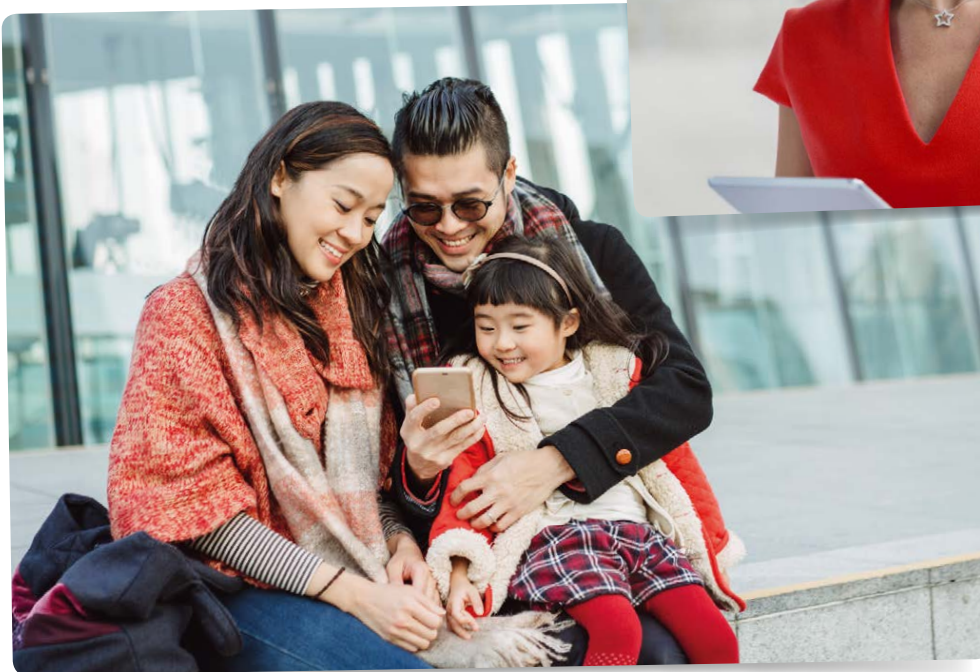




**PRUDENTIAL**



# Environmental, social and governance report 2017

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# Foreword

Prudential exists to help our customers remove the uncertainty from some of the biggest events in their lives. Through our products and services across four continents, we provide customers with the freedom to face the future with greater confidence, and at the same time we channel their savings into investments that boost the cycle of growth and strengthen communities.

We treat all our stakeholders with the same sense of responsibility that we apply to our customers. Our stakeholders include investors, employees, suppliers, governments and regulators, and we approach them all openly, transparently and with a strong sense of commitment.

This is our second annual report summarising our environmental, social and governance performance. This year we have added extra material both in response to new disclosure requirements and due to our determination to be as clear and open about our activities as we can. We have also included a summary of some of the highlights, to give readers a snapshot of the depth and breadth of our performance, such as improvements in our technological platforms to give customers better access to our products, the broadening of our offering of ESG-related funds and the continuing development of our community investment programmes around the world.

Since our foundation in 1848, this business has succeeded by evolving, and we are continuing to evolve today. Our announcement in March 2018 that we will be demerging M&G Prudential from the Group is another step in that evolution, showing how we are prepared to change to meet the opportunities we face.

This report demonstrates how, across the many different areas in which we work, Prudential is a strong, sustainable business that has a positive impact. I hope you find it informative.



A handwritten signature in black ink, which appears to read 'Mike Wells'. The signature is fluid and cursive.

**Mike Wells**  
Group Chief Executive

# Highlights



Prudential named one of Britain's most admired companies in Management Today awards - [page 10](#)



**Application times** for customers in China sharply reduced by straight-through processing using mobile platforms - [page 26](#)

**New website launched** to make financial products clearer and more transparent for US consumers - [page 12](#)

M&G Prudential rolls out **MyM&G**, a lower-cost direct-to-consumer platform for UK customers - [page 12](#)

Two **five-star ratings** for our UK life business at the Financial Adviser Service Awards - [page 13](#)

New **'never lapse'** feature for customers in Africa, ensuring that missing payments will not lose them benefits - [page 12](#)



**Cha-Ching**, the world's only global financial education programme for primary school-aged children, is now on all four continents where we operate - [page 34](#)

Now in its fifth year, **Prudential RideLondon** has raised more than £50 million for charity - [page 34](#)

Over 30 per cent of our workforce volunteered for community projects through our flagship **Chairman's Challenge** - [page 36](#)



**Greenhouse gas emissions decreased** across our occupied estate - [page 19](#)

**Total waste recycling rate increased** - [page 20](#)



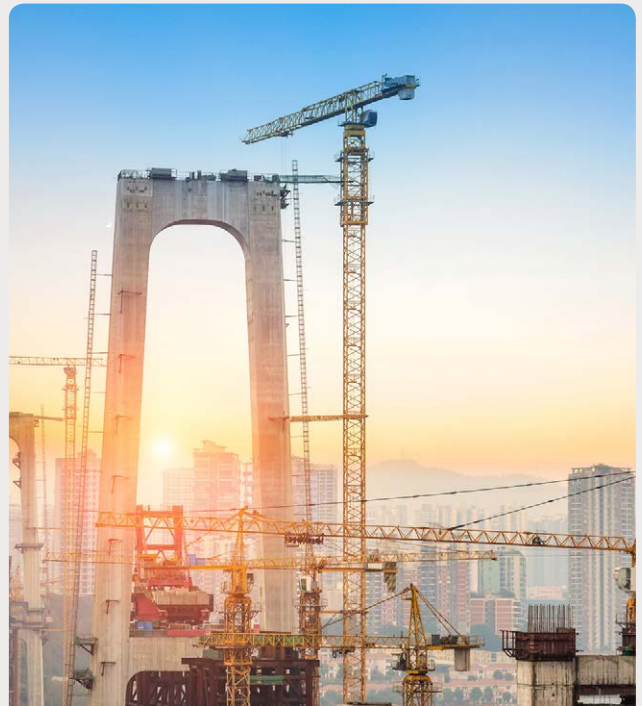
Our **whistleblowing** programme upgraded and enhanced - [page 10](#)

Highly commended for the clarity and succinctness of our **tax reporting** - [page 9](#)



**Diversity and inclusion** is a strategic objective, and we are investing in targeted activity in 10 priority areas - [page 29](#)

Our UK & Europe investment business ranked **number one asset manager** to work in by two separate surveys - [page 31](#)



Eastspring signs an agreement with the International Finance Corporation to raise \$500 million towards **infrastructure projects in emerging markets** - [page 16](#)

Eastspring becomes a signatory to the **UN's Principles for Responsible Investment** - [page 17](#)

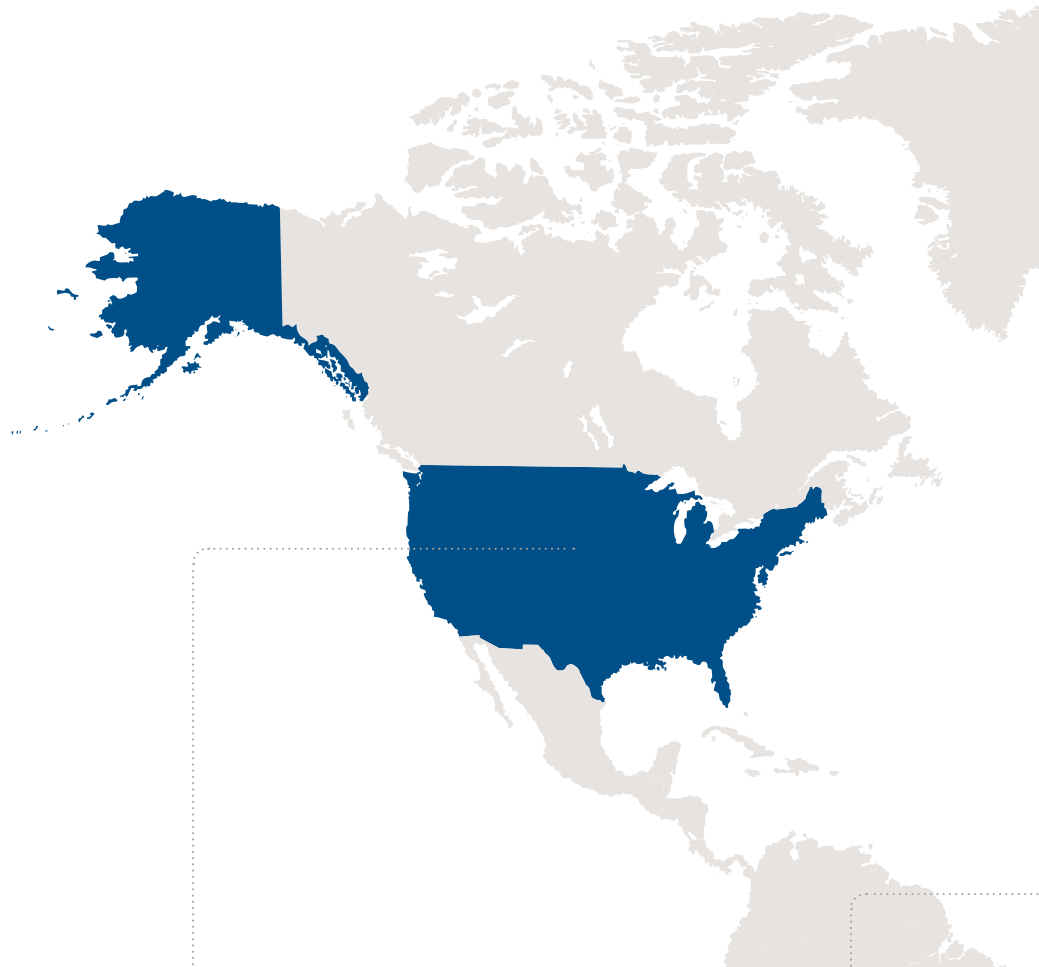
M&G Prudential launches two new funds focused on **environmental and social impact** - [page 16](#)

# Prudential – Creating shared value

Prudential helps to remove uncertainty from life's big events. Whether it's starting a family, saving for a child's education or planning for old age, we provide our customers with financial peace of mind, enabling them to face the future with greater confidence. With £669 billion of assets under management, we actively invest our customers' money in the real economy, helping to build stronger communities and drive the cycle of growth, and at the same time we deliver sustainable and growing returns for our investors. We create long-term value for customers, investors, employees and the communities in which we operate.

## Meeting customers' needs on four continents

Our strategy is aligned to strong, structural trends: the savings and protection needs of the growing middle class in Asia; the retirement income needs of America's 75 million baby boomers, and the growing demand for managed savings solutions among the ageing population of the UK and Europe. Since 2014, we have also been developing in new markets in Africa, serving a growing, under-protected population who have limited access to financial services.



### United States

In the US, 10,000 people will be retiring every day for the next 20 years. The solutions offered by our US operation, Jackson, are designed to help this cohort of Americans avoid running out of money and provide them with a reliable cushion against volatile markets. 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 five African countries. Today people in Ghana, Kenya, Uganda, Zambia and Nigeria can meet their changing needs through access to our products, enjoying the value we create for customers and for communities.

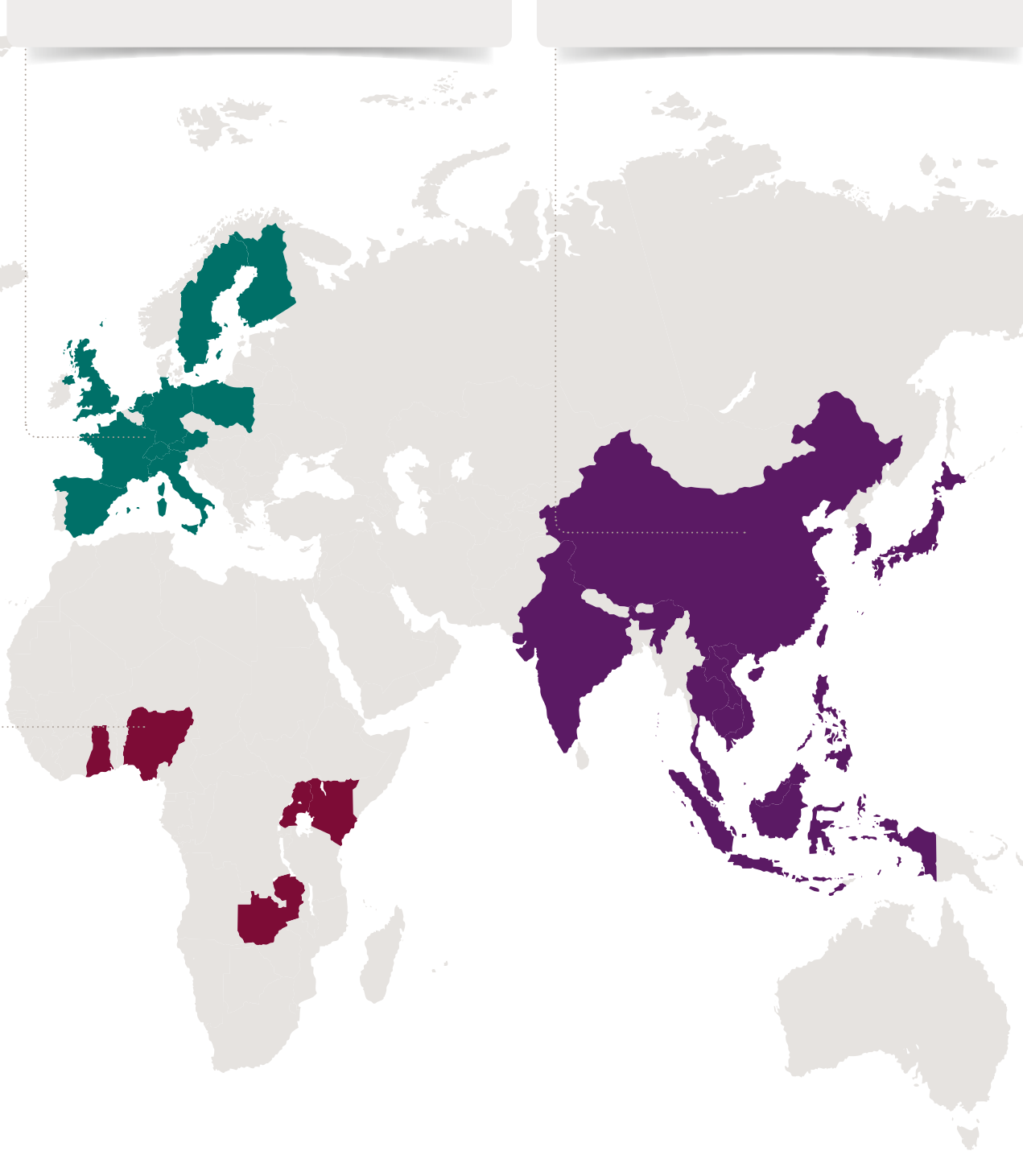
## United Kingdom and Europe

In the UK and Europe, there is a growing demand from customers for managed solutions – savings products that provide better long-term returns than cash, while smoothing out the ups and downs of the market. We meet that need through our unique PruFund propositions and our comprehensive range of actively managed funds. In 2017 we combined our asset manager, M&G, and Prudential UK & Europe to form M&G Prudential, a leading savings and investments business ideally positioned to target this growing customer demand for comprehensive financial solutions. In March 2018 we announced our intention to demerge M&G Prudential from the Group, resulting in two separately listed companies with distinct investment prospects.

## Asia

In Asia, much of the fast-growing middle class is both under-saved and unprotected. The gap between the insurance cover that people have in place and what they need in order to maintain the living standards of their families has been estimated at £35 trillion. We help to bridge that gap across 14 markets with a product portfolio centred on regular savings and protection, as well as multi-channel distribution and award-winning customer service.

Eastspring, our Asian asset management business, manages more than £139 billion in assets, providing investment solutions across a broad range of classes, and invests those assets in the real economy to help drive growth.



# About this report

This report provides a summary of Prudential plc's environmental, social and governance (ESG) performance.

The content of the report meets the ESG 'comply or explain' requirements under the Rules Governing Listing of Securities on the Stock Exchange of Hong Kong Limited (Hong Kong Listing Rules). This includes new requirements for 2017 to upgrade environmental key performance indicators from 'recommended' to 'comply or explain', which can be found in the Environment section on page 18.

Much of the material contained in this report can also be found in our regular financial, corporate responsibility, tax strategy and other reporting. We have chosen to include all of this and other ESG material in this report to offer interested readers a single, easily accessible source for all such material.

This is the second annual ESG report we have produced. We have strengthened our reporting this year by streamlining the data collection and editorial process to ensure that we are gathering the right data and presenting it in the most accessible format. We are committed to continuing to improve our ESG reporting every year.

## 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 for the 2017 calendar year, and excludes our joint venture partnerships.

## 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 customers in all our markets, 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 all 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

The ESG landscape is evolving rapidly and we position ourselves to adapt proactively in order to remain a sustainable business. Oversight of ESG is provided at Group Executive Committee level by the Group's ESG sponsor, Jonathan Oliver, Group Communications Director. Group-wide ESG standards are established through the Group Governance Manual, which sets out the policies and procedures by which the Group operates. For further information on our Group-wide policies relating to our material ESG issues, refer to the [Corporate Responsibility Review](#) pages of our 2017 Annual Report and Accounts.

We strive to demonstrate the sustainability of our business as transparently as possible through our ESG reporting. The preparation of this report was overseen by the Group Audit Committee and the Board of Prudential plc. The report is based on the findings of a cross-functional working group, through which we undertook 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 performed a materiality determination exercise to identify any new ESG risks that had emerged. We determined the relevance and significance of each ESG issue to Prudential and our stakeholders, and prioritised these issues according to the greatest impact on the sustainability of our business. The most significant issues have been included in this 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. We endeavour to manage all our stakeholders' expectations in a transparent and fair manner, and 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, and our material is 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 31 of the report. No significant areas of non-compliance in relation to relevant laws and regulations relating to the Hong Kong Listing Rules ESG reporting 'Aspects' were noted.



# How we engage with our stakeholders

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 stakeholders helps us to design and improve the processes and policies with which we govern ourselves.

At Prudential we recognise that our stakeholders are key to our long-term success. We seek to proactively engage with them, to understand their views and to take these views into account when we make strategic decisions.

Our stakeholders range from private individual customers to institutional investors, employees, charitable organisations and national regulators. As such, our channels of engagement vary depending on the stakeholder – some are formal and others more informal. Most of

our stakeholder engagement is conducted by our local businesses, although Group Head Office leads on engagement for others, such as with our investors.

Below is a summary of our global and local stakeholders, how we engage with them and the areas of interest for each group in 2017.

Stakeholder group	How does Prudential engage with these stakeholders?	Areas of interest raised by these stakeholders in 2017
<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, climate-related disclosures.
<b>Investors</b>	Half and full-year results, Annual Report, Annual General Meeting, investor briefings, ESG Report.	Integration of ESG within Group strategy and governance, customer satisfaction, product suitability, diversity, training, retention, remuneration, succession, cyber-security, responsible investment, financial strength, risk management, climate change issues.
<b>Employees</b> (including contractors, potential recruits, agents and trade unions)	Surveys, town hall meetings, away days, team meetings, appraisals, intranets, training programmes.	Diversity and inclusion, gender pay, employee relations, training and development, succession planning.
<b>Governments</b> (including central banks, stock exchanges and global policy bodies)	Meetings, input to policy papers, sector-wide analysis, partnering, speaking at public and private events, data input, Tax Strategy Report.	Responsible business, role in financial stability, customer fairness and engagement, sector regulation, responsible investment, tax transparency, green financing, infrastructure 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 a business imperative and is integral to our operations across all our markets. 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 long-term business success



We have embedded a framework throughout our operations to ensure that we are able to manage existing and emerging risks in the area of business integrity, including upholding the highest standards of professional conduct, maintaining our financial strength, conducting our tax practices responsibly and fighting financial crime.

### **Standards of conduct**

We have a governance framework built on our Group Code of Business Conduct and our Group Governance Manual, which set out our guiding principles and outline 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 framework is reinforced by a range of policies across all our operations and markets, which are regularly reviewed and updated to help ensure we act in a responsible manner in everything we do.

### **Financial strength**

We contribute to financial stability and sustainability in all of the markets in which we operate. 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 customers and long-term profitable growth to our shareholders, adding strength and stability to the financial system. For detail on our financial performance last year, see our [2017 Annual Report](#).

We work in partnership with policymakers and regulators. In 2017 we remained actively engaged in global regulatory policy debates with standard-setters such as the Financial Stability Board (FSB), the International Association of Insurance Supervisors and the International Organization of Securities Commissions, as well as with industry trade bodies, on the soundness of the international financial system and the conduct of business regulation.

To underpin insurance penetration rates, protection and savings, we support the process of deepening capital markets, building robust regulatory and legal frameworks and enhancing financial literacy in the markets in which we operate, which in turn supports economic growth and stability.

Prudential has been designated as a Global Systemically Important Insurer (G-SII). Although the FSB did not publish a new list of G-SIIs in 2017, the policy measures set out in the FSB's 2016 communication on G-SIIs continue to apply to Prudential. 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 economy. 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 us to maintain constructive relations with our stakeholders and play a positive role in the economy. We take a long-term perspective and balance our responsibility to support our business strategy with our responsibility to the communities in which we operate, which need sustainable tax revenues.

We understand the importance of paying the right amount of tax on time. We manage our tax affairs transparently and seek to build constructive relationships with tax authorities in all the countries in which we operate. Our tax policy outlines our processes to identify, measure, control and report on risk across four categories: technical judgements, operations, regulations and reputation.

During 2017 the tax transparency agenda continued to receive attention and the debate over whether public country-by-country reporting should be mandatory continues. For the first time in the UK, groups with significant UK operations have been required to publish details of their tax strategies, outlining how tax risks are managed, their attitude to tax planning and their approach to working with tax authorities.

We have been publishing our total tax contribution since 2012 and have continually tried to improve the level of transparency relating to our tax affairs. In May 2017 we published our tax strategy, which focuses on:

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

In addition to complying with the mandatory requirements under the UK 2016 Finance Act, our strategy included a number of additional disclosures, including a breakdown by country of revenues, profits and taxes for all countries where more than £5 million tax was paid. This disclosure was included to demonstrate that our tax footprint (ie where we pay taxes) is consistent with our business footprint.

Our Tax Strategy Report was highly commended in the 2017 Building Public Trust in Corporate Reporting Awards, run by PwC. We were praised in the category for tax reporting in the FTSE 350, with the independent judges saying they were impressed with the level of detail our report provided on our approach to managing our tax affairs and the helpful Q&A section explaining key terms and phrases. They also singled out the clear reconciliation and breakdown of cash tax paid versus the effective tax rate – describing this as “excellent” – supported by an easily understood diagram, and commented on the succinctness of our tax reporting, which they said made it more accessible to the non-expert reader.

In 2017, the Group's global tax contribution was £2,903 million. 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.

# Business integrity

We are continuing to monitor developments in the tax transparency agenda and look to further develop the disclosure of meaningful tax information to help our various stakeholders' understanding of our tax footprint.

More information on our tax strategy, including details of how much tax we pay, how we manage our tax affairs and the governance and management of tax risk can be found [here](#).

## Fighting financial crime

As we operate across a range of geographies and maintain business relationships with third parties, such as agents and intermediaries, who act on our behalf, financial crime is a key risk, with potentially significant consequences for our customers, our business and the economies in which we operate.

We are committed to participating in industry-wide efforts to fight financial crime and we maintain and implement our own anti-money laundering, counter-terrorist financing, anti-bribery and corruption and anti-fraud practices and procedures.

We have a clear [Anti-Bribery and Corruption Policy](#) that states our zero tolerance towards corruption and the payment or receipt of bribes for any purpose. It outlines how we define bribery and corruption and our position on political and charitable contributions, facilitation payments and gifts and hospitality. Our programme of mandatory online training courses ensures that our employees are able to recognise, avoid and report any potential instances of bribery or corruption and we closely monitor completion rates. In addition, face-to-face training was provided to approximately 2,500 employees in higher-risk roles during the year.

As specified in our Anti-Bribery and Corruption Policy, we perform documented quarterly reviews with regional compliance teams as well as annual risk assessments across all of our businesses, as we recognise that practices, customs and regulatory requirements vary greatly across our markets. An external review of the Group's anti-bribery and corruption programme was undertaken in 2016 and, following this, in 2017 we put in place clear governance for anti-bribery and corruption risks and controls across the Group by establishing policy ownership with, and regular reporting to, our Group Risk Committee. The Group Audit Committee continues to review the effectiveness of the programme on an annual basis. During 2018, we will increase the scope of advanced training on

anti-bribery and corruption risks and regulations to cover all senior executives and managers in higher-risk roles, particularly those that involve dealing with and managing relationships with third parties.

We have Group-wide policies in place in relation to anti-money laundering, fraud, counter-terrorist financing and sanctions. These policies help to ensure that we comply fully with all relevant local regulatory and statutory requirements, effectively identify and understand the customers and third parties with which we do business, monitor customer risk profile and report suspicious activities, undertake robust risk-based due diligence and provide our staff with appropriate training on the recognition, avoidance and reporting of any potential wrongdoing.

In response to the introduction of the UK Criminal Finances Act 2017, a Group-wide risk assessment was performed to consider the impacts of the Act on our businesses. The Group Anti-Money Laundering Policy was updated to reflect the new legal requirements around preventing the facilitation of tax evasion and a programme of communications and training was provided to all employees across the Group. Coverage of compliance with these requirements has been built into the Compliance Monitoring Plan for 2018. During 2017, we also updated our Sanctions Policy to specify the requirement for all businesses to perform name screening of vendors, suppliers, outsourcers, employees and other third parties on a regular basis.

The Group Audit Committee continues to review the effectiveness of the programme and associated controls on an annual basis, including tracking KPIs such as the number and percentage of customers categorised as high-risk or as politically exposed persons and the number of suspicious activity reports made to law enforcement agencies. Regular updates are also provided to the Group Risk Committee. Due to the sensitive nature of these policies, they are not made publicly available.

Our Group Security Policy provides a framework to help us ensure a level of security commensurate with our regulatory and legal obligations, while meeting the demands of a competitive commercial organisation. We have a designated Head of Security across each of our businesses and have developed a set of procedures and guidelines at each business to demonstrate compliance with this policy.

## Whistleblowing

The relaunch of our whistleblowing programme in 2016, supported by a variety of internal communications, led to a substantial increase in reported concerns across a broad range of issue types and geographies in 2017. The accessibility of the programme, Speak Out, has been a key factor – it is [publicly accessible](#) not only to staff but also to clients, contractors and suppliers, allowing them to raise concerns via the internet, email, hotline or written formats in any language. The programme has been supported by the Group Chief Executive and senior leadership and reinforced through mandatory online training made available to all staff. This promotion and training has raised awareness of Speak Out and instilled confidence in reporters that concerns will be investigated independently and objectively by professional, trained investigators.

Building on Speak Out, in 2017 we upgraded the case management platform that supports it. This has enhanced the effectiveness of investigations, speeded up the escalation of significant issues and improved the efficiency of Board-level reporting, making it easier for the Group Audit Committee to oversee the investigation of reported concerns.

We are longstanding members of the Institute of Business Ethics (IBE) and in 2017 we also extended our membership of Public Concern at Work (PCaW), which has advised on the content of our internal training and awareness material. We work closely with these organisations to constantly improve the effectiveness of our Speak Out arrangements. We are the only organisation in the insurance industry to be involved in a PCaW-led initiative to agree a standard across the financial services sector for the effectiveness of internal whistleblowing arrangements.

## Recognition

In 2017 we were named one of Britain's most admired companies in Management Today's highly regarded business awards. Based on a comprehensive review by our peers, we won the insurance category and were named Britain's third most admired company overall for quality of management and inspirational leadership, and fourth for our ability to attract and retain top talent. Across all industries, we were named tenth most admired company, out of 241 companies surveyed.

# Meeting customers' needs

Our customers are core to our strategy and the creation of long-term value. We deliver fair and transparent products that meet their needs, providing solutions to the biggest financial challenges of their lives



# Meeting customers' needs

The needs of our customers continue to evolve and we aim to serve them for the long term. This involves proactively listening to them and innovating to develop our products, solutions and distribution channels to improve financial access and deliver consistent, sustained performance.

## Our customer commitments

Customer-centricity is key to our product proposition planning and the sales process, as well as the service we deliver from policy inception through to the point at which the product finishes its lifecycle. We aim to provide the highest standards of service at all times when managing the products our customers hold with us.

We have a duty to act to advance our customers' interests responsibly and with integrity. Owing to their distinct operations and local operating contexts, each of our global businesses pursues its own individual, business-specific customer policies to assess, manage and report on customer risks. This is overlain by our Group Customer Commitments Policy, which sets out five customer commitments to support our Business Units in implementing the [Group 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 business and customers.

## Product design and innovation

Our product planning ensures that we innovate and develop products and services that meet the needs of customers looking to secure their financial needs.

We continue to focus on offering our customers flexibility and choice to meet their changing lifestyle needs. For our Asian customers, we are meeting the need for on-demand digital experiences. In Singapore, Vietnam and Hong Kong, we have launched industry-first artificial intelligence-driven chatbots. Prudential Vietnam's 'PruBot', available on its corporate website and Facebook page, provides customers with 24/7 support by answering queries related to products and services, as well as helping them schedule appointments with financial consultants. 'AskPRU' allows Prudential Singapore's financial consultants to instantly retrieve information specific to their customers' life insurance plans.

Where possible, we look to make things as simple as possible for our customers, as they make significant and complex financial decisions. In the US, Jackson introduced "Retire on Purpose," a new platform with a focus on thoughtful life planning as a crucial first step towards creating a comprehensive financial plan. Jackson has also been simplifying the language used around financial products to make them clearer and more transparent for consumers, and to change the conversation to focus on planning for the lifetime income that consumers need to live well throughout their lives. To promote this simple language approach, Jackson has launched a new website, [The Financial Freedom Studio](#), which now serves as Jackson's central content hub.

In the UK, in 2017 we began offering customers the opportunity to migrate onto our online investing service, myM&G, providing them with a new and lower-cost option for managing their investments. We also offer MyPru, a secure online facility to check policy information at any time, with one million customer log-ins since its launch in 2016. This allows our customers to check their policy value, change details, view payment and product information and send us secure messages. A key focus of our technological improvements was to reduce the time advisers spend on administration, to enable them to focus on serving our customers. Advances included the introduction of paperless offshore

bond claims and an electronic signature facility for the Prudential Retirement Account.

In Africa, we rolled out a new 'never lapse' feature in Ghana. This addresses one of the main concerns our customers in this market have about insurance – that unforeseen circumstances might lead them to miss premium payments on their insurance policies and result in them losing their benefits. This new feature ensures that, beyond the first policy year, the policy will never lapse or become inactive. The feature is due to be rolled out in Kenya, Uganda and Zambia in 2018.

## Increasing access to financial protection

Increasing access to insurance is a critical social and economic issue, and we aim to ensure not only that we have the right products available but also that these are distributed by appropriate means to our potential and existing customers, in order to increase access.

Distribution plays a key role in our ability to reach, attract and retain customers across our regions. Our businesses work collaboratively with local NGOs and policymakers to better understand how we can address the need for financial protection, by partnering where appropriate.

In our Asian markets, for example, lack of insurance is one of the primary reasons why a middle-income family falls below the poverty line following a significant life event. Through some of our products that situation can be averted at low cost, and we continue to broaden our offering and work with regional authorities to help address this need. The China Insurance Regulatory Commission has set a penetration target for insurance of 5 per cent by 2020, from a current rate of only 2 per cent. We are working with the Chinese authorities to help them reach that target and deliver all the benefits to both customers and communities that our industry's products bring. Similarly, in Africa at 31 December 2017 we were working exclusively with four banks, and in total had access to more than 600 bank branches, to bring value-added insurance solutions to their customers.

### **Customer service and addressing complaints**

We believe that our customers deserve the highest level of professionalism, care and continuous contact from us, and our businesses develop programmes to encourage and pursue the best possible customer service. For example, in Singapore the Prudential Service Mark signifies that a Prudential financial consultant is committed to rendering the highest level of service and that the customer's insurance and investment needs will be handled by a financial consultant who is among the best in our organisation. In order to be awarded the Prudential Service Mark, a consultant has to fulfil a set of stringent criteria – one of which is to receive excellent commendations from their customers, who play a significant role in deciding whether or not that agent is accredited.

We have procedures in place to manage complaints from our customers in a timely, robust and professional manner, while at all times doing so in a regulatorily compliant way. In the UK, customers have the right to approach the Financial Ombudsman Service (FOS) if they are unhappy with the outcome of a complaint raised with a financial services provider. The FOS will investigate the complaint and issue an adjudication with its findings. Since 2009, the FOS has published industry-wide adjudication data, which has seen adjudication support for Prudential average in excess of 80 per cent throughout, placing us strongly within both our peer group and the wider financial services industry.

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 longstanding customers. The FCA has since published guidance for firms that 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 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. We have begun to contact customers who may not have been given sufficient information and will provide redress where appropriate based on a methodology set out by the FCA.

### **Industry awards**

In 2017, we won a number of industry awards, reflecting the clear customer focus that runs through our Group:

- In Asia, Prudential Hong Kong Limited won two top awards at the Hong Kong Insurance Awards 2017: the Outstanding Customer Services Award and the Outstanding Agent of the Year Award, plus a number of Finalist Awards.
- In the US we were recognised six times in 2017 by The Service Quality Measurement Group, Inc. (SQM) for excellence in contact center service. In addition, Jackson earned the following awards: "Highest Customer Service for the Financial Industry" and "Highest Customer Service for the B2B Industry", awarded for the highest First Call Resolution in a specific sector; and "Contact Center World Class First Call Resolution Certification" for achieving a First Call Resolution rate of 80 per cent or greater for at least three months.
- In the UK, we retained our two 'Five Star' ratings in the Life & Pensions and Investments categories at the Financial Adviser Service Awards. Additionally, at the 2017 Investment Life & Pensions Moneyfacts Awards, we were awarded Best Investment Bond Provider for the seventh year running, and Best Income Drawdown Provider. At the FT Pensions Expert: Pension and Investor Provider Awards 2017, we won the Global Multi Asset Credit Manager of the Year and UK Fixed Income Manager of the Year awards.

# Responsible investment

We define responsible investment as the explicit incorporation into investment processes and ownership decisions of ESG issues that are relevant to the Group, our customers, investors, employees and other stakeholders





As a long-term investor, we believe that ESG risks can potentially impact long-term investment performance and we seek to manage exposure to these risks through our Group-wide Responsible Investment Framework. This sets minimum requirements and provides guidance that enables our Business Units to explain, in a manner that is consistent with our Group Values and Code of Conduct, how they incorporate ESG considerations into their investment processes as asset managers and their stewardship commitments as asset owners.

Our general approach is to favour engagement with investee companies and active ownership practices rather than restricting investment opportunities through exclusion. In addition to complying with applicable laws, rules and regulations, we have defined a process to be able to exclude certain assets from our internal insurance mandates.

### **Our approach to responsible investment**

We are long-term stewards of our customers' assets and we recognise the challenge that ESG risks such as climate change present. We believe it is our responsibility to customers, society and the environment to incorporate associated considerations into investment decisions, fiduciary and stewardship duties, to prepare for the transition to a more sustainable economy. By recognising our duties to assess all types of risks as professional investors (asset managers) and our stewardship responsibilities as custodians of our customers' and shareholders' assets (asset owners), we believe we can meet the needs of our customers for long-term savings and financial security.

We operate an asset management business in each of our three main regions – Eastspring in Asia, PPMA in the US and M&G Prudential in the UK & Europe. In recognition of the distinct investment risks faced by our asset management and ownership businesses through investing in different markets and asset classes, each Business Unit manages ESG-related matters through the pursuit of local, business-specific responsible investment strategies.

As a long-term investor, we consider all factors (financial and non-financial) in our investment processes, decision-making and ownership practices that may have a meaningful impact on our clients' long-term investment outcomes. Processes to document the consideration of ESG factors in the investment processes of our asset managers are being embedded through the implementation of our Group-wide

Responsible Investment Framework. Similarly, as active asset owners of the capital we invest on behalf of our clients, we believe that due consideration of the various factors that can impact investment returns is part of our fiduciary duty to our customers.

### **Our Group Responsible Investment Framework**

While each of our Business Units continues to manage ESG-related matters in a manner appropriate to its local business environment and investment strategies, we created a Group Responsible Investment Framework in 2017 to draw together the individual ESG-related investment strategies and activities of our global businesses, allowing us to better articulate our Group-wide approach to responsible investment. The Framework is aligned to our Group Code of Conduct and connects the existing responsible investment governance structures within our different businesses, such as M&G Prudential's Responsible Investment Advisory Forum and Eastspring's Responsible Investment Working Group.

The Framework provides a mechanism to inform our senior executives of the local ESG investment strategies of each of our businesses. Central to the Framework is our Group Responsible Investment Advisory Committee (GRIAC), which comprises the Chief Investment Officers of each of our asset management and insurance Business Units. The GRIAC is responsible for overseeing our responsible investment activities and further developing our overall Group-wide strategy. Our Group-wide responsible investment activities, overseen by the GRIAC, are periodically reported to the Board and senior executive committees.

Our Group-wide Responsible Investment Principles (outlined below) lay out the general beliefs behind our investment approach to ESG, and are underpinned by a set of Group-wide Responsible Investment Standards, which embody our Group strategy. These Standards were developed through consultation with our Business Units in 2017, setting minimum Group requirements to guide our asset management and ownership businesses in ESG-related matters and helping them to further develop their own local Responsible Investment Standards. This ensures that, as a Group, we take a systematic and consistent approach to responsible investment and responsible ownership. In 2018 the Standards are in the road-testing phase with our Business Units, including the design and implementation of appropriate KPIs to facilitate enhanced Group-level internal monitoring and external reporting.

### **Prudential's Group-wide Responsible Investment Principles**

- 1 The Prudential Group Responsible Investment Standards are governed by the Group Code of Business Conduct and the Group Values.
- 2 A Group-wide set of Responsible Investment Standards supports our business reputation, brand and stakeholders.
- 3 Our investment process incorporates both financial and non-financial factors in our approach to the stewardship of our clients' assets.
- 4 The reputation of the Prudential Group is managed and protected through careful consideration of ESG issues in our investment activities.
- 5 Group and Business Unit governance processes allow us to demonstrate our activities as a responsible investor.

# Responsible investment

## 2017 responsible investment highlights

We added a number of ESG-focused offerings to our product range in 2017 in response to increased interest and demand from customers:

- M&G Prudential launched two funds in the ESG/impact investment space. The M&G Impact Financing Fund is an institutional fund focused on private and illiquid debt that generates clear environmental or social impact while providing competitive financial returns. The M&G Global High Yield ESG Bond Fund is a SICAV public bond fund aimed at providing a combination of capital growth and income while considering ESG factors, and which seeks to achieve a higher ESG rating than the global high-yield market.
- In the US, Jackson National Asset Management added the JNL/Mellon Capital MSCI KLD 400 Social Index Fund in April 2017 as an underlying variable annuity investment option. This passively managed fund tracks its corresponding MSCI index, which is a capitalisation-weighted index of 400 US securities that provides exposure to companies with outstanding ESG ratings and excludes those whose products are judged to have negative social or environmental impacts.

In addition to our new ESG-focused investment products, we continued to make progress in responsible investing in 2017 through engagement with investees and the assets in which we invest:

- Eastspring evidenced its ongoing commitment to the economies and communities of developing countries in Asia when it became the first Asian investor to sign an agreement with the International Finance Corporation, a member of the World Bank Group, committing US\$500 million to a programme to fund infrastructure projects in emerging markets.
- PPM America invested US\$60 million in solar and wind power projects, bringing its portfolio of investments in renewable power projects to US\$300 million. Since 2015, PPM America has also invested almost US\$250 million in asset-backed transactions that support the activities of companies like Mosaic Inc. (purchased in 2017), a provider of residential solar power solutions, as well as other companies that provide energy-efficient upgrades or renewable energy installations for residential,

commercial and industrial property owners under 'Property Assessed Clean Energy' legislation initiatives.

- M&G continued to actively engage with the management of its investee companies, both individually and increasingly collectively with other investors, to address ESG issues ranging from climate change and diversity to tax and human rights. M&G is playing an increasingly active role in responsible investment-oriented initiatives, including participating in the Asian Corporate Governance Association and the UK Investor Forum, and became a signatory to the 30% Club investor group statement of intent, committing us to raising the issue of gender diversity with our investee companies.

- M&G Real Estate has been participating in the annual Global Real Estate Sustainability Benchmark survey since 2011. In the 2017 survey, seven of our funds received a 'Green Star' rating, meaning that they are among the most highly ranked for sustainability globally.

Our 2018 plans include continuing to enhance and roll out our Group Responsible Investment Framework, which entails further development of our Group and local Business Unit Responsible Investment Standard. Additionally, as part of our ongoing IT infrastructure and digital transformational work, we will continue to assess how technology, such as the BlackRock Aladdin investment system, which M&G Prudential began using in 2017, and third-party ESG market data can help us further integrate ESG considerations into our investment activities.



## Climate-related risks and opportunities factored into individual investment strategies

Our UK savings and investments business invests in a range of alternative assets that play a role in addressing climate-related risk and opportunities, principally through investments overseen by Prudential Portfolio Management Group. Using specialist investment partners within M&G Prudential and externally, the funds have interests in a range of clean, sustainable and renewable energy assets around the world, which are helping to facilitate a shift toward a low-emission future. Investments currently held by the funds include:

- Solar and onshore wind projects across Continental Europe and the UK;
- Biomass waste-to-energy generation in the UK;
- Battery storage in the UK to manage fluctuations in demand and supply of electricity, promoting renewables as a source of power generation; and
- Hydroelectric and wind power generation facilities in Latin America.

The business has also been a cornerstone investor in several initial public offerings of listed renewables investment companies in recent years.

## Climate change and investment

Climate change poses potentially significant risks to Prudential and its customers, not only from the physical impacts of climate change but also from the transition risks associated with the shift to a low-carbon economy.

Our relationships with our customers are long-term, and so it is vital that our strategy and its execution manage long-term climate risks to ensure that we remain a sustainable business. Commitments to address climate change have been made by countries adopting the Paris Agreement and governmental and corporate efforts to transition to a low-carbon economy in the coming decades could have an adverse impact on global investment assets. In particular, there is a risk that this transition, including the related changes to technology, policies and regulations and the speed of their implementation, could result in some sectors facing significantly higher costs and a disorderly adjustment to their asset values. This could lead to an adverse impact on the value and the future performance of the investment assets of the Group if climate considerations are not effectively integrated into investment decisions and fiduciary and stewardship duties. Where the investment horizons of our businesses are long-term, the relevant assets are potentially more exposed to the long-term impact of climate change.

We are in the process of refreshing our enterprise-wide assessment of climate-related risks in our investment portfolio, the previous results of which have been presented to the Group Risk Committee, while also establishing the internal capabilities needed to make enhanced climate-related financial disclosures in future reporting periods, considering the geographical and asset class breadth of our investment activities. We will report on this further in our future ESG reporting.

## Participation in industry initiatives

### United Nations Principles for Responsible Investment

M&G, PPMSA (our asset manager in South Africa) and now Eastspring are signatories to the United Nations Principles for Responsible Investment (UN PRI). These voluntary principles offer guidance to understand the implications of ESG issues and to embed their consideration into investment practices and processes. Eastspring evaluated the requirements in 2017 and became a signatory in February 2018. The UN PRI reports for M&G and PPMSA can be found here: [M&G](#) and [PPMSA](#).

## Impact investing in action – Social housing finance

In January 2017, M&G provided over £85 million in funding to a social housing association that is a leading developer and provider of affordable homes across London and South-East England. The 25-year fixed-rate, senior secured loan is intended to help fund the development of more than 1,000 homes for social and affordable rent or shared ownership schemes by 2020, with further properties to be built for market sale to generate profits for investment in additional social and affordable homes.

The investment provides clear positive social impact through the planned construction of new social housing stock for residents with low incomes and higher social needs. In addition to generating positive social and environmental impact, the investment targets a competitive financial return and is expected to generate a return premium in the range of 1-2 per cent per annum over equivalent-rated public bonds.

### Task Force on Climate-related Financial Disclosures

The financial sector is continuing to develop its awareness and understanding of the risks associated with climate change, and Prudential contributed to the process that developed the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We participated as an asset owner in the workshop run by members of the TCFD Secretariat and submitted a detailed response to the consultation on the TCFD's initial recommendations. We are reviewing our climate-related financial risk management and reporting capabilities, which will give us a clear focus on what actions are required across the breadth of our business activities to improve transparency around our climate-related financial risks and their associated management. M&G has already publicly endorsed the TCFD recommendations and is engaging with investee companies on improving their disclosures in line with the recommendations.

### Climate Action 100+

In 2017 M&G joined Climate Action 100+, an initiative bringing together more than 250 global institutional investors to engage with the world's largest corporate greenhouse gas emitters to improve climate-related financial disclosure and curb emissions.

### Asset Owners Disclosure Project

We are actively participating in the 2018 Asset Owners Disclosure Project's (AODP) Global Insurance Sector survey, now managed by ShareAction, which seeks to assess the insurance sector's response to climate-related risks and opportunities. In the 2017 Asset Owner survey, we ranked 113th out of the world's 500 largest asset owners, including pension funds, sovereign wealth funds, insurance companies, foundations and endowments. M&G participated in the 2017 Global Climate Index survey for Asset Managers, which assessed the approach of the world's top 50 asset managers to managing the financial impact of climate change on investment portfolios, and we ranked fourth out of the 50 participant firms.

### UK Sustainable Investment and Finance Association

During 2017 M&G joined the UK Sustainable Investment and Finance Association and the International Corporate Governance Network, and became a member of the Responsible Investment and Corporate Governance working groups of the European Fund and Asset Management Association.

### ClimateWise

Facilitated by the Cambridge Institute for Sustainability Leadership, ClimateWise supports the insurance industry to better communicate, disclose and respond to the risks and opportunities associated with the climate risk protection gap. Members produce an annual submission addressing six ClimateWise principles, with performance independently verified by PwC, and are ranked against their peers. In 2017, we improved our position, with a ranking of sixth out of 27 members, achieving 71 per cent, compared with 60 per cent in 2016.

# Environmental performance

Managing the environmental risks facing our business is crucial to creating long-term value for our customers, shareholders and the communities of which we are part



As an occupier of approximately 400 properties worldwide, we recognise the importance of our own internal environmental targets and decarbonisation goals in reducing our direct carbon footprint. In this section, we focus on our direct business operational impact management and performance in occupying our properties.

As a life insurer, asset owner and manager, we also recognise the positive role we can play in financing the transition to a low-carbon economy, as well as the risks involved in that transition and in climate change in general. We are in the process of refreshing our enterprise-wide assessment of climate-related risks, while also establishing the internal capabilities needed to make enhanced climate-related financial disclosures in future reporting periods, with reference to the Financial Stability Board's (FSB's) Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. Further information on our role as an asset manager and owner and how we manage our indirect environmental impacts can be found in the Responsible Investment section on page 14.

### Managing our direct impacts

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](#), which applies to the operational property of all Group companies, guiding how we manage our direct environmental impacts, including compliance with regulations, energy consumption, water use and waste disposal, as well as supply chain management and the adoption of risk management principles for all property-related matters such as leasing and development.

Our Group Environment team within Corporate Property has global accountability for the Group's environmental policies and performance and for reporting progress to the plc Board. Group Environment also provides the conduit between the Board and our Business Units to review performance, set targets and share best practice.

We seek external accreditation where relevant to help us minimise the impact of our operations, validate good performance and drive continual improvement. For

example, our UK property estate has been certified to ISO 14001, the international standard for environmental management, since 2008. For new developments, refurbishments and lease acquisitions, our Corporate Property team targets sustainable building certifications to help ensure good environmental performance for the life cycle or lease duration of the asset.

We have processes in place to capture, monitor and measure our global energy footprint and resource use against key performance indicators. By measuring the impact and carbon intensity of each of our properties, we are able to prioritise and focus on our top energy-consuming sites, where we can make the most impact. We have measured and reported our greenhouse gas (GHG) emissions as required under the UK Companies Act 2006 and through the Carbon Reduction Commitment Energy Efficiency Scheme, with which we comply. See our [2017 Annual Report](#). Our 2017 reporting covers the period 1 October 2016 to 30 September 2017 and is assured by Deloitte LLP. Further information and Deloitte's assurance statement can be found [here](#).

### Our 2017 environmental performance and initiatives

#### Sector benchmarks

We received external recognition for our leadership on climate change issues with an improved score of A- in the CDP Climate Change disclosure (2016: B). In ClimateWise, the insurance sector climate initiative managed by the Cambridge Institute for Sustainability Leadership, we improved our score, achieving 71 per cent (2016: 60 per cent). Our performance in ClimateWise against six core principles is independently audited by PwC.

#### Global environmental targets

In 2016 we set ourselves a broader range of environmental targets designed to drive and strengthen our internal management practices. Our global target framework is focused on opportunities in the main regions where we operate and so can make the biggest impact. To ensure Group objectives remain relevant at a local level and to reflect how our business is managed, each Business Unit has the autonomy to deliver targets most applicable to its region and we continue to focus on data completeness and quality across our operating markets in order to support this.

Highlights of 2017 and key performance metrics are available below. The accuracy of our reported data continues to improve

year-on-year as we rely less on estimation and more on direct data and billing information. Nonetheless, obtaining the necessary information from suppliers to facilitate the level of disclosure required at a global level remains a challenge. A full update of 2017 progress against our 2020 roadmap is available online, along with our [Basis of Reporting](#).

### 1. Energy and climate change – understanding our impacts, reducing our GHG emissions and developing longer-term actions

In 2017 global energy use across our occupied estate was 129,335 MWh, a decrease of 2 per cent (2016: 131,899 MWh). Our absolute Scope 1 and 2 GHG emissions decreased by 5 per cent to 70,723 tCO<sub>2</sub>e (2016: 74,315 tCO<sub>2</sub>e) across our occupied estate and, when normalised against net lettable floor area, our Scope 1 and 2 GHG emissions fell by 2 per cent to 148 kgCO<sub>2</sub>e/m<sup>2</sup>, driven by our GHG emission reduction efforts and consolidation of our property portfolio. We continue to invest in our estate and upgrade to energy-efficient equipment through our mechanical and electricity plant life cycle replacement programme. Further breakdown of our energy fuel mix is available [online](#).

Electricity use from our properties is the single largest contributor to our Scope 1 and 2 GHG emissions (89 per cent) and so we have invested in intelligent data analytics software at our largest UK and US offices to better control our consumption. A successful trial at one UK office resulted in a 6 per cent electricity reduction in just three months.

In April 2018 we took an important step in accelerating our decarbonisation efforts by becoming a signatory to RE100, the global renewable energy initiative, with a view to achieving 100 per cent renewable electricity procurement by 2025 across both our occupied and managed investment estates. Further information on the initiative is available [here](#).

Air travel continues to dominate our business travel carbon footprint (99 per cent of UK booked travel) and this increased 32 per cent to 14,413 tCO<sub>2</sub>e. In recognition of the importance of this impact, we have begun to capture business travel data beyond the UK and will look to publish this in our 2018 ESG Report.

For further detail on our 2020 energy and climate change targets and our progress made against these in 2017, refer to our [Global Environmental Targets Framework](#).

# Environmental performance

## 2. Construction and refurbishment – delivering sustainable outcomes through property projects and improved wellbeing for our employees

Refurbishment projects and new developments provide the single greatest opportunity to reduce the carbon impact of our estate. Each Business Unit has the autonomy to deliver sustainable building certifications most relevant for its region. For example, we are targeting a BREEAM Excellent rating for M&G Prudential's new London office. In 2017, Jackson was awarded another US Environmental Protection Agency Energy Star for a second building on our Lansing campus.

For further detail on our 2020 environmental construction and refurbishment targets and our progress made against them in 2017, refer to our [Global Environmental Targets Framework](#).

## 3. Waste and recycling – reducing the waste we generate and diverting waste from landfill through recycling and recovery

During 2017 we generated 1,947 tonnes of waste across our occupied estate in the UK and the US (2016: 2,088 tonnes), equating to 159 kg of waste per employee. Waste disposal is often managed by a building's landlord and is mixed with other tenants' waste. This is the predominant practice across our Asian sites, making it particularly challenging to obtain a complete and accurate picture of the waste produced across our estate. Waste generation across our Asian business is estimated to be a further 2,081 tonnes in 2017, based on headcount. Ensuring complete and accurate data will remain an ongoing focus area for 2018.

We continue to collaborate with our suppliers to seek opportunities to reduce our total waste volumes and increase our recycling rate (2017: 60 per cent, up from 56 per cent in 2016). We do not currently report the waste volumes associated with our products and services. As a global financial service organisation, these are not considered to be material to our total emissions. In the UK all waste has been diverted directly from landfill since 2014. Since August 2017, waste coffee grounds from M&G Prudential's London office have been sent to the UK's first waste coffee ground recycling facility for repurposing into bio fuel. Since implementation, an average of 1.3 tonnes of coffee ground waste has been diverted per month. M&G Prudential has also introduced initiatives at three locations to replace disposable coffee

cups with mugs, which has led to a reduction in disposable cups of 61 per cent at one site. We have also started to review the use of plastics across our sites to understand where we can make improvements and have already reduced plastic cup usage at our London sites by 24 per cent in 2017.

In Lansing, Michigan, we introduced fully compostable food containers, including straws, to reduce consumption of single-use plastics and non-recyclable packaging. Waste to landfill decreased by 29 per cent in 2017 to 344 tonnes (2016: 481 tonnes) and compostable waste increased to 70 tonnes (2016: 13 tonnes). We have also focused on improving our data quality by ensuring our suppliers provide accurate reports.

In 2018 our Asian business will develop waste management guidelines to raise awareness of the waste hierarchy and good practice. As an office-based business, we are not large producers of hazardous waste (1 per cent of UK waste) and so do not currently capture this in our global reporting.

For further detail on our 2020 waste and recycling targets and our progress made against these in 2017, refer to our [Global Environmental Targets Framework](#).

## 4. Water consumption – assessing and reducing our use of water

Absolute use of water across our global occupied estate increased by 14 per cent to 271,194 m<sup>3</sup> (2016: 238,761 m<sup>3</sup>). When normalised, annual water usage increased



### Energy Star

In 2017, Jackson was awarded a US Environmental Protection Agency Energy Star for a second building on our Lansing campus, demonstrating superior energy efficiency. Commercial buildings that earn EPA's Energy Star certification use an average of 35 per cent less energy than typical buildings. Our new building, 8 Corporate Way, received an Energy Star score of 93, placing it in the top 10 per cent of all similar facilities nationwide.

To earn the Energy Star certification, Jackson created a five-year energy plan that included the installation of new mechanical and electrical building controls to enhance monitoring and control of all systems, improving comfort and efficiency, along with advanced lighting controls with occupancy sensors and daylight harvesting to maximise the use of natural light.

Jackson received an honorable mention for best commercial project in Michigan State at the 2017 Governor's Energy Excellence Awards. As one of the largest companies in the Greater Lansing area, Jackson's commitment to energy efficiency and environmental conservation sets a positive example for other local companies and organisations and helps bring awareness to this important topic.



### Prudential Global Services

Prudential Global Services (PruGlobal), Prudential's global in-house centre based in Mumbai, has kept pace with the evolving needs of the Group by significantly increasing its capacity to offer services including IT and digital, financial and risk. PruGlobal has seen 40 per cent growth in headcount since 2015 and now employs around 700 people across two offices. PruGlobal has developed a sustainable office strategy focused on energy efficiency, water and waste reduction and responsible procurement to deliver a sustainable working environment and demonstrate commitment to environmental stewardship.

As a result of this continued growth, electricity consumption has increased 13 per cent in two years (2015: 1,583 MWh, 2017: 1,781 MWh). When normalised, electricity consumption actually reduced by 19 per cent to 253 kWh per m<sup>2</sup>. The Corporate Facilities team replaced halogen lighting with LEDs and is in the process of upgrading the chillers. Electricity use from lighting and electrical equipment is monitored every two hours by the engineering team to eliminate unnecessary usage and there is an annual maintenance schedule to ensure that equipment operates efficiently.

Water use is minimised through rainwater harvesting and an on-site sewage treatment plant. Paper usage has been reduced through a move to electronic forms and all waste in the cafeteria is segregated for recycling, with food waste converted into compost.

The purchasing strategy ensures that electrical appliances with a high energy-efficiency rating are weighted preferably during decision-making and that equipment is shared. Paper is procured from a supplier that plants trees every time one is uprooted for paper pulp, and during a recent office refurbishment LEED-certified products (eg ceiling tiles and carpet) were selected that could be fully recycled.

by 4 per cent to 10.7 m<sup>3</sup> per employee (2016: 10.0 m<sup>3</sup>). The increase in absolute consumption has largely been driven by an increase in data quality, with more sites reporting invoice data. Water consumption is limited to building usage and therefore there are no issues in sourcing water. However, we are actively working to set usage reduction targets and activities in 2017 focused on setting our baseline. Environmental management guidance developed by our Asian business includes water audits of our major facilities to improve management regimes, and this will be another priority in 2018.

For further detail on our 2020 water targets and our progress against these in 2017, refer to our [Global Environmental Targets Framework](#).

### 5. Sustainable procurement – partnering with our supply chain to deliver sustainable solutions and source responsibly

The ongoing support of our supply chain is vital in becoming a sustainable business. We prioritise engagement with suppliers whose operations have the largest environmental impact. For example, in the UK Corporate Property suppliers are embedded into our ISO 14001:2015 environmental management system through forums and our audit regime. Our procurement team ensures that environmental requirements are integrated into procurement frameworks and form part of the supplier selection criteria. Our supplier relationship team is responsible for ensuring the ongoing delivery of environmental requirements integrated within contracts. In 2018 we will be making changes to our catering contract to ensure that we eliminate all avoidable food and catering waste, such as single-use plastics and coffee cups.

Since October 2016 we have procured a zero-carbon power contract for our UK occupied property estate (14 per cent of global electricity consumption), and in 2018 we will continue our efforts to comply with the GHG Protocol Scope 2 Guidance (electricity).

For further detail on our 2020 renewables sourcing and sustainable procurement targets and our progress against these in 2017, refer to our [Global Environmental Targets Framework](#).

### Enforcement actions

No fines or regulatory enforcement actions occurred during the year for environmental incidents (2016: zero).

# Our supply chain

We rely on thousands of third-party suppliers and outsourcers for the goods and services we need. In sourcing those goods and services, we seek to maximise value and minimise our supply risk, while operating in an ethical and socially responsible manner





### Managing our supply chain risk

Our diverse supply chain includes:

- Businesses that provide and maintain our IT network and systems
- Businesses that provide specialist professional and advisory services and that support our staff and their work environment, such as cleaners, security staff, property maintenance and catering personnel
- Third-party partners, contractors and agents that form our distribution network.

Our individual Business Units have the capacity to make the purchasing decisions that are relevant for their individual needs and markets. However, the overall process is informed by our Group standards.

It is our policy to work in partnership with suppliers whose values and standards are aligned with our Group Code of Business Conduct. To help achieve this, we have implemented a Group Outsourcing and Third Party Supply Policy. This policy was reviewed in 2017 and sets out our proportionate risk-based view of supply chain management requirements, including due diligence and selection criteria, contractual requirements, the ongoing monitoring of relationships and reporting and escalation.

Given the differences in our operating markets around the Group, our Business Units may also adopt their own supporting policies and reporting procedures at a local level. 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 available [here](#).

Our Business Units and their respective procurement teams are expected to undertake due diligence before engaging a new supplier, especially critical suppliers. As part of the selection process, all of our employees are expected to ensure that third-party supply arrangements are entered into with consideration of the content of the Group Code of Business Conduct and in compliance with the Group's Outsourcing and Third-Party Supply Policy. Supplier relationships are also actively managed, with ongoing due diligence, review meetings and, if required, audits.

Along with the policies and procedures that help us procure goods and services from suppliers whose practices align with

ours, we monitor compliance through our "Speak Out" service, our confidential, online and phone reporting service that encourages employees to raise concerns regarding our suppliers, among other things. Our suppliers and contractors can also access this service as it is publicly available, and can raise any concerns to us via the internet, email, hotline or written formats in any language.

Training is a key component of how we manage our supply chain risk. During 2017 we continued to make sure that our key procurement and supply management personnel were aware of relevant labour risks by completing ethics training. This included highlighting key indicators to identify selected risks and the reporting steps to be undertaken should any concerns be reported. In addition, we provided briefings to the directors of our Group companies in relation to human rights risks. This year a number of employees who had frequent contact with suppliers attended and successfully completed the Chartered Institute of Procurement and Supply's Ethics in

Procurement and Supply course. The programme covered unethical practices including fraud, bribery, corruption, human rights abuse and forced labour in supply chains.

### Protecting human rights in our supply chain

We believe in respecting human rights and acting responsibly and with integrity. Modern slavery, human trafficking, child labour or any other abuse of human rights has no place in our organisation or our supply chain. We have always believed this commitment extends beyond our organisation and into our supply chain and such considerations are integrated into our Group Outsourcing and Third Party Supply Policy and Group Code of Business Conduct. For more information around how we are identifying and managing our risks in relation to modern slavery, human trafficking, child and forced labour, please read our [Modern Slavery Statement](#).



### New building contractor

M&G Prudential will soon be moving to a new building in London, and the renovation of the building represents one of the largest projects of its type for our Corporate Property team in the UK. We harnessed our procurement processes to help us select a contractor that would deliver excellence for us as a company, including our staff, visitors and our local communities. Our selection criteria required contractors to have experience delivering BREEAM-excellent buildings and driving strong community programmes, as well as a commitment to delivering a zero-harm exemplar project. Our appointed contractor has responded to our ambition by providing a digital solution to manage health and safety on site. Construction is acknowledged as a potentially high-risk sector for forced labour. We assessed the controls and processes in place as part of the procurement process for human rights risks and will test these controls at the fit-out.

## Our supply chain

### **Consolidation of managing agents in Europe and Asia**

M&G Real Estate undertook a rationalisation programme between 2016 and 2017 of its real estate service providers, following a period of rapid expansion that resulted in the use of more than 28 different managing agents. Following a comprehensive tender process, these managing agents were reduced to two international real estate service providers, reducing the operational risk of managing a large number of agents. As part of the tender process, the providers were required to comply with the Modern Slavery Act 2015 and our Group policy and statement, and we hold quarterly review meetings to ensure compliance and relevant control processes.

### **Operating our third-party and outsourced relationships responsibly**

A large number of our suppliers are financially and operationally smaller than us and 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.

To add rigour to our approach, our businesses also seek accreditation with recognised bodies. For example, the procurement practices of our UK business 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.

### **2017 highlights and supply chain initiatives**

In July 2017, Group Head Office deployed a new e-procurement system to be used across all departments. The new system created end-to-end automation for supplier spend at Group Head Office, covering supplier ordering, invoicing, payments and contracting. The deployment of the system adds a new layer of control and visibility across our and our suppliers' supply chain and helps reduce paper, transport and manual processing.

All purchasing and approvals are now conducted securely online, with invoices scanned and transmitted and contracts signed and shared electronically. This enables enhanced transparency in the management of our third-party relationships, segregating duties in the system and reducing the risk of unethical purchases.

Working with third parties whose values align to our own is paramount to us. We continued to progress our procurement activities in the UK in 2017 and, as part of the procurement process for Total Facilities Management and Catering Services across our UK occupied estate, we incorporated human rights and ethical sourcing considerations into the selection process.

# Technology

Innovating in our digital proposition is key to driving the long-term success of our business. Digital capabilities enable us to serve customers more quickly and more directly, manage risk in new ways and make better and faster decisions when investing our customers' money. At the same time, we are constantly working to identify risks to our business from new technology and to mitigate those risks



## Digital innovation

Emerging technologies enable us to provide financial protection to previously unreachable communities and deliver better, more efficient outcomes for our customers. They help us to provide better customer service that gives customers what they want when they want it, delivered to them through channels that suit their needs and their fast-changing expectations. They also provide us with new and better tools for managing risk and enable us, as asset managers and asset owners, to make faster and better decisions about how and where to invest.

During 2017 we made some important improvements to our digital capabilities. Prudential Singapore launched PRU Fintegrate, a collaboration with fintech startups to co-develop innovative financial solutions, simple interfaces and seamless experiences for customers. In China, our use of the WeChat mobile platform has reduced the length of the policy application process from five days to just 30 minutes. M&G Prudential began using BlackRock's Aladdin platform, which helps to simplify reporting systems, increase innovation and encourage further growth in our asset management businesses, and Eastspring and PPM America will also benefit from Aladdin. Our business in Vietnam launched PruBot, available on its corporate website, which provides customers with 24/7 support by answering queries related to products and services and helping them schedule appointments with financial consultants. These are just some examples of how we are using new technology to improve our service to our customers and strengthen our business.

We continue to look for new avenues to improve our internal operations. Artificial intelligence (AI) is key to this. In 2017, we developed and piloted a real-time chatbot within M&G Prudential, as an easier-to-use, self-service way for our customers to access stored information. AskHR and Alkanza, systems used internally to access personal information during customer interactions, piloted in our Asian businesses in 2017, are two other ways we have used AI to improve our operational models. M&G Prudential is working with a third party to understand how customer needs can be considered in the development of an AI product.

In 2016 we published our cloud adoption strategy, outlining our commitment to the use of cloud across the Group, and during 2017 we made significant progress towards fully achieving that goal, primarily focusing on our UK business and its data centres. Our software development teams migrated to cloud and we are in the process of migrating the remainder of the Group to Microsoft Office 365.

## Managing our evolving cyber risks

New technologies also bring new concerns, in particular cyber risks, which can 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 businesses globally, and could have a significant impact on business continuity, our customer relationships and our brand reputation. We closely monitor and respond to developments in this area, to ensure that we can maximise the benefits of new technology while minimising the risks.

Our cyber strategy is constantly evolving to anticipate and respond to the advances being made in the technologies we use and the threats we face. Our 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.

Our businesses manage the delivery of our Cyber Risk Management Strategy within their regional contexts and execution is monitored and driven at a Group level by our Cyber Defence Plan. This consists of a number of workstreams, including foundations, situational awareness, cyber operations, digital alignment and increased cyber oversight.

Our Group Information Security Committee governs the execution of the Cyber Defence Plan and reports 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. The Board receives periodic updates on cyber risk management throughout the year.

## Developments in our cyber risk management

In 2017 the Group Cyber Oversight and Assurance team developed a new Group-Wide Cyber Assurance framework. This approach, based on standards such as the National Institute of Standards and Technology Cyber Security Framework, drew on information from monthly metric collection, bi-annual assurance reviews, annual attestations to policy and output-based exercises and simulations. The framework provides a data-driven understanding of the capabilities and performance of Security across the Group. The roll-out began in 2017, with full implementation due in 2018.

In order to better support the Board in understanding and managing our cyber risk profile, the Group Information Risk and Security team performed a review of our security management information in 2017 to redefine our key performance indicators used to measure the success of our Group Cyber Risk Management Strategy. The KPIs were designed to measure our success in the protection of our information, staff understanding of their responsibilities in protecting our information and systems, how we manage associated threats and the access to our information and systems.

Our Group-wide policies and standards for information and cyber security were refreshed in 2017 to reflect the rapid advance in cyber threats. This resulted in new controls definitions and guidance for cloud security to support secure growth across the businesses, as well as building on the existing third-party assurance programmes to deliver standardisation across the Group.

The Group's understanding of the cyber threats we face and the ability of our businesses to protect and mitigate against these threats continue to grow. We believe that knowledge-sharing across our businesses is key to this continuing growth and, in light of this, during 2017 our Group Cyber Threat Intelligence team supported the introduction of a Group-wide threat intelligence sharing and analysis platform, as well as improved regional cyber threat intelligence capabilities. In addition to this platform, our cyber experts and forum representatives from across the businesses hold weekly calls to raise awareness of programme developments and share innovations and developments.

### **2017 highlights**

In Asia, the focus of our 2017 cyber programmes has been on automating security processes – for example around identity and access management and automating the capture of security metrics. Other areas of automation included a pilot using behavioural analytics capabilities on user advanced browser protection.

Jackson has just concluded a three-year security programme transformation with the introduction of an updated security strategy. This was also the first full operational year for the Jackson Threat Assessment Centre, which delivers enhanced monitoring and response capabilities to the business.

Within our UK & Europe business, an initiative was begun in 2017 to further develop our cyber risk management practices, including hiring a new Chief Information Security Officer and commencing a formal cyber risk management review programme. The business is also focusing on further developing our internal awareness, co-ordination and handling capabilities with regard to cyber threat intelligence.

### **Data privacy**

In 2017, a key priority has been the update of our Group privacy policies and the related governance structures and control environments in reference to the upcoming General Data Protection Regulation (GDPR), due to come into force on 25 May 2018. The GDPR is aimed at strengthening and unifying data protection for all individuals within the European Union. We will report further on this in our 2018 ESG reporting

A Group Privacy Office is being created to own the Group Privacy Policy and maintain oversight of privacy compliance. It will ensure consistency of approach across the Group, as well as co-ordination, and provide a point of escalation for resolving data privacy issues across our businesses. This Office will manage a programme to implement the standards required for the GDPR, and training and awareness programmes to ensure all relevant personnel understand their individual responsibilities regarding personal data.

# Valuing our people

An inclusive working environment, where we continually develop our talent, reward great performance, protect our people and value our differences, is key in delivering outstanding results for our customers, shareholders and communities



## Diversity and inclusion

We believe that diversity of experience and background is vital to success, both today and in the future. The Board has made diversity and inclusion (D&I) one of our strategic objectives. Tim Rolfe, Group HR Director, is the executive sponsor across the Group, with Nic Nicandrou, Chief Executive of Prudential Corporation Asia, acting as the Board member accountable for D&I work.

Our Group D&I Policy is aimed at providing equal opportunities to all, fostering an environment in which each employee is treated with dignity and respect, and ensuring that we have an appropriate diversity of skillsets and backgrounds to leverage the unique strengths of each person for our continued success. It supports an inclusive culture, where all our employees are protected against discrimination and provided with opportunities regardless of their age, caring responsibilities, disability status, ethnicity, gender, religion, sexual orientation, professional, social, educational or cultural background, or employment contract type.

The policy requires that our businesses have effective approaches in place to comply with local regulation, provide equality of opportunity and encourage our suppliers to promote equality of opportunity, and harness D&I to help the organisation perform to its full potential. All our businesses, including Group Head Office, are required to report regularly to Group HR on their compliance with the policy.

We aspire that over time our senior management better represents the experiences and backgrounds of our customers and stakeholders. We recognise that diversity not only contributes to Board effectiveness but is essential for successfully delivering the strategy of an international Group. The Board is committed to recruiting the best available talent and appointing the most appropriate candidate for each role, while at the same time ensuring appropriate diversity of experience, skillsets and professional backgrounds. For more information on diversity within our Board, please refer to page 97 of the Governance section within the [Annual Report](#).

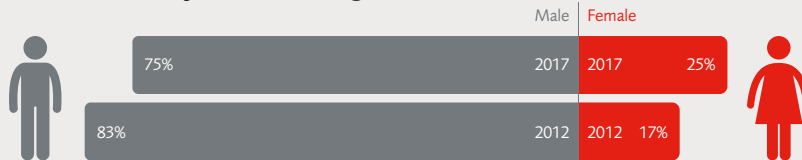
We have a strategic, long-term approach to D&I and the Board monitors progress regularly. We invest in targeted activity across 10 priority areas, ranging from unconscious bias training and mentoring to supporting our affinity groups and working with schools and universities. Across our businesses, our commitment to D&I is supported by initiatives such as reviews of pay, performance management consistency, providing training to staff, engaging with recruitment firms and awareness campaigns to diversify the pool of potential candidates.

For example, in 2017, 268 senior managers and executives from our businesses in Asia, the US and the UK participated in unconscious bias workshops. We sponsored Dive In, the D&I festival in insurance and the financial sector, which took place in 17 countries in the Americas, Asia, Africa, the Middle East and Europe, and we published the first Group-wide D&I newsletter for all employees.

We are committed to supporting women who aim to return to work after an extended career break. In 2017, Eastspring in Malaysia launched the 'Career Comeback for Women' programme and Jackson sponsored a 10-stop national speaking tour focusing on women's empowerment. As part of our broader diversity agenda, at M&G Prudential 57 employees qualified as mental health first-aiders and M&G Real Estate was awarded the National Equality Standard. In Africa the Prudential Actuarial Support System supports the top 10 actuarial graduates in Ghana and the top three in Kenya, helping them with exam fees. In addition to the established Prudential Women's Network and M&G Pride (for LGBT employees and allies), several new affinity group networks launched focusing on mental health, disability and cultural awareness.

We were part of the first cohort of companies to sign the HM Treasury Women in Finance Charter in 2016. In 2017, we carefully monitored progress against our target of 30 per cent of women in senior management by the end of 2021 and our aim to have 27 per cent women in senior management by the end of 2019. See below for the gender breakdown of our workforce for 2017.

### Gender diversity: Senior management



### Gender diversity: All employees

Headcount	Total	Male	Female	Undisclosed <sup>2</sup>	Unspecified <sup>3</sup>
Chairman & Independent Non-executive Directors	9	= 8	1		
Executive Directors	6	= 5	1		
Group Executive Committee (GEC) Includes Executive Directors	11	= 10	1		
Senior managers Excludes the Chairman, all directors and GEC members	92	= 69	23		
Whole company <sup>1</sup> full time equivalent Includes the Chairman, all directors, GEC members and senior managers	24,711	= 11,777	12,864	23	47

#### Notes

- 1 Excludes Prudential Corporation Asia joint ventures
- 2 In many of our businesses, we provide our employees with the option to not disclose their gender. For these employees, gender is recorded as 'undisclosed'.
- 3 No specification or information is captured on gender for an immaterial number of our employees. These employees are recorded as 'unspecified'.

# Valuing our people

## Responsible working practices

We believe in supporting human rights and acting responsibly and with integrity in everything we do. 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 available on our Group website, along with our Board-approved Modern Slavery Act (MSA) statement. 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, and child and forced labour. Compliance with Group policies is certified annually through our Group Governance Manual certification process. Additionally, we have 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 page 10 of this report).

## Talent development

People development is essential to delivering 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 a relevant 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 2017, 120 senior high-potential individuals participated in our established and well respected Group-wide leadership development programmes 'Impact' and 'Agility' and the 'Next Generation' emerging talent programme. These programmes were developed in partnership with world-leading academic institutions and co-delivered with business school thought leaders. Within our businesses there are many examples of our continuing commitment to talent development. In 2015 we launched a Group-wide Long-Term Workforce Planning Initiative, which has progressed in 2016 and 2017. For example, in 2017 Prudential Corporation Asia deployed strategic workforce planning to predict the capabilities required to ensure our continued success, utilising a succession-driven talent strategy to build the next generation of leaders with the capabilities we require. In the US, Jackson offers customised on-premises programmes, as well as access to an online university, to meet the personal and professional development needs of employees with all levels of experience.

M&G Prudential supports talent development through a range of development programmes to increase personal and organisational capability, alongside bespoke development support for key individuals. GHO provides innovative programmes designed in partnership with top academic institutions and industry experts – focused on early career development, leadership development and opportunities to develop a strategic and innovation mindset through varied career experiences and projects.

## Employee engagement

We want to foster an environment in which employees can derive meaning and empowerment from their work and feel that they are making an active contribution to the organisation. We drive employee engagement through an array of initiatives, including colleague appreciation programmes, wellbeing programmes, networking opportunities with peers and senior leaders across functions, employee focus groups and volunteering activities with charitable causes, such as M&G Prudential's partnerships with numerous schools. Each of our businesses manages its own activities in this area, including employee engagement surveys, regular employee open forums with senior management and away days to discuss business performance and internal management.

Our businesses, including Group Head Office, have processes and, where appropriate, a policy in place for engaging with employees. Reporting to Group HR is required on jurisdiction-specific or sector-specific trends and developments in certain areas. For any significant issues that are likely to impact either positively or negatively on our reputation as an employer – at both business and Group level – immediate reporting to Group HR is required. In addition, our businesses in the UK have a longstanding relationship with the union Unite. We also encourage volunteering through which our employees can support our communities and acquire new skills. See page 36 for further details.

The success of our engagement efforts has been recognised externally. In 2017 M&G Investments was ranked number one Asset Manager in both the HITC Best Places to work and the RateMyPlacement Top 100 employers surveys.

## Prudential women in cyber

Diversity of experience, thought and background is a vital component of a successful security team. One of our initiatives started in 2017 was the launch of the Prudential Women in Cyber forum, to promote a platform for women in cyber security to come together, collaborate, discuss experiences and knowledge and provide support and profile-raising. Two events were held in 2017, with more planned for 2018.

There was also success in recruitment for the new Group Information Risk and Security team. In 2017, 57 per cent of the new staff hired into the Group team were female, reaffirming the position that diverse talent exists within the industry and can be recruited when the right environment exists and the right approach is adopted.



### Performance and reward

Our reward arrangements are designed to attract, motivate and retain high-calibre people. Each individual contributes to the success of the Group and is rewarded accordingly. We recognise and reward high performance and are committed to a fair and transparent system of reward. Our UK businesses have recently reported their 2017 UK gender pay gap data and details can be found on the [Group's website](#). We have a policy and carry out procedures to ensure that where men and women perform similar roles, they are paid equally. However, the gender pay gaps demonstrate the demographic profile of the business (and the financial services sector more widely): there is a greater proportion of males in more senior and front-office roles and a greater proportion of females in more junior, support and back-office non-finance roles. All the Group's businesses are working on initiatives to increase the proportion of women in senior management and operating roles as part of the Group's strategic focus on diversity and inclusion.

Remuneration 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.

There are recognition initiatives running across our businesses, such as the Jackson High Five Recognition Program, which allows individuals to recognise when their colleagues perform exceptionally, and the Prudential Stars awards at Group Head Office, where individuals can nominate their colleagues to recognise examples of exceptional contributions, specifically in the areas of delivering synergy, adding value, fostering innovation, demonstrating stakeholder focus and maintaining risk awareness. We also believe in the importance of giving employees the opportunity to benefit from the Group's success through share ownership, and operate share plans for employees in the UK and Asia. This includes PruSharePlus, which enables employees in Asia to share in the longer-term success of the business, and actively encourages share ownership and engagement. Of eligible employees, 59 per cent participate in the Group's UK Sharesave scheme and 25 per cent in the Share Incentive Plans.

### Executive remuneration

Prudential's executive remuneration arrangements reward the achievement of Group, business, functional and personal targets, provided that performance is aligned to the Group's risk framework and appetites and that our conduct expectations, as well as those of 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' recent salary increases have been 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, Executive Directors are required to meet shareholding guidelines and, from awards made in 2017, a two-year holding period applies to long-term incentive awards in addition to the three-year performance period. The Group's performance in 2017 built on the momentum achieved in recent years and bonuses awarded to Executive Directors for 2017 and the long-term incentive awards to be released to Executive Directors reflect this performance. Our detailed Directors' Remuneration Report can be found in the [Annual Report](#).

### Protecting the health, safety and wellbeing of our people

We recognise the importance of managing the health, safety and wellbeing of our employees, and of controlling the level of health and safety 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 annually on their management arrangements for health and safety, including control measures for identified risks such as fire, electricity, computer work stations and driving on company business, and share opportunities for improvement across our Business Units. We seek accreditation where relevant to help us manage health and safety across our occupied estate and to drive improvements. For example, our UK property estate is certified to the occupational health and safety standard OHSAS 18001.

We also require our businesses to report working lost days due to work-related injuries (excluding the day of the accident or illness, modelled on US OSHA) and any fatalities. During 2017, no fatalities were recorded (2016: zero) and six accidents were recorded, resulting in 38 days of lost time (one each in the UK, Singapore and Zambia and three in the US). Lost-time injuries are relatively rare, given the office-based nature of our operations. Investigations were carried out locally for these accidents and corrective actions established where considered appropriate.

Our Business Units are active in wellbeing programmes. For example, Jackson has an established programme including the provision of telemedicine virtual healthcare to colleagues' desks, an Employee Assistance Programme, and healthy eating and fitness initiatives, including an on-site gym. In the UK, our Group Head Office has an active wellbeing programme, PruThrive, with popular personal resilience workshops, cholesterol testing, better sleep sessions and, newly introduced in 2017, a mental health first-aider programme.

# Supporting our 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, such as building financial literacy and improving financial inclusion



Our community investment strategy is closely aligned with our business objectives and with our stakeholders' concerns and interests, aiming to protect and encourage more sustainable and resilient communities. Our programme 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 and we provide support to charitable organisations through both funding and the experience and expertise of our employees.

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 policy outlines the minimum standards expected of our community investment programmes:

- The strategy should have a strong emphasis on one or more of social and welfare, education (with particular emphasis on financial education) and cultural activities;
- The Business Unit should take account of the cultural, economic and social needs and sensitivities of the communities in which it operates, as well as its own business objectives;
- The Business Unit may use cash contributions, cash-in-kind contributions or voluntary time commitment by personnel as an investment in the community;
- If it complements the business culture of the Business Unit, employees should be encouraged to become involved in community investment programmes to deliver added value for both the communities and the employees in terms of personal or professional development;
- Wherever possible, community investment projects should enable appropriate skills to be transferred to partnering organisations to help expand their capabilities; and
- The strategy should take account of the broader reputational impact on the Group.



### Cha-Ching – Jackson Charitable Foundation

In the US, the Jackson Charitable Foundation has introduced Cha-Ching nationally in a partnership with Discovery Education, which is expected to reach more than one million students across the country and Junior Achievement USA, which will integrate Cha-Ching into its third-grade classroom programme. Junior Achievement's Cha-Ching programme is funded by Jackson for six years and is expected to reach approximately 2.7 million students in 15,000 classrooms throughout the country. The partnership with Discovery Education is aimed at supporting educators and includes classroom activities and teacher guides and had reached more than 500,000 students, teachers and parents across the country by the end of 2017.

The policy clearly prohibits certain investments, such as political expenditures and contributions to religious organisations whose principal aim is to propagate a particular faith. Community investment metrics aligned to the London Benchmarking Group guidelines are used by Group Head Office to monitor our progress, including the value of cash and in-kind contributions, employee volunteering and the outcomes of community investment.

We believe corporate responsibility is best managed on the ground by the people running our businesses in our respective markets. M&G Prudential and Jackson have governance committees in place, with senior management representation, which regularly review all community investment activity and 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. The Foundation is governed by a statutory Board of Directors. In our new markets in Africa, community investment is overseen and managed by Group Head Office and all initiatives are vetted and approved as part of the annual review process.

The Prudential plc Board regularly reviews the Group's community investment performance and scrutinises and approves the strategy on an annual basis. Paul Manduca, Chairman of Prudential plc, is the Board sponsor for corporate responsibility. It was agreed in December 2016 that the Material Subsidiary Boards would oversee Business Unit corporate responsibility initiatives in future. All Business Units now submit comprehensive Board Reports to the Subsidiary Board and to the Prudential plc Board annually providing detailed information on major strategic initiatives.

# Supporting our communities

## 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 well 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.

In 2017, the Group spent £25 million supporting community activities. The direct cash donations to charitable organisations amounted to £19.2 million, of which approximately £4.9 million came from our UK & Europe operations. The remaining £14.3 million was contributed to charitable organisations by Jackson, Prudential Corporation Asia and Prudential Africa.

The cash contribution to charitable organisations from our UK & Europe operations is broken down as follows: education £2,971,000; social, welfare and environment £1,861,000; and cultural £62,000. The balance includes in-kind donations as set out on our website. This included employees who dedicated 96,493 hours of volunteer service in their communities. Furthermore, over £412,375 was donated across the Group by our employees through our payroll giving scheme. Our 2017 community investment reporting is assured by Deloitte LLP. Further information and Deloitte's assurance statement can be found [here](#).

## 2017 highlights

In the past five years, Prudential RideLondon has raised over £50 million for charity and become one of the UK's largest fundraising events. In 2017, over 800 charities benefited from riders' fundraising, up from 740 in 2016. For the second year running, almost £500,000 was raised as a result of fundraising from Prudential rider places by our charity partners and our employees in 2017.

Prudential has sponsored the event since inception in 2013 and, as part of our renewal of the sponsorship in 2016, we decided to refocus support to concentrate on charity and community engagement. The PruGOals programme helps young people to achieve their goals regardless of social or economic background by providing aspirational challenges, culminating in taking on the Prudential RideLondon Surrey 46. In 2017 this programme supported 260 disadvantaged young people to take part in the Prudential RideLondon Surrey 46.

Developed by Prudential, Cha-Ching is the world's only global financial education platform aimed at primary school-aged children. Now in its seventh year, the programme has expanded from its origins in Asia to each of the four continents where the Group does business. In each of the markets where it has been launched it has been extremely positively received, with strong feedback from parents, teachers, children and political stakeholders.

In Asia, the programme reaches over 34 million households a day through a multi-distribution platform including Cartoon Network, and through a school contact programme that has reached more than 300,000 children. In the US, the Jackson Charitable Foundation has introduced Cha-Ching nationally in a partnership with Discovery Education, which is expected to reach more than one million students across the country and Junior Achievement USA, which will integrate Cha-Ching into its third-grade classroom programme. In the UK, working with Young Enterprise, we have developed

an online educational resource for primary school students in England and Wales that has enabled the Cha-Ching programme to be brought into the classroom. The Quality Marked teaching resource is linked to the Personal Finance Education Group's Financial Education Framework and has guidance for teachers on how most effectively to integrate activities into their teaching, as well as activities for home-learning. Since its launch in late 2016, the resource has been downloaded in more than 650 schools, reaching almost 40,000 primary age children across the UK. The online educational resource has also been used to support the roll-out of the Cha-Ching programme across our African markets as part of a financial literacy campaign delivered jointly by Junior Achievement Africa and Prudential Africa employees.

In our 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



## UK – Skills for Life programme

The Skills for Life programme aims to help pupils from disadvantaged backgrounds across London to develop new skills, grow in confidence, learn to work as a team and discover hidden talents and interests.

Through a series of workshops over six months during 2017, Prudential volunteers from Group Head Office and M&G Prudential acted as mentors, helping students enhance their professional and academic aspirations and increase their confidence and awareness of the paths open to them. Senior members of staff started each session with an inspirational insight into their career paths and volunteers provided guidance on networking, CV building, personal presentation skills and identification of interests and abilities.

As a result of the programme, 93 per cent of students said they felt they had the ability to write about their attributes and 90 per cent said they were more confident when working with new people.



Fire drill exercise at a school in Phang Nga, Thailand

### Safe Steps – Enhancing disaster preparedness

Launched in 2014, Prudence Foundation developed Safe Steps, a mass education programme for disaster preparedness in partnership with National Geographic and the International Federation of the Red Cross and Red Crescent Societies. Safe Steps is a first-of-its-kind, in terms of the reach and breadth of partnerships, pan-Asian public service initiative to enhance disaster preparedness and awareness through the communication of educational survival tips should a natural disaster occur. It is a multi-platform programme including on-air video messages, digital platforms 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.

Since inception, Safe Steps has evolved beyond natural disasters to cover other topics that cause the unnecessary loss of lives. In 2016, to address the fact that 1.2 million lives are lost on the roads every year<sup>1</sup>, Safe Steps Road Safety was launched with additional principal partner the Federation Internationale de l'Automobile. In 2017, Safe Steps First Aid was launched to provide essential, easy-to-understand first aid information to millions of people. This is to help prevent around 16,000 people losing their lives unnecessarily from injuries every day globally<sup>2</sup>. Both new Safe Steps programmes have also been well received in the region, with numerous partnerships formed with NGO, government and private sector organisations. Together with on-air television distribution and through all these partnerships, the Safe Steps programme reaches an estimate of more than 200 million people a day.

Since 2013, Prudence Foundation has partnered with Plan International and Save the Children across the region in five countries to implement the Safe Schools programme. Safe Schools focuses on building the disaster risk reduction (DRR) capacity and skills of students, teachers and government so they are more prepared for, and resilient to, disasters. It is a global DRR programme overseen by the UN Office for Disaster Risk Reduction. In Asia, Safe Schools is also one of ASEAN's DRR priority programmes. The programme focuses on three key pillars: ensuring robust school infrastructure; establishing active disaster management plans; and integrating DRR into the education curriculum.

universities. Prudential has worked with a number of charities operating in Ghana, Kenya, Uganda and Zambia to deliver the Prudential Scholarship programme with the aim of improving quality and access to education for all, and ensuring that everyone marginalised by society receives education, skills and support towards employability. We have already provided scholarships to more than 700 young people through this programme, and expect to reach over 1,000 more in the near future.

Since its inception, Prudence Foundation has had a clear focus on creating social value through building disaster preparedness capabilities in communities and maintaining disaster relief support in emergencies, with a focus on three key areas: advocacy, mass education and awareness, and capacity building. Natural disasters are a key issue in Asia, with over 40 per cent of the world's natural disasters happening in the region, making it the most disaster-prone area in the world<sup>3</sup>.

While focusing on disaster preparedness and long-term recovery, Prudence Foundation also continues to undertake major emergency relief efforts across Asia. In 2017, we provided support in Vietnam, funding the repair of public schools following Typhoon Damrey, which resulted in mass flooding and the loss of over 100 lives in the Mekong region. We also completed our long-term commitment to the Typhoon Haiyan rebuilding recovery efforts in Bantayan Island, the Philippines, finishing the building of 126 new houses for two communities on the island. Over three years, the disaster-resilient houses were built with the participation of around 400 Prudential volunteers from all our markets in Asia plus the UK, together with members of the Bantayan community.

Prudence Foundation believes 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. Accordingly, Prudence Foundation partners with CSR Asia to host the Disaster Preparedness Forum (DPF) in a selected city in Asia to advocate for greater and more strategic investment in disaster preparedness.

# Supporting our communities

Since 2013 we have held four DPF forums: Jakarta in 2013, Manila in 2014, Hanoi in 2015 and Bangkok in 2017. More than 600 participants have participated, representing various stakeholders from all sectors.

The DPF provides a unique platform for dialogue and exchange of ideas between all sectors' participants. White papers are also published based on key findings and learnings from the forums, which illustrate how cross-sector partnerships can effectively improve outcomes when the partners share vision, values and objectives.

The most recent DPF in Bangkok received positive comments from highly influential organisations involved when disasters happen, such as the United Nations Office for the Coordination of Humanitarian Affairs, with a representative saying the DPF "provided an opportunity to get a sense of the private sector narrative", which the organisation does not usually engage with. Further, the DPF also helped private-sector participants provide "good arguments to take back into the company reinforcing the importance of our work" in disaster preparedness.

In 2017, Prudential staff volunteered 96,493 hours of their time to community projects. Around the world, 8,500 colleagues – more than 30 per cent of our workforce – took part in our flagship international volunteering programme, the Chairman's Challenge, volunteering more than 35,000 hours to support 30 projects.

## 2018 – Expanding and developing

In 2018, we will extend the Cha-Ching curriculum across schools in Asia, as well as continuing to expand the programme in all our markets, including the US, the UK and Africa, to promote greater financial literacy.

In 2018, building on the success of the 2017 PruGOals programme, developed with Teach First and Greenhouse Sports, we have expanded the programme's reach to work in partnership with three further charities: Centrepoin, The Transformation Trust and Dame Kelly Holmes Trust. We will support 500 young people to take part in PruGOals, providing opportunities to develop new skills and build resilience and greater aspiration with a challenging but achievable goal. The programme is nationwide and inclusive, with young people taking part from all backgrounds right across the UK.



## Africa – Prudential Scholarship Programme

Through the Prudential Scholarship Programme with Plan International Ghana and MyBnk, young people are able to extend their education for longer than they would typically be able to, due to social and economic circumstances. The scholarship programme provides bursaries for academically able but financially disadvantaged high school students. As part of the programme, Prudential Ghana's employees volunteered to teach lessons to participants on budgeting, banking, saving and insurance. The lessons, called My Money, were designed by the financial literacy charity My Bnk and co-delivered with Plan International Ghana and Prudential employees during a series of workshops held at summer school for 140 students.

The lessons were designed to equip senior high school pupils with the skills and knowledge to manage their money now and in the future. Interactive sessions included group work and role play, to help students learn about how to prioritise their spending, the importance of saving money and options available to them. Students developed a business plan, incorporating their ideas and new skills in marketing, strategy and budgeting. The aim of the programme is to ensure that the most marginalised students are able to complete their secondary school education and to leave them better prepared for adult life and employment, with a greater level of financial literacy.

### Notes

- 1 Source: World Health Organisation.
- 2 Source: IFRC.
- 3 Source: Asia Pacific Disaster Report 2015, UN ESCAP.



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