

Prudential Assurance Company



2023 PruFund Planet range of funds:
How we manage your money



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Summary

Welcome to the first annual PruFund Planet range of funds Report, giving you details of who is managing your money and how we are looking after it. The term that sums this up is stewardship. We understand that your time is valuable. That's why we've also created this Summary that covers all the key points from this Report, so you can stay informed without taking too much time out of your day.

For more information on the below, please see the corresponding page numbers.

5 key things you need to know

1. As of year-end 2023, all of the funds within PruFund Planet were making progress towards their stated sustainability objectives. This was evaluated through thorough assessments of the funds to determine their effectiveness and progress of their intended Environmental, Social and Governance (ESG) approach and/or outcomes.
2. The funds are part of the Prudential With-Profits Fund, the largest of its kind in the UK – page 5
3. The funds are performing in line with their risk/reward profile – page 10
4. A diverse investment approach means that your eggs aren't all in one basket – page 8
5. These funds go one step further than our other funds invested in our With-Profits Fund in ESG and sustainability investing – page 12

Reminder of the PruFund Planet objectives

It may be a while since you first invested, so as a reminder, we've provided the fund's objectives in the box below and a summary of these on the following page. Whichever of these funds you're invested in within the PruFund Planet range, the aims cover all of the funds as they all have the same objectives but may be invested differently with ESG weightings differing depending on the fund, which makes a difference to the volatility and risk of each fund.

Fund objectives

The fund aims to produce growth over the medium to long-term (5 to 10 years or more) while smoothing some of the ups and downs of short-term investment performance. The fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments. The fund is actively managed and aims to limit the fluctuations ('volatility') the range of funds experiences to between 9-17% per annum (depending on the fund chosen and before smoothing). There is no guarantee the fund will achieve its objective of managing the volatility below this limit. In addition to generating financial returns most of the underlying funds apply at least one of the three ESG investing approaches: 1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes 2. Pursuing Environmental, Social and Governance opportunities 3. Focussing on addressing environmental and social issues.

Summary of objectives

- Put simply, the fund is meant for people who will invest for 5 to 10 years or more
- Smoothing means that essentially while you won't benefit from the full upside of any potential stock market rises, you won't suffer from the full effects of any downfalls either
- The fund spreads investment risk by investing in a range of different asset types, a way of not putting all of your eggs in one basket
- If an asset class rises and falls rapidly over the short-term, it's considered to be more volatile. The volatility is actively monitored, however like most things, in exceptional circumstances there is no guarantee the fund will achieve its objective of staying within the limits
- To explain the terms Environmental, Social and Governance we have included the following examples:

Environmental, Social and Governance (ESG) factors



Where is my money invested?

As a PruFund Planet policyholder, your money is pooled together with other investors and ultimately part of our Prudential With-Profits Fund.



Get to know our With-Profits Fund

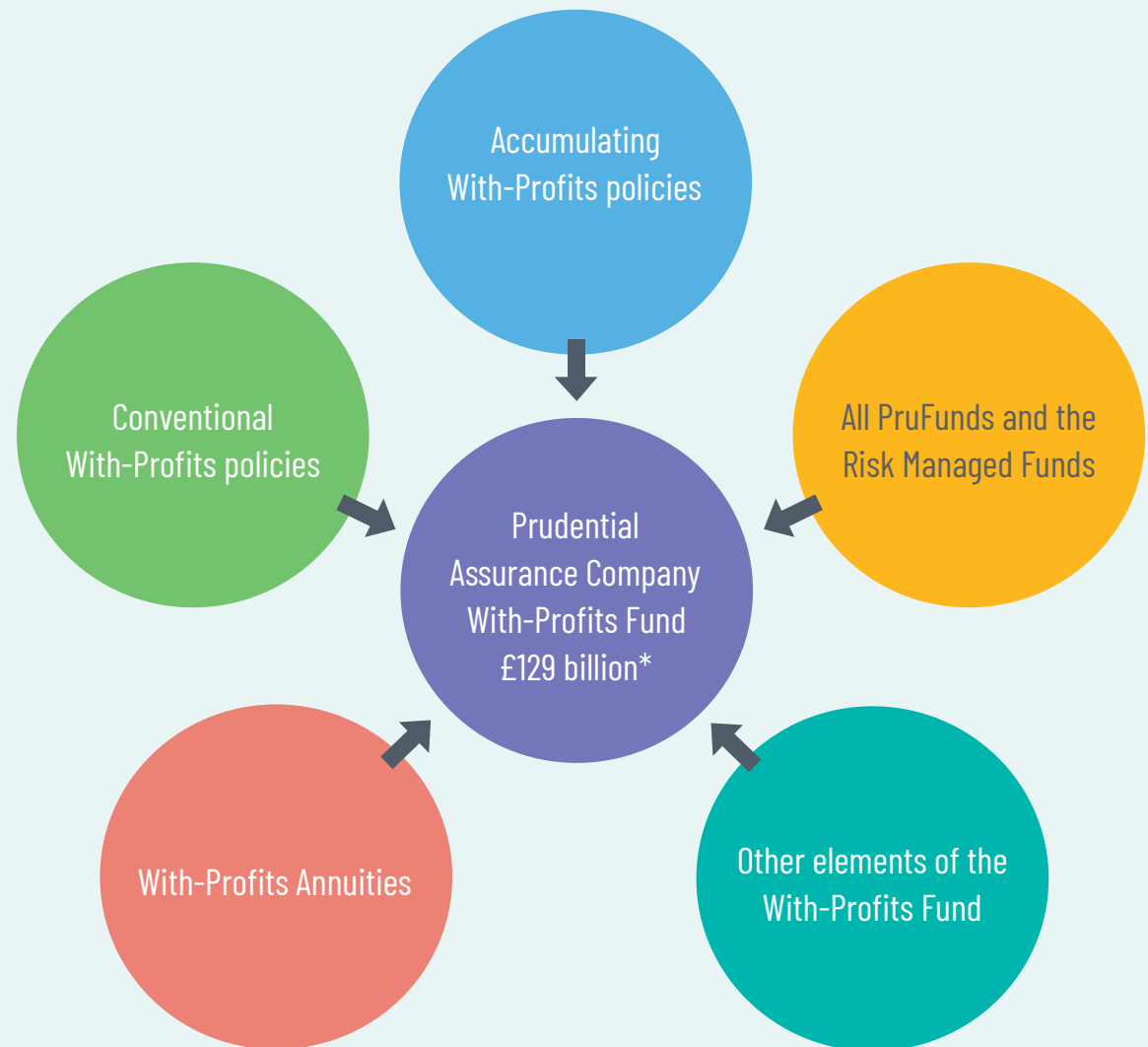
- £129 billion invested
- 2.15 million customers
- Financially strong (the largest of its kind in the UK), with independent reviews
- Invested in over 100 countries around the world
- Of the £129bn, 27% is invested in the UK

* Source: M&G plc as at 31 December 2023.

Independent assessments conducted each year confirm that we continue to be a financially strong company.

The value of your investment can go down as well as up so you might not get back the amount you put in.

For more information on the With-Profits fund see the With-Profits report [here](#).



*As at 31 December 2023



What do PruFund Planet Funds focus on?

- With the need for confidence that your investments aim to do no harm to people or to the planet, we launched the PruFund Planet range in 2021
- A version of our market-leading investment solution where you can play a part in building a better future for yourself, for society and for the planet
- This range consists of five funds, with a greater allocation to companies and investments working together to tackle environmental and social challenges
- Over £169.3m* invested across all five funds in the range
- Invested in over 30 funds around the world

* Source: M&G plc as at 31 December 2023.

Let's look a little more at the multi-asset investment approach and the team that owns this

- We delegate many of the key investment decisions to the **M&G Treasury and Investment Office (T&IO)** and they work with us in PAC to make the big strategic decisions about what we should invest in for the long-term (this is known as asset allocation)
- They are responsible for meeting the objectives for each fund and the investment approach needed to achieve these. They decide how we should approach risks that could impact the value of investments over the long-term, like climate change
- T&IO appoint fund managers (who can either be internal or external) and ensure they have the experience and expertise we need. An example being M&G Investments, our fund manager in the M&G plc group. Put simply T&IO are responsible for investing our policyholders' money, looking after it day to day
- This includes moving money from one asset class to another as well as letting us know what changes they've made and why. They also let us know how well the different fund's objectives are being met

Who is managing my money?

You're probably aware of Pru, we've been around for over 170 years. In 2019, we became part of the M&G plc group of companies. One of the companies that makes up M&G plc is Prudential Assurance Company (PAC). It's PAC who own the With-Profits Fund, which your policy is invested in. Ultimately, PAC looks after your money and is responsible for the policies that you hold with us.

How do we invest your money?

The world of ESG investing is complex and it can be viewed from many different angles

In reality you can invest in a very wide range of companies and projects and still be making a positive contribution to society and the environment. It isn't just about investing in companies that are solely focused on finding solutions to the world's problems, although these are very important.

To give you some insight into how we try and breakdown a complex subject we are going to explain our ESG investment approach. In simple terms, this allows us to categorise our underlying investments so that we can understand how much we are allocating to particular categories. **Each PruFund Planet will allocate mostly to Opportunity and Solution focused funds with the balance held in Risk focused investments.**

So, for example, within PruFund Planet we invest in real estate which may not feel like an 'ESG' asset class, but the active management of real estate to ensure ongoing energy efficiency and reduced carbon emissions plays an important role in reducing carbon emissions around the world. This would fall into the Risk focused category and is the smallest portion of overall funds.

In the Opportunity focused box we hold a very wide range of shares in companies around the world that are seen to be leaders in the race towards bringing carbon emissions down, or are seen as having a positive impact on their employees or broader society through the day to day running of their businesses. Allocations to these types of companies can often form at least a third of each PruFund Planet fund.

Finally, Solution focused companies specifically looking to address social or environmental challenges, and the allocation to these solutions will vary but can account for up to half of the overall funds.

For a further description of these Risk, Opportunity and Solution focused terms please see the framework on page 12.

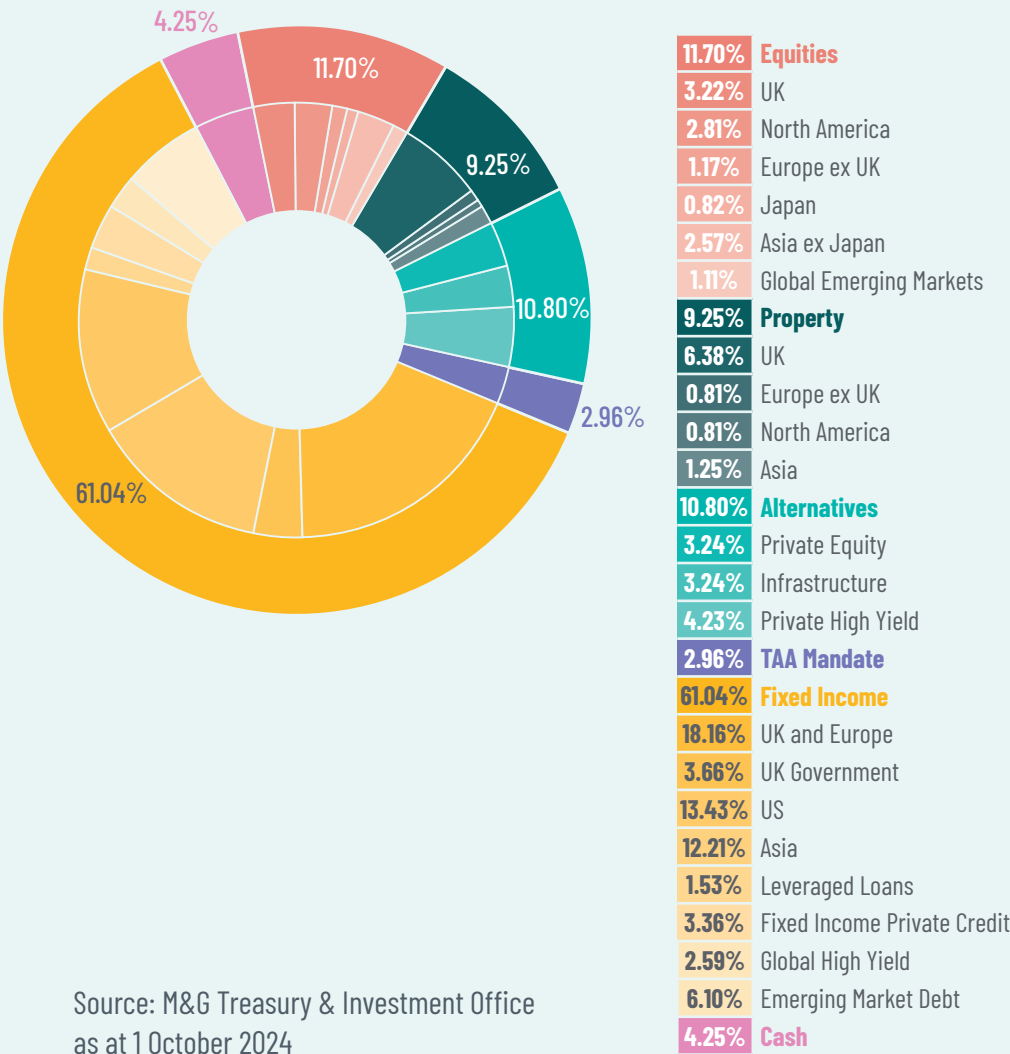
For each of the PruFund Planet range of funds they will have a different asset allocation, meaning which assets each fund will be invested in. The asset allocations only vary because the objectives are slightly different for each fund, however they all invest in key areas such as:

Equities (also known as shares which represent ownership in a company)
Real Estate/Property (can include both commercial property such as offices and shopping centres or residential property such as student accommodation)
Fixed Income (investments where regular payments are made over the time we are invested in them)
Alternatives (mainly includes exposure to private markets, that most individuals cannot access)
Cash and Tactical Asset Allocation (TAA) (allows the implementation of shorter term views)

The catch all term for all of the assets being invested in is the Strategic Asset Allocation (SAA). This simply means the assets we want to be invested in for the medium to long-term.

An example of PruFund Planet 1 as at 1 October 2024 is shown to the right.

PruFund Planet 1



Source: M&G Treasury & Investment Office
as at 1 October 2024

Examples of companies we invest in

This is a selection of companies invested in by some of the funds within the PruFund Planet range, not all funds invest in these companies and investments may change.



Equities – Republic Services (held within the M&G Positive Impact Fund)

Republic Services seeks to provide a solution to the problem of poor waste management, which poses a serious threat to the environment, transporting waste from the curb side to transfer stations, landfills and recycling centres, therefore promoting a circular economy. It will handle the waste it collects in various ways, including recycling it and transforming it to energy as well as operating 74 recycling centres.

More details can be found here – [In focus: Republic Services](#)



Alternatives – Cube Highways (held within the M&G Real Assets Fund)

Cube Highways is a Singapore-based company that invests in road and highway projects along with other select infrastructure sectors in India. They have the largest portfolio of toll roads in India and are a pioneer in the sector, with several industry first initiatives. The company will undertake an extensive mapping of the environmental and social risks as per national/international requirements prior to the acquisition of a project.

More details can be found here – [About Us | Cube Highways](#)



Real Estate – The Rock, The Hague (held within the M&G European Property Fund)

A mixed use residential development in the Hague, The Netherlands that will comprise of 99 Private Rented Sector units and 197 student accommodation units. It is in a central location with excellent connectivity to major cities. The building uses local renewable energy and has over 60 solar panels on the roof. The student accommodation units will be let to a major student housing operator on a 15 year lease and is due for practical completion in Q2 2025.



Fixed Income – Fjord1 (held within M&G Catalyst Credit Fund)

Fjord1 is the leading ferry company in Norway and aims to be the safest and most attractive supplier of environmentally friendly and reliable transport. They are investing in low and zero-emission technology, and focusing on the electrification of the Norwegian fjord connection as well as being an important supplier of critical infrastructure to coastal Norway.

More details can be found here – [About Fjord1](#)

Performance

PruFund Planet uses an established **smoothing mechanism**, aiming to smooth the short-term ups and downs of markets. This reduces the volatility, and aims to provide a more stable rate of growth than you would get if you were directly exposed to the daily changes in the fund's underlying investment performance. This means that while you won't benefit from the full upside of any potential stock market rises, you won't suffer from the full effects of any downfalls either.

We calculate the performance of the funds based on the fund pricing. The performance table below shows a period of 5 years, however the range of funds were launched in 2021, so you will see that for some time periods there is no available data. We can't predict the future, **past performance isn't a guide to future performance**.

	Year on year fund performance				
	30/09/2019 to 30/09/2020	30/09/2020 to 30/09/2021	30/09/2021 to 30/09/2022	30/09/2022 to 30/09/2023	30/09/2023 to 30/09/2024
PruFund Planet 1	not available at this date		-5.98	-1.59	6.57
PruFund Planet 2	not available at this date		-5.48	-1.37	4.81
PruFund Planet 3	not available at this date		-3.78	-1.76	7.48
PruFund Planet 4	not available at this date		-2.99	-1.75	7.84
PruFund Planet 5	not available at this date		-2.79	-1.74	5.10

	Average yearly fund performance		
	1 year to 30/09/2024	2 years to 30/09/2024	3 years to 30/09/2024
PruFund Planet 1	6.57	2.41	-0.47
PruFund Planet 2	4.81	1.67	-0.77
PruFund Planet 3	7.48	2.76	0.53
PruFund Planet 4	7.84	2.93	0.92
PruFund Planet 5	5.10	1.62	0.13

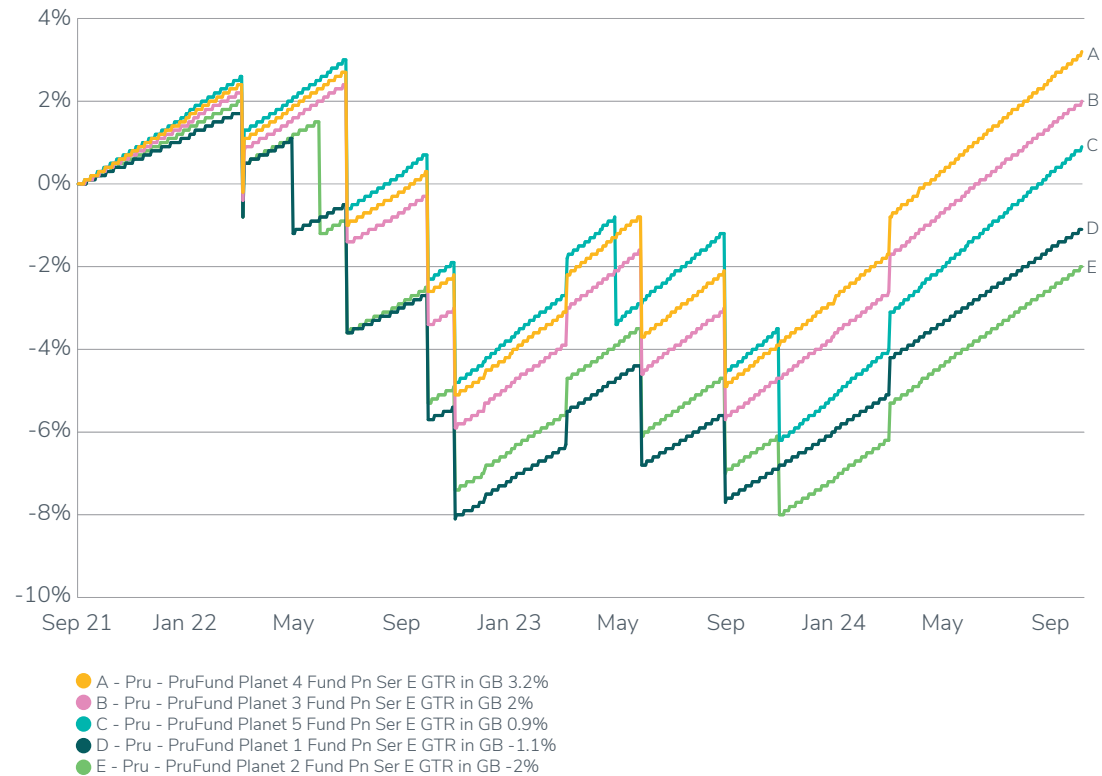
You will note that the 3 year returns for Planet 1 and Planet 2 are negative. This is because the investment environment in 2022 was extremely difficult with most fixed income assets hit hard because of high inflation and the subsequent increases in interest rates. These 2 funds held more in fixed income. Markets have since recovered and returns have improved a lot as you can see from the 1 year numbers. It is also important to remember that any multi asset investment should usually be made with a view to being held for many years.

T&IO manages the funds with the aim of providing growth over the long-term for policyholders.

You will have discussed the risk/reward profile of your chosen fund/s with your financial adviser, this ultimately affects the performance of your investment. **If you would like to discuss this further, please speak to your financial adviser.**

Source: Financial Express (FE) 25/08/2021 to 30/09/2024. Please remember that past performance is not a reliable indicator of future performance. The figures are intended only to demonstrate performance history of the fund over the period shown. The PruFund Funds include a representative fund charge of 0.80% pa and any further costs. They take no account of product or advice charges. The application of charges and further costs will reduce the overall performance. Please note that our charges any further costs may vary in the future and may be higher than they are now. Fund performance is based upon the movement of the daily price and is shown as total return in GBP with net income reinvested. The value of your investment can go down as well as up and you may not get back the amount you put in. Performance is shown on a bid for bid basis.

The following chart shows the performance of the funds up to end 30 September 2024. We can't predict the future, **past performance isn't a guide to future performance**.



If you wish to know more about the performance of the fund you are invested in, please contact your financial adviser.

Source: Financial Express (FE) 25/08/2021 to 30/09/2024. Please remember that past performance is not a reliable indicator of future performance. The figures are intended only to demonstrate performance history of the fund over the period shown. The PruFund Funds include a representative fund charge of 0.80% pa and any further costs. They take no account of product or advice charges. The application of charges and further costs will reduce the overall performance. Please note that our charges any further costs may vary in the future and may be higher than they are now. Fund performance is based upon the movement of the daily price and is shown as total return in GBP with net income reinvested. The value of your investment can go down as well as up and you may not get back the amount you put in. Performance is shown on a bid for bid basis.

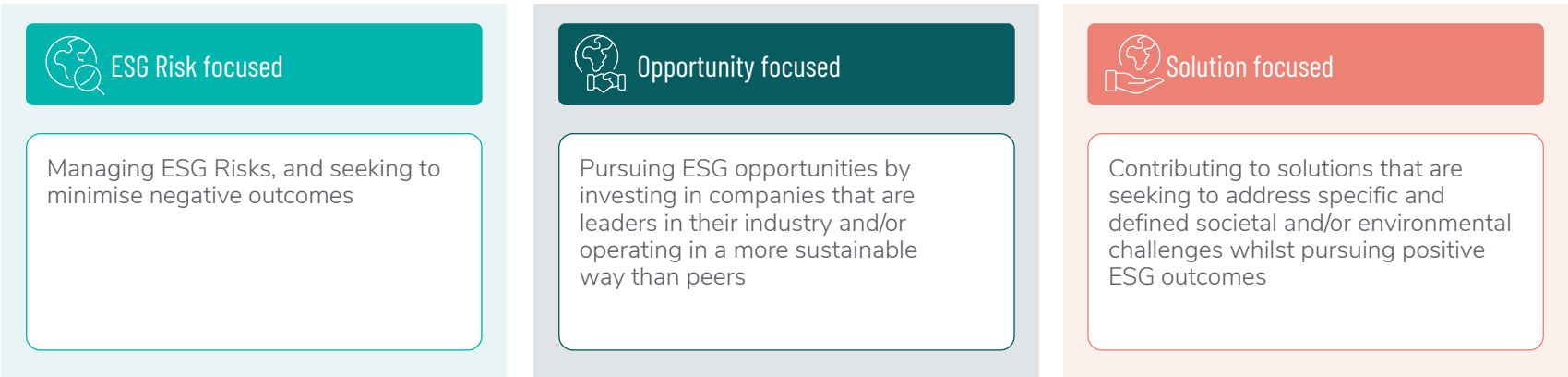
Spotlight on ESG within the PruFund Planet range of funds

1. ESG & Sustainability

Prudential Assurance Company (PAC), as part of the M&G plc Group, shares M&G plc's purpose to give our clients real confidence to put their money to work, and a set of investment beliefs that are aligned to our cultures and values. An example of this is our commitment towards addressing climate change, and diversity & inclusion, and our commitment to exclude companies in some harmful sectors from our investments across all companies. For more information please see our **PAC ESG Investment Policy**. To read more about our cultures and values, see Principle 1 of the **PAC Stewardship Report**.

2. ESG investment approach

The T&IO ESG Product Framework has been developed to classify the underlying funds selected for PruFund Planet. These approaches are not a scale of 'doing good' as each one applies ESG criteria in a different way, illustrated in the diagram below.



We have a team of people whose job it is to set our approach to ESG; including the policies we follow, how we choose the asset managers and then monitor how we use this across our investments. See the next page for an example of how we monitor asset managers.



Did you know?






Shown below, each year some of our appointed asset managers choose to use this **Impact Management Norms approach** as part of analysis when investing in solution focused companies, this is how we assess how our asset managers are managing the funds.

All this means is we identify the positive and negative impacts a company can have across people and the planet. We then work to reduce the negative impacts and increase the positive ones.

To help us assess, we use an industry standard assessment tool: **What, Who, How much, Contribution and Risk**. T&IO use these Five Dimensions of Impact to assess the holdings against this criteria.

As this approach is used for solution focused funds only, currently this accounts for up to half of the overall funds.

Impact Management Norms approach

 What	 Who	 How much	 Contribution	 Risk
<ul style="list-style-type: none">• What outcome is appearing in the period?• Is the outcome positive or negative?• How important is the outcomes to the people experiencing them?	<ul style="list-style-type: none">• What type of stakeholders are experiencing the outcome?	<ul style="list-style-type: none">• How much of the outcome is occurring in resolving the challenges/issues, across scale, depth and duration?	<ul style="list-style-type: none">• Would this change be likely to happen anyway without its participation in the market?• How is 'additionality' being measured?	<ul style="list-style-type: none">• What is the risk to people and the planet that impact does not occur as expected?• What are the possible unintended effects?

If we identify issues with an asset manager's approach, we can recommend the changes they need to make. For example, changing where they invest, the processes they use, and increasing the number of assets they are investing in. We then actively monitor how these changes are being made.

A cornerstone of our ESG approach is **working with our asset managers to actively engage with companies** they invest in on our behalf to:

- influence these companies' behaviours
- shift towards more sustainable businesses and outcomes

Our asset managers have **criteria** we expect them to meet around:

- Engagement: The discussions they have with the companies, where our managers are expected to establish a clear engagement objective
- Voting records: Voting on our behalf on issues that might impact a company's ESG performance

We require **updates on engagement**:

- actions and next steps on successes
- actions on failed engagements with escalation steps are also required, driving positive change where we highlight room for improvement

This means that we can seek to make change for good within companies that aren't actively producing sustainable products; our investment and 'seat at the table' allows us this influence on how they decide how to do business. These types of investment also serve to benefit our clients' long-term savings.

3. Engagement case study

This is an example of a company invested in by one of the funds within the PruFund Planet range, not all funds invest in these companies and investment may change.

Whilst the below example is seen as a successful outcome, the actions the company took may not be directly attributed to the engagement, nonetheless the objectives were still met.

Engagement in action
Source: External Asset Manager Environmental focused engagement with water utilities company
Objective The external manager engaged in efforts to minimise risk and enhance corporate management of water and waste issues in areas some of which include: emergency preparation and response, prevention of future breach and waste management.
Approach After engaging with the company for one year, since December 2022, the external manager continued engagement with the company via emails and had two engagement meetings with the Director of Customer Operations.

There are also instances where they can be deemed unsuccessful. This may typically occur when specified objectives have not been achieved or where there has been a lack of progress on the objectives. Despite these challenges, the Manager Oversight team are responsible for holding quarterly meetings with appointed managers to discuss relevant factors including ESG considerations. These are used as an opportunity to understand their escalation process.

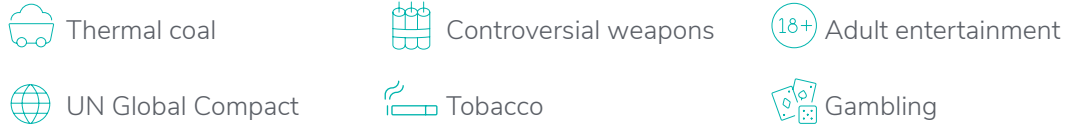


Outcome & next steps

The external manager was able to close all engagement objectives as the company confirmed to reduce sewage spillages to an average of 20 per year by 2025. The company is also among the companies with the fewest “Total and Serious pollution incidents” in the entire sector according to the Environmental Agency (EA) assessment. The company has also set a target on leakage spills and is currently innovating its treatment processes to treat for PFAS (per- and poly fluoroalkyl substances) in drinking water. The EA confirmed that the company has obtained the highest score in the sector for four consecutive years.

ESG exclusions approach

We actively apply **ESG restrictions**, known as exclusions. Those that are appropriate for PruFund Planet are shown below:



These current exclusions are actively managed, at the moment these are the core exclusion zones but this may change in the future. We will continue to monitor requirements behind the scenes and can add to these if necessary.

In some instances the funds PruFund Planet invests in may not align with all of these exclusions, although T&IO aim to ensure adherence to their ESG Policy to the greatest extent possible. For example, the Property Fund cannot guarantee exclusions to all sectors because there could be trading of these sectors that we aren't aware of within those properties. For more information on this and to see which exclusions apply to each of the funds, please see pages 16-20 of the **Due Diligence guide**.

Conclusion

This Report looks to give you confidence that we are putting your money to work. We hope that this has provided you with enough information on how, and who is managing your money within PruFund Planet.

It's here just to give you an update on what's happening with the fund(s) you're invested in. There's no need to do anything, however, if you do have any further questions, please contact your adviser. You can also visit our Stewardship website page where you will find more detail on how we are taking care of your money.

So hopefully, you can now sit back and relax, knowing we're managing your money responsibly.

As previously mentioned, here is a reminder of the 5 key things you need to know.

5 key things you need to know

1. As of year-end 2023, all of the funds within PruFund Planet were making progress towards their stated sustainability objectives. This was evaluated through thorough assessments of the funds to determine their effectiveness and progress of their intended Environmental, Social and Governance (ESG) approach and/or outcomes.
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The commentary in this Report reflects the general views of the M&G Treasury & Investment Office and should not be taken as a recommendation or advice as to how a specific market or fund is likely to perform.