PRUDENTIAL

Prudential's Responsible Investment Approach

We drive positive change to ensure the needs of emerging markets are considered in our responsible investment strategy.

Our approach is built on three themes:

- Financing a just and inclusive transition
- Decarbonising our portfolio
- Mainstreaming responsible investments in emerging markets

> At the centre of our responsible investment approach is our view that transition to a lower carbon economy should be a just and inclusive one.

Financing the Transition

We define this as investments directed into sectors and companies with the explicit intention of enabling and accelerating net zero transition.

We have established a framework that integrates emerging market considerations when investing in energy transition. Their challenges differ significantly from developed markets, because they:

- Have historically contributed less to the cumulative greenhouse gas emissions present in our atmosphere today
- Are typically the most vulnerable to the physical impacts of climate change
- Are more dependent on fossil fuels for ongoing development (affordability and access)
- Have the greatest unfinanced basic development needs as reflected by the Sustainable Development Goals
- Have fewer resources to fund the transition to a low-carbon economy and manage the physical impact of climate change

We aim to address two challenges with our Financing the Transition framework

- **Lack of standardised definition for brown-to-green:**
  No universally accepted definition of what constitutes financing the shift from 'brown' high carbon) to 'green' (low carbon) projects.

- **Need for flexibility with regards to emerging markets:**
  Emerging markets require a considered and dynamic approach to the low-carbon transition, with greater balance and representation of their challenges.

Evaluation process

We have created a 3-step process to ensure investments adhere to our fiduciary duty, legal, regulatory and other obligations.

Level I: Group Responsible Investment policy alignment

- Eligible investments comply with our Responsible Investment policy requirements

Level II: Financing the Transition category alignment

- Investments are evaluated for alignment with the Financing the Transition categories defined by Prudential

Climate solution	Companies/projects dedicated to producing climate solutions that significantly contribute to climate mitigation, climate adaptation, and climate resilience.
Aligned	Companies/projects already aligned with a 1.5-degrees or below-2-degrees pathway.
Aligning	Companies/projects committed to align with a 1.5-degrees or below 2-degrees pathway.
Transitioning amidst growth	Companies in carbon-intensive sectors in emerging markets that are significantly reducing emissions intensity.
Managed Phaseout	Carbon-intensive assets that need to be phased out before the end of their economic lives to converge to an "aligned' or "aligning" pathway.

Level III: Intentionality and measurability

- Investments should clearly demonstrate their intention to finance the transition and measure, monitor and report on the progress

Our targets and progress

Responsible Investment	Timing	Progress
Deliver a 55% reduction in the carbon emissions^ intensity of our investment portfolio by 2030 against our 2019 baseline	By 2030	**On Track** During 2023 we reduced the weighted average carbon intensity (WACI) of our portfolio by 50% against our 2019 baseline
Internal investment target on financing the transition to a lower-carbon future*	By 2030	**New Target**
Engage with the companies responsible for 65% of absolute emissions in our investment portfolio	Ongoing	**Fully Met** This is an ongoing annual target, which we have fully met in 2023 for the identified cohort of companies
Deliver a 25% reduction in our operational emissions intensity from a 2016 baseline, and abating the remaining emissions via carbon offsetting initiatives, to become carbon neutral across our Scope 1 and 2 (market-based) emissions by the end of 2030	By 2030	**Fully Met** We achieved an intensity ratio of 0.95 tCO_2 e/FTE for 2023, putting us on track to meet 2030 target of 1.65 tCO_2 e/FTEto converge to an "aligned' or "aligning" pathway.

^Carbon emissions refers to carbon dioxide equivalent emissions (CO_2e) per the Greenhouse Gas (GHG) Protocol, including carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).

*Note: This is a critical underpin for the WACI reduction target and is linked to our executive remuneration, of which our executive remuneration is linked to our financing the transition target.

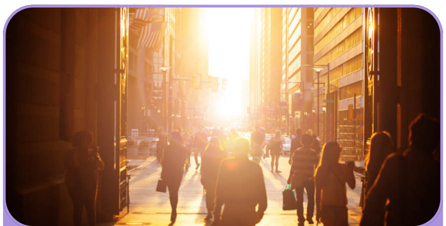
You can read our whitepapers

Supporting a just and inclusive transition (2022)

Read paper

Financing the transition framework (2024)

Read paper



Framework for investing in climate transition in the capital markets (2024)

Read paper

Learn more about Prudential's Sustainability Strategy

prudentialplc.com