

# Sustainability Report

# PruFund Planet

July 2024



# Contents

Introduction	4
PruFund Planet asset allocation	5
Investment philosophy	8
The T&IO ESG Product Framework	9
ESG analysis methodology	10
ESG analysis: key findings	11
ESG policies and exclusions	12
ESG fund characteristics	15
UK Sustainability Disclosure Regulation (SDR)	16
Glossary	17

# Introduction

## PruFund Planet summary

### What is PruFund Planet

PruFund Planet is a range of five funds, each applying an Environmental, Social and Governance (ESG) investing approach and each with their own risk profile, with broadly similar costs and product features to existing PruFund ranges\*. The range is globally diversified across equities, fixed income, property, and alternatives but uses a very different range of underlying building blocks compared to the main PruFund ranges. The range offers smoothed investment returns with the expectation that clients would have an investment horizon of at least 5 to 10 years or more.

### How does PruFund Planet invest

With the flexibility to apply a broad range of ESG investment strategies and with access to a globally diverse range of private and public markets, across multiple asset classes and regions. PruFund Planet manages ESG risks, pursues ESG opportunities and looks to address pressing social and environmental issues.

PruFund Planet uses and benefits from the same core foundational processes and skills that support the rest of the PruFund range, namely:

- an established smoothing process, Expected Growth Rates (EGRs) and Unit Price Adjustments (UPAs)\*
- Strategic Asset Allocation (SAA) determined by the Treasury & Investment Office (T&IO) Long Term Investment Strategy Team

- mandate design, manager selection and oversight performed by the T&IO Investment Manager Oversight team
- portfolio management conducted by the T&IO Multi Asset Portfolio Management team.

The Prufund Planet range consists of:

- PruFund Planet 1
- PruFund Planet 2
- PruFund Planet 3
- PruFund Planet 4
- PruFund Planet 5

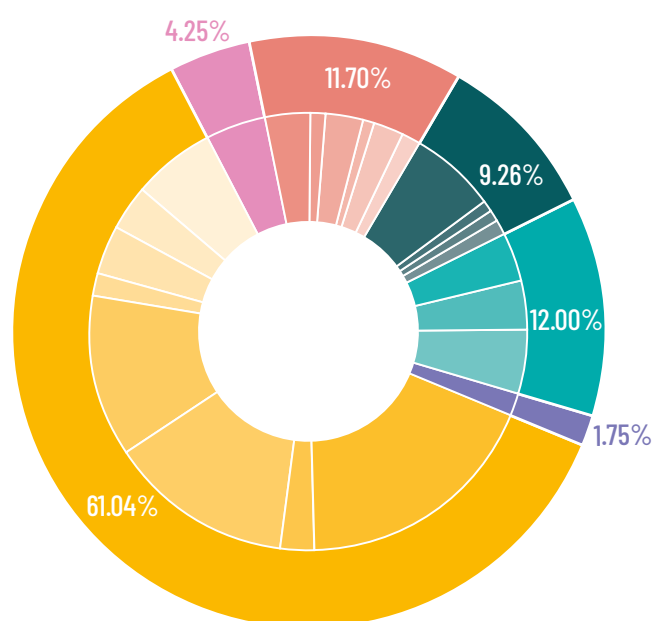
The numbering of the funds, ie, PruFund Planet 1, up to PruFund Planet 5, indicates the increasing level of modelled investment risk – with 1 being the lowest and 5 being the highest risk. The higher level of investment risk, the greater the potential reward. These funds are numbered one to five based on how volatile we expect each fund to be after smoothing has been applied. As mentioned, above the ranges will have different risk profiles and asset allocations which are displayed in the pie charts in the following page.

\* Please note: Whilst similarities exist, there is no guarantee that Expected Growth Rates (EGRs) will be the same as existing PruFund funds nor will the frequency, depth, or timing of any Unit Price Adjustments (UPAs) necessarily be the same either. PruFund Planet may generate different investment outcomes to the existing PruFunds. Whilst it features a very similar asset allocation at the broad asset class level, it will invest in different underlying funds.

# PruFund Planet asset allocation

The charts below provide an indication of the spread of investments for the PruFund Planet range as of 1 December 2023. Asset allocations are regularly reviewed by T&IO and may vary from time to time but will always be consistent with the fund's objective.

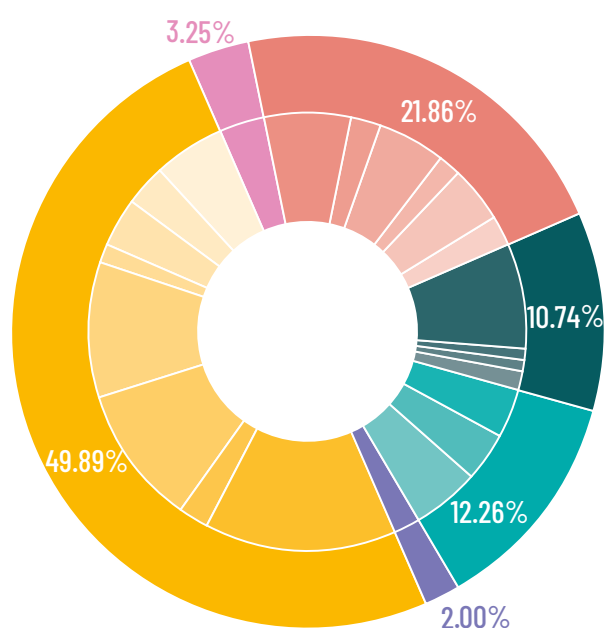
## PruFund Planet 1



<b>11.70%</b>	<b>Equities</b>
<b>3.51%</b>	UK
<b>1.17%</b>	Europe ex UK
<b>2.75%</b>	North America
<b>0.82%</b>	Japan
<b>2.25%</b>	Asia ex Japan
<b>1.20%</b>	Global Emerging Markets
<b>9.26%</b>	<b>Property</b>
<b>6.53%</b>	UK
<b>0.78%</b>	Europe ex UK
<b>0.78%</b>	North America
<b>1.17%</b>	Asia

<b>12.00%</b>	<b>Alternatives</b>
<b>3.60%</b>	Private Equity
<b>3.60%</b>	Infrastructure
<b>4.80%</b>	Private High Yield
<b>1.75%</b>	<b>Sustainable TAA</b>
<b>61.04%</b>	<b>Fixed Income</b>
<b>18.25%</b>	UK and Europe
<b>2.44%</b>	UK Government
<b>13.49%</b>	US
<b>12.21%</b>	Asia
<b>1.53%</b>	Leveraged Loans
<b>3.66%</b>	Fixed Income Private Credit
<b>3.36%</b>	Global High Yield
<b>6.10%</b>	Emerging Market Debt
<b>4.25%</b>	<b>Cash</b>

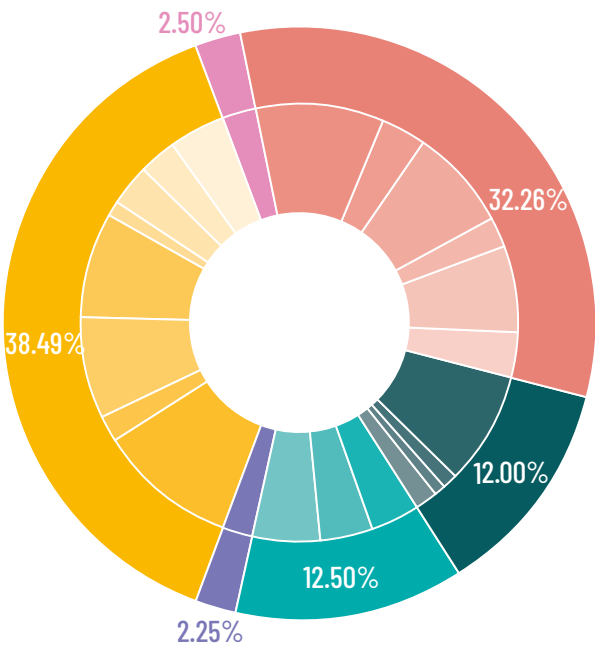
## PruFund Planet 2



<b>21.86%</b>	<b>Equities</b>
<b>6.56%</b>	UK
<b>2.19%</b>	Europe ex UK
<b>5.13%</b>	North America
<b>1.53%</b>	Japan
<b>4.21%</b>	Asia ex Japan
<b>2.24%</b>	Global Emerging Markets
<b>10.74%</b>	<b>Property</b>
<b>7.59%</b>	UK
<b>0.90%</b>	Europe ex UK
<b>0.90%</b>	North America
<b>1.35%</b>	Asia

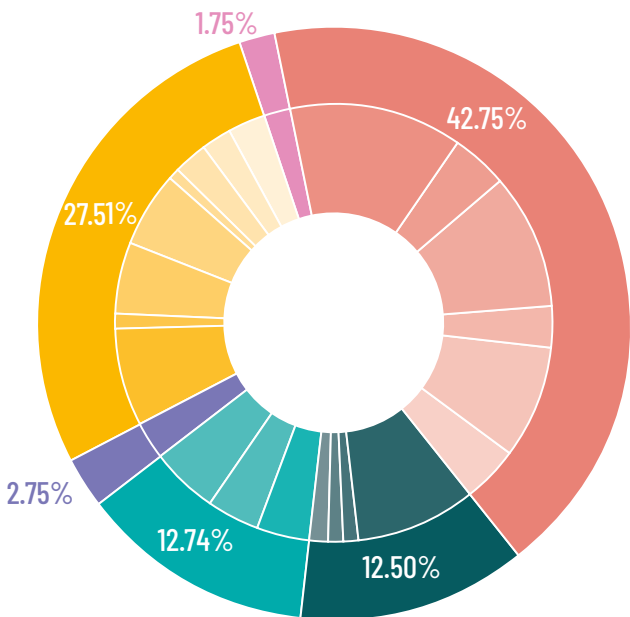
<b>12.26%</b>	<b>Alternatives</b>
<b>3.68%</b>	Private Equity
<b>3.68%</b>	Infrastructure
<b>4.90%</b>	Private High Yield
<b>2.00%</b>	<b>Sustainable TAA</b>
<b>49.89%</b>	<b>Fixed Income</b>
<b>14.20%</b>	UK and Europe
<b>2.00%</b>	UK Government
<b>10.50%</b>	US
<b>9.98%</b>	Asia
<b>1.37%</b>	Leveraged Loans
<b>3.49%</b>	Fixed Income Private Credit
<b>3.24%</b>	Global High Yield
<b>5.11%</b>	Emerging Market Debt
<b>3.25%</b>	<b>Cash</b>

PruFund Planet 3



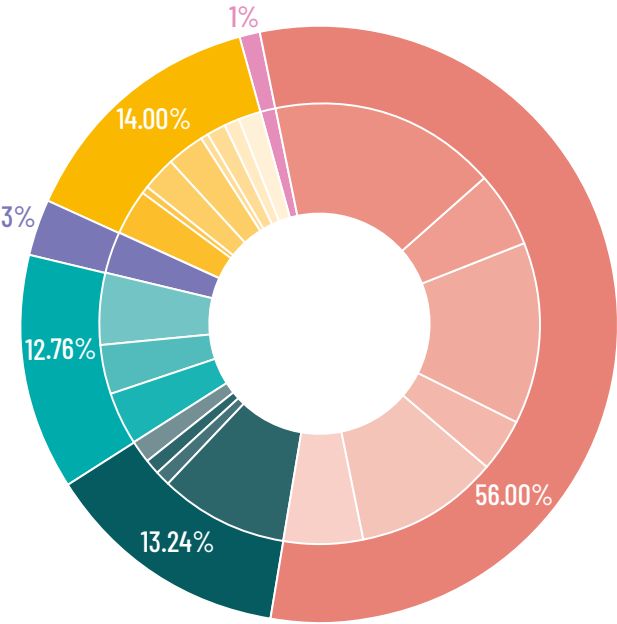
32.26%	Equities	12.50%	Alternatives
9.67%	UK	3.75%	Private Equity
3.23%	Europe ex UK	3.75%	Infrastructure
7.58%	North America	5.00%	Private High Yield
2.26%	Japan	2.25%	Sustainable TAA
6.21%	Asia ex Japan	38.49%	Fixed Income
3.31%	Global Emerging Markets	10.40%	UK and Europe
12.00%	Property	1.73%	UK Government
8.47%	UK	7.69%	US
1.01%	Europe ex UK	7.70%	Asia
1.01%	North America	1.16%	Leveraged Loans
1.51%	Asia	2.98%	Fixed Income Private Credit
		2.79%	Global High Yield
		4.04%	Emerging Market Debt
		2.50%	Cash

PruFund Planet 4



42.75%	Equities	12.74%	Alternatives
12.83%	UK	3.82%	Private Equity
4.27%	Europe ex UK	3.82%	Infrastructure
10.05%	North America	5.10%	Private High Yield
2.99%	Japan	2.75%	Sustainable TAA
8.23%	Asia ex Japan	27.51%	Fixed Income
4.38%	Global Emerging Markets	7.04%	UK and Europe
12.50%	Property	1.38%	UK Government
8.82%	UK	5.20%	US
1.05%	Europe ex UK	5.50%	Asia
1.05%	North America	0.89%	Leveraged Loans
1.58%	Asia	2.34%	Fixed Income Private Credit
		2.20%	Global High Yield
		2.96%	Emerging Market Debt
		1.75%	Cash

PruFund Planet 5



56.00%	Equities	12.76%	Alternatives
16.80%	UK	3.83%	Private Equity
5.60%	North America	3.83%	Infrastructure
13.16%	Europe ex UK	5.10%	Private High Yield
3.92%	Japan	3.00%	Sustainable TAA
10.78%	Asia ex Japan	14.00%	Fixed Income
5.74%	Global Emerging Markets	3.38%	UK and Europe
13.24%	Property	0.70%	UK Government
9.35%	UK	2.50%	US
1.11%	Europe ex UK	2.80%	Asia
1.11%	North America	0.49%	Leveraged Loans
1.67%	Asia	1.33%	Fixed Income Private Credit
		1.26%	Global High Yield
		1.54%	Emerging Market Debt
		1.00%	Cash

# Investment philosophy

PruFund Planet looks to take advantage of opportunities across the investment spectrum, to invest client money whilst factoring ESG considerations into investment decision making, aiming to create positive outcomes and competitive financial returns at the same time. Alongside its financial objectives, the existing PruFund range is focused on responsible investing such as avoidance of harms through exclusions and managing ESG risks.

PruFund Planet’s differentiator is that a number of its underlying funds go further by not only integrating sustainability factors and contributing to financial performance, but also investing in ESG solutions and seeking to address social and environmental challenges. These terms are defined in the diagram below.

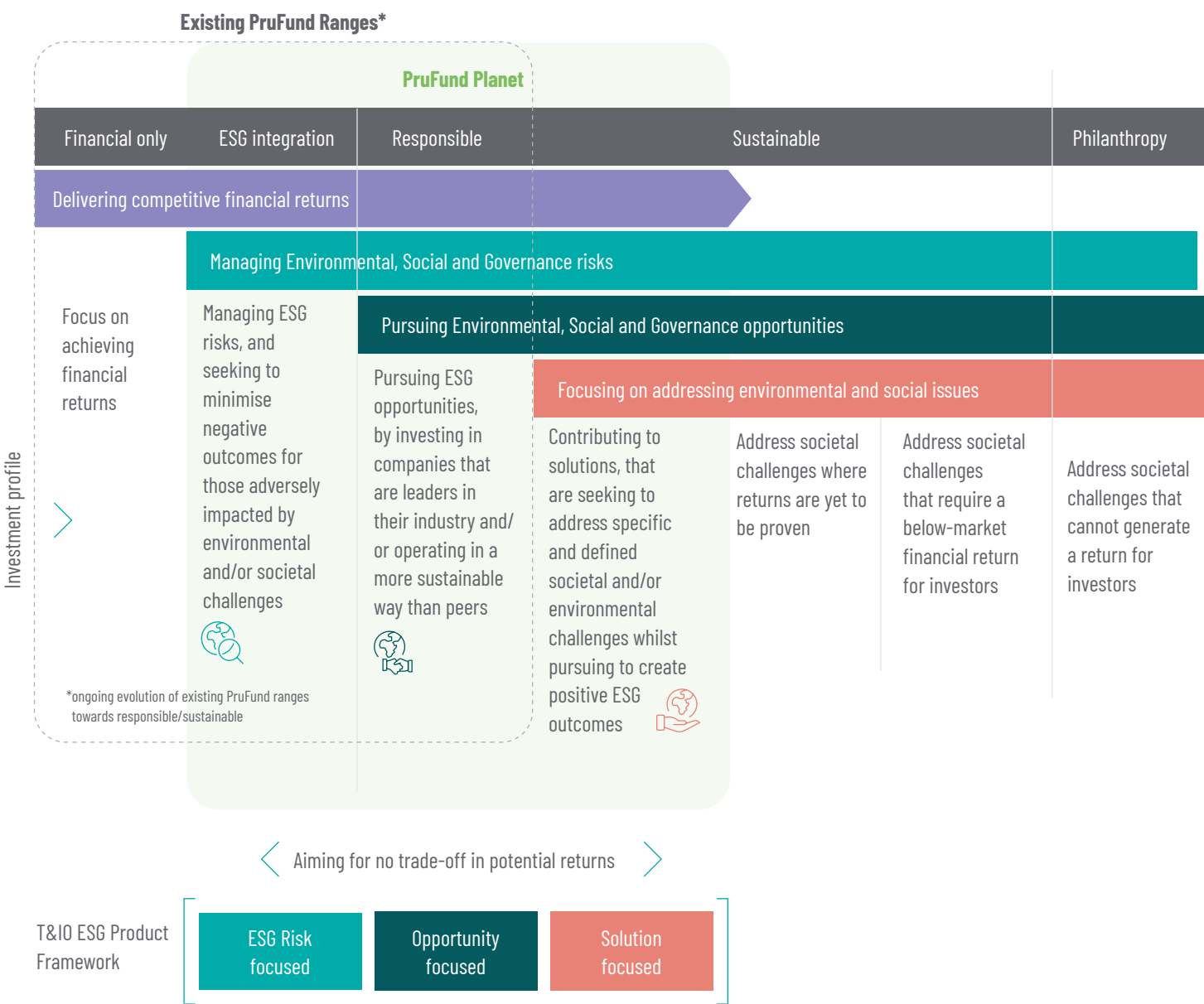


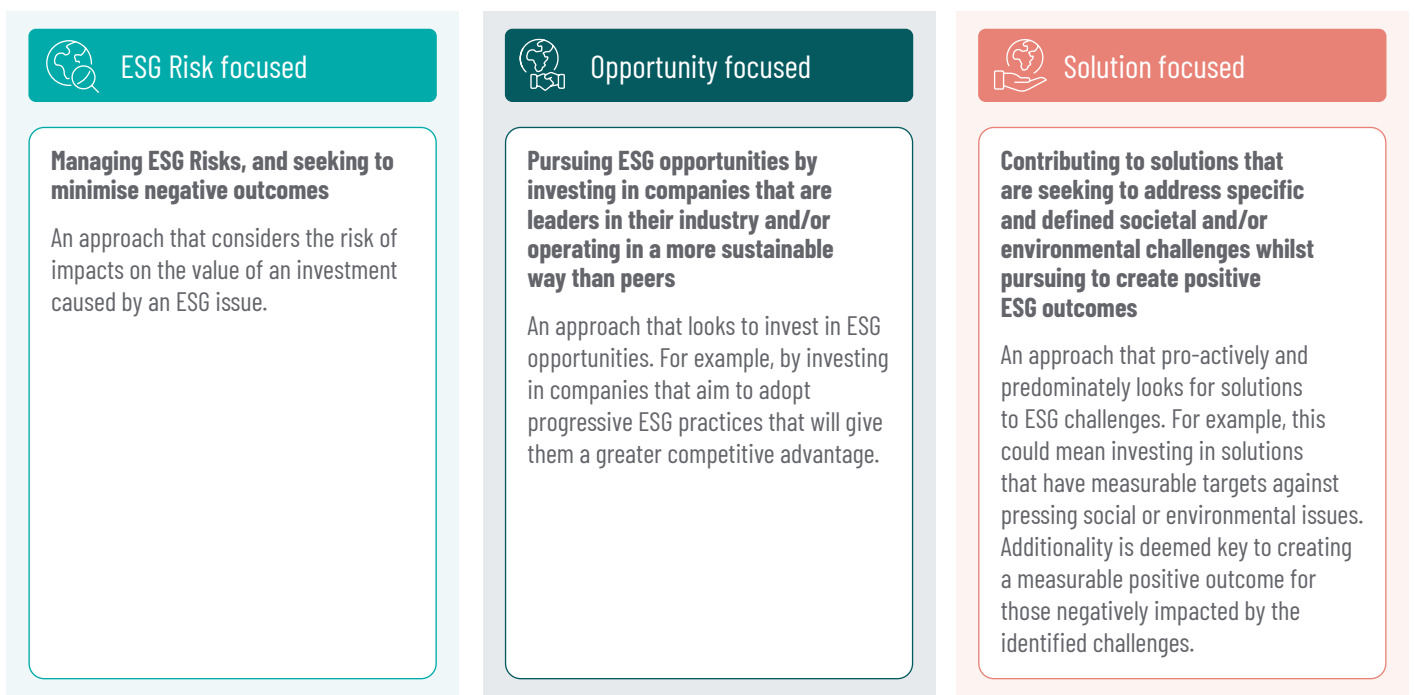
Figure 1: How PruFund Planet’s ESG investment approaches apply to the investment spectrum.



# The T&IO ESG Product Framework

The T&IO ESG Product Framework has been developed to classify the underlying funds selected for PruFund Planet, and is used as part of the investment manager selection and ongoing due diligence.

The framework consists of three ESG investment approach categories: ESG Risk focused, Opportunity focused and Solution focused. Where a fund does not meet one of the three approaches, the fund will fall into the 'No ESG classification' category, therefore is no longer in scope for a recommendation building block in PruFund Planet. For the purposes of portfolio management, 'No ESG classification' exposures may be used as a temporary proxy allocation. These approaches are not a hierarchy of 'doing good' as each one applies ESG criteria in a different way, illustrated in the diagram below.



# ESG analysis methodology

In 2023, both the T&IO Investment Manager Oversight and ESG & Regulatory teams conducted an ESG analysis on PruFund Planet to determine each underlying funds effectiveness in meeting its intended ESG approach and/or outcomes.

The ESG analysis followed two sequential assessments:

**1. Top-down Analysis** – the assessment of each underlying fund to understand its investment objectives from an ESG perspective and to verify each fund’s investment objective. The categorisation for each fund was determined against the T&IO ESG Product Framework.

**2. Bottom-up analysis** – the assessment of each individual portfolio against the investment objectives to ensure that each fund manager is held accountable to the intentionality and scope of their suggested outcomes.

### Bottom-up analysis

Each fund classified as ‘ESG Risk focused’ and ‘Opportunity focused’ following the bottom-up analysis were assessed primarily on how ESG risks are managed and how ESG factors are incorporated into the strategy’s guidelines.

For ‘Solution focused’ funds, a sample of each fund manager’s holdings were assessed against the five dimensions of Impact Management Norms, supported using the impact questions below:

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

Figure 2: Bottom-up view assessment for ongoing due diligence.

# ESG analysis: key findings

This report presents our findings of the analysis and aims to provide transparency in evaluating the alignment of these funds to their sustainability objectives.

The ESG Risk and Opportunity focused funds have specific approaches as outlined by the T&IO ESG Product Framework. To ensure that they are meeting their objectives, fund information was reviewed including the funds' portfolio construction, as well as the funds' performance in relation to their stated sustainability objectives. We conclude that all of PruFund Planet's ESG Risk focused and Opportunity focused funds are aligned with their stated sustainability objectives.

For Solution focused funds, we reviewed reports disclosed by selected samples of a company holding for each fund. This provided valuable insights into the company's practices and impact, and ultimately the funds' outcomes.

This analysis revealed that the funds demonstrated notable alignment and progress on their stated sustainability objectives across the three ESG approach categories. However, there were cases that required further investigation following the bottom-up analysis, ie, instances where we questioned a holding's suitability in a Solution focused fund. Under such circumstances, details on the impact cases are requested from the fund manager, which is followed up with a discussion on the rationale for inclusion with the portfolio manager where necessary. After these discussions, we gained comfort that these company holdings were suitable for a Solution focused portfolio.

To ensure that the Solution focused funds have continued to remain aligned to their sustainability objectives during 2024, we conducted another review based predominantly on data available for 2023 and 2022, utilising an array of sources provided, including: impact reports, bespoke fund update packs and investor reports. Additionally, direct discussions with portfolio managers offered opportunities to further enhance the granularity of the analysis by facilitating in-depth discussions on the portfolios ESG activities and solutions to environmental and social challenges. Whereas, bespoke data requests enabled a deeper exploration of specific variables and factors of the fund's activities and case studies. Through the integration of different sources of data, we were able to make an informed assessment on the funds.

The majority of the Solution focused funds have sustainability objectives which were measured against their key performance indicators (KPIs) – these are a set of quantifiable measurements used to gauge if they were aligned to their specific objectives. Many of these KPIs are based on meeting some of the 17 United Nations Sustainable Development Goals and are reported on by investment managers. We have incorporated this disclosure into our assessment process. Based on the recent assessment, we conclude that PruFund Planet's Solution focused funds are performing in line with their sustainability objectives.

# ESG policies and exclusions







When assessing a fund manager's capability, we review their relevant ESG policy and processes to ensure there is sufficient alignment with the Prudential Assurance Company (PAC) ESG Investment Policy. Please note the PAC ESG Investment Policy may overlap or have different thresholds with the M&G Investments or external managers ESG policy requirements. In these cases, stricter threshold is to be applied.

The PAC ESG Investment Policy can be found [here](#).

The M&G Investments ESG Investment Policy can be found [here](#).

## Exclusions

The exclusion sectors covered by the ESG policies (outlined in the previous table) can be detailed as follows.

Asset type	Underlying funds	Exclusion sectors					
							
Equity	BlackRock ESG Regional total allocation						
	UK	✓	✓	✓	✓	✓	✓
	North America	✓	✓	✓	✓	✓	✓
	Europe ex UK	✓	✓	✓	✓	✓	✓
	Japan	✓	✓	✓	✓	✓	✓
	Asia ex Japan	✓	✓	✓	✓	✓	✓
	Global Emerging Markets	✓	✓	✓	✓	✓	✓
	Targeted Thematic / Impact Equities total allocation						
	M&G Positive Impact Fund	✓	✓	✓	✓	✓	✓
	M&G Better Health Solutions Fund	✓	✓	✓	✓	✓	✓
	Wellington Climate Strategies Fund	✓	✓	✓	✓		
	Pictet Global Environmental Opportunities Fund	✓	✓	✓	✓	✓	✓
	Robeco Sustainable Water and Waste Fund	✓	✓	✓	✓	✓	✓
	Robeco Gender Equality Impact Fund	✓	✓	✓	✓	✓	✓
Property	M&G Prudential Real Estate Limited Partnership			✓			
	M&G European Property Fund			✓			
	M&G Asian Property Fund			✓			
	M&G Residential UK Property Fund			✓			
	M&G UK Shared Ownership Fund			✓			
	Morgan Stanley Prime US Property Fund						

 Thermal coal

 Controversial weapons







 Adult entertainment

 UN Global Compact

 Tobacco

 Gambling

The exclusion sectors covered by the ESG policies (outlined in the previous table) can be detailed as follows.

		Exclusion sectors					
Asset type	Underlying funds						
Alternatives	M&G Private Equity Impact Fund	✓	✓	✓	✓	✓	✓
	M&G Real Impact Fund	✓	✓	✓	✓	✓	✓
	M&G Catalyst Capital Fund	✓	✓	✓	✓	✓	✓
	responsAbility Sustainable Food LATAM I Fund		✓	✓	✓		✓
	responsAbility Sustainable Food Asia II Fund		✓	✓	✓		✓
TAA	M&G Multi Asset Sustainable Allocation Fund	✓	✓	✓	✓	✓	✓
Fixed Income	M&G Sustainable Global High Yield Fund	✓	✓	✓	✓	✓	✓
	M&G Sustainable Emerging Market Debt Fund	✓	✓	✓	✓	✓	✓
	M&G Sustainable Loan Fund	✓	✓	✓	✓	✓	✓
	Core Public Credit total allocation						
	Wellington Global Impact Bond Fund	✓	✓	✓	✓	✓	✓
	Manulife Sustainable Asia Bond Fund	✓	✓	✓	✓	✓	✓
	Columbia Threadneedle UK Social Bond Fund	✓	✓	✓	✓	✓	✓
	Private Credit total allocation						
	M&G Catalyst Credit Fund	✓	✓	✓	✓	✓	✓
	M&G Impact Financing Fund	✓	✓	✓	✓	✓	✓
	responsAbility Global Micro and SME Finance Fund		✓	✓	✓		✓
Cash	M&G ESG Segregated Cash Mandate	✓	✓	✓	✓	✓	✓

 Thermal coal

 Controversial weapons

 Adult entertainment

 UN Global Compact

 Tobacco

 Gambling

# ESG fund characteristics

Whilst each strategy within PruFund Planet is aligned in principle with the PAC ESG Investment Policy, the specific ESG characteristics of each fund are dependent on the investment strategy of the fund. The table below indicates which of these characteristics are exhibited by each underlying fund:

Strategy	Fund	Exclusions	ESG integration	Active ownership	Engagement	Voting	Divestment	Positive screens/ tilts/best-in-class	Sustainability themed investing	Target universe
Equity	BlackRock UK	✓	✓	✓	✓	✓		✓		
	BlackRock Europe ex UK	✓	✓	✓	✓	✓		✓		
	BlackRock Japan	✓	✓	✓	✓	✓		✓		
	BlackRock North America	✓	✓	✓	✓	✓		✓		
	BlackRock Asia ex Japan	✓	✓	✓	✓	✓		✓		
	BlackRock Global Emerging Markets	✓	✓	✓	✓	✓		✓		
	M&G Positive Impact	✓	✓	✓	✓	✓	✓	✓	✓	✓
	M&G Better Health Solutions Fund	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Wellington Climate Strategies	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Robeco Gender Equality Impact	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Robeco Sustainable Water	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Pictet Global Environmental Opportunities	✓	✓	✓	✓	✓	✓	✓	✓	✓
Property	M&G Asian Property	✓	✓	✓	✓					
	M&G European Property	✓	✓	✓	✓					
	M&G Residential Ownership (UK)	✓	✓	✓	✓					
	M&G Shared Ownership (UK)	✓	✓	✓	✓					
	M&G Prudential Real Estate Limited Partnership (UK)	✓	✓	✓	✓					
	Morgan Stanley Prime Property Fund (US)	✓	✓	✓	✓					
Alternatives	M&G Private Equity Impact Fund	✓	✓	✓	✓				✓	✓
	M&G Real Impact Fund	✓	✓	✓	✓				✓	✓
	M&G Catalyst Capital Fund	✓	✓	✓	✓				✓	✓
	responsAbility Sustainable Food Asia II	✓	✓	✓	✓				✓	✓
	responsAbility Sustainable Food LATAM I	✓	✓	✓	✓				✓	✓
TAA	M&G Multi Asset Sustainable Allocation	✓	✓	✓	✓	✓	✓	✓	✓	✓

# UK Sustainability Disclosure Regulation (SDR)

The analysis in this report has been carried out at the underlying fund level to build a view of whether or not PruFund Planet remains aligned to its sustainability and stewardship goals. We will look to evolve our methodology in the future to potentially include consideration of UK Sustainability Disclosure Regulation (SDR) labels.

A number of the funds PruFund Planet invests in may apply labels under the SDR labelling scheme. The requirements to meet these labels will be taken into account when we assess whether or not the underlying funds are aligned to its sustainability objectives. There will be other funds that do not qualify for an SDR label, for instance where the fund is not subject to a UK regulatory regime. Separately, managers who do qualify for a label might choose not to opt in to label the fund. We expect to continue to assess these funds on whether they've met their sustainability objectives in the same way.

At this stage, PruFund Planet itself is not in scope of the SDR labelling scheme. If and when PruFund Planet comes into scope, we will assess the labelling scheme's requirements and determine whether or not a label might be appropriate. We do not expect to change PruFund Planet's sustainability and stewardship goals at this point, but this may change depending on the detail of future regulation and our business strategy.



# Glossary

Terms	Definition
Additionality	Proving that the investment is contributing towards a specific issue. Organisations are assessed on this to determine the issuer's ability to prove that the positive environmental and/or societal outcomes would not have occurred without the investment.
Divestment	Selling or disposing of shares or other assets in certain investments.
Engagement	Interactions and dialogue conducted between an investor and an investee (eg, company), or a non-issuer stakeholder (eg, an external investment manager or policy maker) to improve practice on an ESG factor, make progress on sustainability outcomes, or improve public disclosure.
ESG	ESG stands for Environmental, Social and Governance. ESG is a framework that helps stakeholders understand how an organisation is managing risks and opportunities related to environmental, social and governance criteria.
ESG integration	The systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions.
ESG investing	Type of investing where investors are applying ESG factors as part of their analysis process to identify material risks and growth opportunities.
ESG outcome / Sustainability outcome	The positive and negative effects of investment activities on people and/ or the planet. They are understood in the context of global sustainability goals and thresholds. A positive social outcome is the intended benefit on people and communities that happens as a result of an action, business or investment activity. A positive environmental outcome is the intended benefit on the planet and external environment that happens as a result of an action, business or investment activity.
Exclusions	Avoiding or screening out certain businesses, sector, or other issuers on the basis of values/ethics, controversies or risk-based criteria.
Positive screens	Applying filters to a universe of securities, issuers, investments, sectors or other financial instruments to rule them in, based on their positive performance on ESG factors.

Responsible investing	Responsible Investing involves consideration of environmental, social and governance (ESG) issues in investment decisions making and stewardship activities. It complements traditional financial analysis and portfolio construction techniques. Responsible investing also often aims to avoid harmful investment activities through negative exclusions in areas such as controversial weapons, tobacco, coal mining or gambling.
Sustainability	Sustainability is defined as the ability for an organisation to maintain a balance of resources and relationships, with the objective of meeting the needs of current generations without compromising the ability of future generations to meet their own needs.
Sustainable Tactical Asset Allocation (TAA)	Managed by the M&G Multi Asset Investment Business team, the discretionary macro strategy aims to achieve cash-plus returns through tactical asset allocation with an additional focus on ESG and sustainability. This will be implemented via a basket of ESG friendly stocks which will mirror the broader market indices, effectively 'tilting' the strategic asset allocation towards either fixed income or equity (or cash) depending on a shorter-term view of global markets.
Sustainability themed investing	An investment approach that specifies investments on the basis of a sustainability theme.
Target universe	Clearly defined asset-level selection criteria specified in measurable terms.
Voting	The exercise of voting rights on management and/or shareholder resolutions to formally express approval, or disapproval, on relevant matters.



[pru.co.uk](https://pru.co.uk)

'Prudential' is a trading name of Prudential Distribution Limited. Prudential Distribution Limited is registered in Scotland. Registered Office at 5 Central Way, Kildean Business Park, Stirling FK8 1FT. Registered number SC212640. Authorised and regulated by the Financial Conduct Authority.

'M&G Treasury & Investment Office (T&IO)' includes the team formerly known as Prudential Portfolio Management Group (PPMG). Prudential Portfolio Management Group Limited, is registered in England and Wales, registered number 2448335.