

The Prudential Assurance Company

How we are investing your money

The 2022 With-Profits Fund Stewardship Report for UK clients

For: PruFund Growth, PruFund Cautious, the Risk Managed PruFund range of funds,
Conventional With-Profits policies and Accumulating With-Profits policies



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Questions?

If you have any questions about how your policy is invested, please ask your adviser.

Introduction



Dear Prudential client,

Welcome to the Prudential Assurance Company With-Profits Stewardship Report.

Our aim with this Report is to give you an insight into how we are looking after your money: who is managing it, and where and how it is being invested.

In this Report, we also outline how we aim to address issues like climate change which will affect your savings and investments over time. As part of M&G plc, the Prudential Assurance Company (PAC) is committed to achieving net zero carbon emissions by 2050 across all our investment portfolios, in line with the UK Government's targets to help limit global warming.

M&G plc owns a group of financial brands and companies ('the Group'), which includes PAC, with significant heritage dating back 175 years. The brands include Prudential (also known as Pru), through which you might have taken out your policy as well as M&G Wealth, M&G Investments (the investment company of M&G plc), M&G Real Estate and Infracapital. PAC is a subsidiary of M&G plc and is part of the Pru brand.

In this Report, and in future versions, we will update you on our progress. You can read more about this, and our other corporate sustainability goals, on page 12.

We hope you find this 2022 Report useful and interesting and we'd really value your feedback and you can write to us at **StewardshipFeedback@MandG.com**

Best wishes,

A handwritten signature in black ink, appearing to read 'D. King'.

David King

Head of Treasury & Investment Office,
on behalf of the Prudential Assurance Company Limited

Where is my money invested?

As a client or policyholder, you are an investor, and your money is invested into a large pool of assets within our Prudential With-Profits Fund. One of the strengths of our With-Profits Fund is its large size – £128.9 billion in total* – meaning we can hold a wide range of different types of assets, all over the world. This spreads risk and helps us to deliver our objective of a steady medium to long-term return.

Our size also means we can take advantage of some good long-term opportunities that smaller investors cannot, such as the investments made by Catalyst, an M&G investment team, which you can read about on page 17.

The following pages show where your money is invested and what it's invested in according to which policy you hold within our With-Profits Fund.

- If you're a UK customer invested in PruFund Growth or hold an Accumulating With-Profits policy or Conventional With-Profits policy, please see pages 5 and 6
- If you're a UK customer invested in PruFund Cautious please see pages 7 and 8
- If you're a UK customer invested in one of the Risk Managed PruFunds, please see page 9.

You can find out which asset managers are managing your money on page 11

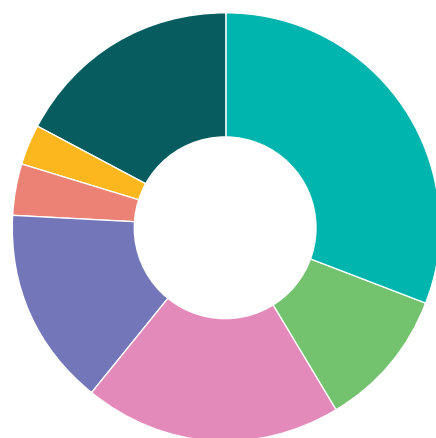
* Source: M&G Treasury & Investment Office. Size as at 31 December 2022.

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

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.

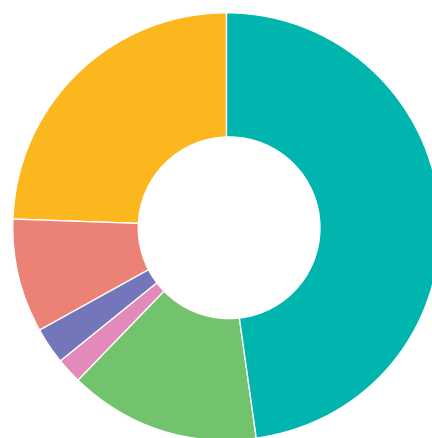
Where my money is invested: PruFund Growth, Conventional With-Profits policies and Accumulating With-Profits policies

Where in the world your investments are:



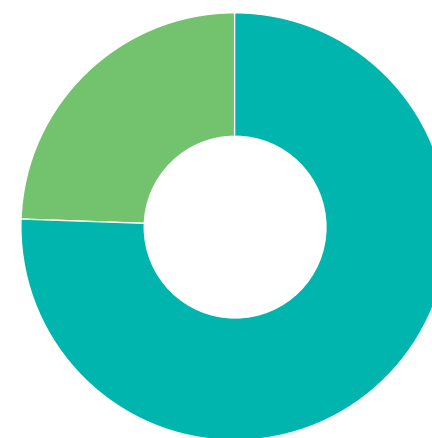
UK	30.9%
Europe ex UK	10.3%
Asia including Japan, China and India	19.5%
US	15.0%
Emerging markets	3.7%
Middle East and Africa	3.0%
Global	17.7%

What assets your investments are in:



Public equity	46.3%
Property	15.4%
Cash	1.9%
Tactical asset allocation*	3.2%
Alternatives**	10.7%
Fixed income	22.4%

Who is managing your assets:



M&G Investments	75.7%
Other asset managers	24.3%

* Asset allocation is the process of deciding where to invest. Asset allocations are regularly reviewed by the M&G Treasury & Investment Office and may vary from time to time but will always be consistent with the fund's objective.

** Please see the Glossary page 21, for definition of Alternatives

Source: M&G Treasury & Investment Office, data as at 31st December 2022.

Where my money is invested: PruFund Growth, Conventional With-Profits policies and Accumulating With-Profits policies (continued)

Top ten holdings – all assets

Number	Top 10 Individual Holdings	Asset type	% of total asset pool
1	United States Treasury	Fixed Income	1.16%
2	AstraZeneca plc	Equity	0.78%
3	40 Leadenhall Street	Property	0.77%
4	Shell plc	Equity	0.65%
5	Garden State Plaza, New Jersey	Property	0.63%
6	Taiwan Semiconductor Manufacturing Co Ltd	Equity	0.53%
7	Unilever PLC	Equity	0.52%
8	HSBC Holdings plc	Equity	0.50%
9	BP PLC	Equity	0.47%
10	Samsung Electronics Co Ltd	Equity	0.43%
			6.45%

Source: M&G Treasury & Investments Office. Valuations are at 31st December 2022.

Top ten holdings – equities only

Number	Top 10 Individual Holdings	Type of equity	% of total asset pool
1	AstraZeneca plc	UK Equity	0.78%
2	Shell plc	UK Equity	0.65%
3	Taiwan Semiconductor Manufacturing Co Ltd	Asia and GEM	0.53%
4	Unilever PLC	UK Equity	0.52%
5	HSBC Holdings plc	UK Equity	0.50%
6	BP PLC	UK Equity	0.47%
7	Samsung Electronics Co Ltd	Asia and GEM	0.43%
8	Rio Tinto plc	UK Equity	0.43%
9	Diageo plc	UK Equity	0.37%
10	Microsoft Corporation	US Equity	0.31%
			5.00%

Reflecting the highly diversified nature of this asset pool, the top ten holdings account for only 6.45% of the portfolio, and include equities, prime real estate, corporate and government bonds.

Six of the ten largest companies in the FTSE100 are included in this list of top ten equity holdings, as at 31st December 2022, reflecting our core investments in the FTSE100 in both active and passive equity strategies.

Five of these ten (BP, Rio Tinto, Samsung Electronics, Shell and Taiwan Semiconductor) are on M&G Investments' Climate Hotlist. The asset manager is targeting engagement efforts on this list of carbon emitting companies to ensure they have robust climate transition plans in place. You can read more about this on page 11.

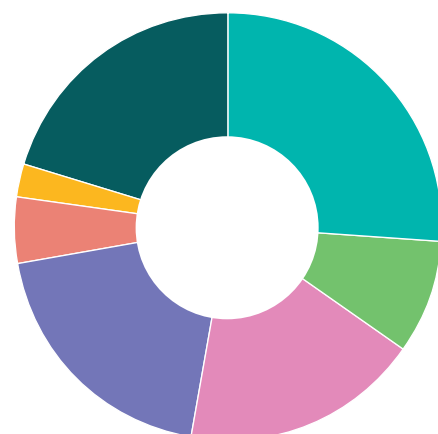
As well as the M&G Investments' Climate Hotlist, we have several areas of focus to mitigate climate risks in our investment portfolios. You can read more about these on pages 12 to 18.

Source: M&G Treasury & Investment Office, equity valuations are at 31st December 2022.

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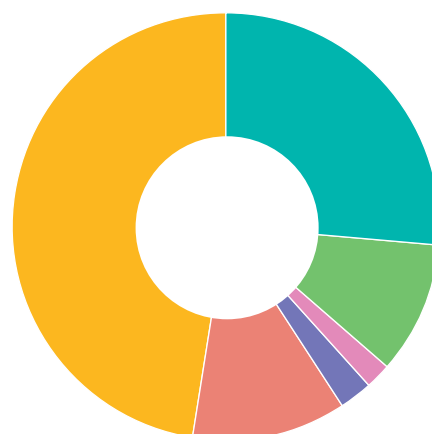
Where my money is invested: PruFund Cautious

Where in the world your investments are:



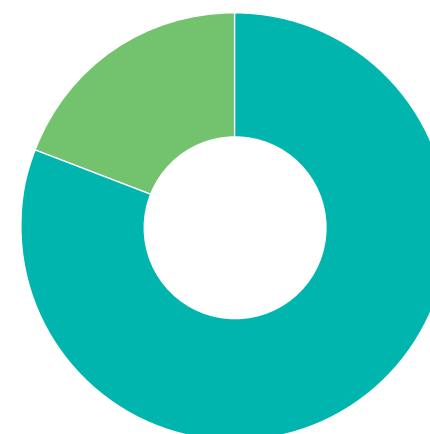
UK	26.2%
Europe ex UK	8.8%
Asia including Japan, China and India	17.9%
US	19.5%
Emerging Markets	5.0%
Middle East and Africa	2.4%
Global	20.2%

What assets your investments are in:



Public equity	26.6%
Property	10.0%
Cash	2.0%
Tactical asset allocation	2.3%
Alternatives	11.7%
Fixed income	47.5%

Who is managing your assets:



M&G Investments	81.0%
Other asset managers	19.0%

Asset allocations are regularly reviewed by the M&G Treasury & Investment Office and may vary from time to time but will always be consistent with the fund's objective.
Source: M&G Treasury & Investment Office, data as at 31st December 2022.

Where my money is invested: PruFund Cautious

Top ten holdings – all assets

Number	Top 10 Individual Holdings	Asset type	% of PruFund Cautious
1	United States Treasury	Fixed Income	2.42%
2	Indonesia (Republic Of)	Fixed Income	0.95%
3	Korea (Republic Of)	Fixed Income	0.62%
4	European Investment Bank	Fixed Income	0.59%
5	Singapore (Republic Of)	Fixed Income	0.53%
6	AstraZeneca Plc	Equity	0.51%
7	Malaysia (Government)	Fixed Income	0.51%
8	Bank Of America Corp	Fixed Income	0.49%
9	Philippines (Republic Of)	Fixed Income	0.47%
10	232/247 Tottenham Court Road	Property	0.44%
			7.52%

Source: M&G Treasury & Investment Office. Valuations as at 31st December 2022.

Top ten holdings – equities only

Number	Top 10 Individual Holdings	Type of equity	% of PruFund Cautious
1	AstraZeneca plc	UK Equity	0.51%
2	Shell plc	UK Equity	0.44%
3	Unilever PLC	UK Equity	0.34%
4	Taiwan Semiconductor Manufacturing Co Ltd	Asia and GEM	0.32%
5	HSBC Holdings plc	UK Equity	0.31%
6	BP PLC	UK Equity	0.30%
7	Rio Tinto plc	UK Equity	0.27%
8	Samsung Electronics Co Ltd	Asia and GEM	0.26%
9	Diageo plc	UK Equity	0.24%
10	GSK plc	UK Equity	0.19%
			3.17%

PruFund Cautious Fund invests in a wide range of investment types. A large proportion of the Fund is invested in Fixed Income assets which generally carry lower risk than equities. Eight out of the ten largest holdings are in Fixed Income, with the others being in Equities and prime real estate.

Eight of the ten largest companies in the FTSE100 are included in this list of top ten equity holdings, as at 31st December 2022, reflecting our core investments in the FTSE100 in both active and passive equity strategies.

Five of the top ten holdings (BP, Rio Tinto, Samsung Electronics, Shell and Taiwan Semiconductor) are on M&G Investments' Climate Hotlist. The asset manager is targeting engagement efforts on this list of carbon emitting companies to ensure they have robust climate transition plans in place. You can read more about this on page 11.

As well as the M&G Investments' Climate Hotlist, we have several areas of focus to mitigate climate risks in our investment portfolios. You can read more about these on pages 12 to 18.

Source: M&G Treasury & Investment Office, Equity valuations are at 31st December 2022.

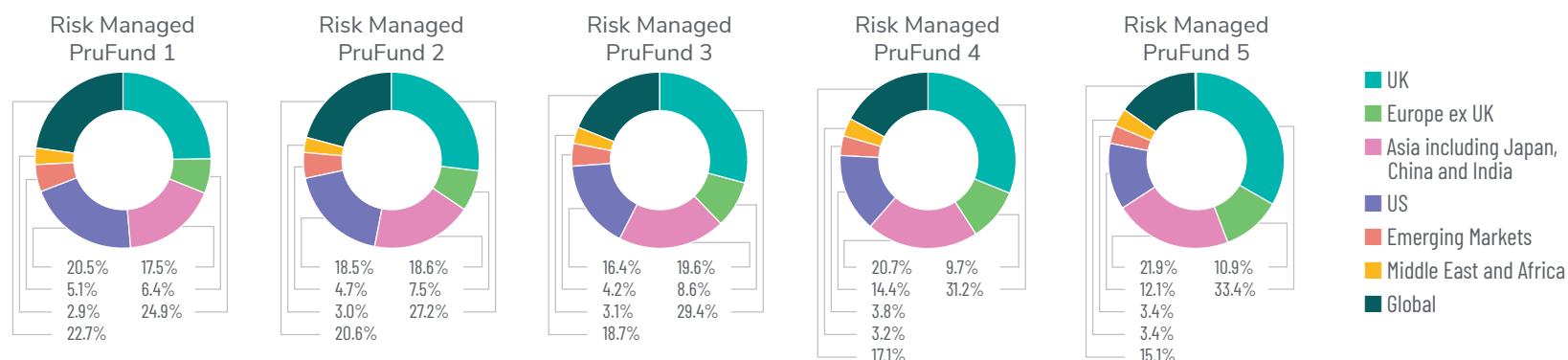
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Where my money is invested: Risk Managed PruFund range of funds

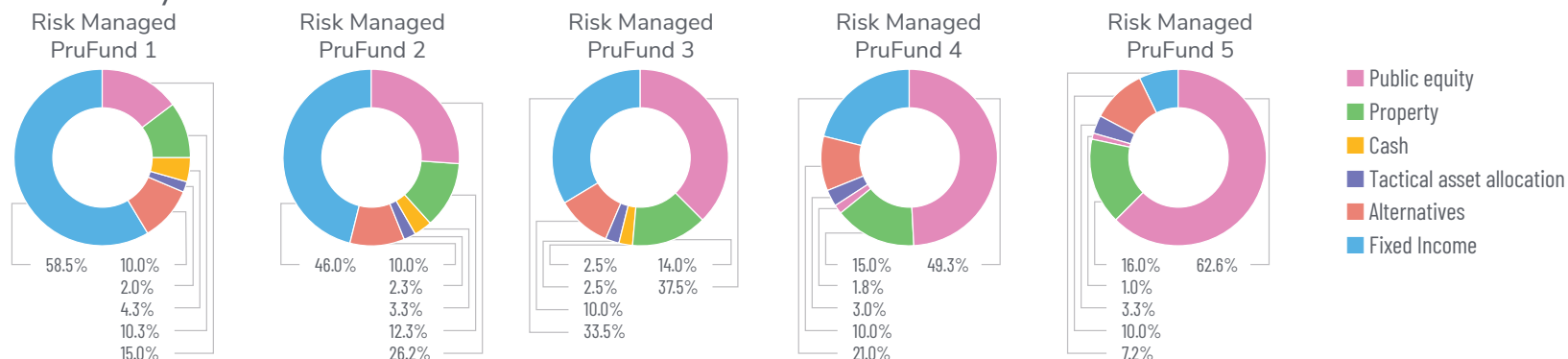
The Risk Managed PruFund range of funds does not have its own specific and separate pool of assets within our With-Profits Fund. This allows the portfolios to be more diversified, and reduces the costs you pay.

While this means it is not possible to generate accurate lists of the top ten holdings by the fund range, we can share the asset mix for each of the funds, which is used to work out investment performance “as if” the range had its own pool of assets.

Where in the world your investments are:



What assets your investments are in:



Asset allocations are regularly reviewed by the M&G Treasury & Investment Office and may vary from time to time, but will always be consistent with the fund's objective.

Source: M&G Treasury & Investment Office, data as at 31st December 2022.

How PAC manages your money



What PAC does

PAC looks after your money and is ultimately responsible for the policies that you hold with us. We make the big strategic decisions about the kind of things we think the Prudential With-Profits Fund should invest in for the long-term, and how we should approach risks that could impact the value of investments over the long-term, like climate change.

We also appoint the asset management firms which manage money on a day-to-day basis. We give them instructions, which set out our expectations on how money should be managed, and what we want them to achieve. This includes considerations of sustainability and environmental, social and governance (ESG) factors. We also jointly invest in some strategies with other asset owners, known as pooled vehicles, which an asset manager will run for us. We select new asset managers carefully to make sure they have the right capability and offer good value, and regularly review all our existing asset managers to make sure they are continuing to meet our expectations.

In the last two years, PAC has successfully applied to become a signatory of the **FRC UK Stewardship Code 2020** which sets the UK standards for how investors like us allocate and manage money on your behalf. Our

latest submission is available in full to read [here](#). We're now signatories of the **Principles for Responsible Investment (PRI)**, which from 2023 will assess how well we consider ESG factors in our decision making.

Finally, as part of M&G plc we have joined the **UN Global Compact**, committing to ten principles of good practice in human rights, labour, the environment and anti-corruption which we **report** on annually.

What our asset managers do

Asset managers decide where to invest, and when to buy and sell. Depending on the strategy, the investments they make on our behalf might be company shares, bonds, loans, currencies, properties or other assets, or a mixture of these, and they may invest globally, or specialise in a certain region or country.

We also expect our asset managers to be good stewards of your money. This includes researching and analysing the ESG risks and opportunities that companies may face, and considering these factors when making investment decisions. If companies don't have good plans for dealing with these risks, we expect our asset managers to work with them to adopt these. If necessary, asset managers can vote against resolutions at company Annual General Meetings and as a last resort, we could instruct asset

managers to sell their investments in companies. On the whole, however, our preference is for asset managers to positively influence businesses to act responsibly. You can read more about our asset managers on page 11, and our full policy on shareholder engagement is available [here](#).

Our ESG Investment Policy

Our **ESG Investment Policy** helps ensure our decisions and behaviours are consistent with our values of care and integrity, and our corporate sustainability priorities (see page 12), and enable us to deliver sustainable long-term outcomes for you.

One of the key features of this policy is our commitment towards addressing climate change, and diversity & inclusion, and our commitment to exclude companies in harmful sectors from our investments. We exclude companies linked to the manufacture and distribution of controversial weapons such as cluster munitions and anti-personnel landmines. PAC has investment restrictions for thermal coal related investments, in adherence with the M&G plc Thermal Coal Position, and for investments identified as United Nation Global Compact (UNGC) norms violators. The Policy also includes detail on other ESG issues such as Modern Slavery. The full Policy is [here](#).

Who is managing your money?

We require all the asset managers we appoint to invest responsibly on our behalf, in your best interests. As part of our investment due diligence, we assess how our asset managers incorporate ESG factors into the investment decision making process, and this is monitored on an ongoing basis. This includes a review of whether our asset managers are signatories of the Principles for Responsible Investment, an independent assessment of how they incorporate ESG factors into their investment decision making. We also expect our asset managers to be aligned to our PAC ESG Investment Policy (see page 10). This alignment includes the segregated or sub-delegated mandates they manage for us. This is reviewed in an appropriate way. M&G Investments is currently signatory to the FRC UK Stewardship Code.

Asset manager	Type of Investments*
M&G Investments	Global Public and Private Equity, Global Public Bonds, Private & Alternative Assets and Property
BlackRock Investment Management	Global Public Equity
Eastspring Investment	Asian Public Bonds
EARNEST Partners	US Small Companies Equity
Goldman Sachs	Emerging Market Equity
Granahan Investment Management	US Small Companies Equity
Invesco Canada	Emerging Market Equity
Lazard	Emerging Market Equity
MFS Investment Management	Emerging Market Equity
Value Partners	China Public Equity

* The investment strategies listed for third-party asset managers are not exhaustive lists of what the third-parties may offer.

How asset managers engage to add value – M&G Investments example

M&G Investments currently manages around 75% of the assets under management in our With-Profits Fund. M&G Investments is primarily an active asset manager, which means it researches and analyses potential investments before selecting them, rather than simply investing in components of an index. It also directly engages with the management of companies it invests in, to ensure they are acting in the best interests of shareholders. As a large investor, M&G Investments can exert influence over companies to encourage them to do the right thing, particularly when it joins other investors in collective action.

M&G Investments has a Climate Hotlist including the 100 companies to which it has the greatest carbon exposure as an asset manager. Through its Stewardship team and Investment team, M&G Investments is prioritising engagement with these companies to understand if they have climate transition plans and if so how credible their plans are, and to hold them to account for delivering them.

The full voting record of M&G Investments is available [here](#).

Our sustainability goals

Why sustainability matters

We take a long-term investment approach, as we believe this results in the best outcome for customers. To do this, we need to consider sustainability. We believe sustainability is material to the long-term performance of your savings and policies, as well as to the quality of life we enjoy on this planet. We're already seeing the physical effects of climate change, deforestation and human over-consumption, including extreme weather, fires, flooding and water shortages. To adapt to and mitigate these risks, governments are starting to make new laws and regulations, companies are beginning to change their businesses, and consumers are altering their behaviour. One of our responsibilities as long-term stewards of your money is to consider how environmental and social risks like these may affect your investments, and how best to manage them.

In 2020 our parent company, M&G plc, announced two high level sustainability priorities: climate change, and diversity & inclusion (D&I), and specific commitments to support these:

On climate change:

- We have a net zero commitment for 2050 across both our operations and investment portfolio, and have interim targets set for each. Please see the **M&G sustainability report**

Our sustainability goals (continued)

On D&I

M&G plc's commitments to diversity and inclusion

- To achieve 40% female representation and 20% representation from Black, Asian and minority ethnic backgrounds by 2025 in the Group's senior leadership roles
- As an asset owner, to evaluate the diversity policy of investment managers that manage assets on our behalf, and how investment managers challenge investee companies to improve and maintain diversity
- To continue to meet our external benchmarks, including the National Equality Standard and LGBT Great Equality Index

M&G plc's 10 point approach to sustainability contains clear objectives to help us embed sustainability across the business and support real-world positive change. It covers how we invest on your behalf and how we communicate with you about your investments, and also what we're doing as a business to reduce our own environmental footprint and improve D&I. You can find out more in the current **M&G's Sustainability Report** [here](#).



Your money at work – spotlight on climate

Climate change is one of the most pressing issues facing the planet, and will have an increasing impact on the environment, the economy, and the way we live our lives.

In 2020, we made tackling climate change one of our two corporate sustainability priorities. The Paris Agreement on Climate Change states that to limit global warming to 1.5°C, the world must achieve net zero carbon emissions by 2050. So, we have committed to achieve this across our investment portfolios, including our With-Profits Fund, by 2050. For our business operations, we have set ourselves near-term operational carbon reduction targets, aligned with the Paris Agreement. These include:

- reducing Scope 1 & 2 (market-based) carbon emissions from our direct operations by 46% by 2030 from a 2019 baseline;
- reducing Scope 3 business travel carbon emissions by 46% by 2030; and
- engaging with suppliers to encourage them to set ambitious carbon reduction targets aligned with climate science, with an aim to cover a minimum of 67% of our Scope 3 supply chain emissions by 2030.

Getting to net zero

Achieving our goal of net zero carbon emissions across our investments is a big task. For us, it involves three principal actions:

- 1) Requiring our asset managers to engage with the companies they invest in, to ensure they have credible plans to achieve net zero carbon emissions for their investment portfolios by 2050.
- 2) Requiring our asset managers to sell investments, and exclude any future investments, in companies which cannot or will not achieve net zero for their investment portfolios by 2050.
- 3) Allocating money to asset managers to invest in companies and projects which aim to reduce requirement for carbon or to remove carbon from the atmosphere. You can read about one of our recent investments in this area on page 16.

As we action these, we're conscious of the need for a just transition to a low carbon economy. By this we mean that when we and our asset managers make decisions, we should consider the impact of carbon emissions reduction on communities here in the UK and around the world. In developing countries, many economies and communities depend on activities such as mining and are also more reliant on coal-powered energy. We believe that the costs and benefits of tackling climate change should be shared fairly between generations, communities and regions.

Measuring progress

As a member of the Net-Zero Asset Owner Alliance (NZAOA), which we joined in 2021, we are committed to making our portfolios carbon neutral by 2050 in aggregate. This is also in line with the commitments made by M&G plc and in accordance with the Paris Agreement. Last year we focused on building an extended strategy of achieving this through the development of our interim targets, which we published in September 2022.

Engaging on climate

On behalf of hundreds of global investors in the Climate Action 100+ group, our main asset manager, M&G Investments co-leads active engagement with three companies on the Climate Action 100+ list of the world's largest corporate greenhouse gas emitters: BP, Rio Tinto and Samsung Electronics.

Portfolio carbon emissions

You can see below the latest available carbon emissions data for the asset pool in which your policy sits.

Unfortunately, reliable carbon data is not yet available to us for all assets. Good data is generally available for most publicly listed investments in equities and corporate bonds, but not for private assets. You can see below the proportions of the assets for which we have been able to collect carbon data this year. Over time we expect these to grow as the quality and quantity of data available to us improves.

CO₂e is a measure that not only includes CO₂ but has other greenhouse gases included too (such as methane). To apply the CO₂e measure, the other gases are compared to CO₂ and their potential impact on global warming. By combining all the gases into this measure you get an overall picture of the impact of these greenhouse gases.

Weighted Average Carbon Intensity (WACI) is an established carbon measurement which takes into account a company's size, and helps us see which companies need to do the most work to clean up their emissions. We're also using a new method to calculate total emissions and emissions per \$ invested, which can take into account fixed income as well as equities. As this method is newer, its coverage is not as wide as WACI yet but we hope and expect this will improve over time.

Total carbon emissions can be affected by a variety of changes, including in value of the assets in the funds. Our preferred way of measuring carbon emissions is therefore either emissions for each million dollars invested or the Weighted Average Carbon Intensity.

	Total carbon emissions (tons CO ₂ e)	Emissions per \$m invested (tons CO ₂ e/\$ invested)	Proportion of assets covered by carbon footprint & emissions data	Weighted Average Carbon Intensity (WACI) (tons CO ₂ e/\$m sales)	Proportion of assets for which WACI is available
PruFund Growth, Conventional With-Profits policies & Accumulating With-Profits policies	8,619,580.90	79.10	51.42%	169.60	54.18%
PruFund Cautious	1,163,715.00	77.50	45.74%	192.40	51.75%
The Risk Managed PruFund range of funds does not have its own specific and separate pool of assets within our With-Profits Fund, which means we cannot calculate carbon emission data for these funds.					

Source: MSCI data and methodology, data as at 31st December 2022.

If you would like information about the total carbon emissions for the portfolio, please contact us at StewardshipFeedback@MandG.com

Portfolio carbon emissions (continued)

Managing climate risks

We use several methods to identify where investments are exposed to climate risk, including scenario analysis. These scenarios include physical risks like flooding, fire and extreme wind, and also the risks to companies as they change their business models to reduce carbon emissions. We model our portfolio exposures and how they behave under different climate scenarios, and will extend this capability across our strategies, with regular updates. This will help us identify climate-related risks and how they are likely to impact investments, as well as track how individual exposures change over time.

Scenario modelling does not capture all climate-related risks and relies on many assumptions. We therefore also consider various connected ESG issues, and their impact on climate change.

Our thermal coal position

One of the most important things we can do to tackle climate change is to use our influence to accelerate the global phase out of thermal coal, which is a major contributor to carbon emissions.

In March 2021, M&G plc published its Position on Thermal Coal, including the commitment to reduce its exposure to thermal coal power generation, mining and other sectors with thermal coal-related operations without any technologies to substantially reduce CO₂ emissions. This commitment to reduce exposure is by 2030 in developed countries and by 2040 in developing countries.

M&G plc also joined the Powering Past Coal Alliance, a coalition of countries, cities, regions and organisations aiming to accelerate the coal phase out, in March 2021.

PAC's Asset Owner Thermal Coal Position has existed since 2020, and was reviewed in 2021 in order to meet the requirements of the Powering Past Coal Alliance and M&G plc's position.

PAC's Thermal Coal Position applies to publicly listed assets and property. Where companies fail our coal screening, we prefer to engage to phase out coal, but where engagement is unsuccessful or considered unlikely to succeed, we may exclude some companies from our portfolios. Initial exclusions and engagements commenced in 2021, with additional exclusions implemented over 2022.



Your money at work – spotlight on Catalyst

Our world is facing some complex problems from pandemic diseases and social inequality to biodiversity loss and climate change, to name but a few. We believe that we can and should use our size and influence to help tackle these issues, as they affect both our clients' investments and their lives.

In January 2021, we asked M&G Investments to invest £5 billion from our With-Profits Fund into private companies which are trying to solve some of the world's biggest environmental and social challenges.

In its first two years, Catalyst, the team behind the strategy, has deployed or committed over £2.4 billion to 50 companies, including emerging sectors such as carbon capture and storage, clean transport, recycling, and sustainable housing, and in breakthrough innovations in health and biotechnology.

Alongside the themes of climate and health, one of Catalyst's priorities is tackling inequality. Catalyst recently became a signatory of the **Investing in Women Code**, which aims to improve female entrepreneurs' access to the capital they need to grow their businesses. At present, female founders of businesses receive less than 3% of venture capital invested in the UK, which represents a huge, missed opportunity for investors, as well as for the wider economy. On behalf of PAC clients, Catalyst is well positioned to help address this inequality with the investments it makes.

Some of the companies in which Catalyst invested in 2022

Osler Diagnostics	<ul style="list-style-type: none">• Portable low-cost lab testing equipment• Aims to reduce the cost and time involved in diagnosing life threatening diseases
HyCap Fund	<ul style="list-style-type: none">• Invests in clean green hydrogen energy
Innovaccer	<ul style="list-style-type: none">• A cloud solution for healthcare data to help improve patient care and experiences
Northern Gritstone	<ul style="list-style-type: none">• Aims to generate attractive financial returns and deliver a wider positive societal and economic impact from well-paid new jobs and economic opportunity created in the North of England

Your money at work – spotlight on alternatives

With its very large size and long-term outlook, our Prudential With-Profits Fund is able to invest in a very broad range of assets, including opportunities known as “alternative” assets, many of which are not available to private investors.

The large and established M&G Alternatives team sits within the investment division of M&G plc and manages the alternative investment strategy.

They are comprised of investment professionals split into three dedicated investment teams – Private Equity, Infrastructure and Diversifying Strategies and two functional specialist teams, Operational Due Diligence and Portfolio Management.

Private High Yield is another alternative asset class, and is managed by various teams within M&G Investments.

Prudential's With-Profits Fund currently invests £10.0 billion (as at 31st December 2022) in funds specialising in assets like this: which generate secure long-term income streams but don't fall into the conventional categories of publicly listed shares, bonds or cash.

Before investing, the Alternatives team assesses all the opportunities from an environmental, social and governance perspective, and continues to monitor sustainability performance after investment.

Recent alternatives investments include:



\$50 million

in 2022 into one of the largest private conservation-focused forest investments in US history.



\$75 million

in 2022 into a specialised solar development and operating platform, in the US, focused on the distributed solar sector, supporting clean energy.



\$10 million

in 2022 into a key cybersecurity business, providing cloud security and risk management services for organisations.



Over \$9 million

in 2022 into an online education comparison tool with a focus on vocational training courses, supporting employability in Southern Europe, with Spain a key market.



Who has responsibility for your money?

Oversight

Prudential Assurance Company (PAC) Board

Prudential's With-Profits Fund, which includes PruFund Growth, PruFund Cautious, With-Profits annuities and the Risk Managed PruFund range, is part of PAC.

The PAC Board has overall responsibility for the With-Profits Fund's long-term success, and for looking after your interests as a policyholder. As part of this, the Board is responsible for identifying significant risks which might affect your money, and ensuring steps are taken to manage them.

The Board has an Independent Non-Executive Chairman, Ronnie Bowie, and consists of a further five Independent Non-Executive directors and two Executive Directors.

With-Profits Committee

The With-Profits Committee advises the PAC Board to ensure that the interests of our With-Profits policyholders and issues affecting them are appropriately considered. The chair, Robert Talbut, is independent, as are all of the other Committee members.

Our trading names

Prudential and Pru are trading names of the Prudential Assurance Company Limited, and you will see the Pru logo on statements and other documentation we send you.



The Prudential Assurance Company is a wholly owned subsidiary of M&G plc, a company incorporated in the United Kingdom. The Prudential Assurance Company is not affiliated in any manner with Prudential Financial, Inc, a company whose principal place of business is in the United States of America or Prudential plc, an international group incorporated in the United Kingdom.

Who has responsibility for your money (continued)

Investments

PAC delegates most of the key investment activity to the M&G Treasury & Investment Office (T&IO). T&IO develop investment policy, including ESG policy; makes strategic decisions about which types of asset to invest in; and appoints and oversees asset management firms to run specific portfolios. Final investment decisions are made by the Retail & Savings Executive Investment Oversight Committee (R&S EIOC), which reports to the With-Profits Committee and the PAC Board.

Conflicts of Interest

PAC and M&G Investments both adhere to M&G plc's Conflict of Interest Policy.

The Treasury & Investment Office has established and agreed frameworks for selecting managers, fee negotiation and for overseeing manager investment performance with the R&S EIOC and the PAC Board. Fees payable to the internal managers are reviewed every three years; negotiated fees are proposed by Treasury & Investment Office and approved by the PAC Board most recently on 1 Jan 2021.

Key Treasury & Investment Office people



David King
Head of Treasury & Investment Office

David has been head of the Treasury & Investment Office since 2019, responsible for running the team and the management and oversight of Prudential Assurance Company's range of funds. David has held a variety of roles since joining Prudential in 2002: including serving as Chief Financial Officer for various M&G and Prudential entities, Director of Strategy for M&G plc, and heading the team working on the demerger of M&G from Prudential plc in 2019. Before joining M&G, David qualified as a Chartered Accountant and worked in the London banking market for 16 years.



Jin Wee Tan
Head of ESG & Regulatory

Jin Wee has led the ESG & Regulatory team for four years. He's responsible for formulating and implementing ESG investment strategy for the asset owner. Jin Wee has worked where life insurance and asset management connect for many years, and has previously held roles in investment, asset allocation, operations and projects. Jin Wee holds a first class degree in Economics from the London School of Economics and is a CFA Charterholder.



Ciaran Mulligan
Head of Investment Manager Oversight

Ciaran joined the company in May 2015 and leads the Manager Oversight team responsible for assessing the overall suitability of the asset managers used by the Treasury & Investment Office. His team also supports the mandate design process, to make sure each asset manager is given the appropriate mandate to achieve the best possible outcome for our clients. Prior to joining M&G, Ciaran worked at Buck Consultants investment consultancy as Head of Global Research, and at Investment Solutions (part of the Alexander Forbes group).

Glossary

Accumulating With-Profits policies – policies in which a) the investor buys units, b) whose value increases in line with any declared regular bonuses and c) to which a final bonus may be added when the units are cashed in. These are also sometimes known as Unitised With-Profits policies.

Alternatives – investments which don't fall into the conventional asset categories of public equity, fixed income, property and cash. These may include private equity, hedge funds and direct investment in infrastructure.

Asset manager – An investment firm which we appoint to manage assets on our behalf.

Carbon emissions – The annual amount of carbon dioxide released into the atmosphere by human activity, especially our use of energy, transport, and consumption of goods and services. Carbon emissions are usually measured in kilogrammes or tonnes.

Catalyst – Catalyst is a global purpose-led private assets investment strategy. It has two objectives, to achieve an attractive financial return, while making an overall positive difference to the environment and to society. Its three main areas of focus are climate and the environment; better health and wellbeing; and tackling inequality.

Conventional With-Profits policies – policies which assure a basic sum to which bonuses are added. The basic sum assured is the minimum amount paid out on a claim.

Equities – Another name for shares in a company. Prudential's With-Profits Fund holds public equities, which are listed on a stock market, and private equity, which are shares in unlisted private companies.

ESG – ESG stands for environmental, social and governance risks and opportunities which can affect the value of a business or other asset. It's the grouping for a range of underlying issues, where those that are material will impact the long-term business performance of a company and influence its attractiveness as an investment.

Exclusion List – a formal list of companies (in some cases sectors) that an investment institution may not invest in. These companies/sectors are said to be excluded. There are some universal exclusions in our ESG Investment Policy and we may also specify others in set of instructions (known as the mandate) we give to the asset manager. We may permit exceptions where companies are in the process of exiting an excluded sector – for example, if a company has credible plans in place to phase out use of thermal coal by 2030, or by 2040 for developing countries.

Financial Reporting Council (FRC) – sets the corporate audit and accounting standards, and also publishes the UK Stewardship Code for investors (including us).

Fixed Income – assets which pay a set level of interest to investors. These include bonds issued by companies and governments.

Greenhouse gases (GHGs) – gases building up in the atmosphere, including carbon dioxide, water vapour, methane, and nitrous oxide, which prevent heat escaping from the earth and contribute to global warming.

Hedge Funds – these have professional fund managers working with investment partners, who together pool their money. Hedge funds give them more freedom to take advantage of specialist investment opportunities.

Mandate – the instructions we give to an asset manager setting out what we want them to achieve, and any restrictions or exclusions that we require them to follow.

M&G Investments – the asset manager within M&G plc

Net zero – achieving a balance between the carbon dioxide we release into the atmosphere and the carbon dioxide we remove from the atmosphere. The Inter-governmental Panel on Climate Change states that the world must reach net zero by 2050 in order to limit global warming to 1.5°C.

Paris Agreement on Climate Change – In 2015, 196 countries signed a legally binding treaty to limit global warming to below 2°C and preferably 1.5°C. To do this, nations are expected to commit to reduce their greenhouse gas emissions significantly in coming years. The UK has committed to achieve net zero emissions by 2050.

Principles for Responsible Investment (PRI) – UN linked initiative by investors to emphasise the importance of ESG matters and to support and encourage their peers to incorporate ESG considerations into their investment processes.

PruFund Cautious – An investment Fund within our With-Profits Fund which aims to achieve steady and consistent growth over 5 to 10 years or more through a cautious approach to investing.

PruFund Growth – An investment fund within our With-Profits Fund which aims to maximise growth over 5 to 10 years or more.

Risk Managed PruFunds – a range of funds within our With-Profits Fund which aim to maximise returns over the medium to long term at five different levels of risk.

Prudential With-Profits Fund – A pool of £128.9 billion which makes a wide range of investments across equities, bonds, loans, cash and property. Within the Prudential With-Profits Fund, customers have a choice of long term investment products offering differing levels of risk and potential return, all of them benefitting from a smoothing process which helps provide a more stable return from year to year.

Scope 1, 2 and 3 emissions – A company's Scope 1 carbon emissions are those caused by its direct activities. These might include emissions from heating or cooling its buildings, from running its vehicles, or from on-site manufacturing processes. Scope 2 emissions are those caused by the generation of the energy the company buys – for example if coal is burnt to create electricity. Scope 3 emissions are indirect emissions caused by the company's operations – for example those caused by transporting goods or waste disposal, or emissions from the company's suppliers.

Stewardship – the responsible allocation, management and oversight of capital, on behalf of our clients and beneficiaries, seeking to create long-term, sustainable value.

Stewardship Code – a set of principles for how UK asset managers and asset owners should invest customers' money responsibly. Every year, signatories to the Code must report on how they have complied with the principles, or explain why they have not complied.

Treasury & Investment Office/T&IO – part of the Prudential Assurance Company which looks after the investments of our With-Profits Fund.

UN-convened Net-Zero Asset Owner Alliance – a global group of investors like us who have committed to taking the necessary actions to achieve net zero carbon emissions by 2050.

United Nations Global Compact (UNGC) – UN initiative for businesses seeking to ensure that they avoid poor business behaviours in the areas of human rights, labour relations, the environment and anti-corruption.

Weighted average carbon emissions intensity (WACI) – WACI is a way of measuring how much carbon a company's operations send out into the atmosphere, relative to the company's size. It's useful to investors because it helps us identify which companies need to do the most work to clean up their operations.

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