

ACTING RESPONSIBLY

PRUDENTIAL PLC CORPORATE RESPONSIBILITY SUMMARY REPORT 2003



PRUDENTIAL

BUILDS TRUST

AT PRUDENTIAL WE RECOGNISE THAT ACTING RESPONSIBLY AND WITH INTEGRITY CONTRIBUTES POSITIVELY TO SOCIETY AT LARGE AND HELPS US BUILD LASTING RELATIONSHIPS WITH OUR STAKEHOLDERS, ESTABLISHING A STRONG FOUNDATION FOR THE GROWTH OF OUR BUSINESS AND CONTRIBUTING TO OUR SUCCESS

Highlights in 2003

- We continued our drive to improve levels of financial literacy both in the UK and internationally.
- We received a number of leading industry awards, which included several awards for The Plan from the Pru campaign in the UK.
- We established charitable foundations in Poland and Vietnam, and supported a wide range of community projects in the UK, Asia and the US. Our community investment totalled £4.1 million.
- We were accredited as an Investor in People for Prudential UK's operations in the UK and India.
- We commissioned new research exploring environmental issues across our Asian regions and in the US. This will inform the development of our international programme.
- We reviewed our approach on Human Rights and introduced new Group policy in this area.
- We remained within the FTSE4Good index for the third year running.

Scope of report

This report reviews activities in 2003 across Prudential Group and covers our four directly managed businesses:

- Prudential UK – a leading life and pensions provider in the UK;
- M&G – Prudential's UK and European fund manager – and its subsidiary, Prudential Property Investment Managers Limited;
- Jackson National Life – a leading life insurance company in the US;
- Prudential Corporation Asia – the leading European life insurer in Asia.

This report does not include Egg. For information on Egg's approach to corporate responsibility, please visit www.egg.com

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The international business community and financial services providers in particular face difficult challenges at the beginning of the twenty-first century, not least how best to meet the needs of a global population that is witnessing ageing, due to increasing longevity and declining birth rates.

GROUP CHIEF EXECUTIVE'S STATEMENT

These demographic trends create an entirely new scenario in which governments, providers and consumers must agree how best to ensure an adequate income in retirement for all.

Through our expertise built over 155 years and through the talent and diversity of our people across the varied markets in which we operate, we are well placed to understand and meet these challenges, responding to them through responsible business growth.

I am proud of our ongoing commitment to corporate responsibility as a set of principles underpinning how we do business. I recognise that the many initiatives being developed across the Group add value to the communities in which we operate as well as to the reputation and value of our business.

I am therefore fully supportive of our drive to continue to improve our performance in this area and to report our progress in as open a manner as possible on an annual basis.

One of the major issues currently facing the financial services industry is the need to restore consumer trust and confidence in savings. The decline in consumer confidence, which is evident in many markets, has been influenced in recent years by a range of factors including volatile market conditions and lower interest rates as well as damaging corporate failures and, particularly in the UK, the misselling of some products.

Whatever that historical legacy, it is essential now to rebuild trust between consumers and financial services providers. The most tangible way of doing so is, of course, by delivering good

returns for our customers and this remains our core objective. But there are other important factors that will help shape how consumers choose to save for their future needs.

The unnecessary complexity of some financial products and poor financial literacy among many consumers are also key issues. I am delighted that Prudential is playing an active role, nationally and internationally, in addressing these concerns, by pressing for greater simplicity of products and working with a range of regulatory and consumer bodies to identify how consumers can be helped to understand their own savings needs. It is in everyone's interest that we have informed consumers who are confident in taking major savings and investment decisions.

As an employer and as an investor in a wide range of assets, it is also essential that Prudential operates to a clear set of guidelines governing our behaviour. Our Group Code of Conduct, which conforms to internationally recognised business standards, provides the framework for our relations with all stakeholder groups, including customers, employees and service providers.

Our aim in 2004 is to continue developing our corporate responsibility programmes innovatively and to the mutual benefit of Prudential and society as a whole.

JONATHAN BLOOMER
GROUP CHIEF EXECUTIVE



CORPORATE RESPONSIBILITY MEANS INTEGRITY

Our business in context

Prudential aims to uphold its reputation, built over 155 years, for acting responsibly and with integrity, respecting the laws and regulations, traditions and cultures of the countries within which we operate, as well as internationally accepted standards of responsible business conduct.

Our focus on corporate responsibility is nothing new, though subject to continuous improvement. It is a philosophy that has shaped our policies and practices throughout our history. In the UK, companies are increasingly expected to report on the social, ethical and environmental issues material to their business and to demonstrate how they are responding to these.

The direct impact of a financial organisation (in other words, the impact that the business is most able to control) primarily affects people and

WE BELIEVE THAT ECONOMIC FACTORS WILL REMAIN THE FUNDAMENTAL BASIS OF CONSUMER CHOICE IN FUTURE YEARS. HOWEVER, WE ALSO RECOGNISE THE GROWING BODY OF RESEARCH SUGGESTING THAT CORPORATE STANDARDS AND SOCIAL AND ENVIRONMENTAL PERFORMANCE ARE BECOMING SIGNIFICANT DIFFERENTIATORS. CONSUMERS WILL INCREASINGLY SUPPORT THOSE ORGANISATIONS THAT DEFINE AND EXHIBIT VALUES AROUND TRUST, ETHICS AND ENVIRONMENTAL RESPONSIBILITY

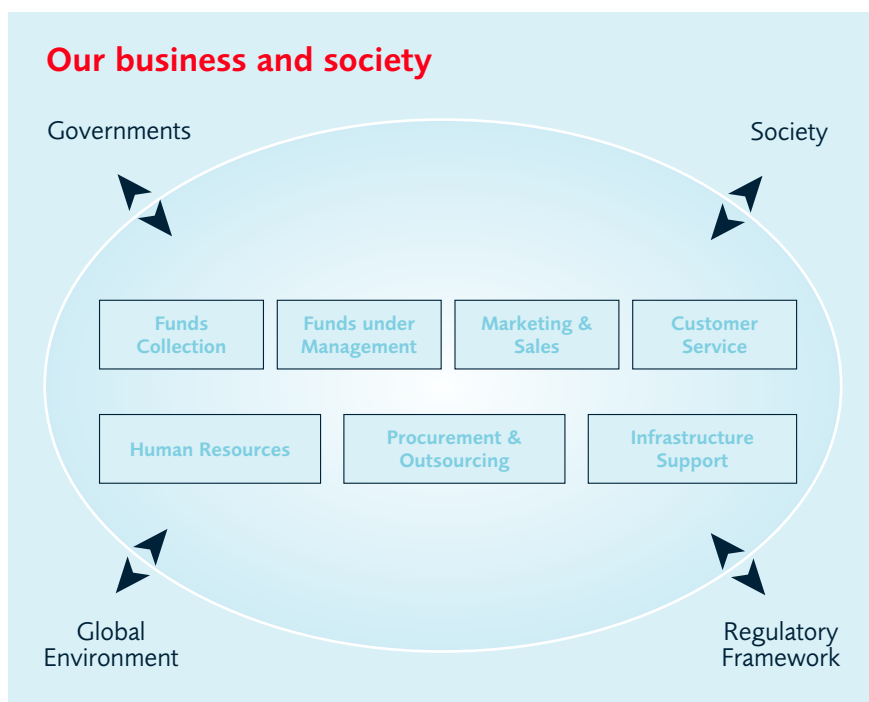
society. In our capacity as the largest commercial property investor in the UK, however, we also have a significant direct environmental impact. We also indirectly impact on society and the environment through the companies in which we invest and via those whom we employ to supply goods and services.

Key Prudential facts

- More than 16 million customers, policyholders and unit holders worldwide
- Around 20,500 employees worldwide
- £168 billion of funds under management
- A geographically diversified business

As at December 2003

Our business and society



At the core of our business is the collection of money from customers and the management of this money. Marketing, sales and high performance attract new customers; excellent customer service helps us to develop lasting relationships; and talented and well-trained employees enable the business to perform.

Stakeholder dialogue and policy debate

We consult regularly with our key stakeholders:

- our customers, who make our business viable;
- our employees, upon whose talent and commitment we depend;
- communities, from whom we recruit and to whom we market our products and services;
- shareholders, who own our business.

We are also involved in a growing number of partnerships with national and international bodies in order to contribute to debate on key policy issues:

- During 2003 Prudential Property Investment Managers Limited (PruPIM), a subsidiary of M&G, joined the Institutional Investors' Group on Climate Change.
- We are a member of the United Nations Environment Programme.
- We are partnering with the Organisation for Economic Co-operation and Development (OECD) on a three-year research programme to compare

international approaches to financial education. We are also collaborating with the Scottish Council Foundation on a project to identify a way forward for improved financial education in Scotland.

- Our Chairman, Sir David Clementi, was recently appointed to the UK Financial Service Authority's newly launched Financial Capability Steering Group, charged with developing a national financial capability strategy.
- Our Group Chief Executive, Jonathan Bloomer, is a member of the Global Aging Commission of the Center for Strategic and International Studies (CSIS), based in Washington, DC. It aims to provide world leaders with strategic insights on, and policy solutions to, current and emerging global ageing issues.
- We continue to contribute to policy debate on long-term savings through seminars – including an event that took place in February 2004 with the UK Centre for the Study of Financial Innovation, to examine how consumers might better understand risk when purchasing financial products.

“ At Prudential, corporate responsibility is fundamental to our integrity.”

**Philip Broadley,
Group Finance Director**





Some awards in 2003

Products

- Standard & Poors fund awards: M&G Investment Trusts won two top awards for performance over one and three years in the 'Investment Trust Smaller Groups' category. In addition, M&G High Income Trust won an award for performance over one year in the Investment Trust UK High Income Sector
- Prudential UK was named as Most Competitive Annuity Provider of the Year by Moneyfacts
- In Indonesia we were awarded Best Life Company by Bisnis Indonesia
- In Singapore we earned the ten-year Special Award at the Investment Fund Awards
- ICICI Prudential Life in India was named Best Life Insurer by Outlook Money magazine

Customer service and information

- Money Marketing Financial Services Awards – The Plan from the Pru campaign
- The M&G and Prudential Unit Trust telemarketing teams won the Inbound Contact Centre of the Year award at the National Sales Awards
- Prudential Hong Kong won Yahoo's Emotive Brand Award
- In Korea PCA LIFE was awarded the Global Marketing Grand Prix (Overseas Company) Award for the successful launch of the PCAplatinum annuity product
- In Vietnam we received the Golden Dragon Customer Service Award for the second consecutive year

RESPONDING TO GLOBAL ISSUES

CHANGING DEMOGRAPHICS AND CONSUMER CHOICE

Around the world, populations are ageing as people are living longer and birth rates decline. While living longer is good news for many, it creates a fresh set of challenges for societies. Financial services providers have a key role in providing solutions. The challenge is to develop products and services that respond to our customers' needs today and tomorrow.

BY 2040, IN THE DEVELOPED WORLD THERE WILL BE

70

ADULTS OF PENSION AGE FOR EVERY 100 ADULTS OF WORKING AGE. TODAY, THERE ARE 30

Products to meet life needs

In 2003 we launched an equity release product in partnership with Northern Rock in the UK. Prudential Home Equity Release Plan guarantees that there is no risk of the borrowers losing their house and there is no restriction on what the borrowers might decide to do with the money. Borrowers are guaranteed against negative equity; they may live in the property for the rest of their lives or until they move out permanently. Provided customers comply with the terms and conditions of the Plan, there is no risk of eviction or repossession.

In Asia, Prudential continues to pioneer innovative needs-based products that deliver strong value for our customers. In India we introduced investment-linked retirement products; in Korea we launched a single payment annuity product, PCAplatinum, giving customers the flexibility to meet their changing needs. In Malaysia we introduced the PRUdynamic fund which allows a flexible investment strategy with no asset allocation limits. The PRUdynamic range also includes Syariah-based unit trust funds to satisfy the unique investment needs of Muslim customers. In Vietnam we launched a comprehensive savings product, PRU Scholar, designed to cover the cost of a child's education.

AS AN INTERNATIONAL BUSINESS, WE ARE AWARE OF THE UNCERTAINTIES THAT PEOPLE FACE AROUND THE WORLD. WE ALSO RECOGNISE THAT THE WAY IN WHICH WE CHOOSE TO RESPOND TO KEY GLOBAL ISSUES CAN HAVE A SIGNIFICANT IMPACT ON OUR CUSTOMERS, EMPLOYEES, COMMUNITIES AND OTHERS

Socially responsible investment

With more than £12.5 billion of funds under management, Prudential Property Investment Managers Limited (PruPIM), a subsidiary of M&G, is the UK's largest commercial property investment manager. Since 2002 PruPIM has been involved with Kingston University in a major industry research project to:

- establish the sustainable characteristics of individual properties;
- identify how these should be evaluated in investment appraisals;
- ascertain how to measure the performance of a wide range of properties and portfolios with varying levels of 'sustainable' characteristics.

PruPIM is the leading private sector sponsor in this sustainable property investment project. Through this relationship we are also supporting the Kingston University team and others in bidding for further UK Government funding for socially responsible investment-related projects. These include an initiative to educate property investors about environmental issues and an initiative to develop methods of measuring the environmental performance of buildings.

M&G manages two ethical investment funds: Prudential M&G Light Green Fund (for institutional pension fund clients) and Scottish Amicable Ethical Trust (a unit trust).

CONSUMER CONFIDENCE

Consumer confidence in savings has been affected by poorly performing equity markets and expectations of lower nominal investment returns, regulatory and policy review, and a range of issues concerning the performance and capital of a number of insurance companies in the UK. This, combined with low levels of financial literacy, leaves people reluctant to trust financial services providers with their money, but comes at a time when people need financial products more than ever.

**HALF THE
UK
WORKFORCE ARE
ESTIMATED TO BE
UNDER-SAVING
FOR THEIR RETIREMENT**

Restoring trust in long-term savings

A key step in rebuilding trust is to provide good returns to customers: our core objective. This, together with responsible marketing, high-quality customer service, customer and consumer financial education and clearing away jargon, helps ensure a sustainable business built on trust. Well-informed consumers are better placed to recognise the need to save

and invest appropriately. This could lead to lighter-touch regulation, with lower costs for providers and consumers.

Innovation

Clear and honest communication

We are pursuing a radical approach to consumer information and marketing through The Plan from the Pru. The Plan was launched in 2002 in the UK to encourage people to take more control of their financial health by providing them with a free, simple, step-by-step guide to finances focusing on key life stages. In response to consumer feedback the latest versions of The Plan now include some product information, including products not offered by Prudential. At the Money Marketing Financial Services Awards in 2003 Prudential UK won four awards for The Plan from the Pru campaign.

The Plan from the Pru will also be tailored for employer audiences with a view to supporting the financial needs of staff and has been used in worksite marketing which, because of economies of scale, enables employees to obtain a better deal collectively than they could individually. We believe that the workplace can play a key role in helping to reduce the current savings gap.

We are also participating in the Association of British Insurers' Raising Standards initiative. We have invested £1.5 million in reviewing and improving 2,000 items of literature, for which we have been awarded the ABI's Quality Mark accreditation.

Time off for our employees to plan

Through the PlanningPru programme, Prudential UK currently provides support for employees in their own financial planning by allowing each member of staff the equivalent of one day off per annum to review their personal finances.

"PlanningPru is an excellent idea. It has given me time out to do what I knew I should be doing."

Prudential UK employee

Customer service

Customer charter

We have rigorous processes for handling customer complaints. These include a customer charter, Getting it Right, which outlines our process for resolving complaints. On a six-monthly basis, in the near future moving to a continuous basis, customers in the UK are telephoned by a market research agency to gain an understanding from customers of what they consider to be the strengths and weaknesses of Prudential's services, using criteria we know to be important to customers. This information is fed into continuous improvement as part of our review process. Customers are also able to make a complaint via our website at www.pru.co.uk.

Face to face dialogue

We believe that it is important that our customers have the opportunity to meet us face to face and to underline that the relationship with Prudential does not end with the purchase of a product. Our MeetPru programme, launched in early 2003, is an opportunity for customers to help us understand and respond to their issues of concern.

Members of the UK Executive hold regular regional seminars where customers can ask questions and get direct feedback. Senior technical advisers are also on hand to answer individual product-related queries. These events have already been held in Belfast, Cardiff, Edinburgh, London, Newcastle, Norwich and Reading, with an average of 120 people attending each event.

Customer service standards

In a global market, no international company can afford to ignore opportunities for cost reduction that also maintain or improve standards of customer service. In May 2003 Prudential opened a new customer service centre in Mumbai, India, to handle both policyholder calls and the back office administration of policies. Performance has been strong with target service standards being met. Prudential already has business interests in India through two joint venture partnerships with the Industrial Credit and Investment Corporation of India Bank Limited (ICICI). Historically, Prudential has enjoyed a strong commercial presence in India.



Our customer service centre in Mumbai

Endowment misselling

In the UK, the misselling of endowment mortgages has become a high-profile issue affecting consumer confidence and perceived standards of customer service. During the 1980s and for most of the 1990s endowment mortgages were widely regarded as a good alternative to repayment mortgages, maximising the benefits of the tax relief that then existed. Most complaints about endowment misselling relate to having been missold, primarily on the grounds that the risks of an endowment were not explained or were minimised, or on the grounds that the customer's attitude to risk was not established.

Since the start of 2000, we have received 14,000 complaints from Prudential customers, representing approximately 6 per cent of current policies. For Scottish Amicable policies, since 2000 we have received 10,000 complaints, approximately 2 per cent of current policies. We have approximately 200 people working specifically on mortgage endowment complaints within our customer services team. Most complaints are resolved satisfactorily by us. Fewer than 10 per cent of complaints are referred further to the Financial Ombudsman Service (FOS). Last year, the FOS supported the decision reached by Prudential in 96 per cent of cases referred.

"Just a note to say how wonderful your adviser was. The gentleman's name was Pramod and he answered all my questions in great detail."

Mrs A W, with feedback on our customer service centre in Mumbai, India

Consumer education

MORI survey among UK adults

In a recent survey conducted for Prudential by MORI in 2003, 88 per cent of UK adults felt that more education and training was needed for adults on financial matters and 59 per cent felt that their education had not prepared them for dealing with personal finances. (Source: GB Financial Literacy Survey for Prudential conducted by MORI, 2003, among a representative sample of 1,101 adults aged 15+.)

Plan for Life Learning

Our Plan for Life Learning financial education programme seeks to generate policy debate about the potential role of financial education as well as to deliver practical solutions for children and adults through the development of initiatives in partnership with charities and education and research bodies.

Working with Citizens Advice

In the UK, we have established a three-year programme with Citizens Advice called Financial Skills for Life. This funds nine bureaux to test new models of delivering face to face financial education, and supports and co-ordinates existing work in this area undertaken by 65 other bureaux.

Educating tomorrow's consumers

In the UK, we also sponsor the Personal Finance Education Group's (pfeg) Excellence & Access project, which aims to raise the quality and quantity of personal finance education in schools. Through this, 150,000 children have experienced personal

finance education in 300 participating secondary schools. More than 80 per cent of the teachers independently surveyed agreed that personal finance education had improved in light of the project (Brunel University: *Excellence & Access Evaluation Report*, January 2004).

In the UK, we have also worked with the Basic Skills Agency to promote the benefits of financial education to local communities, an activity that has continued during 2004, and through newspaper articles and speeches. Most recently, our Group Chief Executive Jonathan Bloomer wrote an article for the *Financial Times* entitled "Simpler pensions should lead to safer saving".

Financial Literacy Centre

In India, Prudential is test piloting a Financial Literacy Centre (FLC) in Mumbai that is based on providing financial education to consumers (with the model providing a 'platinum service' to customers) through online learning.

Investor Education Programme

In India in 2003, Prudential ICICI Asset Management sponsored an investor education programme, organised by Security and Exchange Board of India (SEBI), and also assisted SEBI with the distribution of booklets on the basics of Mutual Fund investing in India.

Planning ahead

In conjunction with the National Taiwan University, PCA Securities and Investment Trust offers several career planning seminars on mutual funds for young professionals.



Consumer financial education is one of our key priorities

Banking on our Future

In the US in September 2003, Jackson Federal Bank – a wholly owned subsidiary of Jackson National Life – offered its employees the opportunity to become involved with the Operation Hope Banking on our Future programme, which helps teach students the basics of financial management. Through reading and maths exercises, games and hands-on activities, students learn financial skills to use throughout their lifetime. Jackson Federal Bank branch employees volunteer their time at schools that are interested in the programme.

International research

We are partnering with the Organisation for Economic Co-operation and Development (OECD) on a three-year research programme, the first of its kind to compare international approaches to financial education. Its results will be used to produce guidance on effective consumer financial education strategies across OECD countries and some Asian non-OECD countries.

" I feel that I'm in control of my money for the first time."

Ms C C, a Citizens Advice client who received training as part of the Financial Skills for Life programme

Our Mumbai customer service centre in India offers our employees a high quality working environment that includes a staff restaurant, internet café and gym



INCREASING GLOBALISATION

No international business can ignore the opportunities for growth and efficiencies that a global market presents, but our choices can instantly affect people around the world. As a leading international financial services provider, we recognise the complex issues that result from corporations extending their facilities overseas. Socially acceptable business growth is key – based on internationally accepted standards of conduct.

Applying standards throughout our Group

International business

Over half of our employees work outside the UK and 74 per cent of our sales are generated in our non-UK markets. Our business is governed by the standards we set out in our Group Code of Business Conduct, which are defined according to our interactions with our key stakeholder groups – including our customers, employees, local communities and others. Our Code also supports the

relevant principles of the United Nations Universal Declaration of Human Rights and US Sarbanes-Oxley legislation. Our workplace policies meet legislative requirements in such areas as equal opportunities, non-discrimination and health and safety.

Dealing with change

To meet commercial objectives in a competitive environment, it is sometimes necessary to reduce staff numbers and reallocate resources. In September 2002 we announced plans to create a customer service centre in India to improve customer contact service levels and reduce costs for the Group's UK insurance operations, and our Mumbai service centre went live in May 2003. As a result of this reorganisation, Prudential has reduced the scale of its operation in Reading, UK. A comprehensive career management, redeployment and outplacement programme, Careerlink, supports Prudential employees who are displaced from their role and helps them to manage the transition positively, whether within the company or outside.

International employment

Multi-site training and development standards

In 2003 we were accredited as an Investor in People (IIP) for Prudential UK's operations in the UK and India. IIP is the national standard that sets out levels of good practice for the training and development of staff to achieve business goals. We are one of the first companies to receive accreditation for multiple worksites, including our office in Mumbai, India.

Employee education and development in Asia

Employee education is provided through PRUuniversity, which is available to all staff throughout our Asian operations and is offered in 12 languages. Programmes are centrally credited and many are endorsed by external learning institutions. The courses cover management and leadership, technical and business skills as well as a comprehensive range of self-improvement materials including language courses.

Family benefits

Jackson National Life (JNL), headquartered in Lansing, Michigan, provides a partially subsidised child development centre for the young children of JNL employees. The centre provides more than just childcare. JNL places a high priority on education for both its employees and their children

IN 2003 WE INTRODUCED A NEW GROUP HUMAN RIGHTS POLICY, RE-EMPHASISING OUR COMMITMENT TO EMPLOYMENT GOOD PRACTICE IN ALL OUR OPERATIONS

at all age levels and the emphasis within the centre is on education and structured development programmes. Another unique aspect is that the subsidy available for parents is based on family income, with a greater discount for those on lower incomes.



Jackson National Life's partially subsidised child development centre caters for up to 112 children

Dialogue and consultation

We have established various means of supporting employee welfare and enabling our people to discuss employment issues. Prudential employees are free to join trade unions and we estimate that around a quarter of Prudential employees in the UK are currently members. All staff have access to a staff forum, a grievance procedure, or other arrangements which encourage an open and honest environment. Other support systems also exist, such as helplines, independent counsellors and medical advice. Employees are encouraged to communicate freely

with their managers, and managers are expected to create a workplace environment where employees feel comfortable discussing their concerns, problems and ideas. Discussions may involve higher levels of management as necessary to resolve concerns. Staff have access to a confidential hotline to report perceived issues of malpractice.

Diversity and equal opportunity

All employees and applicants for roles across our Group are given equal opportunity in all aspects of employment. This principle is embedded in policies and management practices. PCA Life Japan sponsored the first Woman in Japan Forum under the theme of Balancing Work and Lifestyle. The three-hour event attracted over 100 working women, with very positive feedback.

A safe and healthy working environment

Ensuring that our employees enjoy a safe and healthy working environment is of great importance to Prudential. Our key objectives are to maintain a framework that allows us to meet all our legal obligations and to prevent incidence of work-related accidents and ill-health. Our safety management system sets out policies and assigns key responsibilities and performance standards to ensure the health and safety of our staff, visitors and contractors.

Investing in communities

Supporting primary education in India

In India, one of our most rapidly expanding markets and where we have had a longstanding presence, approximately 60 million children aged 6–14 are not in school. We are helping to tackle this issue through our support of the Commonwealth Education Fund (CEF), which acts as a catalyst to emphasise the importance of universal primary education. We are specifically supporting work to build national coalitions on education, deliver training for parents on education spending and increase access for marginalised children who are excluded from school. The CEF operates in 17 Commonwealth countries in Asia and Africa.

Przezornosc Charitable Foundation

In Poland Prudential established the Przezornosc Charitable Foundation in recognition of former Prudential policyholders and their heirs, who lost contact with the company as a consequence of World War II and who have been unable to claim on their life policies. The charities selected to receive funding via the Foundation cover welfare, cultural, historical and educational issues. The Foundation will run for five years.

The Prudence Foundation

In Vietnam we established The Prudence Foundation in 2003 to reaffirm Prudential's commitment to listening to and understanding the needs of the Vietnamese people and to underpin the company's long-term contribution to the development of Vietnam. The Foundation has a dedicated focus on learning, technology and sport with the aim of developing the mind, body and spirit of the Vietnamese people. A number of initiatives have been introduced to date: for example, programmes that contribute to the development of the software industry in Vietnam and programmes that develop the sporting talents of young people. In 2003 The Prudence Foundation launched The Prudence

Cup, a nationwide tennis tournament aimed at helping Vietnamese teenagers improve their tennis skills and techniques.

Chevening Scholarships

In Asia Prudential has supported Chevening Scholarships since 1997. These are offered by the British Foreign & Commonwealth Office to young professionals who wish to study in the UK. To date, 19 candidates in Asia have benefited from this programme.

Educational assistance programmes

In 1996 Prudential supported four leading Chinese universities with a ten-year educational fund for the establishment of new facilities and scholarships.

SUSTAINABLE DEVELOPMENT

Sustainable development has been defined as: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs". (The Brundtland Report: *Our Common Future*; 1997).

Natural resources are not unlimited and it is essential that businesses manage their environmental impact efficiently. But sustainable development is about more than reducing the consumption of raw materials and limiting negative environmental impact. It also means ensuring human rights, treating customers, employees and suppliers fairly, and acting responsibly towards the communities in which we operate.

Environmental management

Development of programme

The scope of our environmental programme currently covers UK business units. An environmental framework will be developed in partnership with our international operations commencing in 2004.

In 2003 we commissioned new research exploring environmental issues across our Asian regions and the US, which will inform the development of our international environmental management programme.



Many of our community programmes in Asia focus on children's education and development

"You brought smiles and useful gifts to needy pupils."

Can Thanh Primary School, Vietnam

The Belfry, Redhill: a 'green' shopping centre

In 2003 The Belfry at Redhill in Surrey, part of Prudential Property Investment Managers' property portfolio, became one of the first shopping centres in the UK to switch to receiving all its electricity from renewable sources, saving 600 tonnes of CO₂ every year. The Belfry was also one of the first shopping centres in the UK to achieve ISO 14001, the internationally recognised standard for environmental management, in 2000.



At The Belfry shopping centre, our environmental management system is certified to ISO 14001



Our car share scheme at Craigforth operates 100 reserved spaces and there are plans to extend the scheme in 2004

Reducing the impact of business travel

Prudential UK's Craigforth office (near Stirling) has established free bus and coach services – with 19 coaches running daily between Edinburgh airport, Stirling town centre and the surrounding areas – resulting in a reduction in the number of taxi and car journeys made by staff. During 2003 the airport shuttle saved 50 tonnes of CO₂.

Environmental supply chain

Prudential Strategic Sourcing operates an ongoing programme to measure the environmental impact of our suppliers in the UK. In 2002 we began an independently-facilitated dialogue on collaborative supplier assessment in our sector, which delivered a set of best practice principles and benchmark levels that have been shared across the sector.

Prudential as an investor

The range of programmes described in this report support our relationships with our customers, employees and local communities. We also have an impact on society through our investment activity. Prudential – through our fund management business, M&G – plays a pivotal role in producing strong financial returns for the thousands of people who depend upon our performance for their incomes and their pensions. In doing so, our principal aim is to maximise the return on our customers' investments. We believe that well-managed, and therefore growing businesses, will, as a matter of course, take account of wider social and environmental issues in taking their businesses forward. M&G finds it helpful if companies publish the guidelines they adopt in dealing with these issues. If companies choose not to publish guidelines in this area they should give their reasons. M&G's approach to socially responsible investment is set out in the booklet *Issues Arising from Share Ownership*, available at www.prudential.co.uk/cr.

“ We are delighted that Prudential has decided to take the lead in developing such an important sectoral initiative on supply chain management.”

Forum for the Future

COMMUNITY INVESTMENT

In 2003 we spent £4.1m in support of the community. Within this, direct donations to charitable organisations amounted to £2.8m, of which £2.3m came from EU operations.

Total spend on community support activity



Breakdown of charitable donations by region

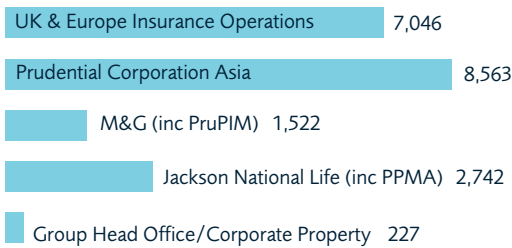


Community investment as at 31 December 2003. Data compiled using the London Benchmarking Group model.

It is the Group's policy not to make donations to political parties or to incur political expenditure, within the meaning of those expressions as defined in the Political Parties, Elections and Referendums Act 2000, and the Group did not make any such donations or incur any such expenditure in 2003.

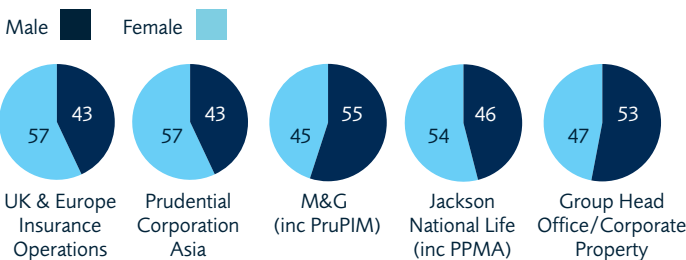
EMPLOYEES

Global employee numbers



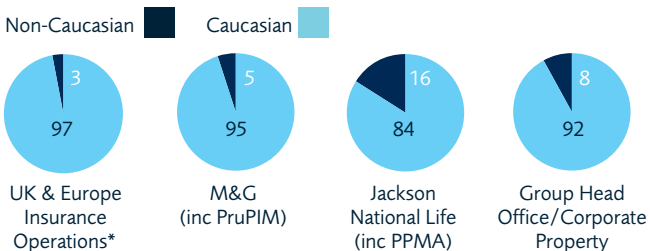
Average number of staff employed by the Group during 2003, as at 31 December 2003.

Employees by gender (%)



As at 31 December 2003.

Employees by ethnic group (%)

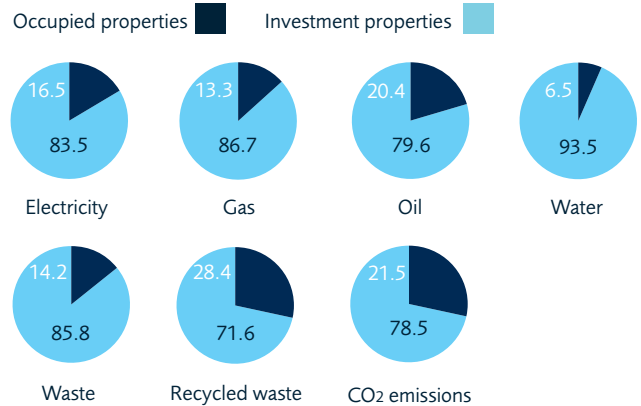


Group average as at 31 December 2003, excluding Prudential Corporation Asia (PCA). PCA does not collect data on the ethnicity of employees.

*Excluding Prudential's operations in Mumbai. If Mumbai were included, the Non-Caucasian figure would rise to 14.4%.

ENVIRONMENT

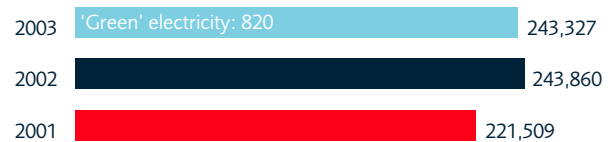
Relative contributions of occupied and investment properties to our environmental impact (%)



Investment properties

Figures shown are for Prudential Property Investment Managers Limited (PruPIM) property portfolio for the 12 months ended 30 September 2003.

Energy consumption ('000 kWh)



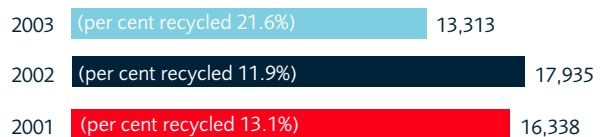
Emissions (tonnes CO₂)



Water consumption ('000 litres)



Waste (tonnes)



Occupied properties

Figures shown are for occupied buildings wholly managed by Prudential for the 12-month period ended 30 September 2003. Performance figures have been re-based to take into account that Egg building data is now separately reported in Egg Financial Report and Accounts.

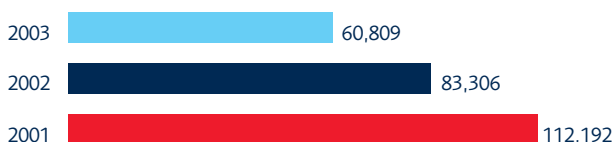
Energy consumption ('000 kWh)



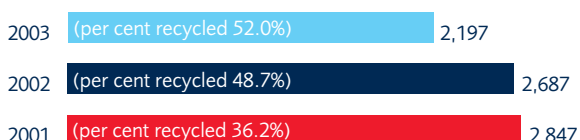
Emissions (tonnes CO₂)



Water consumption ('000 litres)



Waste (tonnes)



Paper consumption (tonnes)



Business travel ('000 miles)



Investment properties environmental performance summary

Over the 12-month reporting period ended 30 September 2003, the property portfolio of Prudential Property Investment Managers Limited (PruPIM) continued to be developed. Although the portfolio remained fairly static in size, a move towards industrial and warehousing properties has affected environmental performance. In coming years, industrial sites in particular are likely to have a significant environmental impact.

Our investment in heavy and light industrial sites has already had an impact on **water consumption** figures.

Energy consumption in those industrial sites where our tenants' processes consume large quantities of electricity and natural gas could lead to some distortion of overall performance in our next reporting period, so will be identified separately in future.

We are in line to meet our overall energy consumption targets and those of central Government.

Now that we are disposing of more waste on behalf of our tenants, we have made concerted efforts with **recycling**, particularly at our shopping centres. This has led to significantly improved figures.

PruPIM has two out of the first four shopping centres in the UK to be managed to the ISO 14001 environmental standard. These are The Mall at Cribbs Causeway, Bristol and The Belfry at Redhill. A roll-out of waste audits to a further 12 centres in 2004 will provide the platform to set more challenging targets as well as the management tools to meet these.

As the first property investment company in the UK to achieve energy efficiency accreditation from the Institute of Energy, we are keen to demonstrate that the operational management of the portfolio, which has undergone recent changes, will maintain the approach and focus necessary to enable re-accreditation in 2004.

Occupied properties environmental performance summary

Our UK environmental performance reflects a number of changes during the 12-month reporting period ended 30 September 2003. These include the closure of three buildings and the relocation of some operations. In addition, changing workstyles have led to greater occupation density and extended opening hours at some of our offices.

Totals for **energy** and **water** show a further improvement from previously reported figures in both absolute terms and on a per person basis.

We have achieved our 2003 targets for **CO₂ emissions per person** and **energy consumption per person**.

We have improved our **waste recycling** with the introduction of new waste processes and we have achieved our 2003 target. Despite office moves, the total **waste volume** has seen a downward trend. During the year we appeared to be on track to meet our target for **waste per person** but owing to changes in the employee base and the waste generated by office relocations, full period figures indicate that this has not in fact been realised. There is every indication that we are well-positioned to achieve this target in the near future.

During 2004 our full year performance figures will be reviewed with our UK business areas and new targets set for CO₂, water, waste to landfill and recovered waste.

PERFORMANCE DATA

IN 2003 WE CONTINUED TO DEVELOP AND REFINE OUR CORPORATE RESPONSIBILITY AGENDA AND TO INTEGRATE IT THROUGHOUT OUR BUSINESS. WE UPDATED AND RE-COMMUNICATED OUR GROUP CODE OF CONDUCT TO OUR EMPLOYEES, INCORPORATING GUIDELINES ON ANTI-CHILD LABOUR AND STAKEHOLDER DIALOGUE

Our policies, programmes and management systems support our approach to responsible business, ensuring that we understand and respond to the social, ethical and environmental risks and opportunities that are material.

Governance

Prudential's Board and Directors are committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business. Prudential supports the Combined Code on Corporate Governance and has complied with all the provisions within the Code as at 31 December 2003.

Our 2003 Annual Report contains our full corporate governance statement and conforms to UK and US disclosure requirements.

Prudential's Group Finance Director has a special remit for corporate responsibility, drawing significant issues to the attention of all directors as appropriate. An update on corporate responsibility activity is put to the Board annually. The Board also reviews and approves the Corporate Responsibility Report.

Risk management

We operate a risk management framework that applies across our Group in which reputation issues, including those of a social, ethical and environmental nature, feature prominently. Our process for identifying, evaluating and managing risks is in accordance with the guidance of the Turnbull Committee, which in 1999 made recommendations on the internal control of UK companies.

Our risk management model requires that the primary responsibility for the identification, management and reporting of risks through the year rests with business unit chief executives. This process is reviewed regularly by the Board. Controls applicable across our Group are set out in a Corporate Governance Manual.

Corporate responsibility policies

We set our own codes and policies that often go further than local or national legislation. These are regularly reviewed to ensure that they continue to address the legitimate concerns of stakeholders and are in line with good practice.

Group Code of Conduct

Our Group Code of Business Conduct sets out the standards we expect from our employees and others working on behalf of the Group on issues such as the prevention of discrimination, bribery and corruption and insider dealing. Prudential's internal auditors review business unit compliance with the Code on an annual basis.

Human Rights Policy

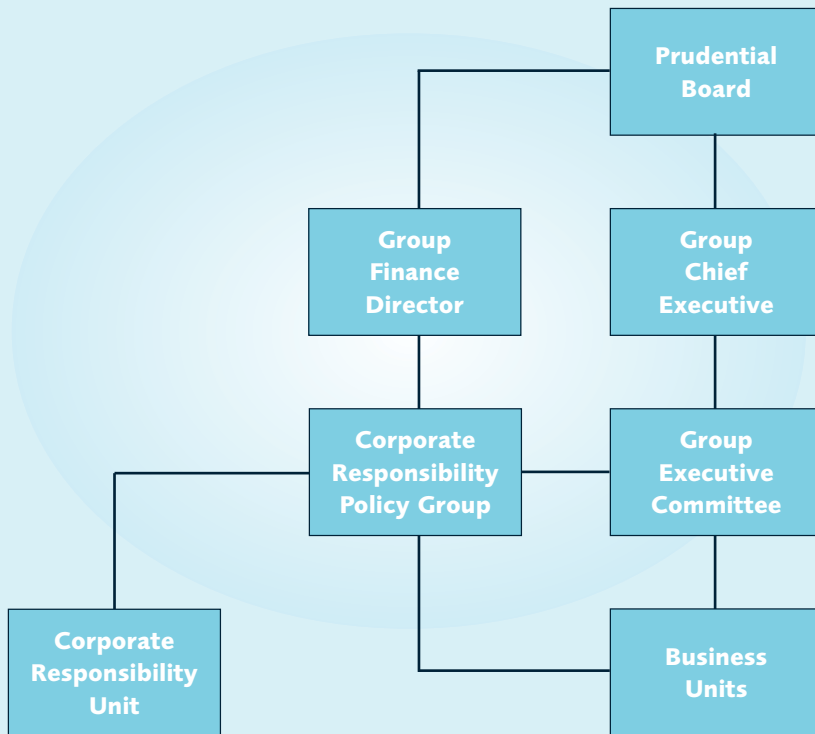
In addition to national and local legislation, our Human Rights Policy, developed in 2003, covers the Group's whole operations. It endorses relevant principles of the United Nations Declaration of Human Rights and is consistent with the four core conventions of the International Labour Organisation.

Community Investment Policy

In 2003 we began consulting with the business on a new Community Investment Policy to be introduced during 2004. This will clarify guidelines for community investment expenditure and governance.

MANAGING OUR RESPONSIBILITIES

Our governance framework



Our governance framework integrates corporate responsibility into our business activities worldwide. The Corporate Responsibility Policy Group (CRPG) is a specialist internal committee reporting to the Group Finance Director on significant social, ethical or environmental risks and opportunities.

Measuring and reporting

Our aim is to provide appropriate information cost-effectively. Prudential is a member of the FORGE Group, which is currently developing practical guidance to improve the ability of financial services organisations to manage and report on corporate responsibility performance through the development of key performance indicators. The FORGE Group comprises nine UK financial services organisations and there are more than 25 stakeholder organisations involved in developing the guidance, including Government departments, relevant trade associations and interest groups. The new guidelines will be available by the end of 2004.

Internal audit review

Prudential Group Internal Audit reviewed the processes used to compile data on the environmental impact of our UK businesses. This review covered figures for the 12-month period ended 30 September 2003.

The diversity of Prudential's investment property portfolio with over 1,000 properties, and the extent to which it changes, makes it difficult to compile environmental data in a timely way. This is why the environmental impact reporting period differs from the financial reporting period.

In our opinion, the current and prior year comparative figures are fairly stated, and can be used as the basis for future environmental performance monitoring and objective-setting.

Comparative figures are provided for the 12-month periods ended 30 September 2002 and 30 September 2001. These differ from the previously published figures as Egg plc now publishes its own environmental impact report, and consequently environmental impact for Egg's UK operations is no longer included in this report's current year or comparative figures. Egg environmental policy, data and targets are available at www.egg.com.

STEVEN BARLOW
GROUP CHIEF INTERNAL AUDITOR

FUTURE PLANS

During 2004 we will continue to seek ways to improve our corporate responsibility performance.

- We plan to further extend our work on financial literacy into our overseas markets.
- The scope of our environmental programme currently covers UK business units. An environmental framework will be developed in partnership with our international operations commencing in 2004.
- In January 2004 the merging of Group Health Safety and Environment functions into a single

Group-wide team will provide additional strategic and tactical support to the business and will assist in the introduction of an international environmental framework.

- Following an extensive consultation process, we plan to introduce a new Group-wide learning resource on corporate responsibility.

Glossary

Group Code of Business Conduct	the standards of behaviour expected of all people who work for or on behalf of Prudential
CO₂	carbon dioxide
CR	corporate responsibility: Prudential defines corporate responsibility as action taken by the Group, which positively impacts on our customers, our shareholders, our people, our suppliers and the communities around our businesses, and which includes and goes beyond our legal or regulatory obligations
FORGE	Financial Organisations' Reporting Guidelines for the Environment
FTSE	Financial Times Stock Exchange
FTSE4Good	a series of benchmark and tradable indices for socially responsible investment
Group Risk Framework	our Group Risk Framework enables the Board to ensure that the risks of the Prudential Group are managed, at Group level and by the business units, in accordance with Group policy
investment properties	properties managed by PruPIM as part of Prudential's portfolio of property investments
JNL	Jackson National Life, Prudential's operation in the US
London Benchmarking Group	consists of leading international corporations who have come together to manage, measure and report their involvement in the community. The London Benchmarking Group model identifies three possible types of cost to the company in making its contribution to the community: cash, time and in-kind. The model has created a standard approach based on clear definitions and principles to put a cash value on both time and in-kind contributions
M&G	the investment management business of Prudential
OECD	Organisation for Economic Co-operation and Development
PCA	Prudential Corporation Asia
Plan for Life Learning	Prudential's social programme to raise levels of financial literacy
PPMA	Prudential Portfolio Managers America, Inc
PruPIM	Prudential Property Investment Managers Ltd
savings gap	the difference between the amount currently being saved and the amount that needs to be saved in order to secure an acceptable retirement income
SRI	socially responsible investment
UNEP	United Nations Environment Programme: companies who sign UNEP's Financial Services Initiative aim to identify, promote and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations

We welcome feedback and comments on our corporate responsibility performance.

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Our full Corporate Responsibility Report is available online at www.prudential.co.uk/cr

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