



ClimateWise Climate Change Principles

The ClimateWise Principles have been set out for companies to report on how they incorporate climate change issues into the management of business. In the UK, we seek to follow these principles. The table below explains our approach.

Principles
<p>Lead in Risk Analysis</p> <ul style="list-style-type: none">• Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests.• Support more accurate national and regional forecasting of future weather and catastrophe patterns affected by changes in the earth's climate.• Use research and improve data quality to inform levels of pricing, capital and reserves to match changing risks.• Evaluate the risks associated with new technologies for tackling climate change so that new insurance products can be considered in parallel with technological developments.• Share our research with scientists, society, business, governments and NGOs through an appropriate forum.
<p>Our Approach</p> <p>Prudential has been working with a number of organisations to understand the impacts of climate change. For example:</p> <p>FORGE is a consortium of financial institutions, which includes Prudential, formed in 2000, to address the CR issues facing the financial services industry and develop a consistent approach towards managing them.</p> <p>In 2007, the FORGE Group developed a Guidance Framework and an Employee Engagement Actionpack to be used by its members. The Guidance Framework seeks to:</p> <ul style="list-style-type: none">• progress understanding of climate change for the financial services sector, and to share knowledge and thinking to assist organisations to develop a response.• provide practical advice on mitigating climate change across a financial services organisation, taking into consideration both individual functions as well as business units. <p>The Guidance Framework has been designed with neither the intention nor the expectation that a financial services organisation should implement each and every action point. Rather, it is up to each organisation to interpret for itself which actions</p>



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are appropriate and relevant for it to implement.

PRUPIM – (Prudential Property Investment Managers Ltd)

As one of the UK's largest property investment managers PRUPIM accounts for over 75 per cent of Prudential's direct environmental impact in the UK. PRUPIM has developed a comprehensive set of actions to mitigate the impact our business operations have on the environment. PRUPIM also has established a dedicated research team. The team conducts research on emerging issues and topics which impact investments, including issues such as sustainability.

During 2008, PRUPIM published: 'Sustainable Development - a framework for decision making', to actively encourage and promote sustainable practices, with the aim of sharing its experience in the sustainability arena with the property industry as a whole.

PRUPIM has worked with peers in the British Property Federation (BPF) to trial the use of the Landlord's Energy Statement (LES) and is committed to further trials using LES and Tenant's Energy Review (TER) to further improve data sharing and understanding of energy consumption between tenants and landlords.

Corporate Property

Prudential's own occupied estate is managed by Corporate Property, a Prudential Group business. The direct impacts of the estate (including energy, water, and waste, business travel and commuting) are managed, measured and reported by Corporate Property, which sets performance objectives and targets in line with the Group's environment policy.

Corporate Property has also developed links with relevant departments at the University of Reading to help understand both latest research on Climate Change research and the application of best practice building energy metrics.

Corporate Property is a member of the CBI Sustainability Group which provides an opportunity to develop best practice and to share research with other commercial enterprises.

Our position and any information referring to how we are responding to climate change will also be published annually on the Prudential plc website and within the CR report.



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Informing public policy making

- Work with policy makers nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.
- Promote and actively engage in public debate on climate change and the need for action.
- Support work to set and achieve national and global emissions reduction targets.
- Support Government action, including regulation that will enhance the resilience and reduce the environmental impact of infrastructure and communities.
- Work effectively with emergency services and others in the event of a major climate-related disaster.

Prudential will work to support the transition to low carbon economies, particularly where it is an employer, and is committed to mitigating and reducing our environmental impact by ensuring that our properties (both our occupied estate and our investment properties), maximise energy efficiency and are well positioned to respond to future legislative requirements in this area.

During 2007, the UK Government published a consultation on the proposed Carbon Reduction Commitment (CRC), a new mandatory emissions cap and trade scheme to reduce CO₂ emissions from large non-energy intensive commercial and public sector organisations, which make up 10% of total UK emissions. As large energy users likely to fall within the scope of the CRC, we are actively consulting with the Government on the proposed CRC through the British Property Federation.

PRUPIM has been an active participant, along with the British Property Federation (BPF) and peers, in discussions with government on the CRC. We are particularly concerned that emissions trading should stimulate behaviour change in consuming organisations, but feel that current proposals will fail to achieve this goal. We will continue to participate in the debate.

Under the European Union Energy Performance of Buildings Directive, Energy Performance Certificates (EPCs) will be required for any building that is constructed, sold, or rented. EPCs will rate the energy performance of a building, enabling both property investors and prospective occupiers to consider energy efficiency ratings and levels of carbon emissions. Furthermore, EPCs will be accompanied by a report containing recommended measures to further improve the energy efficiency of a building.

Prudential will be introducing EPCs, initially in the UK, for both its commercial investment property portfolio and its occupied property portfolio, even where these are not formally required in the course of leasing, letting or selling a property. Prudential will implement the directive elsewhere in accordance with national



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regulations.

Prudential/BTCV Spring into Action seminar and film premiere – 'Changing Behaviour for Positive Outcomes'. The event held at Prudential offices was an opportunity to hear from prominent speakers, including Local Government and the Department for Communities on the social return on investment in environmental volunteering. The event was hosted and chaired by Sir David Clementi, Chairman Prudential plc.

Corporate Property's work with the Carbon Disclosure Project will also feed into a better national and international understanding of the indirect climate change impacts of large companies through their supply chains.

With regards to the management of and recovery from disaster situations, it is essential that we have comprehensive and tested plans in place to deal with disaster, and with incidents that may escalate to become disaster.

Prudential has adopted an "all hazards" approach to its planning for disaster recovery. Plans are flexible enough to be used in all circumstances, from a short-term power failure through to a long-term total building loss that involves loss of life and injuries (Disaster Response Manual – Group Security).

As matters of routine, we regularly test our ability to rapidly switch our technology across to a back up site should flooding or a similar event make our business inoperable.

Our response to natural disasters also shows employees, customers and governments that we have a long-term commitment to the countries where we operate. Further information is available in our CR report 2007/8 (page 12).

Occupied property targets:

We plan to develop UK targets on energy and emissions reductions, as part of Corporate Property's drive to achieve ISO 14001 accreditation this year.

PRUPIM targets:

Reduce CO₂ emissions from energy use in the UK managed ('significant') office and shopping centre portfolio by 9% by 2012, compared to a 2006 baseline (and equivalent to an annualised 1.56% reduction each and every year which is in line with the rate required to achieve the UK Government's Draft Climate Change Bill target to reduce CO₂ emissions by 60% by 2050).



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Supporting climate awareness amongst our customers

- Inform our customers of climate risk and provide support and tools so that they can assess their own levels of risk.
- Encourage our customers to adapt to climate change and reduce their greenhouse gas emissions through insurance products and services.
- Increase the proportion of repairs that are carried out in a sustainable way through dialogue with suppliers and developers and manage waste material appropriately.
- Consider how we can use our expertise to assist the developing world to understand and respond to climate change.

There is an ongoing programme of communications with our employees who have direct contact with customers. We are looking to inform our UK customers at our monthly retail presentations and through online customer magazine's.

Corporate Property has been working hard to improve waste management and recycling across UK occupied properties. This has resulted in a significant reduction in the amount of waste going to landfill and an increase in the amount of waste recycled. All our UK building have clearly labelled recycling facilities for employees to use. In 2007, we recycled 68% of materials across all our UK occupied sites.

Corporate Property is developing a system to help ensure that contractor selection includes robust sustainability criteria.

In addition, Corporate Property has adopted the PRUPIM Sustainable development framework for the construction and refurbishment activity in the occupied estate. This sets out standards for the materials and practices used.

Our position and any information referring to how we are responding to climate change will be published annually on the Prudential plc website and within the CR report.

Incorporating climate change into our investment strategies

- Consider the implications of climate change for company performance and shareholder value, and incorporate this information into our investment decision-making process.
- Encourage appropriate disclosure on climate change from the companies in which we invest.
- Encourage improvements in the energy-efficiency and climate resilience of our



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investment property portfolio.

- Communicate our investment beliefs and strategy on climate change to our customers and shareholders.
- Share our assessment of the impacts of climate change with our pension fund trustees.

Our investment strategy is one of diversified investment, where investments are spread across different investment managers, countries, sectors and types to reduce the overall risk. Our focus is on materiality in the context of the company's prospects in the medium to long term. However, we expect well managed businesses as a matter of course to take account of wider social and environmental issues in taking their businesses forward.

We find it helpful if the companies that we are looking to invest in publish the guidelines they adopt in dealing with these issues. We look for a well-reasoned and practical approach and recognise that this can vary according to each company's circumstances.

M&G manages two ethical investment funds: Prudential M&G Light Green Fund (for institutional pension fund clients) and the Prudential Ethical Trust Fund (a unit trust). M&G's approach to responsible investment is set out in the booklet '*Issues Arising from Share Ownership*', available at: (www.mandg.co.uk)

PRUPIM:

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

Ecofys, an external sustainability consultancy, has completed energy and environmental audits for each property in the portfolio to establish initial 'baseline' figures for future measurement, such as the level of energy and water consumption. These audits will then take place annually to ensure the Improver Portfolio is meeting its twin aims of competitive returns and reduced environmental impacts.

PRUPIM has also been working on a Carbon Management project with Ecofys, which is co-funded by the Carbon Trust. The project is split into two main areas: a) the development of a sustainable construction strategy; b) work to identify how PRUPIM can incorporate the cost of carbon into its investment decision-making. The outputs of the project will help PRUPIM to develop/build low energy buildings.

The Carbon Disclosure Project



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The Carbon Disclosure Project (CDP) provides a secretariat for the world's largest institutional investor collaboration on the business implications of climate change. Prudential is one of many signatories which requests for disclosure of information on greenhouse gas emissions. More than 1,000 large corporations report on their emissions through its web site, the largest recognised registry of corporate greenhouse gas emissions.

Our performance and progress is also reported annually through PRUPIM's Sustainability Report and through Prudential Group's CR Report: Acting Responsibly.

Reduce the environmental impact of our business

- Encourage our suppliers to improve the sustainability of their products and services.
- Measure and seek to reduce the environmental impact of the internal operations and physical assets under our control.
- Disclose our direct emissions of greenhouse gases using a globally recognised standard.
- Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.

Prudential recognises that its own social, environmental and economic impacts are associated not only with the products and services we supply but also with the performance of our suppliers and contractors. It is our policy to work in partnership with our suppliers to help them reduce their impact on the environment and to manage the challenges of sustainable growth.

Prudential UK CR Supply Chain Programme

The number of suppliers engaged on a business as usual basis is high. We have therefore chosen to focus on those suppliers that potentially pose the greatest risk to the environment. As a result we have identified 65 suppliers to work with on the programme.

We have also developed a new toolkit on how to work with suppliers to help them to improve their scores on the questionnaire, and identify what actions they can take. This has been developed in line with the principles of ISO14001 standard.

Procurement practices in Prudential UK have been successfully accredited with the Chartered Institute of Purchasing and Supply (CIPS) certification, which is an industry benchmark of recognised good practice.

PRUPIM supply chain programme



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All PRUPIM's procurement, other than construction procurement, is managed by Buying Force. With around £75m purchasing power, Buying Force's ability to deliver considerable value to the procurement process is significant. We ensure high levels of compliance with sustainability standards.

Compliance with sustainability standards has been an integral part of Buying Force's supplier selection and appraisal criteria for several years now. Since 2006, suppliers are required to complete a self assessment form, including a sustainability assessment, to determine the extent to which sustainability is addressed by each supplier. It will also be used to ensure that performance in this area is continually challenged, standards are maintained, and perennial poor performers are removed from our preferred list.

Corporate Property – UK Supply Chain Programme

Corporate Property is sponsoring the Carbon Disclosure Project (CDP), an independent not-for-profit organisation, which aims to facilitate a response to climate change, together with some of the largest purchasing global organisations to create a single standardised survey, to elicit key climate change information throughout their supply chains.

Each member of this programme (the Supply Chain Leadership Collaboration), has selected up to 50 suppliers to work on the programme. The results should help improve levels of and consistency in responses to customer surveys. This work should also help customers and suppliers work together to develop strategies to reduce their carbon footprints. Some members will work with suppliers at national level, others will work internationally. The project will be rolled out from May 2008.

Corporate Property plans to set along a path to achieve ISO 14001 towards the end of 2008, having achieved the equivalent standard for health and safety.

Monitoring and managing our environmental impact

For all UK buildings, we assess the direct impact that our property investment portfolio and our occupied properties have on the environment by monitoring their energy consumption, carbon dioxide emissions, particulate matter emissions, water consumption, waste and recycling, paper consumption and business travel (the latter two in Prudential occupied premises only).

PRUPIM uses ISO 14001 (the internationally recognised standard for environmental management) to ensure environmental issues are managed appropriately in day to day operational management. PRUPIM also has a comprehensive environmental policy which covers all of its activities. PRUPIM is also developing a web-based environmental reporting tool, in collaboration with TEAM Bureau Service, which will provide an energy monitoring and targeting system, enabling us to reduce



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consumption where possible, and compare our performance against industry benchmarks.

Due to changes in the investment properties held in the portfolio during the period, comparisons with prior years' environmental impacts are not meaningful.

Green Electricity

Occupied Properties: During August 2007, the electricity supply agreement for UK occupied property was signed. The new pricing/supply arrangement comes into effect 1 October 2007 for a period of 12 months.

Over half of our electricity supply will be from renewable sources. We hope to see a reduction in our carbon dioxide emissions of 1,375 tonnes.

Investment Properties:

Investment properties have continued to be supplied with a proportion of "green" electricity (dependant upon the availability of supplies), representing 89,000,000 kWh or 58% of electricity supplied. (Data is based on billing information provided by our supplier Scottish and Southern for the reporting period of 1 October 06 - 30 September 07).

External Reporting:

We recognise the importance of internal and external benchmarking of CR activities and will continue to participate in and report via the Carbon Disclosure Project and the FTSE4Good index.

Employee engagement

It is key for us to get employees engaged in the climate change debate and help them, along with our business units in reducing carbon dioxide emissions. There is an ongoing programme of communications with our employees.

The climate change pages of the Prudential intranet site aim to provide employees with information on climate change – why it is happening, highlighting how we need concerted global action and information on how we are responding as an organisation. It also gives employees the opportunity to calculate their carbon footprint along with key tips to reduce their footprint both at work and at home. Corporate Property has also established an environmental network.

PRUPIM's sustainability progress and updates, along with information on climate change feature in its in-house staff magazine.

The 100 Days of Carbon Clean-up Campaign, run by the Chartered Institution of Building Services Engineers, aims to demonstrate the ability of an organisation to



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make a saving of CO₂ emissions by implementing simple, low-or-no-cost measures over 100 days. The campaign introduced at PRUPIM's head office encourages employee awareness and managerial initiatives to reduce carbon emissions from their buildings. The initiatives were also extended to the managed investment properties taking part in the first tranche of the ISO14001 project and support PRUPIM corporate commitments towards lowering CO₂ emissions and energy consumption.

Prudential Grass Roots is one of PRUPIM's key community programmes. The Prudential Grass Roots programme supports communities to improve their local environment. Run by BTCV, the UK's leading practical conservation charity (and funded by Prudential plc), the programme is helping to drive the regeneration for people and wildlife in communities around Prudential owned properties across the UK.

Governance, reporting and transparency

- Recognise at Company Board level that climate risk has significant social and economic impacts and incorporate it into our business strategy and planning.
- Publish a statement as part of our annual reporting detailing the actions that have been taken on these principles.

The Board reviews our CR strategy and performance annually and is kept informed of progress made in managing key issues, which include climate change and environmental management.

For further information regarding the Group's CR Governance Framework, please refer to page 6 of the CR Report 2007/8.

Prudential also discloses details of its environmental programme and its environmental performance data in the annual CR report (page 29) and on the Prudential website.