations. Our Asian business unit determined that while policy guidelines were necessary to ensure governance systems and controls were in place, practical support and guidance were also necessary to enable our businesses to address local challenges.

In response to this need, in 2016 our Asian business unit developed and implemented the regional Vendor Governance Policy, supported by a Procurement Management Framework and a Vendor Management Framework. The policy was established to provide specific governance requirements in respect of relationships with third-party suppliers, augmenting the requirements of the Group Outsourcing and Third-Party Supply Policy for the Asian context. The Procurement Management Framework and the Vendor Management Framework provide specific guidance to the region's businesses in respect of their dealings with third-party vendors both pre-contract (procurement) and post-contract (vendor management). Adherence to these frameworks provides clear and effective direction for compliance with the Vendor Governance Policy. Through implementation of the policy and frameworks, our Asian business has provided clarity and counsel to all local businesses as well as in-country face-to-face training and consultation. Ongoing support includes the provision of online access to tools and templates via a system developed in-house in direct response to the specific requirements of the businesses.

# Technology

Advances in technology have increased exponentially in recent years, and bring with them both opportunities and threats to Prudential as a Group and to our businesses.

We are constantly identifying capability gaps and incorporating new technologies to improve our customers' digital proposition as well as to adapt to the rapidly changing markets in which we operate

Emerging technologies enable us to provide financial protection to previously unreachable communities and deliver better, more efficient outcomes for our customers. They also bring new concerns, in particular cyber risks, which pose threats to our business operations and the customer data that we hold and protect.

Cyber risk remains a prominent concern and focus area for regulators (and corporates in the financial services sector) after a number of high-profile attacks and data losses, as cyber-criminal groups continue to outpace law enforcement agencies. Given this concern, cyber threats, including the risk of a malicious attack on the Group's IT systems and risks relating to data integrity and confidentiality, are seen as a significant Group exposure that could have a significant impact on business continuity, our customer relationships and our brand reputation.

## Addressing cyber risk Strategy

Our cyber strategy is constantly evolving to anticipate and respond to the advances being made in the technologies we use. We are clear that our ability to protect our customers in cyberspace remains at the core of our business as we transition to an increasingly digital way of working.

Prudential's newly approved Group-wide Cyber Risk Management Strategy sets out three core objectives: to develop a comprehensive situational awareness of our business in cyberspace; to engage and disrupt cyber attackers proactively to minimise the harm they could pose to our business; and to enable the business to grow confidently and safely in cyberspace.



### Case study: Europe New cyber tool

In 2016, we deployed a new cyber security monitoring and analytics tool in Europe. This tool uses machine learning to establish behavioural norms on our network and, combined with threat intelligence, improves our awareness of unusual and potentially risky activities. This tool supplemented the existing security monitoring provided by our security operations centre and has identified further potential incidents that would not have been seen by our traditional security monitoring tooling. This has significantly improved our capabilities for cyber situational awareness. Following deployment in Europe, this tool has also been deployed in the US and there are plans to deploy it in Asia.

Delivery of this strategy is managed locally by our businesses within their regional contexts, and will be managed through the execution of our new Cyber Defence Plan, which consists of a number of work streams, including:

- **Foundations:** Drawing on existing reviews and new work to define and ensure a baseline level of cyber capability across all Business Units;
- **Situational awareness:** Developing our capability and improving our ability to perceive, understand and predict Prudential's cyber exposure;
- **Cyber operations:** Improving our ability to deal with incidents and act effectively during cyber attacks;
- **Digital alignment:** Improving the security teams' capacity to adapt to the digital transformation strategy; and
- **Increased cyber oversight:** Increasing the level of assurance provided to the Board on the effective management of cyber risk.

Our Group Information Security Committee will govern the execution of the Cyber Defence Plan and will report on delivery against the plan, and more generally on cyber risks, to the Group Executive Risk Committee. Overall, our cyber risk is monitored by our Group Risk Committee, a committee of the Board, with Non-executive Directors providing insight on emerging risks and risk management. The Board receives periodic updates on cyber risk management throughout the year.

### 2016 highlights

The current Group-wide Cyber Risk Management Strategy and associated Cyber Defence Plan were approved by the Board in 2016. Our precursor to the Cyber Defence Plan, the Cyber Enhancement Programme, was live throughout 2016 and successfully delivered on a number of governance and management improvements to our cyber strategy across the Group. This programme is due to be finished in 2017. Once completed, we will look to initiate our newly approved Group-wide Cyber Defence Plan. This new multi-year plan will focus on enhancing our technical abilities even further and on a more consistent basis across the Group.

The Jackson National Life Cyber Programme also successfully delivered significantly improved capabilities in our

## Case study: Training

### Security videos for staff

One of our business units worked with an external media agency to develop a series of short video interviews with key security staff and executives explaining both the company's commitment to security and the risks we face. These videos have provided a valuable, easily consumed source of awareness and training for non-specialist staff who are commonly targeted through social engineering techniques. These videos are now being shared with the wider Group.

North American Business Unit, including a new 24x7 Security Operations Centre. Our Asian businesses continued to build on their existing cyber security foundations, although no major programmes were undertaken outside of normal project activities. A programme of work has been established to simplify the security management structure in Europe and a new executive sponsor, our new Group Chief Digital Officer (see further detail below), has been appointed, as part of his remit, to be responsible for security issues across the region.

We are confident that our security monitoring and incident response capabilities have operated effectively to manage the incidents we have faced this year (and we will be building upon these in the coming years as part of the Group's Cyber Defence Plan). The Group experienced a few security incidents in 2016, none of which caused any material harm.

In 2016, we conducted a Group-wide review of our management of data privacy. Going forward, we will update our Group data privacy policies and the related governance structure and control environment to ensure we meet the requirements of the General Data Protection Regulation in the EU.

Our businesses are required to ensure that staff receive annual training on information security and many of our businesses conduct training and awareness programmes throughout the year. This year we have seen increased use of customised video training and a continuation of campaigns to alert staff to the dangers of 'phishing'. We have also created and started to deliver one-to-one training sessions on cyber security for senior executives in addition to their normal training requirements.

### Digital innovation Strategy

While our industry is currently facing significant digital disruption, for Prudential this represents an opportunity to drive greater efficiency, as well as to enable our products and services to reach communities that were not previously accessible. Digital innovation at Prudential is managed in line with our digital strategy, as set by our Group Chief Digital Officer, who came into this newly created role at the beginning of 2016. This new role reports directly to our Group Chief Executive.

Our digital strategy sets out how we transform our product and technology capabilities – in the way we design our products, how we distribute them and how we service our customers. It focuses the way we manage our opportunities, firstly by adding scalability and growth – digital technology offers flexibility and affordable growth, as transaction volumes can be increased and processes streamlined at minimal cost. Secondly, it also offers novel concepts – our customers demand that we innovate to remain a market leader.

Our strategy is underpinned by our internal Group Technology Governance Manual and Group-wide standards, compliance with which is certified annually as part of our overall Group Governance Framework. This is managed by our regional business infrastructure heads, regional chief information security officers and heads of information technology.

### 2016 highlights

During 2016, we have made investments across our businesses to further our digital proposition, both to improve our internal operations and to improve access and service for our customers.

## Case study: US

### 'Cycle harvesting'

In 2016, Jackson's Technology Services group designed and deployed to its actuarial group the first cycle harvesting of server and desktop computers. Cycle harvesting is the process of locating unused computing capacity and making it available for ordinary use. As a result, rather than purchasing new computers or renting computing resources in the cloud, existing equipment can now be shared without impacting the equipment's existing workload.

In 2016, the first 1,232 processors were delivered to the actuarial group, avoiding equivalent cloud computing charges of over US\$140,000 in the first two months alone. When fully completed in 2017, Jackson's new innovation will be on track to save almost US\$12 million annually in cloud-equivalent resources, and will triple the computing resources available for the actuarial group's calculations. The Jackson cycle harvesting effort has been very well received by industry specialists, including the software vendor on whose platform it is built, which has asked for permission to publish the invention. The vendor is now working to implement the innovation at universities that have worked to perfect cycle harvesting for over a decade.

We are constantly identifying capability gaps and incorporating new technologies to improve our customers' digital proposition as well as to adapt to the rapidly changing markets in which we operate. As mentioned in the 'Meeting customers' needs' section of this report, in the UK we introduced a fully flexible online application process for the popular Prudential ISA product and the online Prudential Retirement Account in response to the UK's pensions freedom reform.

We also launched a health and wellness campaign with a digital health company in Hong Kong, allowing customers access to their own innovative DNA-based health and nutrition programme through a mobile app. In Thailand, where 'being mobile' is key to the delivery of our customer service, we launched our 'PRUcare' mobile

application, which offers, among other benefits, location-based features for customers to pinpoint their nearest hospitals. We had over 2,000 downloads of the application within the first two weeks of public launch.

In Jackson, we invested in advancing and enabling our core digital strategy and infrastructure, which will position us favourably in 2017. In particular, in early 2016, we began work on digital integration that will enable our business partners to move away from the industry's current paper-dominated processes. We also began work on electronic trading, electronic settlement of disbursements, and enhancements to the robustness of the data we provide to our partners, all of which we expect to complete in 2017.

Internally, in 2016, we launched a Group-wide initiative implementing a new global risk and portfolio management system, Aladdin, across our asset management businesses. Aladdin, provided by BlackRock, is an operating system for our investment managers that combines sophisticated risk analytics with comprehensive portfolio management, trading and operations tools on a single platform. Aladdin is helping us to simplify our operating infrastructure, foster innovation and encourage further growth in our asset management businesses.

As part of our digital transformation, we expect to pilot a number of exciting technology initiatives going forward. These include migration to cloud data-centre providers, self-service paperless models for our customers and the use of artificial intelligence.

# Valuing our people

At Prudential we encourage an inclusive working environment where we develop our talent, reward great performance and recognise our differences in order to continue to deliver outstanding results for our customers, shareholders and communities.

This is achieved through our continued focus on diversity and inclusion, talent development and performance and reward.

## Diversity and inclusion

We believe that diversity of experience, thought and background is vital to succeed both today and in the future. The Board has therefore decided to make diversity and inclusion one of the strategic objectives for Prudential and has appointed Penny James, Group Chief Risk Officer, to act as an executive sponsor for diversity and inclusion.

Our policies and plans support an inclusive culture that is sensitive to the needs of all employees. We protect all our employees

against discrimination and provide opportunities for our people regardless of their age, caring responsibilities, disability status, ethnicity, gender, religion or sexual orientation. We make appropriate disability adjustments as required, and provide training and career development opportunities for all. We give full and fair consideration and encouragement to all applicants with suitable aptitude and abilities.

We aim to foster a working environment where individuals are empowered and differences are recognised. We aspire that over time our senior management better represents the experiences and background of our customers and stakeholders.

The Board monitors progress on diversity and inclusion through quarterly updates and the annual talent review process.

We have a strategic, long-term approach to diversity and inclusion at Group level and in each Business Unit, and we invest in targeted activity across 10 priority areas ranging from diversity and inclusion-focused development through support for various affinity groups, including, among others, ethnicity/nationality, gender, LGBT, disability, age, social mobility, parenting and care. Across our businesses our commitment to diversity and inclusion is supported by initiatives such as reviews of pay and performance management



### Case study: Increasing diversity in 2016

- Prudential Corporation Asia rolled out the 'PRU+YOU' programme to help colleagues to achieve personal well-being goals and promote family-friendly practices.
- Our North America business has expanded the existing College Relations initiative with the addition of partnerships with Morehouse College, Spelman College and Clark Atlanta University in order to support diversity of ethnicity at entry level.
- The apprenticeship programme offered within our UK life business continued to demonstrate its success and has recruited its fourth cohort.
- M&G further improved the nationality, academic and social diversity of its graduate schemes and for the first time ensured 50 per cent women on its investments schemes.
- Group Head Office has increased its focus on gender diversity through the development of talented women, with 46 per cent female participation in available talent programmes.
- Prudential's African scholarship programme has supported the education of 628 children in Ghana and Kenya.

We have further developed our affinity networks: M&G Pride for LGBT employees and allies and the UK-based Prudential Women's Network.

# Valuing our people

## Continued

### Gender diversity within the senior leadership

Male

Female

2016	76%	24%
2012	83%	17%

Headcount	Total	Male	Female
Chairman and Independent Non-executive Directors	9 =	7	2
Executive Directors	7 =	5	2
Group Executive Committee (GEC)	13 =	11	2
Senior managers	93 =	71	22
Whole company <sup>1</sup>	23,673 =	11,139	12,534

<sup>1</sup> Excludes PCA joint ventures.

consistency, providing training to staff and engaging with recruitment firms to mitigate unconscious bias, and awareness campaigns to diversify the pool of potential candidates. Our Group Diversity and Inclusion Policy, with which our businesses certify compliance annually, is available on our [Group website](#).

As part of our broad diversity and inclusion agenda, we have publicly committed to having at least 30 per cent of women in senior management by the end of 2021 and we have signed the HM Treasury Women in Finance Charter. As an important step in this direction, we aim to achieve 27 per cent female representation in senior management by the end of 2019.

#### Responsible working practices

We believe in supporting human rights and acting responsibly and with integrity. 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. These are also incorporated into our Group Code of Business Conduct, which sets out the Group values and expected standards of behaviour for all employees, and in our Group Outsourcing and Third-Party Supply Policy.

Our Group Employee Relations and Resourcing policies are (or shortly will be) available on our [Group website](#), along with our Board-approved Modern Slavery Act (MSA) statement. These policies have been updated to raise awareness of the MSA and our responsibilities, as well as to highlight our compliance expectations.

Our Business Units implement policies and practices at a local level that aim to ensure compliance with statutory and regulatory requirements in the local labour market and the prevention of slavery, human trafficking, child and forced labour. Compliance with Group policies is certified annually through our Group Governance Manual certification process. In 2016, an independent, externally hosted whistleblowing website and hotline system, Speak Out, was launched, which allows individuals to raise concerns and seek guidance on a broad range of issues (see page 7 of this report).

#### Talent development and succession planning

People development is essential to deliver our strategy. The quality of leadership across the Group is fundamental to the future growth and success of the business and we therefore review our talent annually

and offer a range of programmes that enable our people to continue to grow and develop. The majority of our programmes are managed by our Business Units, while Group Human Resources focuses on tailored programmes for senior leaders across the organisation, succession planning for senior roles and development of our leadership talent pipeline. We invest in succession planning for our leaders and critical specialists, and segment our talent to identify short, medium and long-term successors. We support them with the appropriate development and career planning, to ensure that we maintain an appropriate balance of internal progression and external hires.

Individually tailored development offerings are provided for our most senior executives so they are well prepared to deliver the long-term ambitions of the Group. In 2016, more than 143 senior high-potential individuals participated in our Group-wide leadership development programmes 'Impact' and 'Agility'. These programmes have been developed in partnership and co-delivered with world-leading academic institutions. Further information about senior succession and development can be found in the [Governance](#) section of our Annual Report.

Within our businesses there are many examples of our continuing commitment to talent development. Prudential Corporation Asia develops CEOs with targeted high-touch programmes, such as cross-company experience, which are continually reviewed, incorporating new thinking and future capabilities as required. In the US, Jackson University provides a highly customisable approach to associates' personal development and professional learning; and Prudential UK provides a fully differentiated management development offering, distinguishing the requirements of aspiring managers and experienced leaders. M&G Real Estate supports career development through a Fund Manager Job Shadowing programme; and Group Head Office provides innovative programmes designed in partnership with top academic institutions, which offer leadership development and the opportunity to gain valuable experience through relevant business projects.

### Employee engagement

An array of initiatives is in place within our different businesses to drive employee engagement. Depending on the business this engagement can start as soon as a new employee joins us, with an induction programme to learn about the history and strategy of the Group. Throughout the employee's career, additional opportunities may include being offered a number of high-impact training sessions as well as workshops on resilience, managing energy and enhancing productivity.

Each of our businesses manages its own intranet, providing all employees with access to regular updates, articles and internal and external news items relevant to the business and its geographical location. Each intranet also gets updated with material news from across the Group.

Some of our businesses hold regular employee open-forums with senior management, conduct yearly engagement surveys or organise awaydays to discuss the business, our performance and internal management. Any highlighted issues are then used to improve the way in which we work. In addition, there are informal opportunities to meet senior managers and facilities to network with both peers and senior leaders across functions; and well-being programmes to support sustainable high performance. We also have policies to encourage and support volunteering for charitable causes.

In addition, our businesses in the UK have a long-standing relationship with the union Unite.

We encourage volunteering through which our employees can support our communities and acquire new skills. Further detail can be found in the [Corporate Responsibility review](#) in our Annual Report.

### Performance and reward

Our reward packages are designed to attract, motivate and retain high-calibre people across all levels. Each individual contributes to the success of the Group and should be rewarded accordingly.

We recognise and reward high performance while operating a fair and transparent system of reward. Reward is linked to the delivery of business goals and expected behaviours and we ensure that rewards for our people are consistent with our values and do not incentivise inappropriate risk-taking. To enable this, employees are not only regularly assessed on 'what' they have achieved, but also on 'how' they have done so.

Across our businesses we run recognition initiatives, such as the Prudential Stars awards at Group Head Office, which are made to individuals nominated by their colleagues for outstanding examples of execution, impact and engagement. We also believe in the importance of giving employees the opportunity to benefit from the Group's success through share ownership, and operate employee share plans in the UK and Asia. These include PruSharePlus, which enables employees in Asia to share in the longer-term success of the business, and actively encourages share ownership and engagement.

Prudential's executive remuneration arrangements reward the achievement of Group, business, functional and/or personal targets, provided that this performance is delivered within the Group's risk framework and appetites, and that the conduct expectations of Prudential, our regulators and other stakeholders are met. The structure of Executive Directors' remuneration is similar to that of other senior employees in the Group and Executive Directors' salary increases are aligned with the bottom of the range of pay budgets for the wider workforce. To strengthen the alignment between Executive Directors and our shareholders, 40 per cent of Executive Directors' bonus is deferred in shares for three years and Executive Directors are required to meet shareholding guidelines. Performance in 2016 built on the strong results achieved in recent years and bonuses awarded to Executive Directors

for 2016 and the long-term incentive awards to be released to Executive Directors in April 2017 reflect this performance. During 2016, the Group Remuneration Committee undertook a review of the remuneration architecture of the Executive Directors and proposed a number of changes to our remuneration policy for 2017. These included a sustainability scorecard and a two-year holding period in respect of 2017 long-term incentive awards.

Our detailed [Directors' Remuneration Report](#), including our remuneration strategy, principles and architecture, can be found in the Annual Report.

### Health and safety

We recognise the importance of managing the health, safety and well-being 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 all our businesses are subject and have adopted a Group-wide policy that applies to all of our companies, locations and activities. The policy can be found [here](#). As part of our Group Governance Manual, all our operational entities are required to report on their management arrangements for health and safety. Opportunities for improvement are identified and shared with our Business Units. We will continue to review our health and safety arrangements and performance to ensure they remain relevant and appropriate.

# Supporting our communities

Our core business is building stronger, more sustainable communities. Alongside our role as a global life insurer and asset manager, we have a wider role to play in the broader sustainable development agenda, for example in building financial literacy and improving financial inclusion.

Our community investment programme is linked to our strategy and is focused around four principal areas: social inclusion, financial education and life skills, disaster preparedness, and employee engagement.

## Long-term community programmes

We establish long-term relationships with our charity partners. Our programmes vary according to the needs and culture of each region – for example, focusing on disaster relief and preparedness in our Asian markets, as Asia Pacific is the world's most disaster-prone region.

Our operating model allows each of our businesses, which are closest to our customers and other stakeholders, to manage their activities within the framework of a consistent, Group-wide approach. In order to guide our businesses to actively support their communities in line with our strategy, we have in place a [Group Community Investment Policy](#). This outlines the minimum standards expected of our community investment programmes and prohibits certain investments, such as political expenditures and contributions to religious organisations whose principal aim is to propagate a particular faith.

We believe corporate responsibility is best managed on the ground by the people running our businesses. M&G, Jackson and Prudential UK have governance committees in place, with senior management representation, that agree strategy and spend. In Asia, the Prudence Foundation has been established as a unified charitable platform to align and maximise the impact of community efforts across the region.

### Case study: First Read Helping children reach their potential

By 2050, today's children will be the crucial generation supporting some 922 million elderly people across Asia. Therefore a key objective of our community programmes is to lay strong foundations to help these children realise their potential, especially in areas where infrastructure and resources are lacking. Well educated children form the basis of a strong and stable society, and such investments have a positive and long-term impact.

In 2013, Prudence Foundation partnered with Save the Children to develop and implement First Read, a unique programme that focuses on Early Childhood Care and Development (ECCD) in Cambodia and the Philippines.

ECCD programmes are recognised in helping improve school performance as well as reduce dropout and repetition rates, ultimately reducing costs and improving efficiencies of primary education. They also have long-term impacts on a country's education, health, moral and social values and children's development as a whole.

Over the last three years the partnership has directly benefited more than 220,000 children and adults and indirectly over 483,000 community members. In 2017, we will be continuing our partnership with Save the Children as we enter Phase 2 of the programme, which will further invest and develop ECCD in the two countries.



Our corporate responsibility goes far beyond pure charitable cash donations and has evolved to focus on strategic, long-term programmes as well as significant in-kind support including staff volunteering

The Prudence Foundation creates social value through building disaster preparedness capabilities in communities and maintaining disaster relief support in emergencies, focusing on three key areas: mass education and awareness, capacity building and advocacy. The Foundation is governed by a statutory Board of Directors, under which a Board of Trustees operates as a decision-making forum, directing the management of the programmes in collaboration with our local businesses, and ensuring we maximise the value of our spend to local communities. We review our long-term community investment partnerships at least every three years.

### **Our community investment performance**

We monitor community investment activities across the Group and review our programmes to ensure they are fit for purpose. Our corporate responsibility goes far beyond pure charitable cash donations and has evolved to focus on strategic, long-term programmes as well as significant in-kind support including staff volunteering.

Our community investment is benchmarked against the internationally recognised London Benchmarking Group (LBG) standard on an annual basis. This includes cash donations to registered charitable organisations, as well as a cash equivalent for in-kind contributions.

In 2016, the Group spent £20 million supporting community activities. Direct cash donations to charitable organisations amounted to £16 million, of which approximately £5 million came from our UK and EU operations, which are principally our UK life operation and M&G. The remaining £11 million was contributed to charitable organisations by Jackson, PCA and Prudential Africa.

The cash contribution to charitable organisations from our UK and EU operations is broken down as follows: education £2,667,000; social, welfare and environment £2,036,000; cultural £142,000 and staff volunteering £88,000. The balance includes in-kind donations: 10,675 employees who dedicated 83,284 hours of volunteer service in their communities. Furthermore, over £460,000 was donated across the Group by our employees through our payroll giving scheme.

### **2016 highlights**

In the UK, Prudential RideLondon has become one of the UK's largest fundraising events, raising over £41 million in its first four years. In 2016 alone, more than 740 charities benefited from riders' fundraising. As title sponsor, in 2016 we partnered with three charities – Teach First, Greenhouse Sports and the Invictus Games Foundation – to provide aspirational challenges for 62 young people and injured service personnel tackling the event for the first time. We provided support including bikes, equipment and training, as well as employability and coaching workshops. Over £500,000 was raised as a result of fundraising from Prudential rider places by our charity partners and our employees. We are developing a new Prudential RideLondon programme for 2017 in partnership with Teach First, which will use the event as a focal point to promote inclusion and help eradicate educational inequality. The programme will have national reach, working with more than 15 schools, with an increased focus on well-being and mental health.

We also have a long-standing commitment to financial literacy, with Cha-Ching being our flagship financial education programme. Launched in Asia in 2011, this is a multi-media programme built around a series of animated music videos, to help children learn the fundamental money management concepts of earn, save, spend and donate. Since it began, Cha-Ching has grown to become one of the top-rated children's television programmes in Asia, and as of 2016 was available in 10 languages in Asia and accessible to 56.6 million households across the continent. We are looking to extend the Cha-Ching curriculum across schools in Asia as well as continuing to develop a smartphone app to further encourage parents to engage in money matters with their children. We also aim to continue expansion of Cha-Ching beyond Asia, with further launches in Ghana, the US and the UK in 2017 – all with the aim of increasing financial literacy.

In our new markets in Africa we have committed to provide support for academically able but financially disadvantaged high school students, and to help build capacity for training in actuarial sciences at local universities. Prudential has worked with a number of charities operating in Ghana, Kenya, Uganda and Zambia by funding educational programmes and projects since 2014. These programmes have focused on allowing vulnerable children in these countries to access quality education, through the provision of scholarship awards.

# Supporting our communities

## Continued

### Case study: Safe Steps

#### Enhancing disaster preparedness

As part of a mass education initiative in disaster preparedness, in 2014 the Prudence Foundation launched Safe Steps, in partnership with National Geographic Channel and endorsed by the International Federation of the Red Cross and Red Crescent Societies. Safe Steps is a first-of-its-kind pan-Asian public service initiative to enhance disaster preparedness and awareness through the dissemination of educational survival tips during natural disasters. It is a multi-platform programme including on-air video messages, a website and educational collateral that can be shared among communities. Core to the programme is a series of short videos that advise people on what they should do when disasters strike. Together with on-air television distribution and through our partnerships with governments, NGOs and the private sector, Safe Steps potentially reaches more than 200 million people every day.

The Safe Schools programme is a partnership between Prudence Foundation and Save the Children in Cambodia, Indonesia, the Philippines, Thailand and Vietnam. Safe Schools focuses on placing schools at the heart of building a culture of disaster preparedness within communities. This is performed by training students and their teachers in key disaster management skills and supporting the organisation of disaster simulations and evacuation drills for students and their communities. Since 2013, more than 70,000 students and 32,000 adults have participated in the programme.

As part of our focus on disaster relief and recovery, Prudence Foundation continues to undertake major emergency relief efforts across Asia. In 2016, we provided support in Cambodia to emergency drought response activities. We demonstrated our long-term commitment to the Typhoon Haiyan recovery efforts in Bantayan Island in the Philippines by sending a team of volunteers to continue the building of 126 new houses for the community. The first houses have been completed and families have now moved in to begin their new lives. In June, around 80 volunteers supported the construction of the final houses, which are due to be completed by the end of May 2017.

In addition, in September we sent over 50 regional volunteers to Vietnam to support the construction of a new school in Quang Binh province. This formed part of Prudential Vietnam's partnership with Plan International and the Vietnamese government, which are collaborating to

build new disaster-resilient schools in poor regions throughout the country. We also continue to be a major supporter of Save the Children's Emergency Fund, and in 2016 almost 100 allocations from the Fund were made to more than 46 countries.

Prudence Foundation also partners with CSR Asia to host an annual Disaster Preparedness Forum in one selected city in Asia. We believe that the private sector has an important role to play in strengthening community disaster resilience. While there is no simple solution, cooperation between civil society, government and the private sector is key to reducing human and economic loss. This forum provides a unique platform for dialogue and exchange of ideas between government, NGO, humanitarian and private sector participants. White Papers are then published based on key findings and learnings which illustrate how cross-sector partnerships can effectively improve outcomes when the partners share vision, values and objectives.

We have held three Forums to date, in Jakarta in 2013, Manila in 2014 and Hanoi in 2015, with close to 500 participants, representing the various stakeholders. The 2016 Forum was delayed following the death of the Thai monarch but will be held in Bangkok in 2017. The Forum has also helped identify and raise the profiles of key organisations in Asia involved in advocating greater private sector engagement in disaster preparedness. For example, following on from the Hanoi Forum in 2015, Prudential Vietnam has delivered three disaster reduction programmes to prevent flooding and ensure schoolchildren are trained in disaster preparedness skills.

### Forward-looking statements

This document may contain 'forward-looking statements' with respect to certain of Prudential's plans and its goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including statements about Prudential's beliefs and expectations and including, without limitation, statements containing the words 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning, are forward-looking statements. These statements are based on plans, estimates and projections as at the time they are made, and therefore undue reliance should not be placed on them. By their nature, all forward-looking statements involve risk and uncertainty. A number of important factors could cause Prudential's actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. Such factors include, but are not limited to, future market conditions, including fluctuations in interest rates and exchange rates, the potential for a sustained low-interest rate environment, and the performance of financial markets generally; the

policies and actions of regulatory authorities, including, for example, new government initiatives; the political, legal and economic effects of the UK's vote to leave the European Union; the impact of continuing designation as a Global Systemically Important Insurer or 'G-SII'; the impact of competition, economic uncertainty, inflation and deflation; the effect on Prudential's business and results from, in particular, mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; the impact of changes in capital, solvency standards, accounting standards or relevant regulatory frameworks, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate; and the impact of legal and regulatory actions, investigations and disputes. These and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits.

Further discussion of these and other important factors that could cause Prudential's actual future financial condition or performance or other indicated results to

differ, possibly materially, from those anticipated in Prudential's forward-looking statements can be found under the 'Risk factors' heading in its most recent Annual Report and the 'Risk Factors' heading of Prudential's most recent annual report on Form 20-F filed with the U.S. Securities and Exchange Commission, as well as under the 'Risk Factors' heading of any subsequent Prudential Half Year Financial Report. Prudential's most recent Annual Report, Form 20-F and any subsequent Half Year Financial Report are/will be available on its website at [www.prudential.co.uk](http://www.prudential.co.uk).

Any forward-looking statements contained in this document speak only as of the date on which they are made. Prudential expressly disclaims any obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to the UK Prospectus Rules, the UK Listing Rules, the UK Disclosure and Transparency Rules, the Hong Kong Listing Rules, the SGX-ST listing rules or other applicable laws and regulations.

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