Statement on principal adverse impacts of investment decisions on sustainability factors

28 June 2024

Financial Market Participant: Prudential International Assurance plc

LEI: 635400T4W5MRQTBLGQ38

Contents

Summary

Prudential International Assurance plc ('PIA') is an Irish registered company authorised as an insurance undertaking by the Central Bank of Ireland to transact cross-border life assurance business. PIA is a wholly owned subsidiary of The Prudential Assurance Company Limited ('PAC'), and the ultimate parent company is M&G plc.

PIA (LEI: 635400T4W5MRQTBLGQ38) is a 'Financial Market Participant' ('FMP') under Regulation (EU) 2019/2088 'Sustainable Finance Disclosure Regulation ('SFDR') requiring it to assess, consider and report to investors on the Principal Adverse Impacts ('PAIs') of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of PIA, covering investments held within products sold by PIA for the reference period from 1 January to 31 December 2023.

The statement reports on 22 PAIs across the following thematic areas of focus:

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

Reference to 'products' in this statement means Insurance-Based Investment Products (IBIPs) sold by PIA. Reference to 'PAC' denotes activities conducted within the broader asset owner business of the M&G plc group, and 'PIA' refers to activities undertaken solely by PIA or conditions that apply to PIA only. In many cases, the actions taken, or actions planned will refer to activities or commitments being made by other companies within the M&G plc group, and this is made clear within the statement. The majority (approximately 88%) of PIA assets are invested in the PAC with-profits fund through a reinsurance agreement with PAC. PAC is responsible for the management of these assets which are subject to the **PAC ESG Investment Policy**. PIA also has an external asset portfolio that is made available through a small number of 'Open Architecture' products which allow advisers and discretionary asset managers to select funds to be held within PIA products. Assets held within the external asset portfolio may be managed by other asset managers and are not subject to the **PAC ESG Investment Policy**. PIA does not engage directly with investee companies, instead setting expectations for our chosen asset managers to engage with investee companies on our behalf.

Users of the statement should be aware that sustainability-related disclosures are subject to higher degrees of uncertainty and inconsistency than other disclosures given significant challenges with availability and reliability of sustainability data, the nascent and evolving nature of relevant sustainability methodologies, and other factors such as the developing regulatory landscape. As such, in order to improve clarity for users of the statement, the disclosures included in this statement may be amended and updated in line with evolving market practice, improvements in the availability and quality of data, and changes to underlying judgements, assumptions and estimates.

Description of the principal adverse impacts on sustainability factors

PAIs are 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.

The PAIs of the underlying investments of products sold by PIA are considered by measuring the aggregated adverse impact on sustainability factors of the investments underlying those products. The reported PAI indicators are sourced, aggregated and reported in accordance with the SFDR regulation. Other investment activities undertaken that consider sustainability factors include engagement and voting which are described in more detail in the engagement section on page 27.

The mandatory indicators defined under the SFDR are set out in table 1 on pages 7-19, covering investments in investee companies, sovereign and supranational debt and real estate. The other indicators selected via the methodology described on pages 24-25, are set out in tables 2 and 3 on pages 20-22.

Information on the impact of investments managed by PIA's asset managers on these indicators will be published each year by 30 June. In this year's report, a historical comparison of the data in the previous report has been provided (data is not available prior to 2022 as it pre-dates SFDR). In subsequent years, additional data will be added until a historic comparison of performance over the past five years is provided. The indicators are calculated as the average of PAI data available for investments held within products sold by PIA as at 31 March, 30 June, 30 September and 31 December of each reference period.

Interpretation Guidance

This section of the statement seeks to assist the reader in understanding how PAI indicators are prepared and presented. It is key to understand that there are significant limitations with data used in the calculation of the PAIs, and the explanations provided for some of the factors that should be considered when reviewing changes in PAIs over time.

Scope of PAI indicators

The PAIs in this statement are presented by class as outlined in the regulations. The following asset classes have been included in each category:

- **Investee companies** includes equity (listed equity, open- and closed-ended funds, private equity) and debt (public corporate debt and private finance).
- **Sovereigns and supranationals** includes supranational and government bonds, as well as quasi-governmental agency bonds (municipal bonds are included in 'investee companies').
- **Real estate** includes directly held property and long-lease property.

For other asset classes, such as derivatives and cash, we do not currently calculate the adverse impacts due to either a lack of generally accepted calculation methodologies or poor data availability and ability to look through to the underlying holdings. As such, the inclusion of data for these asset classes in the statement is not possible. This approach will be reconsidered if ability to assess these types of investments improves.

As the composition of PIA's portfolios change, the value of assets in each category can vary. The value of assets in scope of each category has been presented below:

Asset category	2023 Value	2023 % of PIA total	2022 Value	2022 % of PIA total
Investee companies	€6.3bn	59%	€4.9bn	52%
Sovereigns and supranationals	€1.2bn	11%	€0.6bn	6%
Real estate	€0.7bn	7%	€0.7bn	7%
Other asset classes (not reported)	€2.5bn	23%	€3.3bn	35%

Alongside the PAIs presented in this statement, we have included the 'coverage' in brackets under the value for each indicator. Coverage is the value of investments where all relevant data is available and included in the indicator, divided by the total value of the relevant asset category, presented as a percentage. It should be noted that changes in coverage presented year on year are also impacted by changes in the total value of assets in each category. For example, if an indicator on investee companies included the same investments in scope year on year and new assets had been added to the category, then the coverage would fall – we have seen this in 2023.

Limitations of PAI indicators

The maturing ESG data landscape means there are a number of limitations on PAI indicators related to their production, primarily driven by issues around availability, accuracy and timeliness of source data, including:

1. Data availability

The production of certain PAI indicators is subject to limited availability of relevant impact data, which by its nature is inherently harder to measure and source due to inconsistent disclosure by issuers. This limited availability of data restricts coverage and impacts the ability to meaningfully interpret the PAIs reported, particularly where coverage levels are very low.

2. Third-party data

We source data from third-party data providers and are reliant on the quality of this data when calculating PAI indicators. Even when relevant data is disclosed by issuers and collected by third-party data providers, it may be incorrect, incomplete or follow varying methodologies. Third-party information provided by our external data providers has not been independently verified. Where significant issues with input data are identified this may lead to exclusion of the data from the PAI calculations.

3. Timeliness of data

Overall, our approach to PAI indicator calculations is to base them on the latest available impact information, however a significant proportion is based on historical data given timing of disclosure by investee companies and delays in capture by third-party data providers.

4. PAI Indicator definition

Some PAI indicators have no standardised definition and therefore may not be comparable across asset classes and the market as a whole. The use of different measurement techniques may therefore result in materially different results.

Explanations for movements in PAI indicators

There are a number of elements that can impact the movement of PAI indicators over time, and in many cases, they are not reflective of changes in portfolio composition or real-world changes in the impacts of our investee companies. Some examples of these are presented below and may be referenced in the 'Explanation' column of the tables in the subsequent sections:

- Data from third-party vendors is updated on a periodic basis, often to reflect more up to date estimates or data relating to investee companies, but there are situations where data is removed due to it being identified as incorrect or inaccurate. For indicators on topics where impact data is more nascent, these updates can result in significant variances in the numbers for a given company.
- Some indicators require apportionment of an investee company's total adverse impact through the calculation of the portion of the company's total enterprise value that is funded by PIA. For these indicators (eg, PAI 1 – GHG Emissions), fluctuations in the company's enterprise value can also cause the share of the PAI to vary even when investment in the company has not changed.
- Variation in coverage available for a PAI indicator can impact the reported value as data becomes available or falls away for a given investment. Coverage can also be impacted by changes in availability of data from third-party data vendors or changes in portfolio. Where coverage is low these changes to coverage are likely to have a more noticeable impact on the reported value of the indicator.
- Changes in portfolio composition (ie, when an investment is bought or sold) will impact the value of an indicator, although it should be noted that such change may or may not be as a result of the actions taken to address a given impact.

Users of this Statement are advised to take the above limitations and factors that can impact movement in a PAI into account when assessing the data presented in the report. Notice should also be given to the actions taken and planned presented alongside each PAI.

Indicators applicable to investments in investee companies (Table 1)

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions					
1. GHG emissions	Scope 1 GHG emissions (tCO_2e)	**336,548 (88%)**	300,536 (89%)	Total GHG emissions have increased, largely driven by the larger impact to higher Scope 3 emissions. Scope 1, 2 and 3 emissions have increased, in part, due to additional assets being captured in scope for 2023. In addition, Scope 3 emissions data has proven difficult for many companies to accurately source and efforts to improve quality and accuracy may have impacted the absolute impact observed. Carbon footprint exposure has increased as a result of the increase in total emissions. Coverage levels have decreased due to a lower coverage on new assets that have been brought into scope.	**General approach, actions taken and actions planned:** PAC (PIA's parent company) joined the Net Zero Asset Owners Alliance (NZAOA) in 2021, committing to transitioning its investment portfolios to help limit global heating in line with the Paris Agreement. In line with the NZAOA's target setting protocol, PAC have set interim decarbonisation targets of 50% reduction by 2030 for in-scope public equity and corporate debt assets, and 36% reduction by 2030 for in-scope direct real estate assets. Targets have also been set for certain carbon-intensive sectors. These targets include some assets held within PIA products. M&G plc have committed to reach net-zero emissions by 2050 at the latest in aggregate across their investment portfolios. We recognise the importance of near-term action and are committed to using the levers at our disposal to support real-world emissions reductions and economy-wide change. More detailed information can be found on page 70 of the M&G plc Annual Report and Accounts (ARA) 2023. M&G plc are members of the Powering Past Coal Alliance (PPCA), and are committed to end thermal coal-related investments by 2030 across OECD and EU member states and by 2040 in developing countries, as outlined in the M&G plc's Position on Thermal Coal.
	Scope 2 GHG emissions (tCO_2e)	**75,138 (88%)**	67,738 (89%)		
	Scope 3 GHG emissions (tCO_2e)	**2,819,491 (84%)**	2,285,687 (88%)		
	Total GHG emissions (tCO_2e)	**3,223,900 (83%)**	2,653,961 (88%)		
2. Carbon footprint	Carbon footprint (tCO_2e per €M invested)	**623 (83%)**	595 (88%)		
3. GHG intensity of investee companies	GHG intensity of investee companies (tCO_2e per €M revenue)	**1,117 (87%)**	1,098 (89%)		

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions *(continued)*					
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector (%)	**11%** **(91%)**	11% (93%)	No change in share of investments in companies active in the fossil fuel sector with a small decrease in coverage observed. The PAC Thermal Coal Policy has set thresholds and screening criteria for coal related investments, in adherence with M&G plc's Position on Thermal Coal. Companies that fail the coal screen and have no credible plans to alter their business behaviours to adhere to these criteria have been excluded from our portfolio.	*(Continued from previous page)* PAC has developed a thermal coal policy, covering public assets. The policy complies with M&G plc's position on thermal coal, with tighter thresholds and development restrictions, in part due to the NZAOA's requirements around new coal assets. **Engagement and exclusions:** As an asset owner, we rely on the asset managers we appoint to exercise direct climate engagement in line with our policies and objectives. For assets managed by PAC, we expect engagement processes and actions to be aligned with the PAC ESG Investment Policy, Shareholder Engagement Policy and Voting Standard, as well as the agreed-upon mandate. Should we feel that there is persistent misalignment, we will escalate our engagement. In select cases, we monitor these engagements more closely, with a view to informing strategies and positions. We may work with our asset managers to tilt our portfolios away from investee companies that are not on sufficiently ambitious carbon reduction paths. We view the exclusion of any company on the basis of their carbon emissions as an action of last resort that should only be taken if we are certain that engagement will not lead to meaningful change.

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions *(continued)*					
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 (%)	**73%** **(66%)**	76% (78%)	Share of non-renewable energy consumption and production has slightly decreased with a decrease in coverage observed.	*(See previous page)*
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: (GWh per €M revenue)			We consider the data availability through our third-party data providers to be particularly immature for this indicator and comparisons between 2022 and 2023 should not be made. For the 'Mining and quarrying' sector result, we believe the 2023 result is a more accurate reflection of the outcome of the PAI following enhanced data quality checks performed in the period.	
	A) Agriculture, forestry and fishing	**<0.1** **(0.3%)**	<0.1 (0.2%)		
	B) Mining and quarrying	**1.4** **(3%)**	14.6 (3%)		
	C) Manufacturing	**1.2** **(25%)**	2.2 (27%)		

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions *(continued)*					
6. Energy consumption intensity per high impact climate sector (continued)	D) Electricity, gas, steam and air conditioning supply	**5.0 (3%)**	5.4 (3%)	*(Continued from previous page)* Coverage across all high impact climate sectors is extremely low and therefore metrics are vulnerable to changes in coverage (both in terms of portfolio change and availability of data) as well as changes in underlying data from individual issuers.	*(See previous page)*
	E) Water supply, sewerage, waste management and remediation activities	**0.7 (0.6%)**	0.7 (0.6%)		
	F) Construction	**<0.1 (2%)**	<0.1 (2%)		
	G) Wholesale and retail Trade, repair of motor vehicles and motorcycles	**0.2 (5%)**	0.4 (5%)		
	H) Transportation and storage	**3.9 (2%)**	2.7 (2%)		
	L) Real estate activities	**0.6 (2%)**	1.0 (2%)		

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
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 (%)	**0.1%** **(88%)**	<0.1% (90%)	Share of investments with activities negatively affecting biodiversity sensitive areas have remained minimal.	**General approach, actions taken and actions planned:** M&G plc are focused on developing their knowledge on impacts, dependencies, risk and opportunities around natural capital in an investment context. In 2023, M&G plc started to conduct due diligence on emerging data providers to further develop the framework for engagement. M&G plc continues to engage constructively with UK and EU policymakers on a wide range of ESG public policy topics and have called for a comprehensive policy framework that sets out a pathway for investors and market participants. Such a framework would include, amongst others; meaningful prudent regulation reform and broader policy action to capture nature and biodiversity loss. There are no specific biodiversity exclusions applied due to insufficient data coverage for such an exclusion. If we become aware of evidence that an investment 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 PAC's Shareholder Engagement Policy.

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Water					
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average (Tonnes of emissions per €M invested)	**Data under review**	Data under review	The result for emissions to water included in the 2022 PAI Statement was deemed to be appropriate at the time of publication. However, following enhanced data quality checks in the period we no longer consider the data available for this PAI to be reliable. We will continue to assess the data quality and availability with a view to publishing a result for this PAI in the future.	**General approach, actions taken and actions planned:** PIA acknowledges implementing water and nature related aims is challenging, in part due to data quality and coverage limiting the ability to undertake meaningful analysis across all sectors. **Engagement and exclusions:** If we become aware of evidence that an investment is contributing to significant negative impact on water, 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 PAC's 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 (Tonnes of hazardous waste per €M invested)	**9** **(34%)**	11 (40%)	The hazardous waste and radioactive waste ratio has remained relatively flat.	**General approach, actions taken and actions planned:** PIA acknowledges implementing hazardous and radioactive waste aims is challenging, in part due to data quality and coverage limiting the ability to undertake meaningful analysis across all sectors. **Engagement and exclusions:** There are no specific exclusions applied to hazardous and radioactive waste due to the data coverage issues highlighted. If we become aware of evidence that an investment 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 PAC's Shareholder Engagement Policy.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
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 (%)	**0.2%** **(100%)**	0.5% (90%)	The share of investments that have been involved in violations has decreased since the previous period.	**General approach, actions taken and actions planned:** M&G plc is committed to ensuring that organisational culture reflects the support and respect of human rights as well as care and integrity in avoiding complicity in human rights violations. We believe in supporting human rights, acting responsibly and with integrity across all business functions. Our group policies are guided by the Universal Declaration of Human Rights, the International Labour Organisation's Core Labour standards, and the UN Guiding Principles on Business and Human Rights, which can be found in the M&G plc Modern Slavery Statement. As a member of the UN Global Compact, M&G plc is committed to the ten principles of good practice in human rights, labour rights, the environment and anti-corruption, which it reports on annually.
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 (%)	**43%** **(85%)**	52% (91%)	This metric has reduced in the year, although coverage has also reduced. For coverage we are reliant on the availability of data from external sources.	

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters *(continued)*					
					(Continued from previous page) **Engagement and exclusions:** PAC have undertaken a bottom-up assessment of current holdings (held via the asset managers) and have assessed issuers on the ability to engage and the severity of the controversy. If we were to become aware of human rights violations or where we believe there are insufficient protections around such issues, we would undertake engagement with investee companies, enabling us to have constructive dialogue on topics such as modern slavery risks both in their direct operations and within supply chains. In cases where we believe this dialogue would not be effective to reach a more sustainable outcome we may escalate, including potential divestment. Where we have control of the mandate design, we apply an exclusion to companies breaching global norms principles (eg, UN Global Compact principles) which includes issues such as modern slavery and human rights.

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters *(continued)*					
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies (%)	**16%** **(34%)**	17% (34%)	The unadjusted gender pay gap has remained relatively flat, despite the increase in eligible assets.	**General approach, actions taken and actions planned:** As part of our initial and ongoing due diligence, we will 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. We believe that aiming to have at least 40% gender diversity at board and executive management levels is a starting point to achieve more diverse representation. By meeting this criteria, an investment manager is signalling a commitment to improving diversity in businesses they invest in. Where a manager is currently not meeting this criteria, we will aim to influence this change. Where appropriate, we will also encourage our investment managers to exceed this criteria.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	**33%** **(89%)**	32% (92%)	Despite a decrease in coverage, this metric has increased.	

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters *(continued)*					
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 (%)	**<0.004%** **(90%)**	0.01% (92%)	Exposure to controversial weapons has decreased, although a small exposure remains in our external asset portfolio.	**General approach, actions taken and actions planned:** Controversial weapons have an indiscriminate and disproportional humanitarian impact on civilian populations. The share of investments reported is part of our external asset portfolio. Steps will be taken to engage with the relevant asset manager(s), and if the exposure is not removed then action will be taken to divest from the funds impacted. **Engagement and exclusions:** The PAC ESG Investment Policy excludes companies involved in anti-personnel mines, chemical weapons, cluster munitions, biological weapons, depleted uranium, non-detectable fragments and nuclear weapons outside of the non-proliferation treaty by applying a 0% revenue threshold during our controversial weapons screening process. It should be noted that the small exposure presented in this PAI sits within our external asset portfolio and is out of scope of the PAC ESG Investment Policy. We are reviewing our PIA Investment Policy with a view to implementing enhanced engagement on controversial weapons exclusions across the external asset portfolio where we do not have control over the mandate design.

Indicators applicable to investments in sovereigns and supranationals *(Table 1 continued)*

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental					
15. GHG intensity	GHG intensity of investee countries (tCO_2e per €M GDP)	**456** **(98%)**	459 (79%)	GHG intensity decreased slightly, despite an increase in coverage.	**General approach, actions taken and actions planned:** See general approach outlined under emissions section in Table 1. **Engagement and 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[1] Relative number divided by all investee countries (%)	**5** **(100%)** **4%** **(100%)**	4 (100%) 5% (100%)	Exposure to investee countries subject to social violations increased by one in absolute terms, although reduced in relative terms.	**General approach, actions taken and actions planned:** PIA monitors country data which includes sanctions on states, persons and legal entities. **Engagement and exclusions:** Countries are assessed for sanctions prior to sovereign and supranational investment by PIA. If we observe, have suspicions of, or experience violations of human rights, modern slavery or local laws, then we will assess the severity of the violation and engage with asset managers where we believe it is required.

[1] As referred to in international treaties and conventions, United Nations principles and, where applicable, national law

Indicators applicable to investments in real estate assets *(Table 1 continued)*

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	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 (%)	**0.1%[2] (100%)**	<0.1%[2] (100%)	Exposure to fossil fuels from real estate assets has remained minimal.	**General approach, actions taken and actions planned:** Exposure to fossil fuels across PIA real estate assets managed by M&G Real Estate are considered at the point of acquisition. In general, the most common exposure to fossil fuels through real estate assets is via petrol stations associated with supermarkets. No exclusions are applied.

[2] Instead of calculating the metric as the average of the PAI data on 31 March, 30 June, 30 September and 31 December, PIA reports real estate asset metrics as at 31 December due to data collection limitations.

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Energy efficiency					
18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets (%)	**39%[2]** **(83%)**	52%[2] (81%)	Exposure to energy-inefficient real estate assets has decreased.	**General approach, actions taken and actions planned:** Exposure to energy inefficient assets across PIA real estate assets managed by M&G Real Estate is assessed both at acquisition and through regular reviews at a fund level. This includes monitoring the distribution of different energy performance certificate ratings of properties held within real estate products. **Engagement and exclusions:** The majority of PIA real estate is invested through M&G Real Estate funds. M&G Real Estate funds do not currently exclude assets on the basis of energy efficiency. However, the energy performance rating will be considered as part of the due diligence of real estate assets including alignment against local market regulatory requirements. This will also consider if appropriate costs associated with improvement to an efficiency standard have been factored into the investment appraisal. Investments may not be made if there's a risk that current or future energy performance requirements can't feasibly be achieved.

[2] Instead of calculating the metric as the average of the PAI data on 31 March, 30 June, 30 September and 31 December, PIA reports real estate asset metrics as at 31 December due to data collection limitations.

Other indicators for principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Table 2: CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Adverse impact on sustainability factors	**Metric**	**Impact (2023)**	**Impact (2022)**	**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 (%)	**29%** **(90%)**	37% (91%)	This indicator has improved since last year which is consistent with the increase in the number of companies and financial institutions worldwide that have set greenhouse gas (GHG) reduction targets and had them validated by the Science Based Targets initiative (SBTi) in 2023.	**General approach, actions taken and actions planned:** See general approach outlined under emissions section in Table 1. This metric supports an understanding of company-level exposure to transition risk where an issuer does not have carbon emission reduction initiatives aimed at aligning with the Paris Agreement. **Engagement and exclusions:** See approach outlined under emissions section in Table 1.

Table 3: INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Adverse impact on sustainability factors	Metric	Impact (2023)	Impact (2022)	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 (%)	**13%** **(91%)**	18% (93%)	We expect that as non-financial reporting develops, more and more companies are publishing policies in relation to significant sustainability issues, therefore the downward trajectory is in line with expectations.	**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 International Labour Organisation (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 (%)	**9%** **(91%)**	12% (93%)	We expect that as non-financial reporting develops, more and more companies are publishing policies in relation to significant sustainability issues, therefore the downward trajectory is in line with expectations.	**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 and exclusions:** If we observe, have suspicions of, or experience violations of human rights, modern slavery or local laws then we will engage with asset managers where we believe companies in their supply chain may be at risk of human rights violations.

Adverse impact on sustainability factors	Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
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 (%)	**4%** **(91%)**	3% (93%)	Lack of anti-corruption and anti-bribery policies has remained low. The slight increase in 2023 is driven by some movements in the data in the first and second quarters, returning to results similar to 2022 in quarters three and four.	**General approach:** 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. As a member of the UN Global Compact, M&G plc is committed to the ten principles of good practice in human rights, labour, the environment and anti-corruption, which they report on annually. As part of this, PAC monitors against UNGC flags for lack of anti-corruption and anti-bribery policies. **Engagement and exclusions:** M&G plc is compliant with applicable financial sanctions regimes, which include as a minimum, but not limited to, authorities where M&G plc operates. Any company sanctioned by any of these regimes may be identified through ESG screening and excluded where appropriate. If we believe that a company which is not subject to financial sanctions has significant risk associated with bribery and corruption, where we have an investment decision-making authority, such instances will prompt engagement with the appointed asset manager, which may lead to exclusion from our portfolio if unsuccessful.

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

Identifying principal adverse impacts:

The SFDR defines a 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.

PIA maintains an internal standard that outlines requirements for the identification, assessment and reporting of PAIs which applies to all products sold by PIA. The PAC ESG Investment Policy is applied to all assets managed by PAC and describes the ESG investment principles which are used to inform and guide these investments. These principles are consistent with M&G plc's core values of Care and Integrity. Consideration of sustainability risks are reflected in the PAC ESG Investment Policy, and particularly in the following principle:

- 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. 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:

- ESG factors, 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 investments. 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 PAIs at entity level by measuring the aggregated negative impact on sustainability indicators of products sold by PIA.

Governance in relation to policies:

The PAC ESG Investment Policy is owned by the Chief Investment Officers, M&G Life. The PAC ESG Investment Policy was last updated in May 2024. This Policy is approved by the Executive Investment Committee (EIC) and is refreshed at least annually. Any changes proposed as a result of the refresh require approval at the EIC, and 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 sustainability topics. The identification and assessment of PAIs are set out within an internal standard on PAI reporting. The PAC ESG Investment Policy, in line with M&G plc, identifies two priorities given their importance for the long-term sustainability of all businesses and society as a whole, namely;

- Climate Change; and
- Diversity and Inclusion.

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 require that at least two additional opt-in indicators are identified and reported (as per Table 2 and 3 above), with at least one 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, and alignment with the priorities 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 or changes to existing indicators will be subject to review by the PIA Investment Management Committee and then applied, alongside the wider review by considering the above factors, which recognise the value that PAI indicators provide in aggregate while 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 [3])			
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

[3] 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 indicators are calculated as the quarterly average of the PAI data. The intention behind the use of 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.

Data sources:

PIA uses the M&G Investment Data Platform to access a central sustainability database generated from multiple sources to calculate PAI indicators. For a given indicator, multiple data sources can be used and 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 third-party vendor for PAI usage considers the following factors:

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 considers current breadth of clients and market position, ongoing development, market consolidation

v. **Ease of use:** Is the vendor already used across M&G plc for data sourcing

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

The above also indicates the data hierarchy used to produce PAI data in M&G's Investment Data Platform:

i. **For public companies:** Our preferred source is MSCI. If there is no data available from MSCI, then we seek to source data from Bloomberg.

ii. **For private companies:** The data hierarchy for public companies is applied first. For leveraged loans, we source from Findox. For other private companies and products, we source via Apex or 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. For 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.

v. For PAI 14 (Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)), PIA use third-party data providers as well as proprietary research to identify companies flagged for involvement in controversial weapons.

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 to ensure that they 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.

PIA as an 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. Due diligence and monitoring in respect of active ownership and engagement is carried out by PAC on behalf of PIA.

The principles of how engagement is undertaken are set out in the PAC Shareholder Engagement Policy, which is available publicly and covers all portfolios under delegated portfolio management to PAC's Treasury and Investment Office. The policy describes how PAIs are considered as part of engagement undertaken on assets managed by PAC.

A small proportion of external products are available through PIA Investment Portfolio products which do not fall under the authority delegated to PAC. PIA invests these portfolios in accordance with the PIA Investment Policy and related standards, however our capacity to engage with asset managers is limited as we do not have influence over external manager investment strategy. PIA will 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.

References to international standards

PIA, along with other M&G plc entities, adhere to the following responsible conduct codes and internationally recognised standards for due diligence and reporting.

Global norms (eg, 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.

The PAIs 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 (PAI 11: Table 1)
- Investments in companies without workplace accident prevention policies (PAI O1: Table 3)
- Lack of a human rights policy (PAI O9: Table 3)
- Lack of anti-corruption and anti-bribery policies (PAI O15: Table 3)

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 O1: Table 3)
- Lack of a human rights policy (PAI O9: Table 3)
- Lack of anti-corruption and anti-bribery policies (PAI O15: Table 3)

Convention on cluster munitions:

- Controversial weapons (PAI 14: Table 1)

Paris Agreement

PAC is a signatory to the Net Zero Asset Owners Alliance (NZAOA) 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 in line with the Paris Agreement. At a PAC level, climate commitments are supported by interim decarbonisation targets set as part of our membership of the NZAOA. 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.

Climate indicators:

- Greenhouse gas emissions (PAI 1-6: Table 1) and Investments in companies without carbon emissions reduction initiatives (PAI O4: 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 other reporting across M&G plc. M&G plc also undertake climate scenario analysis on certain public asset portfolios which includes some assets from products managed by PIA. The scenarios used are based on Network for Greening the Financial System (NGFS) scenarios. More detailed information can be found within the 'Climate-related disclosures' section of the **M&G plc Annual Report and Accounts 2023.**

The methodology and data sources used to produce the PAIs is detailed on page 26.

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