

Corporate responsibility review

Acting responsibly

Corporate Responsibility (CR) is fundamental to how Prudential operates and as a philosophy is firmly embedded in the business.

Prudential recognises that its stakeholders, including its customers, employees, shareholders and the communities around its businesses, increasingly support those companies that define and exhibit sound values around trust, ethics and environmental responsibility. These values have been fundamental to Prudential since its foundation 160 years ago.

Prudential also believes that its performance in key areas of conduct such as corporate governance, environmental management and employment practices can have a significant and positive impact on the Group's financial performance.

Prudential's main focus in 2007 was to ensure that its CR strategy continued to align with its business objectives and with its stakeholder concerns.

Management and policy

The Group's internal control processes are detailed in the Group Governance Manual. The manual includes the Group Code of Business Conduct, its CR Policy and its Health and Safety Policy. While business units are required to establish any additional processes required for compliance with local statutory and regulatory requirements, the Group's policies often go further than local/domestic legislative requirements.

The manual is itself supported by the Group Risk Framework, which provides an overview of the Group-wide philosophy and approach to risk management. The Group's risk categorisation encompasses all of the principles in the Group Code of Business Conduct. Risks are assessed against non-financial impacts such as the customer experience, statutory and regulatory requirements and, not least, reputation and brand.

Prudential's Group Finance Director, Philip Broadley, has Board level responsibility for social, environmental and ethical risk management. The Board discusses Prudential's performance on these areas at least once a year. The Board also annually reviews and approves Prudential's CR report and strategy.

Below the Board, the Corporate Responsibility Committee is a specialist Group-wide committee chaired by the Group Finance Director. It is responsible for reviewing business conduct and social and environmental policy and ensures consistency of approach across the Group's international businesses.

The Corporate Responsibility team, which is located in Group Head Office (GHO), develops Prudential's CR strategy, provides training across the Group, and works closely with individual business units to provide advice, ensuring that the Group's core values are consistently maintained. The CR team also assists with the development and adaptation of Group-wide initiatives so that they not only fit the overall Group principles but are also adapted to meet local needs.

Group Code of Business Conduct

Prudential's Group Code of Business Conduct (the Code) sets out the ethical standards the Board requires of itself, its employees, agents and others working on behalf of the Group, in their dealings with employees, customers, shareholders, suppliers, competitors, the wider community and the environment. This policy is in force across the Group and compliance by all business units is mandatory. The Code is published both internally on the Group Head Office (GHO) intranet and externally on the Prudential website. It is also integrated within the Group Governance Manual and is covered by the annual compliance certification process. In 2007, the Code was revised to incorporate a clause on anti-money laundering and financial crime. This is now available on Prudential's website at www.prudential.co.uk

Stakeholder dialogue

Stakeholder engagement enables employees and relevant external groups to help shape what Prudential does and ensure that their reasonable expectations are translated into business value. This means listening to and working with our stakeholders and being very clear about our intentions and priorities.

To obtain feedback from our stakeholders and to ensure our brand values are maintained, Prudential conducts periodic surveys on a range of topics such as: how the Company is perceived; what it does well, and where it could improve.

Improving financial capability

The Group's core financial education programme remains focused on the need to play our part in enabling consumers to make the right decisions for their individual savings/financial needs. Such decisions range from debt management to savings. Informing and empowering consumers to make such decisions will, Prudential believes, build better and more permanent relationships between consumers and providers.

Prudential began developing its Financial Capability programme in the United Kingdom in 2001. Seven years later, Prudential is seeing significant continued progress, both in the UK and, increasingly internationally.

In the UK, via partnerships with such diverse organisations as Citizens Advice; the Personal Finance Education Group (pfeg); Specialist Schools and Academies Trust and National Institute of Adult Continuing Education, thousands of adults and children are now benefiting from learning how to make decisions that will have a profound effect on their financial well-being.

Prudential extended its initiative to Asia in 2004, with an innovative programme called 'Investing in Your Future', which focuses on women, who are often responsible for planning their family's financial needs. This was first launched in China and rolled out in Vietnam in 2005 and to India in 2006. To date, more than 14,400 women have graduated from the programme in Asia.

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Investing in our communities

In 2007, Prudential invested £4.9 million in a wide range of projects around its business, supporting education, welfare and environmental initiatives. This total includes the significant contribution made by many of the employees around the Group through volunteering, often linked with professional skills development. It also includes direct donations to charitable organisations of £3.1 million.

Prudential recognises that many employees already make a significant contribution to charities as volunteers in their own free time. The Chairman's Award was set up to recognise this considerable involvement in the local community and to give all the Group's employees the opportunity to get involved with a local charitable project by increasing the value of the community support they offer through additional contributions.

The charities that Prudential supports were selected following a Group-wide survey of its employees, which identified a preference for projects that address the needs of children and the elderly within their local community. Prudential has identified sustainable projects which, where possible, have education at their core. This lies at the heart of our CR programme to raise levels of financial capability worldwide.

In 2007, over 2,000 employees registered to volunteer and The Chairman's Award supported over 50 projects around the world. Similarly, Jackson National Life Insurance Company (Jackson) formed the Jackson National Community Fund (JNCF) and Jackson in Action, an employee volunteering programme. In its inaugural year, JNCF and the Jackson in Action programme donated more than US\$1 million in corporate sponsorships, in-kind donations, and donation matches to charitable organisations that benefit children and the elderly. Jackson's employees have also shared more than 2,250 hours of their time with the community.

Responsible Investment (RI)

M&G's approach to responsible investment (RI) is set out in the booklet *'Issues Arising from Share Ownership'*, available at www.mandg.co.uk. RI has focused principally on equity markets. However, with around £19.3 billion (as at 31 December 2007) of funds under management, PRUPIM, is one of the UK's largest commercial property investment managers and accounts for over 75 per cent of Prudential's direct environmental impact in the UK. Through participation in the Institutional Investors Group on climate change and its participation on the property working group of the United Nations Environment Programme Finance Initiative (UNEPFI), PRUPIM is creating awareness of the implications of climate change for property investment and how Prudential can constructively address this important issue.

In 2007, PRUPIM set up an innovative project called the Improver Portfolio to examine ways it can reduce a 'typical' property portfolio's carbon footprint while maintaining or even enhancing investment returns. The Improver Portfolio consists of 25 PRUPIM-managed properties covering all sectors.

Employees

We strive to create an environment in Prudential that attracts and retains the right people – those who are committed and able to deliver top performance for our customers and shareholders. We understand that to support our aim of being a leading international retail financial services company we need to have the right people in the right number at the right time.

Our key driver in Human Resources (HR) is to deliver the leaders and leadership the Prudential Group needs now and into the future. Our HR Strategy is to achieve this by focusing on five key challenges:

- Getting the right people into the business.
- Building and rewarding performance.
- Growing a strong talent pipeline.
- Developing credible successors.
- Developing an organisation that works.

Employee engagement

We recognise that key to the success of our business is having engaged and committed staff. We believe that effective communication is invaluable in achieving this goal. Each of our business units has its own intranet site which is used to keep staff updated on the performance of the business and other relevant issues. They also provide staff with an opportunity to pose questions to their business Chief Executive. Annually the Group Chief Executive hosts a conference for our top 100 people (Group Leadership Team) to provide direction on the strategic intent of the Group and help them to fulfil their business roles within the context of the requirements of the Group.

There are also a number of employee consultation forums, such as the M&G staff Consultative Committee and the UK Insurance Operations' Employee Forum. This gives employees an opportunity to express their views and discuss issues of concern.

Employee surveys are an effective way of gauging the opinions and level of satisfaction of our employees. Several of our business units run surveys, for example, Jackson National Life has conducted an employee satisfaction survey in its Denver office for the last few years and has seen an increase in employee satisfaction over this period. In 2007, Jackson conducted an employee satisfaction survey in its Lansing office and has established a number of task forces to address concerns that employees raised in the survey. Jackson also conducted an employee satisfaction survey in its affiliated network of four independent broker-dealers, National Planning Holdings. The survey identified that career development was a priority for its employees. To address this, an online career exploration and development tool was developed. The online tool delves further into career development with participants completing self-assessments and documenting their career goals while aligning their activities with opportunities for growth within the Jackson network.

As part of our reward practices we believe it is important to enable employees to share in the success of the Group through share ownership. In the UK we operate two all employee share plans: a share investment plan and a save as you earn scheme. Fifty three per cent of eligible employees in the UK participate in the save as you earn scheme and nine per cent in the share investment plan. In Asia we operate two save as you earn schemes similar to the UK scheme: one for employees and one for agents. Twenty-one per cent of eligible employees and 15 per cent of eligible agents participate in these schemes.

Diversity

We strive to ensure that Prudential employees work in an environment where everyone is respected and treated equally. We believe that our workforce should represent the diversity of our customer base. We fully recognise the value that a diverse workforce brings to our organisation. It is Group policy to give full and fair consideration and encouragement to the employment of applicants with suitable aptitudes and abilities, and to continuing the employment of staff who become disabled, and to providing training and career development opportunities to disabled employees.

In 2007, we were featured in the UK Times newspaper's Top 50 places for women to work and 13 per cent of our Group Leadership Team are women. The majority of our business is outside the UK. In the areas where we operate, we recognise the importance of hiring and developing individuals from the local talent market. In our Asia business 82 per cent of senior managers are recruited from the local workforce.

In the UK, we are a founding member of Race for Opportunity and are also members of Opportunity Now, the Employee Forum on Age and the Employee Forum on Disability.

Training and development

Prudential has a long history of success – from its early roots in the UK right through to today's international, diverse and innovative business. Our continued success depends on investing in people today and developing the next generation of leadership.

To deliver the Leaders and Leadership that Prudential needs both now and into the future, we undertake an annual review of our talent across the Group, identifying, developing and rewarding those people who will enable us to fulfil the strategic options we want to consider.

In 2007, we implemented a series of Group-wide management development programmes to assess senior talent within the business and identify the development activity they need to be credible successors to future leadership roles. These programmes help us benchmark our best people in a consistent way and will support the movement of senior people around the Group.

Also in 2007, we introduced the Momentum Programme; a Group-wide initiative designed to identify high-potential individuals early in their careers and provide them with stretching opportunities to grow and develop the skills needed to manage an international business. This programme is open to both internal and external candidates and has attracted applicants from across the world.

Within Prudential there is an array of different learning and development activities which take place and which are readily available to employees. For example, M&G meets employees' individual learning needs through online training, one-to-one coaching and more traditional classroom delivery. Prudential UK has developed an online portal 'Learning Space', which enables staff to access relevant learning for their personal and professional development.

In Asia, employee education is provided across the Group's Asian markets through PRUuniversity, which is available to all staff and is offered in a number of languages. Programmes covering management, leadership, technical and business skills as well as a comprehensive range of self-improvement materials including language courses are available with many being endorsed by external learning institutions.

We see the quality of our people as a key component of our success and will continue to invest in both short and long-term development activity over the coming years.

Working together

To support the Group's ambitions it is important that the HR teams maintain a consistent approach to our people agenda across the Group through having a shared strategy and by working together on joint projects. To effect this the worldwide leadership team of the HR function meets regularly throughout the year and the senior professionals worldwide meet in function groups quarterly and as a senior team annually. However, within our diverse organisation we recognise that a one size fits all approach would not be appropriate therefore individual business units need to assess the needs of their business and use the relevant parts of the tools and processes which are developed to support their individual business.

Customers

Prudential has approximately 10 million customers in Asia, over three million policies and contracts in force across the US through Jackson, and over seven million customers in the UK through Prudential UK. 160 years after its foundation, Prudential remains committed to providing a high level of customer service, communicating openly with customers, providing clear information and to monitoring levels of satisfaction.

In the UK, the financial services industry is working with the UK regulator, Government and consumers to improve the way they treat customers. Prudential UK has signed up to the Association of British Insurers' (ABI) Customer Impact Scheme. This Scheme is part of the industry's commitment to continuously build on customers' experiences, and Prudential will participate in an annual customer survey, to measure changes in its customers' experiences and attitudes.

Jackson measures its customer service quality through annual benchmarking surveys. Prudential Corporation Asia has also developed a regional survey, to assess the likelihood of its customers recommending Prudential Corporation Asia to their family and friends.

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Environment/sustainable development

Protecting the environment is essential for the quality of life of current and future generations. The challenge is to combine continuing economic growth with long-term sustainable development. Prudential is committed to ensuring that its policies and business actions promote the consideration of the environment.

In 2007, Prudential became one of 38 companies from the financial services sector to endorse the ClimateWise principles. The principles have been developed by leading global insurers, reinsurers, brokers and asset managers to promote positive action on climate change. They will enable companies to build climate change into their business operations (www.climatewise.org.uk/).

Under the European Union Energy Performance of Buildings Directive, Energy Performance Certificates (EPCs) will be required for any building that is constructed, sold, or rented. EPCs will rate the energy performance of a building, enabling both property investors and prospective occupiers to consider energy efficiency ratings and levels of carbon emissions. Prudential will be introducing EPCs, initially in the UK, for its commercial investment property portfolio and its occupied property portfolio. Prudential will implement the directive elsewhere in accordance with national regulations.

In the US, Jackson has carefully monitored and worked to minimise any negative environmental impact since it moved to its current headquarters in 2000, working with state and local authorities on new projects which protect the environment.

Supply chain management

Prudential recognises that its own social, environmental and economic impacts go beyond the products and services it supplies to include the performance of its suppliers and contractors.

It is therefore Prudential's policy to work in partnership with its suppliers who operate with policies and procedures consistent with the standards set out in its Group Code of Business Conduct and to help them reduce their impact on the environment. Procurement practices in Prudential UK have been successfully accredited with the Chartered Institute of Purchasing and Supply certification, which is an industry benchmark of recognised good practice.

Donations

Prudential is committed to supporting the communities where it is an employer. In 2007, the Group spent £4.9 million in support of its various communities. Direct donations to charitable organisations amounted to £3.1 million, of which approximately £2.2 million came from EU operations.

This is broken down as follows: Education £1,175,000; Social and Welfare £611,000; Environment and Regeneration £86,000; Cultural Activities £96,000 and Staff Volunteering £228,000. The aggregate figure for charitable donations from Prudential's non-EU subsidiaries (Jackson National Life Insurance Company and Prudential Corporation Asia) amounted to £0.9 million.

It is the Group's policy not to make donations to political parties nor to incur political expenditure, within the meaning of those expressions as defined in the UK Political Parties, Elections and Referendums Act 2000, and the Group did not make any such donations or incur any such expenditure in 2007.

Further information can be found in '*Acting Responsibly*', the Group's Corporate Responsibility Report 2007/8, accessed at www.prudential.co.uk/prudential-plc/cr/. Hard copies of the report are available from the Group's CR team: Laurence Pountney Hill, London EC4R 0HH. Tel: 020 7548 3706.