

ClimateWise Climate Change Principles

The ClimateWise Principles have been set out for companies to report how they incorporate climate change issues into the management of business. In the UK, we seek to follow these principles. At Prudential we aim to minimise the impact that our operations have on the environment. We have two key areas of focus: the environmental management of the properties we occupy and the environmental standards of our investment property portfolio managed through PRUPIM, our real estate management business.

| Principle 1 - Lead in Risk Analysis | | |
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| | Commentary Required | Examples |
| 1.1 | Support and undertake research on climate change to inform our business strategies. | <p>PRUPIM's Head of Research, Paul McNamara, stepped down from his role as co-chair of the Property Working Group of the United Nations Environment Programme Finance Initiative (UNEPFI PWG) after four years in 2010. However, Paul continues to sit on the steering committee of the Institutional Investors Group on Climate Change (IIGCC). In this role he assists in overseeing the activities of the IIGCC and coordinates the work of their property workstream. Paul has delivered webinars for the United Nations Principles for Responsible Investment and the UNEPFI and is principle author on 'Implementing Responsible Property Investment Strategies' for the UNEP FI Property Working Group. Paul is also author of the IIGCC paper on 'Energy Efficiency and Buildings' – as part of a review of EU policies.</p> <p>During 2010, the IIGCC published a report on 'Climate Impact Reporting For Property Investment Portfolios: A Guide for Pensions Funds their Trustees', to advise members on which environmental variables – such as energy, water, waste and accessibility – are most relevant to their fiduciary interests, and what data should be provided by fund managers.</p> |
| 1.2 | Support more accurate national and regional forecasting of future weather and catastrophe patterns affected by changes in the earth's climate. | <p>PRUPIM maintains an environmental risk database where each property is risk assessed, based on a range of environmental parameters. PRUPIM has now applied this risk profile to each property, and is able to apply an overall risk rating to all assets, and have further recommendations to lower risk.</p> <p>Separately, as part of PRUPIM's strategy of sustainable fund and asset management, it has</p> |



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| | | incorporated consideration of sustainability risks into its acquisition and disposal decisions. It has done this by including a sustainability questionnaire as part of its bespoke 'FairVal' worth appraisal system. This process generates a sustainability "score" to enable PRUPIM to assess the likely investment implications of sustainability factors on assets in ownership and those that it might acquire. |
| 1.3 | Use research and improve data quality to inform levels of pricing, capital and reserves to match changing risks. | The next phase of developing the FairVal system is to relate the sustainability score to the financial value of the assets. |
| 1.4 | Offer goods and services that support the development of new technologies for tackling climate. | We will continue to keep abreast of the developments regarding new research around climate change to identify opportunities as well as risks. |
| 1.5 | Share our research with scientists, society, business, governments and NGOs through an appropriate forum. | In 2010, Paul McNamara, Director of Research at PRUPIM was invited to present to 17 th Land Policy Forum of the Ministry of Land, Infrastructure, Transport and Tourism. Presentation entitled: 'Investment and Responsible Real Estate'. |

Principle 2 - Informing public policy making

| | Commentary Required | Examples |
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| 2.1 | Work with policy makers nationally and internationally to help them develop and maintain an economy that is resilient to climate risk. | <p>PRUPIM is actively involved in groups to demonstrate its thought-leadership and help shape government policy, including:</p> <ul style="list-style-type: none"> • European Association for Investors in Non-listed Real Estate Vehicles • Association of Foreign Investors in Real Estate • Association of Real Estate Funds • UK Green Building Council, • British Property Federation Sustainability Committee, • United Nations Environment Programme Finance Initiative Property Working Group, • United Nations Principles for Responsible Investment, • UK Better Buildings Partnership, • Investment Property Forum Sustainability Working Group, • Institutional Investors' Group on Climate Change, |
| 2.2 | Promote and actively engage in public debate on climate change and the need for action. | <p>PRUPIM and Prudential respond where appropriate to Government consultations on policy and regulations.</p> <p>Prudential recently responded via industry trade organisations, to the UK Government's discussion papers on how to simplify the Carbon Reduction</p> |



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| | | Commitment. |
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| 2.3 | Support work to set and achieve national and global emissions reduction targets. | <p>Corporate Property, the division which manages most of Prudential UK's occupied buildings has developed an Environmental Implementation Plan to drive continued performance. The plan includes key actions for setting priorities: establishing KPIs and targets, conducting audits, producing measurement frameworks and developing a plan for staff engagement.</p> <p>Prudential has evolved its approach to managing its environmental responsibilities from a process of self-certification, to its A-Z Compliance Programme which ensures its businesses comply with local environmental and health and safety legislation. Starting as a UK-focused initiative five years ago, this has now been fully rolled-out across the organisation, providing a solid platform to improve performance.</p> <p>We were awarded the British Standard Institute's new Kitemark Energy Reduction Verification Certificate¹ for a 2.5 per cent reduction in energy use, over the last three years, in the 38 premises we submitted for participation – including both occupied premises and real estate buildings in the investment portfolio.</p> <p>One of the initiatives in the US is tracking and reporting emissions, and we have a target of a 20 per cent reduction by 2014.</p> <p>We tend to be in multi-tenanted buildings in Asia where environmental monitoring is not the norm but we have identified non-invasive technology that will allow us to monitor our energy use. The technology will feed data into a real-time system that can be accessed over the internet, allowing us to analyse the information, set reduction targets and convert energy use into carbon emissions data. We start trialling in 2011.</p> <p>PRUPIM's emissions reductions targets are set out at http://www.prupim.com/sustainability. They support national emissions reductions targets. PRUPIM is also committed to implementing the United Nations Principles for Responsible Investment.</p> |
| 2.4 | Support Government action, including regulation that will enhance the resilience | PRUPIM has been actively involved in policy engagement over the UK CRC Energy Efficiency |

¹ The Kitemark ERV scheme has been approved by the UK government's Environment Agency and enables organisations to verify their reduction in CO₂ emissions. It is specially designed to meet the requirements of the UK's Carbon Reduction Commitment (CRC).



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| | and reduce the environmental impact of infrastructure and communities. | <p>Scheme, the recast of the Energy Performance of Buildings Directive and the Zero Carbon for New Non-Domestic Buildings Directive.</p> <p>We have joined the UK Carbon Reduction Commitment Energy Efficiency Scheme and will be reporting our footprint data in July 2011.</p> |
| 2.5 | Work effectively with emergency services and others in the event of a major climate-related disaster. | Prudential has adopted an "all hazards" approach to its planning for disaster recovery. Plans are flexible enough to be used in all circumstances, from a short-term power failure through to a long-term total building loss that involves loss of life and injuries (Disaster Response Manual – Group Security). |
| Principle 3 - Supporting climate awareness amongst our customers | | |
| | Commentary Required | Examples |
| 3.1 | Inform our customers of climate risk and provide support and tools so that they can assess their own levels of risk. | <p>Through occupier engagement PRUPIM is seeking to work collaboratively to reduce the total environmental impact of properties - and not just the part for which PRUPIM is responsible. Engaging with occupiers to reduce the total environmental impacts of properties is one of the most significant challenges that PRUPIM faces.</p> <p>PRUPIM is rolling out a lease and a Memorandum of Understanding which incorporate the process of engagement and data-sharing between landlord and tenant.</p> <p>In collaboration with our internal Client Funds, we developed an assessment of "future-proofing" that sits within FairVal, our valuation software (see 4.1).</p> |
| 3.2 | Encourage our customers to adapt to climate change and reduce their greenhouse gas emissions through insurance products and services. | This section is not relevant to our business as we are not involved in general or re-insurance. |
| 3.3 | Increase the proportion of repairs that are carried out in a sustainable way through dialogue with suppliers and developers and manage waste material appropriately. | This section is not relevant to our business as we are not involved in general insurance. |
| 3.4 | Consider how we can use our expertise to assist the developing world to understand and respond to climate change. | We will continue to keep abreast of the developments regarding new research around climate change and consider how we can use our expertise to assist the developing world to understand and respond to climate change. |



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Principle 4 – Incorporate Climate Change into Investment Strategies

| | Commentary Required | Examples |
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| 4.1 | Consider the implications of climate change for company performance and shareholder value, and incorporate this information into our investment decision-making process. | PRUPIM is committed to protecting and enhancing long-term fund performance by incorporating environmental and socio-economic thought-leadership within its investment and risk management processes and promoting responsible property investment throughout all teams' activities. Part of its strategy is to incorporate consideration of sustainability risks into its acquisition and disposal decisions, which it has done by including a sustainability questionnaire as part of its bespoke "FairVal" valuations analysis software, giving a sustainability "score" to each property. The next phase of this initiative will be to relate this score to the financial valuation which FairVal generates, as PRUPIM believes that sustainability will significantly impact future property values and prospective returns. |
| 4.2 | Encourage appropriate disclosure on climate change from the companies in which we invest. | <p>Prudential participates annually in the Carbon Disclosure Project (CDP).</p> <p>As part of our investment process, PRUPIM requests information from property vendors on a number of sustainability issues relevant to properties, including flood risk, resource efficiency and renewable energy generation. This information generates a sustainability "score" indicating how future-proofed or otherwise an investment property is. This is part of PRUPIM's metrics-based property evaluation system, FairVal.</p> <p>Through tenant engagement PRUPIM seeks to work collaboratively to reduce the total environmental impact of its properties - and not just the part for which it is responsible. It is rolling out a lease and a Memorandum of Understanding which incorporate the process of engagement and data-sharing between landlord and tenant.</p> <p>At M&G, the investment management approach is not exclusively based upon environmental considerations, but we do expect the Boards of our investee companies to take appropriate account of such issues in their stewardship of the interests of shareholders. Further information on M&G's approach to corporate responsibility is set out in the booklet 'Issues Arising from Share Ownership', and can be found at www.mandg.co.uk.</p> |
| 4.3 | Encourage improvements in the energy-efficiency and climate resilience of our | PRUPIM has a sustainable development framework and sustainable refurbishment framework intended |



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| | investment property portfolio. | <p>to promote the adoption of design solutions and implementation strategies for its developments and refurbishments that maximise social and economic contribution and minimise the adverse impact of its activities on the environment. The Framework is intended to stimulate and challenge, identifying both simple, practical measures that could be adopted, together with more challenging aspirations to go beyond best practice and regulatory compliance.</p> <p>Targets for energy efficiency are measured in carbon emission intensity, as well as absolute energy consumption across the portfolio.</p> <p>PRUPIM records and gathers data detailing the environmental performance of its investment properties from a variety of sources including its Facilities Managers and Bureau Service on an ongoing basis to enable it to analyse the data, compare data sub-sets, set targets for ongoing improvement, and to review trends in performance from year to year.</p> |
| 4.4 | Communicate our investment beliefs and strategy on climate change to our customers and shareholders. | Our performance and progress is reported annually through Prudential plc's CR Report and through PRUPIM's Sustainability Report . |
| 4.5 | Share our assessment of the impacts of climate change with our pension fund trustees. | Our performance and progress is reported annually through Prudential plc's CR Report and through PRUPIM's Sustainability Report . |

Principle 5 - Reduce the environmental impact of our business

| | Commentary Required | Examples |
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| 5.1 | Encourage our suppliers to improve the sustainability of their products and services. | <p>Prudential does not systematically calculate emissions associated with its supply chain. However, we recognise that our own social, environmental and economic impacts go beyond the products and services we provide, to include the performance of our suppliers and contractors. Therefore our policy is to work in partnership with suppliers that operate with policies and procedures consistent with the standards set out in our Group Code of Business Conduct and to help them reduce their impact on the environment.</p> <p>Our Corporate Property function requires its suppliers to disclose appropriate environmental credentials before they can qualify as a preferred supplier. We encourage our suppliers to achieve compliance with ISO 14001. Through reducing the number of our suppliers we have been able to exert tighter controls. This has reduced travel and carriage impacts.</p> |



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| | | <p>Procurement practices in Prudential UK have been successfully accredited with the Chartered Institute of Purchasing and Supply (CIPS) certification, which is an industry benchmark of recognised good practice.</p> <p>PRUPIM's procurement provider runs an annual survey on sustainability issues amongst preferred suppliers. They incentivised the suppliers to meet PRUPIM's minimum standards, such as attainment of Environmental Management Standard ISO14001: suppliers who failed to do so were removed from the list. The most recent survey indicated that 80% of preferred suppliers were ISO14001 compliant.</p> <p>The <u>Sustainable Development and Refurbishment Frameworks</u> have detailed information on PRUPIM's sustainability criteria for new builds and refurbishments that it undertakes.</p> <p>At PRUPIM's Head Offices, all printer paper is 100% recycled; its printed stationery uses 50% recycled and 50% FSC certified virgin paper.</p> <p>At our investment properties, our electricity contract is for 100% Good Quality Combined Heat & Power electricity. In the fiscal year 2009/10, we purchased over 100 million kWh of this Climate Change Levy exempt electricity, representing 93% of the investment properties' total electricity consumption.</p> <p>PRUPIM also has a policy to purchase only FSC approved timber.</p> |
| 5.2 | <p>Measure and seek to reduce the environmental impact of the internal operations and physical assets under our control.</p> | <p>Physical Assets Under Our Control:</p> <p>In our occupied property, we are establishing the following targets to reduce by 5% the energy intensity of UK occupied property (per m2 and per person) by 2012.</p> <p>We have identified technology for monitoring energy use in the multi-tenanted buildings we occupy in Asia, and we will be trialling this in 2011.</p> <p>In 2010 we retained ISO 14001 environmental management system accreditation at all of our UK sites.</p> <p>PRUPIM measures and disclose energy, waste and water at its investment properties and its occupation of City Place House, Central London. It normalises the data in order to compare the changing portfolio year on year, and report annually. PRUPIM does not record or report "commuting" GHG emissions but it does record and report business travel GHG</p> |



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| | | <p>emissions. Its most recent performance data is at http://www.prupim.com/sustainability.</p> <p>PRUPIM is certified to the International Environmental Management Standard ISO 14001. The certification covers the environmental management system for the company managed property portfolio; embracing the head office facility, property development, refurbishment activities and property management operations. PRUPIM currently has retained ISO 14001 certification at 26 managed office properties as well as retaining PAS99, the world's first integrated management system at 10 managed shopping centres (PAS99 certification includes ISO14001 certification). The certification of significant properties has produced a number of benefits including improved monitoring of energy, water and waste, improved tenant engagement on environment and sustainability issues, and reduced operating costs.</p> <p>Internal Operations:</p> <p>We have worked to minimise the distribution of marketing material to customers and ensure that all our key communications to and shareholders are available electronically. An example is the Group's Annual report and online CR Report 2010, which we increasingly distribute electronically in order to minimise the environmental impacts associated with physical printing and transit of paper copies.</p> <p>M&G, Prudential's UK and European Fund Manager, have been working with their suppliers to make electronic trades rather than paper based ones.</p> <p>Through Jackson's corporate web-site (our life insurance business in the US) producers and customers can opt to receive their prospectus, semi-annual report, annual report and other correspondence online instead of via mail. With the online filing cabinets, producers can receive policy documents and correspondence as soon as the next day. Its customers can also use the web-site to update addresses and locate forms and other resources. Jackson donated \$50,000 to the US non-profit organisation Green Forests, following cost savings through its Green Delivery programme, which has reduced paper consumption by millions of pages.</p> |
| <p>5.3</p> | <p>Disclose our direct emissions of greenhouse gases using a globally recognised standard.</p> | <p>For all UK buildings, we assess the direct impact that our property investment portfolio and our occupied properties have on the environment by monitoring</p> |



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| | | <p>their energy consumption, carbon dioxide emissions, water consumption, waste and recycling, paper consumption and business travel (the latter two in Prudential occupied premises only).</p> <p>CO2 emissions are calculated using DEFRA average rates for carbon dioxide production from our use of electricity, gas, oil and 3 modes of business travel within the UK.</p> <p>PRUPIM's environmental and other sustainability targets are published at http://www.prupim.com/sustainability together with performance data on progress, reported in accordance with the GHG protocol on scopes 1, 2 and 3. PRUPIM has also sought to improve its reporting by bringing it in line with the Global Reporting Initiative G3 guidelines</p> <p>We will continue to participate in and report via the Carbon Disclosure Project and FTSE4Good Index.</p> |
| <p>5.4</p> | <p>Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.</p> | <p>PRUPIM gauges internal awareness and understanding of sustainability through its staff survey.</p> <p>During the course of 2010, PRUPIM delivered 22 hours of its sustainable education programme to all property professionals, tailored to their discipline. Responsible Property Investment will become an integral part of the continuing professional development of every property professional in the company.</p> <p>PRUPIM has also introduced in-house software for fund managers to rate all assets, or potential acquisitions, against sustainability criteria</p> <p>Over 40% of PRUPIM employees with strategic or operational responsibility for the implementation of our Sustainability Strategy had relevant objectives added to their 2009/10 annual appraisal.</p> <p>Responsibility for achieving certain sustainability targets is assigned to specified Department Heads, and the Sustainability Operations Committee meetings are attended by the appropriate members of staff, drawn from across the Business Unit.</p> <p>In the US, Jackson has established a 'Work Smart' environmental programme to engage its employees. Information on topics such as how to be more energy efficient, recycling and to become a Work Smart Volunteer is available to all employees through its intranet site.</p> |



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Governance, reporting and transparency

| | Commentary | Examples |
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| 6.1 | Recognise at Company Board level that climate risk has significant social and economic impacts and incorporate it into our business strategy and planning. | <p>The Board reviews our Corporate Responsibility strategy and performance annually and is kept informed of progress made in managing key issues, which include climate change and environmental management.</p> <p>Our corporate responsibility framework is designed to drive sustainability performance, provide greater focus to our programmes and activities, and enable a more consistent approach to our reporting.</p> <p>Our overall approach to delivering against these priorities matches our operating model, which means that our corporate responsibility activities are managed and controlled locally by our businesses in each of the territories in which we operate. We firmly believe that since our local staff and management are closest to the customer and the local community, they are best positioned to meet local needs.</p> |
| 6.2 | Publish a statement as part of our annual reporting detailing the actions that have been taken on these principles. | <p>For further information regarding the Group's CR Governance Framework, please refer to: (http://www.prudential.co.uk)</p> <p>Prudential also discloses details of its environmental programme and its environmental performance data in the annual CR report and on the Prudential website.</p> |