Pru
part of M&G plc

Statement on principal adverse impacts of investment decisions on sustainability factors

30 June 2023

Financial Market Participant: Prudential International Assurance Plc,
LEI: 635400T4W5MRQTBLGQ38

Summary

Prudential International Assurance PLC (PIA), LEI: 635400T4W5MRQTBLGQ38 considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of PIA.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

Principal adverse impacts (PAIs) are the most significant negative impacts of investment decisions on sustainability factors relating to (i) climate and the environment, and (ii) social and employee matters, respect for human rights anti-corruption and anti-bribery matters.

PIA is an Irish registered company authorised as an insurance undertaking by the Central Bank of Ireland. The Company sells insurance products with investment features in the UK and European markets. PIA is a wholly owned subsidiary of Prudential Assurance Company (PAC), and forms part of M&G plc. Reference to 'M&G plc' denotes where PIA has delegated investment activities or relies upon shared services within M&G. Reference to 'PIA' refers to activities undertaken solely by PIA or conditions that apply to PIA only.

Reference to 'funds' in this statement means funds held by PIA, the PAI of investment decisions made on behalf of these funds is undertaken by PIA's asset managers. PIA does not itself engage directly with investee companies, instead we engage with our chosen asset managers to engage with investee companies on our behalf. In many cases, the actions taken, or actions planned will refer to activities or commitments being made by M&G plc, and this is made clear within this statement on PAIs on investment decisions on sustainability factors, it does not include assets held in external portfolio products as PIA's capacity to engage and influence assets managers is limited due to scale of investment in those holdings. PIA is a "financial market participant" (FMP) under Regulation (EU) 2019/2088 (Sustainable Finance Disclosure Regulation) requiring it to assess and report to investors on any PAIs of investment decisions on sustainability factors.

The PAI of the funds held by PIA are considered by measuring and monitoring the aggregated negative impact on sustainability factors of funds' investments under management. Across these funds, the mandatory PAI indicators are considered as set out in the Environmental, Social and Governance (ESG) Investment Policy and as detailed in the sections below. The active ownership efforts include engagement, proxy voting, attending annual general meetings and are described in more detail in the section on engagement below.

Description of the principal adverse impacts on sustainability factors

The mandatory indicators defined by the Commission Delegated Regulation (EU) 2022/1288, consisting of the Regulatory Technical Standards (RTS) under the EU Sustainable Finance Disclosure Regulation (SFDR) are set out in Table 1 below, covering investments in investee companies, sovereign and real estate. The additional indicators selected, as per the SFDR RTS and the methodology described in section 'Description of policies to identify and prioritise PAIs on sustainability factors' below, are set out in Table 2 and 3. For each of these indicators, PIA has included information to describe the actions that have been taken and actions that are planned and/or targets set to avoid or reduce the PAIs identified.

As per the SFDR RTS the information on the impact of funds' investment held by PIA on these indicators will be published by 30 June 2023, and continuously on an annual basis. The information provided covers the period of 1 January until 31 December 2022. From 2024 onwards, a historical comparison of the data in the previous report will be provided. Subsequently, year-on-year data will be added until a historic comparison of performance over the past five years is provided. Data is not available for 2021 as it pre-dates the SFDR RTS and therefore no data is provided for the preceding year in this year's report.

Indicators applicable to investments in investee companies

Table 1: CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Adverse sustainability indicator		Metric	Impact[1] (2022)	Impact[2] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	300,535.98 tCO2e	N/A	Coverage: 89.07% Coverage = Value of investments in investee companies held within PIA funds (e.g., public equity, public	**General approach, actions taken and actions planned:** PAC, which incorporates funds held by PIA, has been a signatory to the Net Zero Asset Owners Alliance since (NZAOA) September 2021 and has committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. M&G plc as asset owner has published interim targets and report on progress against these publicly. The 2021 update of progress is available online[3] and the 2022 update of progress will be found within the M&G plc Sustainability

[1] Information on impact will be published by 30 June 2023, and continuously on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year. Impact will be calculated and illustrated as the average of impacts on 31 March, 30 June, 30 September and 31 December of each reference period.

[2] Information on impact compared to previous year will be reported by 30 June 2024, and continuously on an annual basis.

[3] https://www.mandg.com/~/media/Files/M/MandG-Plc/documents/Sustainability/2022/net-zero-asset-owner-disclosure.pdf

<table>
<tr><td rowspan="7"></td><td rowspan="4"></td><td></td><td></td><td></td><td>fixed income, private equity, private debt) where data is available / total value of investments in investee companies within PIA funds</td><td rowspan="7">Report, to be published in June 2023[4]. M&G plc is also a member of the Powering Past Coal Alliance (PPCA)[5], a coalition of governments, businesses and organisations working to advance the transition from coal power generation to clean energy. The asset owner thermal coal policy is closely aligned to PPCA requirements.

M&G plc will continue to play its part by using the levers at its disposal to drive real-world change. This includes communicating clear transition expectations to asset managers and stakeholders, as well as financing and enabling solutions to support clients on their climate journey. More detailed information can be found within the Annual Report and Sustainability Report[6].

M&G plc as asset owner has set its own respective thresholds and screening criteria for coal related investments, in adherence with the M&G plc Thermal Coal Position. Companies that fail the asset owner coal screen and have no credible plans to alter their business behaviours to adhere to the Asset Owner Thermal Coal Policy will be excluded from our asset book.

Over the coming year, M&G plc will continue to prioritise climate considerations in the investment process, through research analysis and via further engagements with asset managers.

Engagement and exclusions: As asset owner, the climate emergency is one of the most important environmental issues facing the world today. We believe that climate change will have a material impact on our clients' investment returns. With this being the case, identifying the specific risks of climate change is crucial to minimise or mitigate the impacts.

We engage with our investment managers to engage with investee companies to change their behaviour and reduce their emissions, as well as allocating our capital towards lower emission sectors of the economy and towards technological solutions that mitigate the impact of climate risk.</td></tr>
<tr><td>Scope 2 GHG emissions</td><td>67,738.18 tCO2e</td><td>N/A</td><td>Coverage: 89.07%</td></tr>
<tr><td>Scope 3 GHG emissions</td><td>2,285,686.85 tCO2e</td><td>N/A</td><td>Coverage: 87.70%</td></tr>
<tr><td>Total GHG emissions</td><td>2,653,961.01 tCO2e</td><td>N/A</td><td>Coverage: 87.60%</td></tr>
<tr><td>2. Carbon footprint</td><td>Carbon footprint</td><td>595.25 tCO2e per €M EVIC</td><td>N/A</td><td>Coverage: 87.60%</td></tr>
<tr><td>3. GHG intensity of investee companies</td><td>GHG intensity of investee companies</td><td>1098.19 tCO2e per €M revenue</td><td>N/A</td><td>Coverage: 88.69%</td></tr>
<tr><td>4. Exposure to companies active in the fossil fuel sector</td><td>Share of investments in companies active in the fossil fuel sector</td><td>10.66%</td><td>N/A</td><td>Coverage: 92.92%</td></tr>
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[4] M&G plc Sustainability Reports is available online at: www.mandg.com

[5] https://poweringpastcoal.org/

[6] M&G plc Annual Report and Sustainability Reports are available online at: www.mandg.com

	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as percentage of total energy sources	76.24%	N/A	Coverage: 77.59%	We will tilt our portfolios away from investee companies that are not on sufficiently ambitious emissions reduction paths by instructing our asset managers to act on our behalf. We believe that exclusion of any company from our portfolio on the basis of their excessive carbon emissions is an action of last resort, which should only be taken if we are certain that engagement will not change their behaviour. We have committed to engage with the 40 largest corporate contributors of carbon emissions to our portfolios, to encourage them to set targets in line with NZAOA criteria. These issuers currently account for more than 50% of emissions within our equity and fixed income portfolios.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	A-Agriculture, forestry and fishing: 0.09 GWH per €M revenue B-Mining and quarrying: 14.63 GWH per €M revenue C-Manufacturing: 2.22 GWH per €M revenue D-Electricity, gas, steam and air conditioning supply: 5.43 GWH per €M revenue E- Water supply, sewerage, waste management and remediation activities: 0.66 GWH per €M revenue F-Construction: 0.07 GWH per €M revenue G-Wholesale and retail Trade, repair of motor	N/A	Coverage: 46.52%	

			vehicles and motorcycles: 0.43 GWH per €M revenue H-Transportation and storage: 2.72 GWH per €M revenue L-Real estate activities: 0.97 GWH per €M revenue			
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.03%	N/A	Coverage: 90.16%	**General approach, actions taken and actions planned:** PIA acknowledges implementing biodiversity aims is challenging. M&G plc continues to develop approaches to evaluating material biodiversity risks. Data quality and coverage remains challenging for the whole investment industry to undertake this meaningfully across all sectors. **Engagement and exclusions:** There are no specific biodiversity exclusions applied due to the data coverage issues highlighted here. If PIA has evidence that a fund is contributing to significant negative impact on biodiversity, which is also a breach of UN Global Compact principle 7, a decision to exclude or engage may be considered in accordance with the principles published in our Shareholder Engagement Policy[7]. Where M&G plc has quantitative evidence of negative impacts on biodiversity sensitive areas it would not consider these to be sustainable investments.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	643.81 Tonnes of emissions per €M invested	N/A	Coverage: 7.29%	**General approach, actions taken and actions planned:** PIA acknowledges implementing water and nature related aims is challenging. M&G plc continues to develop approaches to evaluating water and natured related risks. Data quality and coverage remains challenging for the whole investment industry to undertake this meaningfully across all sectors. M&G plc is a member of the Taskforce on Nature related Financial Disclosures (TNFD) Forum, supporting the development of investment decision-useful disclosures on nature.

[7] Shareholder Engagement Policy | Prudential (mandg.com)

						We have worked with the Carbon Disclosure Project (CDP) supporting development of its water questionnaire. This will help improve investor access to decision-useful water data and enable investors to better manage water risk. **Engagement and exclusions:** There are no specific water exclusions applied due to the data coverage issues highlighted here. If PIA has evidence that a fund is contributing to significant negative impact on water, a decision to exclude or engage may be considered in accordance with the principles published in our Shareholder Engagement Policy.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	10.90 Tonnes of hazardous waste per €M invested	N/A	Coverage: 39.58%	**General approach, actions taken and actions planned:** PIA acknowledges implementing hazardous and radioactive waste aims is challenging. M&G plc continues to develop approaches to evaluating waste management, where material for a sector, and the associated risks. Data quality and coverage remains challenging for the whole investment industry to undertake this meaningfully across all sectors. **Engagement and exclusions:** There are no specific exclusions applied to hazardous and radioactive waste due to the data coverage issues highlighted here. If PIA has evidence that a fund is contributing to significant negative impact relating to hazardous or radioactive waste, which is also a breach of UN Global Compact principle 7, a decision to exclude or engage may be considered in accordance with the principles published in our Shareholder Engagement Policy.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.51%	N/A	Coverage: 90.08%	**General approach, actions taken and actions planned:** M&G plc supports and encourages adherence to global norms on environmental, social and employee matters, human rights, labour standards, anti-bribery and anti-corruption. These norms are codified in various sources, such as the United Nations Global Compact (UNGC), OECD Guidelines for Multinational Enterprises, as well as the International Labour Organisation (ILO) Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework. These norms represent best practices supporting a sustainable society, and M&G plc believes adherence to these will result in the best outcomes for customers in the long term. **Engagement and exclusions**: In 2021, as part of M&G plc, PAC became a signatory of the UNGC, which commits us to the ten principles of good practice in human rights, labour, the environment, and anti-corruption, which we report on annually. We have undertaken a bottom-up assessment of current holdings (held via our asset managers) and have assessed issuers on the ability to engage and the severity of the controversy.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	51.55%	N/A	Coverage: 91.02%	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	16.59%	N/A	Coverage: 34.37%	**General approach, actions taken and actions planned:** M&G plc believes the best way of improving diversity and inclusion in our investee companies is through our asset managers. If our asset managers are themselves diverse organisations, they are more likely to be able to propagate diversity in the companies they invest in on our behalf.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	32.41%	N/A	Coverage: 91.50%	

						We believe that we should therefore work with investment managers that have a commitment to improving and maintaining an appropriate level of diversity in their management, employee population and business models. As part of the selection and onboarding process for our managers, we will evaluate each investment manager based on a set of diversity and inclusion criteria, which will inform the selection decision. As part of this process, we will also aim to evaluate each investment manager's diversity policy and assess their alignment against our diversity and inclusion targets. Whilst diversity and inclusion is much more multidimensional than just gender balance, we believe that aiming to have at least 30% gender diversity on executive boards is a starting point to achieve more diverse representation. By meeting this criterion, an investment manager is signalling a commitment to improving diversity in its business. **Engagement and exclusions:** Where a manager is currently not meeting this criterion, we will aim to influence this change. Where appropriate, we will also encourage our investment managers to exceed this criterion. As part of our initial and ongoing due diligence, we will also consider how an investment manager challenges its investee companies to improve and maintain diversity in their business models. If the investment managers are not aligned with our diversity and inclusion targets, we will engage with them.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.01%	N/A	Coverage: 92.10%	**General approach, actions taken and actions planned:** Controversial weapons have an indiscriminate and disproportional humanitarian impact on civilian populations. The share of investments reported has been identified as part of our external asset portfolio, steps will be taken to identify the investee companies and engage with the asset manager, if the exposure is not removed then steps will be taken to disinvest from the fund(s) impacted. **Exclusions:** The ESG Investment Policy excludes companies involved in anti-personnel mines, chemical weapons, cluster munitions, biological weapons, depleted uranium, non-detectable fragments and non-proliferation treaty nuclear weapons, by applying a 0% revenue threshold during our controversial weapons screening process.

Indicators applicable to investments in sovereigns and supranationals

Table 1: CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Adverse sustainability indicator		**Metric**	**Impact[8] (2022)**	**Impact[9] (year n-1)**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Environmental	15. GHG intensity	GHG intensity of investee countries	459.28 tCO2e per €M GDP	N/A	Coverage: 79.03% Coverage = Value of investments in sovereigns and supranationals held within PIA funds where data is available / total value of investments in sovereigns and supranationals within PIA funds	**General approach, actions taken and actions planned:** See general approach outlined under emissions section in Table 1. **Engagement/voting:** See approach outlined under emissions section in Table 1. **Exclusions:** See approach outlined under emissions section in Table 1
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Absolute: 4 (Count of unique countries with social violations) Relative: 4.60% (Percentage of unique countries with social violations)	N/A	Coverage: 100.00%	**General approach, actions taken and actions planned:** PIA monitors a set of country data which includes sanctions on states, persons and legal entities. **Exclusions:** Countries are assessed for sanctions for social violations prior to sovereign and supranational investment by PIA. If we observe, have suspicions of, or experience violations of human rights, modern slavery or the associated law of the countries then we will engage with asset managers where we believe companies in their supply chain may be at risk of social violations.

[8] Information on impact will be published by 30 June 2023, and continuously on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year. Impact will be calculated and illustrated as the average of impacts on 31 March, 30 June, 30 September and 31 December of each reference period.

[9] Information on impact compared to previous year will be reported by 30 June 2024, and continuously on an annual basis.

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact[10] (2022)	Impact[11] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.04%	N/A	Coverage: 100.00% Coverage = Value of direct real estate investments held within PIA funds where data is available / total value of direct real estate investments within PIA funds	**General approach, actions taken and actions planned:** M&G plc considers exposure to fossil fuels across real estate assets at the point of acquisition. In general, the most common exposure to in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels is via petrol stations associated with supermarkets. No exclusions are applied. The share of investments reported has been identified as part of our external asset portfolio, steps will be taken to identify the investee companies and engage with the asset manager as part of our transition to net zero.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets	51.73%		Coverage: 80.66%	**General approach, actions taken and actions planned:** M&G plc considers exposure to energy inefficient assets both at acquisition and regular reviews at a fund level. This includes monitoring of distribution to different energy performance certificate ratings of properties held within real estate funds. **Exclusions:** M&G real estate funds do not currently exclude assets on the basis of energy efficiency. However, the energy performance rating will be considered by the fund as part of the due diligence of real estate assets which will consider alignment against local market regulatory requirements. This will also consider if appropriate costs associated with improvement to an efficient standard have been factored into the investment appraisal. Investments may not be made if is felt the risk of current or future energy performance requirements cannot be feasibly achieved. There are currently no exclusions applied to energy-inefficient real estate assets held in external portfolios, but this will be considered as part of our transition to net zero.

[10] Information on impact will be published by 30 June 2023, and continuously on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year. Impact will be calculated and illustrated as the average of impacts on 31 March, 30 June, 30 September and 31 December of each reference period.

[11] Information on impact compared to previous year will be reported by 30 June 2024, and continuously on an annual basis.

Other indicators for principal adverse impacts on sustainability factors

Additional climate and other environmental-related indicators:

Indicators applicable to investments in investee companies

Table 2: CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Adverse sustainability impact	**Adverse impact on sustainability factors (qualitative or quantitative)**	**Metric**	**Impact[12] (2022)**	**Impact[13] (year n-1)**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	36.94%	N/A	Coverage: 91.33% Coverage = Value of investments in investee companies held within PIA funds (e.g., public equity, public fixed income, private equity, private debt) where data is available / total value of investments in investee companies	**General approach, actions taken and actions planned:** See general approach outlined under emissions section in Table 1. This metric supports an understanding of company exposure to transition risk by not having carbon emission reduction initiatives aimed at aligning with the Paris Agreement, as well as misalignment with our own climate commitments **Engagement/voting:** See approach outlined under emissions section in Table 1. **Exclusions:** See approach outlined under emissions section in Table 1.

[12] Information on impact will be published by 30 June 2023, and continuously on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year. Impact will be calculated and illustrated as the average of impacts on 31 March, 30 June, 30 September and 31 December of each reference period.

[13] Information on impact compared to previous year will be reported by 30 June 2024, and continuously on an annual basis.

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters:

Indicators applicable to investments in investee companies

Table 3: INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability impact	**Adverse impact on sustainability factors (qualitative or quantitative)**	**Metric**	**Impact[14] (2022)**	**Impact[15] (year n-1)**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	18.30%	N/A	Coverage: 92.69% Coverage = Value of investments in investee companies held within PIA Funds (e.g., public equity, public fixed income, private equity, private debt) where data is available / total value of investments in investee companies	**General approach, actions taken and actions planned:** This metric is used to support assessment of company exposure to health and safety risk. Failure to manage health and safety risks can result in significant fines and penalties, as well as reputational damage. Consideration of this topic also supports the Fundamental Principles and Rights at Work of the ILO, as well as the need to protect and respect human rights outlined in the United Nations Guiding Principles for Business and Human Rights (UNGP). **Engagement and exclusions:** See approach to social and employee issues outlined in Table 1 above.
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	12.25%	N/A	Coverage: 92.98%	**General approach, actions taken and actions planned:** This metric is used to support assessment of company exposure to human rights risk. Failure to manage human rights can result in significant fines and penalties, as well as reputational damage. **Engagement/voting and exclusions:** If we observe, have suspicions of, or experience violations of human rights, modern slavery or the associated law of the countries then we will engage with asset managers where we believe companies in their supply chain may be at risk of human rights violations.

[14] Information on impact will be published by 30 June 2023, and continuously on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year. Impact will be calculated and illustrated as the average of impacts on 31 March, 30 June, 30 September and 31 December of each reference period.

[15] Information on impact compared to previous year will be reported by 30 June 2024, and continuously on an annual basis.

Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	3.01%	N/A	Coverage: 92.96%	**General approach:** This metric is used to support assessment of company exposure to corruption and bribery risk. Failure to manage these risks can result in significant fines and penalties, as well as reputational damage. M&G plc is subject to and must comply with all relevant legislation and regulation related to money laundering, terrorist financing, sanctions, fraud, bribery, corruption and tax evasion ("Financial Crime") in the countries in which it operates, plans to operate or conducts any business-related activity. M&G plc actively supports the global fight against Financial Crime and is committed to preventing, detecting and, where necessary, reporting instances of such criminal conduct to appropriate authorities and regulators. M&G plc is committed to the prevention of Financial Crime and strives to ensure that highest possible standards of crime prevention and awareness are maintained by all M&G plc employees. **Exclusions:** M&G plc is compliant with applicable financial sanctions regimes, which include as a minimum, but not limited to those administered by: • The Security Council of the United Nations; • The United States Department of the Treasury's Office of Foreign Assets Control (OFAC); • The Council of the European Union; and • Any other sanction authorities where M&G plc operates. Any company sanctioned by any of these regimes is automatically excluded from the investment universe. If PIA has evidence that a company, which is not subject to the aforementioned sanctions, has significant issues associated with bribery and corruption, it will prompt engagement with the asset manager which may lead to exclusion.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Identifying principal adverse impacts:

The SFDR defines PAI as the negative impact, caused by an investment decision or investment advice, on sustainability factors, namely:

- Environmental factors
- Social and employee matters
- Respect for human rights
- Anti-corruption and anti-bribery

PAIs are measured through a series of regulatory defined "indicators," as set out in Tables 1, 2 and 3 above which seek to measure in a comparable and systematic way impacts on (i) climate and the environment and (ii) social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

PIA is a subsidiary of Prudential Assurance Company ('PAC') and complies with the requirements published in the PAC ESG Investment Policy (ESG Investment Policy), which is applied to all funds managed by PIA's appointed portfolio manager, describes the ESG investment principles which are used to inform and guide all investments made as an asset owner. These principles are consistent with M&G plc's ESG principles and reflect the firm's purpose and corporate values of Care and Integrity. Consideration of PAI indicators and sustainability risks are reflected in the ESG investment policy, and particularly in the following principle:

- Principle A: We take into consideration ESG factors that have the potential to have a material financial impact and incorporate them into our investment analysis and decision-making processes. For all investments, we believe consideration of the implications for society and the environment to be part of investment stewardship and in line with our fiduciary duty to our customers.

Identification and consideration of PAIs is undertaken in the following ways, in line with the ESG Investment Policy:

- ESG factors, including those inherent PAIs, are considered within the context of our annual ESG / engagement priorities and ESG integration processes. As detailed within the PAC ESG Investment Policy, we expect our investment managers to carry out engagement with our investee companies to mitigate the impact of climate change within their operations, to improve diversity, and to reduce the incidence of modern slavery in supply chains.
- For our portfolios that are in scope of the SFDR, where applicable or appropriate, we will conduct reviews on the impact of our engagement on PAIs for our investee companies no less frequently than annually. When there is insufficient progress, we will adapt our engagement approaches accordingly, as well as the processes during engagements including our escalation strategy. We believe that, over time, engagement in this way should reduce the severity of PAIs

PIA considers PAI at entity level by measuring and monitoring the aggregated negative impact on sustainability indicators of funds held by the Company.

Governance in relation to policies:

The ESG Investment Policy is owned by the PAC Chief Investment Officer or their delegated deputy. The ESG Investment Policy was first implemented in 2021, and last updated in December 2022. This Policy is approved by the Corporate Retail & Savings Executive Investment Oversight Committee (EIOC) and is refreshed at least annually. Any changes proposed as a result of the refresh will require approval at the EIOC, the Chair may escalate any material changes to the PAC Board for final approval.

Methodologies to select indicators:

PAC's ESG Investment Policy describes the framework governing the approach to ESG and sustainability. Specific requirements related are documented in the PIA Investment Policy and PAI Reporting Standards.

- Climate Change
- Diversity and Inclusion

These core areas of focus have been identified due to their importance across all sectors and markets, their potential materiality either on financial performance and/or the implications for society and the environment of negative performance on these issues by the investments.

In addition to the eighteen mandatory PAI indicators (fourteen corporate indicators, two sovereign indicators and two real estate indicators) outlined within this statement (in Table 1 above), the SFDR and SFDR RTS require that at least two (2) additional opt-in indicators are identified and reported (as per Table 2 and 3 above), with at least one (1) related to environmental factors and the other to a social factor.

PIA has used the following principles to select the additional indicators:

- **Materiality:** the applicability of the indicators for the entire asset base to ensure that the data provided is meaningful and insightful at both an aggregate and individual level. Materiality also accounts for the probability of occurrence and the severity of those PAIs. Alignment with M&G plc's key issues of focus as outlined above.
- **Ongoing Relevance:** the indicators selected are binary rather than relative which means that the data is likely to be consistent year-on-year and the indicators will stay relevant. This allows for a forward-thinking approach to the collection of PAI data to ensure comparability across sectors and asset classes. The binary nature of the indicators demonstrates the presence or absence of key management controls which are indicative more generally of the strength and effectiveness of the investee's governance.
- **Data Availability:** to ensure there is, and will continue to be, sufficient, accurate and meaningful coverage for reporting.

The selection of additional indicators will be reviewed annually by the Sustainability Steering Committee for the whole of M&G plc and then applied, alongside the wider review of by considering the above factors, which recognise the value that PAI indicators provide in aggregate whilst also considering the availability of data, materiality and ongoing relevance of occurrence across the portfolio.

Table 4: Additional PAI Indicators selected by PIA and methodology used to select these

Adverse sustainability impact	Indicators applicable to investments in investee companies	Metric	Justification for selection as additional indicator
Additional climate and other environment-related indicators (As selected from Table 2 RTS[16])			
Emissions	Investments in companies without carbon emission reduction initiatives (additional indicator No.4)	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	1. Material in our understanding of company exposure to transition risk 2. Widely relevant across all sectors 3. Data availability – high
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters (As selected from Table 3 RTS)			
Social and employee matters	Investments in companies without workplace accident prevention policies (additional indicator No.1)	Share of investments in investee companies without a workplace accident prevention policy	1. Material in our understanding of company exposure to health and safety and accident risk 2. Widely relevant across all sectors 3. Data availability – high
Human Rights	Lack of a human rights policy (additional indicator No.9)	Share of investments in entities without a human rights policy	1. Material data point in understanding more granular risk associated with human rights and UNGC/OECD/global norms compliance 2. Widely relevant across all sectors, particularly useful for sectors/companies with high human rights risk 3. Data availability – high
Anti-corruption and anti-bribery	Lack of anti-corruption and anti-bribery policies (additional indicator No.15)	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	1. Material data point in understanding more granular risk associated with bribery and corruption risk and UNGC/OECD/global norms compliance 2. Widely relevant across all sectors, particularly useful for sectors/companies with high human rights risk 3. Data availability – high

[16] https://ec.europa.eu/finance/docs/level-2-measures/C_2022_1931_1_EN_annexe_acte_autonome_part1_v6.pdf

Margin of error with PIA's methodologies:

The calculation of PAIs is based on the average of the adverse impacts of PIA's investments at the end of each quarter (31 March, 30 June, 30 September and 31 December). The intention behind the use of at four data points is to capture the change in investments across a given financial year, as some investments may not be held from beginning to end of the period in consideration, and their relative weights may change across time. Even with this approach there is still a limitation that investments held only between two of these dates will not be captured in the impact values provided.

The adverse impact values provided are not an aggregation of the entire adverse impact of the entity, but the aggregation of the impacts caused by exposures to different types of asset classes (investee companies, sovereigns and supranational or real estate assets) in the relevant indicators in Table 1 of Annex I. To provide greater transparency when assessing the adverse impacts "Coverage" is provided against each indicator. These are calculated as follows:

Coverage % = Value of investments where data is available / Value of eligible assets (eligibility is calculated by adding the value of all underlying holdings that are corporate holdings for investee company metrics, all sovereign holdings for sovereign metrics, all direct real estate holding for real estate metrics)

The methodology to identify PAI is always subject to data availability and quality. PIA is reliant on the quality of data received from e.g., investee companies and third-party data providers. To the extent possible, data reported by investee companies is prioritised. This is done in order to minimise the reliance on third-party estimations, contributing to improving the overall quality of the data M&G plc uses as input in its investment and active ownership processes. Where reported data is not available or of adequate quality, PIA may choose to use proxy data provided by third-party data providers if it believes this is of a robust and meaningful quality. A limitation in terms of data availability is that PIA may not be able to gather the same level of information about the impact of indirect investments, e.g., fund-of-fund investments and certain derivatives or private companies although best efforts is made to gather this information. PIA continuously strives to improve data coverage and data quality.

Data sources:

PIA uses the M&G Investment Data Platform to access a central sustainability data lake to generate entity PAI reporting sourced from several sources including third-party data providers, directly from investee companies or assets, and M&G plc's own proprietary ESG systems and exclusion lists. For a given indicator, multiple data sources may be used. Data sourcing may include:

i. Third party data vendors who undertake ESG data (including PAI data) collection on PIA's behalf (which may include direct compilation or assessment or calculation against PAIs)

ii. Direct sourcing from portfolio companies or assets

iii. Research or on desk assessment (qualitative or quantitative)

The selection of any vendor for PAI usage considers the following aspects:

i. **Data quality and accuracy:** Whether the vendor's product delivers accurate information

ii. **Data availability:** Breadth of coverage for the broad range of asset classes

iii. **Data methodology:** whether methodologies and proprietary tools or estimates deployed are in line with the regulatory and/or PIA's requirements

iv. **Market position:** There continues to be evolution in the ESG data vendor market, selection should consider current breadth of clients and market position, on-going development, market consolidation

v. **Ease of use:** Is the vendor already used for across M&G Group for data sourcing (for sustainability or non-sustainability reasons)

vi. **Flexibility:** Ensuring no single data vendor or aggregator has over-all control and the group can source data and information as is required

PIA's PAI methodology applies a range of data, including values, scores and weights sourced from investee companies and several third-party data providers. For a given indicator, multiple data sources may be used. The above also indicates the data hierarchy built created to manage for PAI data in M&G's Investment Data Platform:

i. **For public companies:** primary source is MSCI. if there is no data available from MSCI, then seek to source data from Bloomberg.

ii. **For private companies:** data hierarchy for public companies applies first. For leveraged loans, source via Findox. For other private companies and funds, source via Apex or via on desk data collection processes.

iii. If data sources above are insufficient, the SFDR regulations allow for proxy or estimated data to be used. At the moment, this is only used if provided via a data vendor and no proprietary M&G tools are currently used for estimation.

iv. PAI 10 - Violations of UNGC principles and OECD Guidelines for Multinational Enterprises, the proprietary M&G Global Norms Exclusion list is used as the source of this reporting.

Data sourcing is on a best-efforts basis. PIA believes the above data collection processes and third-party sourcing enables demonstration of best efforts. However, the immature ESG data landscape means that there will be gaps in data against all mandatory and opt in indicators as explained within this statement. Data in some asset classes (e.g., private assets, securitised assets etc) is by its nature less available and inherently harder to measure and source, data quality can also be poor and in some cases, this may be excluded from the data in this statement due to the quality and reliability issues. PIA engages as far as it is able to source this data and seeks to assess exposure to PAIs both quantitatively where it can, but also qualitatively where quantitative data is not available. Due to data availability and ability to look through to the underlying holdings, PIA does not currently calculate the adverse impacts for derivatives or Asset Backed Securities (ABS), this approach will be reconsidered if ability to assess these types of investments improves. As such, PIA is not currently able to report data for these assets classes and they are not included in the data above.

PIA applies various measures to control the data quality, both third-party and internal. To ensure robust and appropriate data quality and oversight a series of controls have been embedded throughout the sourcing, matching, transformation and distribution of data. These controls focus on the six dimensions of data quality accuracy, completeness, timeliness, uniqueness, consistency and validity. Controls include but are not limited to alert monitoring of data feeds, data quality rules and the integration of a data quality operational model. The external data providers and other data sources are assessed on an ongoing basis for data quality, coverage and other attributes. The external data providers will be reviewed on a periodic basis against other products in the market to ensure quality and coverage of data is maintained. On an on-going basis, responsibility for selection of replacement or additional providers is required to meet the principles above and is owned by Market Data Services as directed by the Sustainability Steering Committee.

Engagement policies

Engagement forms a crucial part of our investment approach. As the stewards of our customers' assets, we aim to make investment decisions that deliver the best outcome for customers over the long-term. To fulfil our fiduciary and stewardship duties, we believe it is our responsibility to work closely with investment managers that engage effectively with investee companies. This should include recognition of the importance of ESG considerations to support the transition to a more sustainable and fair economy.

M&G plc as the asset owner do not engage directly with investee companies, instead engaging with our chosen investment managers to do so on our behalf. We favour our investment managers engaging with investee companies by utilising active ownership practices such as shareholder voting, rather than restricting investment opportunities through exclusions. We believe that active ownership is essential to generating long-term investment performance for our customers. We therefore appoint investment managers that positively influence corporate behaviour where appropriate. M&G plc carries out due diligence and monitoring in respect of active ownership and engagement.

The principles of how engagement is undertaken is set out in the PAC Shareholder Engagement Policy, which is available publicly[17] and covers all PIA funds and portfolios under delegated portfolio management by PAC Treasury and Investment Office. A small proportion of external funds are available through PIA Investment Portfolio products and as such do not fall under the authority delegated to PAC. PIA manages these portfolios in accordance with the PIA Investment Policy, the PAC ESG Investment Policy and other related standards. PIA will actively engage with external asset managers on ESG factors which may impact PIA's portfolio or diverge from customers' expectation on sustainable objectives disclosed by asset managers.

Every reporting period, PIA will conduct a review on whether there is a reduction of the mandatory and optional PAIs. When there is insufficient progress, PIA will consider whether the engagement policies and its strategic engagement priorities described above will be adapted in terms of the selection of engagement themes, selection of companies for engagement and/or voting, as well as the process during engagements including escalation strategy and objectives setting.

[17] Shareholder Engagement Policy | Prudential (mandg.com)

References to international standards

In the next paragraphs, the internationally recognized standards with a concrete link to the PAIs are outlined.

Global norms (e.g., UN Global Compact, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights):

As an asset owner, PIA supports and encourages adherence to global norms on environmental, social and employee matters, human rights, labour standards, anti-bribery and anti-corruption. These norms represent best practices supporting a sustainable society, and PIA believe adherence will result in the best outcomes for customers in the long term. These norms are codified in various sources, such as the OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the United Nations Global Compact and the UN Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework.

Link to sustainability indicators

The PAI(s) detailed below are used to measure adherence to the respective standards:

UN Global Compact:

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises) OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Investments in companies without workplace accident prevention policies (PAI 1: Table 1)
- Lack of a human rights policy (PAI 9: Table 1)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 1)
- UN Guiding Principles on Business and Human Rights:
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Investments in companies without workplace accident prevention policies (PAI 1: Table 1)
- Lack of a human rights policy (PAI 9: Table 1)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 1)

Convention on cluster munitions:

- Controversial weapons (PAI 14: Table 1)

Paris Agreement:

M&G plc is a signatory to the Net Zero Asset Owners Alliance and is committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. M&G plc has published interim targets and report on progress against these. Initially confined to asset owner funds, M&G plc is seeking to gradually increase to include third party client mandates and reach 100% of AUM. The transition to carbon net zero is about reshaping the whole economy to operate within planetary boundaries. This includes communicating clear transition expectations to investees and stakeholders, as well as financing and enabling solutions to support our clients on their climate journey. More detailed information can be found within the M&G plc Annual Report and Sustainability Report.

Link to sustainability indicators

Climate indicators:

- Greenhouse gas emissions (PAI 1-6, Table 1, plus additional indicator four. Investments in companies without carbon emission reduction initiatives, Table 2)

In addition to the PAI climate indicators, a range of other climate indicators are captured for use as part of investment decision making as well as for client and entity/ Plc reporting. These are disclosed in the M&G plc Annual Report and Sustainability Reports.

Methodology and data used

M&G plc has signed the United Nations Global Compact (UNGC) and endorses the OECD Guidelines for Multinational Enterprises. Overall, the United Nations Universal Declaration of Human Rights, the ILO labour standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the UNGC and the OECD Guidelines for Multinational Enterprises outline minimal behavioural standards. These requirements apply to all parts of M&G plc including PIA.

M&G plc uses Net Zero Asset Owners Alliance requirements as the way in which it measures and reports progress in relation to M&G plc's net zero commitments. 'M&G plc's pathway towards Net Zero investment'[18] as an

[18] https://www.mandg.com/~/media/Files/M/MandG-Plc/documents/Sustainability/2022/net-zero-asset-owner-disclosure.pdf

Asset Owner discloses interim targets on the pathway to 2050, with a focus on real world outcomes. The targets cover those portfolios over which the Asset Owner has investment decision making authority, and cover Scope 1 & 2 emissions and focuses on engagement, sectoral decarbonisation and sub portfolio decarbonisation of equity, public corporate debt and real estate assets. Progress against targets will be reported annually, both directly to the NZAOA (to be aggregated to Alliance level progress reports), and publicly as an update in 2023. Any changes in baselines, coverage, methodologies, or targets will be transparently communicated and explained, to maintain trust in our decarbonisation journey and long-term stewardship of capital.

The Net Zero Investment Framework (NZIF) is M&G plc's approach to achieving its ambitious targets and draws on its work as a member of the Paris Agreement aligned Investor Initiative and the Institutional Investors Group on Climate Change (IIGCC) to establish actions, metrics and methodologies to enable M&G plc to decarbonise its portfolios, reduce climate related risk and allocate more to climate solutions. The framework provides guidance to investors on how to assess alignment of assets and resources to set targets for a number of asset classes. By setting concrete targets at portfolio and asset class level, combined with smart capital allocation and engagement and advocacy activity, M&G plc can maximise its impact in driving real-world decarbonisation.

Data sources used to assess PAIs and compliance with M&G plc's broader climate commitments and targets include: MSCI, ISS Ethix, RepRisk, Findox, Science-Based Targets Initiative, CA100+, Carbon Disclosure Project, as well as our own proprietary tools and research assessments (e.g., Net Zero Investment Framework, Climate Transition Leaders Lists, Coal Tool, ESG Scorecard)

Historical comparison

The earliest historical comparison will be provided in June 2024.

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