

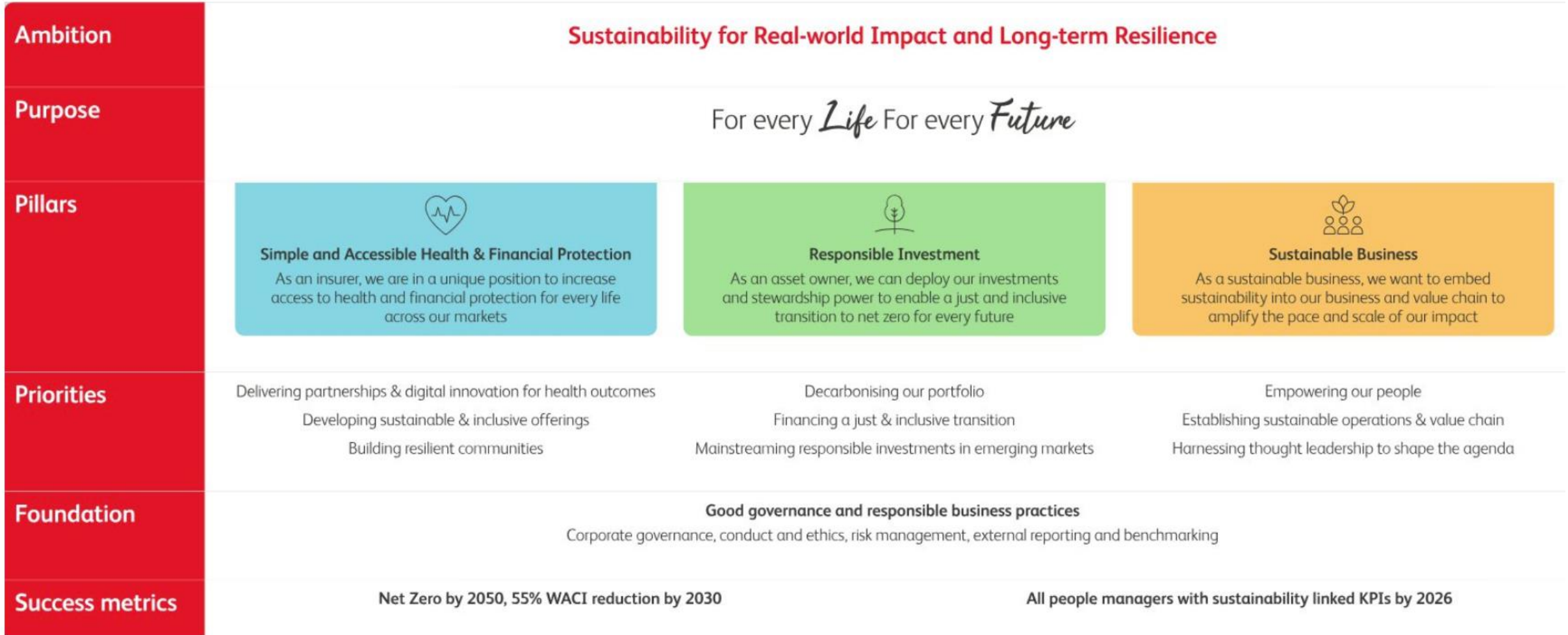
Implementing TCFD recommendations at Prudential

Metrics and targets

14 March 2024



Our Sustainability strategy



Most important TCFD milestones

2018

- Endorsed the TCFD recommendations
- Established ESG Governance

2020

- Undertook scenario analysis and stress testing across three climate scenarios
- Disclosed material climate risks and response

2019

- First TCFD-aligned disclosure (investments not included)

2021

- Committed to net zero by 2050:
 - 25% emissions reduction of assets by 2025
 - engage with companies responsible for 65% of emissions in portfolio
 - Joined the Net Zero Asset Owner Alliance
- Disclosed WACI & impact of climate scenario across geographies

2022

- Launched the 'Just and Inclusive Transition' paper articulating our view on the climate transition for our markets
- Formulated sectoral climate views
- Further enhanced disclosure on metrics, including absolute financed emissions

2023

- Launched Climate Transition plan
- Updated target: 55% emissions reduction of assets by 2030
- Formulated Financing Transition strategy
- More updates in 2023 Sustainability report (launch date: 26 March)

Our process on metrics and targets

Review metrics

- Which metrics make sense for Prudential?
- What are the benefits and drawbacks of these metrics?
- What are the unintended consequences of using this metric?

Monitoring internally

- Select external data provider
- Set up monitoring
- Review the outcomes:
 - Do the numbers make sense?
 - How have they been moving over time?
 - How do they compare to peers?

Reporting externally

- Are we comfortable reporting the metric externally?
- Can the metric be assured?

Target setting

- Do we feel comfortable setting a target?
- Can we manage the unintended consequences of the metric?
- Can the metric be integrated in other processes (remuneration, stress testing, etc)?

Reported metrics and targets (investments only)

Metrics	Externally reported?	Targets
Weighted Average Carbon Intensity (WACI) of the investment portfolio	Yes and assured	<ul style="list-style-type: none"> -55% by 2030 Linked to remuneration
Coverage of the WACI for the investment portfolio	Yes and assured	
Financed emissions (scope 3, category 15)	Yes and assured	
Engagement on climate change with companies	Yes	Engagement with the companies responsible for 65% of the financed emissions in our investment portfolio
Climate Value at Risk	No	
Implied Temperature Rise	No	

Case study: WACI

REVIEW METRIC

- Recommended by TCFD and market standard
- Benefits of intensity metric:
 - Comparison of companies on intensity-basis most relevant
 - Works best for low coverage Prudential and growth of AUM
- Unintended consequences:
 - Companies with high absolute emissions might not have a high WACI

MONITORING INTERNALLY

- Selected external data provider based on methodology, data quality, coverage
- Internal methodology document
 - Determine scope
 - Determine which data points to use
 - ...
- Continuous monitoring of metric and engagement with data provider
- WACI of Prudential higher than peers, but comfortable with explanation

Case study: WACI

REPORTING EXTERNALLY

- Auditor assurance:
 - Baseline 2019
 - First reporting: 2021
- Formulate narrative for reporting

SETTING TARGET

- Internal assessment of feasibility reduction target in line with Paris
- Internal education on the risks and benefits of setting a target
- Communication about target: transparency about scope, methodology, etc
- Managing unintended consequences:
 - Disincentive for investment in carbon-intensive companies → formulated Financing Transition strategy
 - Engagement target on absolute (financed) emissions
 - Managing the bias against investing in emerging markets

Lessons learned

- Monitor market standards but choose metrics and targets that work for your organization
- Be aware of unintended consequences: what gets measured, gets managed
- Work on an external narrative around the metrics and targets you have chosen
- Target setting: raise awareness the world is not on track to meet the goals of the Paris Agreement

But most importantly:

Get started.

Harnessing experience empowers you to meaningfully exert influence on stakeholders

Appendix – references



PRUDENTIAL

References

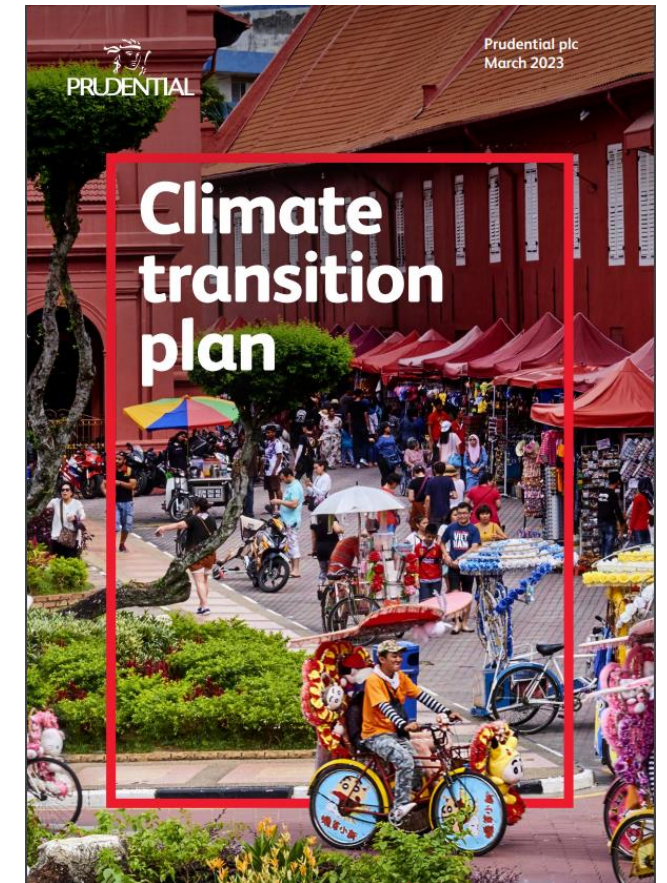


Sustainability reports

Website: Responsible Investment



Just & Inclusive Transition white paper



Climate Transition Plan