PRUDENTIAL

Building *Inclusive Futures*

PRUDENTIAL SINGAPORE

SUSTAINABILITY REPORT 2024

Responsible investment

As a long-term steward of our customers' assets, we have a fiduciary duty to manage our investments with prudence so we can confidently secure the financial futures for all our policyholders.

This entails integrating all value drivers, including economic, environmental, social and governance factors in our long-term portfolio construction and investment decisions to enhance returns while driving positive change for the environment and communities.

Prudential Singapore's approach to responsible investment is guided by our Group policy, which includes strategies such as excluding investments in certain sectors, engaging companies to drive more sustainable practices, and allocating funds towards making positive environmental and social impacts, in a manner consistent with our fiduciary duties to our customers and shareholders.

ANDREAS ROSENTHAL

Chief Financial Officer

In 2024, our Group Responsible Investment policy was updated to align terminologies and pillars with market developments, allowing for better benchmarking of our investment practices against global standards.

Exclusion

Excluding a company from the investment portfolio if its products or conduct is considered to be unacceptable

Investment allocation

Shifting capital from harmful activities towards environmental or social needs

- Financing the transition
- Responsible Investment products

Market influence

Influencing the market with regard to responsible investment by contributing to sustainable initiatives

ESG integration

Incorporating ESG information into our parts of the investment process:

- Asset allocation
- Portfolio management
- Risk management
- Manager selection

Stewardship

Maintaining a dialogue about ESG risks and opportunities with the companies which we invest in

Voting policy that supports long-term peformance by taking account of relevant ESG issues

Financing a just and inclusive transition

We believe that the transition to a lower-carbon economy must be done in a just and inclusive manner – one that takes into consideration the challenges of emerging markets. This is because emerging markets rely more on high-emissions energy sources, such as coal, for development, compared to developed nations. An International Energy Agency (IEA) report indicates that approximately 75 per cent of the coal-fired power plant capacity is in emerging markets and developing economies[1]. Additionally, Asia accounts for over 80 per cent of the 8.4 million people employed globally across the coal value chain[2].

To support emerging markets in their decarbonisation journeys, a Group internal investment target was set in 2023 for financing the transition to a lower-carbon future. This target is guided by Prudential plc's Financing the Transition Framework, which was launched at the 2024 New York Climate Week. The framework aims to address two key challenges: the need to define and finance 'brown to green' (high carbon to low carbon) projects, and the need for flexibility with regards to emerging markets in Asia and Africa in line with the "common but differentiated responsibilities"[3] principle of the Paris Agreement.

The 'transitioning amidst growth' category of our framework addresses the socioeconomic differences in emerging markets. It focuses on investing in carbon-intensive companies in emerging markets that are significantly reducing their emissions intensity, supporting their shift from 'brown to green' through our capital and stewardship. For example, an Indian telecommunication service provider which has significant power consumption fits into this category. Although the company has not committed to a 1.5-degree pathway, it has transitioned 90 per cent of its rural sites to hybrid-solar power. Additionally, the company has committed to reducing its greenhouse gas emissions by 40 per cent by 2030 and reaching net zero by 2060, which is 10 years ahead of India's Nationally Determined Contributions (NDC).

The 'transitioning amidst growth' category of the framework is not expected to exist indefinitely, as our goal is to support companies towards becoming greener through our capital and stewardship. While we maintain an inclusive approach to supporting the energy transition, we recognise that all economies must still reach net zero, regardless of regional specificities.

[1] *Coal in Net Zero Transitions, IEA, Nov 2022 https://www.iea.org/reports/coal-in-net-zero-transitions*
[2] *Transition Credits, MAS, https://www.mas.gov.sg/development/sustainable-finance/transition-credits*
[3] *The principle of 'common but differentiated responsibilities' balances the need for all states to take responsibility for global environmental problems the need to recognise the wide differences in levels of economic development between states. These differences are in turn linked to the states' contributions to, as well as their abilities, to address these problems. https://www.britannica.com/topic/common-but-differentiated-responsibilities*

In alignment with the framework, Prudential Singapore has committed US$400 million into three new climate and energy transition funds as of end 2024. These include an energy transition-themed strategy managed by Blackstone, the TPG Climate Rise Fund II and the Brookfield Catalytic Transition Fund.

The energy transition-themed strategy managed by Blackstone is focused on clean power generation, energy tech and services, electric transmissions, energy efficiency, decarbonised transport and natural resources. The strategy can also invest in projects to repurpose fossil fuel assets for lower carbon use.

TPG Climate Rise Fund II will focus on climate solutions in the thematic areas of clean electrons (energy transition and green mobility), clean molecules (sustainable fuels and sustainable molecules) and negative emissions (carbon solutions).

The Brookfield Catalytic Transition Fund is focused on deploying capital into clean energy and transition assets in emerging markets in South and Central America, South and Southeast Asia, the Middle East and Eastern Europe.

In allocating our capital towards financing the transition, we ensure that the investments adhere to our fiduciary duties and our established investment process. Prudential Singapore will continue to work with our Group Investment team to explore opportunities to finance the transition across both public and private markets.

Decarbonising Our Portfolio

In support of the Group's ambition to become a net zero asset owner by 2050, we are working with our asset manager Eastspring Investments to reduce the Weighted Average Carbon Intensity (WACI) of our investment portfolio – a key measure of our portfolio decarbonisation efforts.

As a Group, we raised our WACI reduction target to 55 per cent by 2030 from a 2019 baseline after we outperformed our initial interim target. As one of the largest markets of Prudential plc, Singapore has contributed significantly to our Group's overall WACI reduction of 54 per cent, as of end 2024.

As we continue to finance the energy transition by actively supporting carbon-intensive companies to become greener over time, we recognise the emissions related to our investment portfolio may increase in the short term. Thus, we do not expect our decarbonisation progress to be linear and do not rely solely on WACI as an indicator of our progress. We are confident in our ability to manage the WACI fluctuations while staying focused on our net zero goals.

Harnessing thought leadership to shape the agenda

On February 14, 2024, the Global Asia Insurance Partnership (GAIP) hosted a panel discussion titled "Journey to net zero – what can insurers and banks do more together?", which explored the potential of leveraging relationships between banks and insurers to improve decarbonisation progress. Dennis Tan[4], Regional CEO (Singapore, Thailand, Vietnam and Partnership Distribution), was joined by representatives from the Monetary Authority of Singapore (MAS), United Overseas Bank (UOB), Aon Asia and HSBC. They discussed the role of each sector in the net zero transition, risks and challenges and future opportunities for collaboration.

[4] *At the time of the event, Dennis Tan served as CEO, Prudential Singapore and Managing Director, Strategic Business Group, Prudential plc*