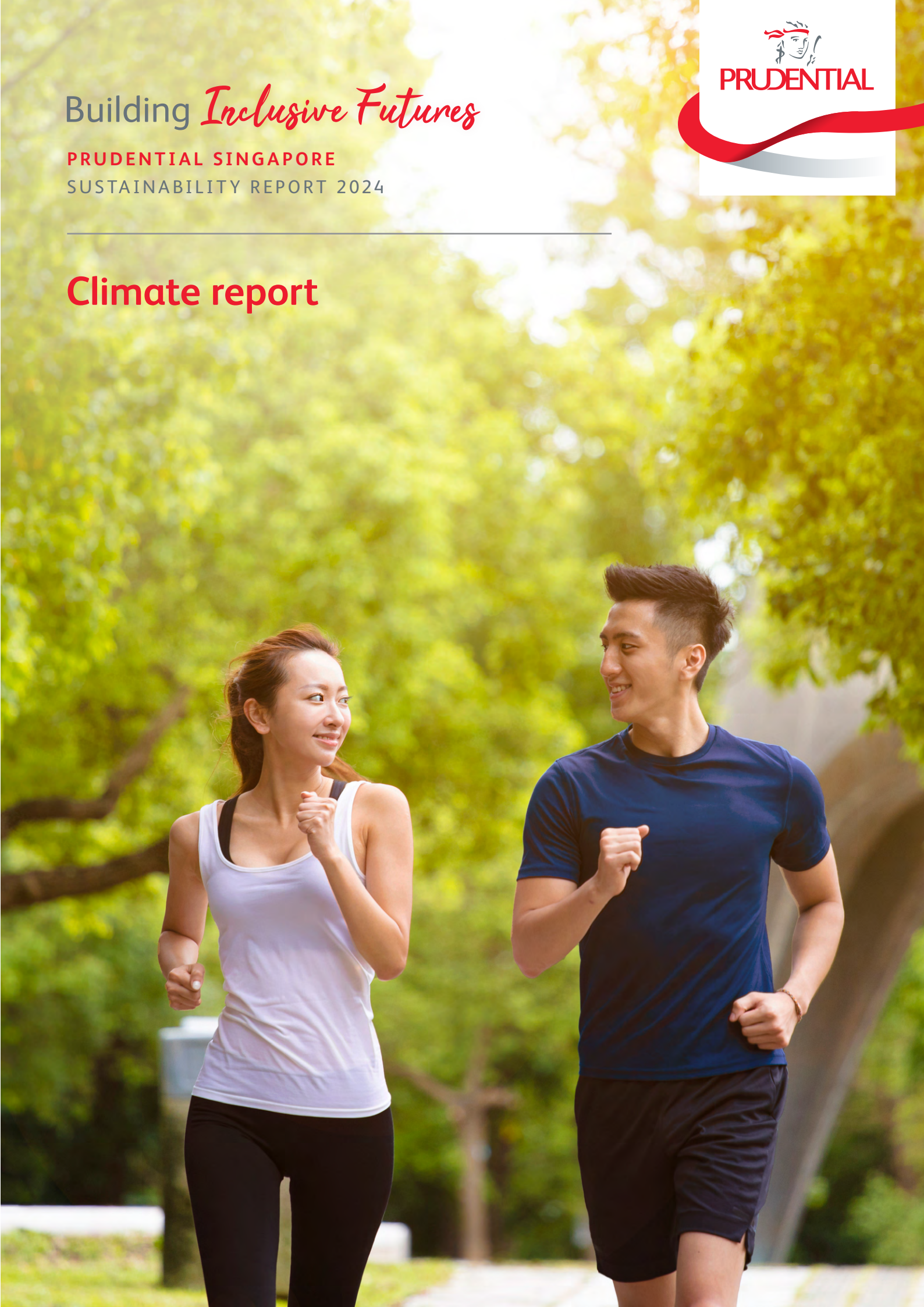
Building *Inclusive Futures*

PRUDENTIAL SINGAPORE

SUSTAINABILITY REPORT 2024

Climate report



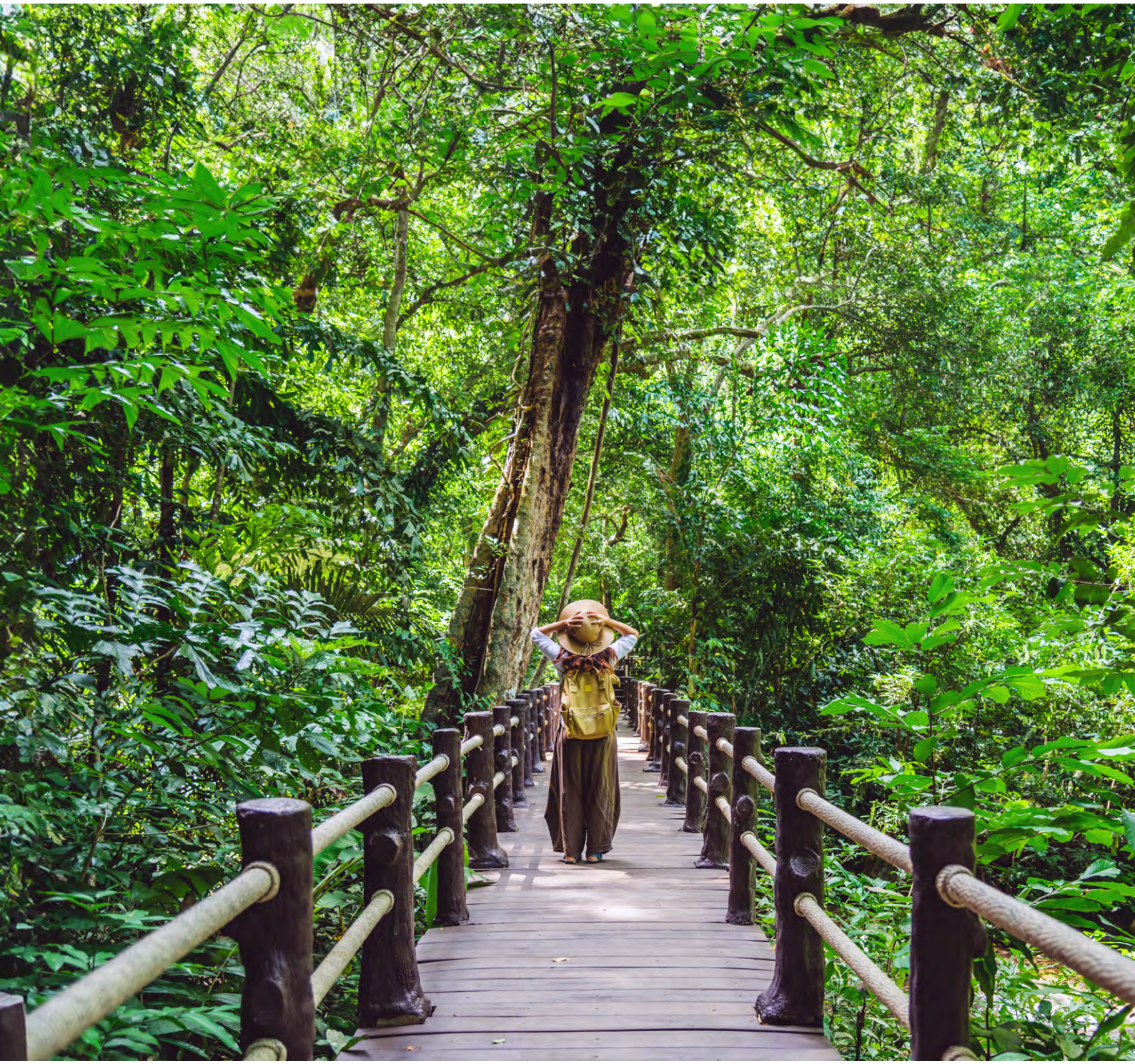
We recognise the importance of financing a just and inclusive transition as part of our Group sustainability strategy.

In 2024, Prudential plc launched the Financing the Transition Framework, which defines activities that support the energy transition, taking reference from existing taxonomies like the ASEAN Taxonomy and the Singapore-Asia Taxonomy. The framework builds in additional flexibility for companies operating in emerging economies with net zero targets beyond 2050, recognising the significant green financing gap[1] in the region. We will continue to take a proactive approach to managing climate risks related to our portfolio while ensuring we fulfil our fiduciary duties to our customers and shareholders.

Governance

Our Board of Directors continues to set the tone from the top to ensure proper management of climate-related risks. In 2024, the Board's responsibilities were updated to include oversight of the company's sustainability initiatives, including management of climate risks and opportunities. Annually, our Board members receive training on sustainability, focusing on climate risk management. In 2024, Liza Jansen, Prudential Group Head of Responsible Investment, presented the newly launched Group Framework on Financing the Transition, and explained our strategy to reduce transition risks through investments that support proactive decarbonisation in emerging markets.

The Board entrusts the senior management team with the implementation of controls related to climate risks and the administration of relevant policies. The senior management team in turn assigns these tasks to various functional teams for delivery.



[1] *An estimated US$1.5 trillion in green investments will be needed by 2030, with only US$45 billion committed up until 2023. "Southeast Asia's Green Economy 2024 – Moving the Needle," Bain & Company. https://www.bain.com/globalassets/noindex/2024/bain_report_southeast_asias_green_economy_2024.pdf*

There are multiple teams involved in supporting the execution of our environmental risk management policy:

Department	Responsibilities
Risk and Compliance	▪ Conducts scenario analysis and formulates stress testing scenarios ▪ Monitors and reports financial environmental risk exposures against appetite to the Risk and Board Risk Committees ▪ Aligns with Group Risk Management Framework and other relevant policies ▪ Explores environmental risks beyond climate risks to determine organisational exposure and boundaries ▪ Ensures risk appetite is appropriately communicated across the business
Sustainability	▪ Monitors operational environmental risk exposures and reports to the Risk, Board Risk and Ethics and Sustainability Committees ▪ Manages sustainability strategy implementation and disclosures, including climate-related disclosures ▪ Oversees sustainability training efforts, including environmental risk management capacity building for the Board, managers and employees ▪ Identifies climate-related opportunities linked to our business activities and overall strategy
Investment	▪ Manages decarbonisation and climate-related exposures of the investment portfolio ▪ Identifies and assesses opportunities for investments that support our Financing the Transition target ▪ Engages asset managers to communicate targets and expectations of investee companies
Actuarial	▪ Conducts stress testing of climate change scenarios to assess potential impact on portfolios and solvency positions ▪ Determines health-related climate risk exposures on underwritten policies
Business Continuity Management	▪ Ensures business continuity and resiliency against physical risks ▪ Manages logistical considerations for contingency planning and execution
Corporate Services	▪ Ensures compliance to the Group Third Party Supply and Outsourcing Policy, Supplier Sustainability Guidelines and Sustainable Procurement Policy ▪ Engages suppliers to understand their sustainability practices ▪ Manages workplace practices to reduce operational scope emissions
Enterprise Business	▪ Assesses environmental risk of prospective and active corporate clients to ensure compliance with environmental risk management policy ▪ Manages risk from corporate customers as required

Committee	Responsibilities
Risk Committee	▪ Exercises oversight on all risks arising out of planning and executing strategies to achieve our business objectives ▪ Accountable to the Board Risk Committee
Board Risk Committee	▪ Supports our Board of Directors by providing leadership, direction and oversight of the company's overall risk appetite, tolerance and strategy ▪ Advises on current and potential future risk exposures

Strategy

As a global organisation, Prudential plc engages with a multitude of entities and is well-positioned to serve as a steward for the effective and progressive identification and management of climate risk.

Climate-related risks:

Risk type	Description
Insurance and product risks (Physical risks) (Long-term)	As a life and health insurer, we are not exposed to property and casualty insurance losses, including those due to climate change. However, the long-term impacts of climate change on health could alter mortality and morbidity rates, affecting claims and our financial stability. For example, an increase in heatwaves could lead to more incidences of heat exhaustion, rising demand for healthcare services and claims.
Operational risks (Physical risks) (Long-term)	Environmental changes can impact our daily servicing activities. To stay prepared, we must boost our operational resilience to physical risks. This involves enabling remote work for employees and financial representatives, ensuring we can serve customers even if office locations are affected by acute or chronic environmental issues.
Financial resilience (Physical and transition risks) (Short-, medium- and long-term)	Both physical and transition risks can impact asset values. Transition risks occurs when a company or sector fails to adapt to climate change, resulting in lower market valuations and increased volatility. Physical risks may become liquidity risks if natural disasters cause a sudden need for cash. These risks can arise at any time. As one of the domestic systemically important insurers in Singapore, our financial resilience is crucial, as our policyholders rely on us for health and financial protection. We have a fiduciary duty to manage the carbon exposures in our investment portfolio to mitigate the impacts of transition and physical risks.
Regulatory, legislative and disclosure expectations (Transition risks) (Short- and medium-term)	The pace and volume of new climate-related regulations have been increasing in many markets, including Singapore, and will impact us in the short- and medium-term. The Monetary Authority of Singapore (MAS) is expected to introduce updated guidelines on transition risk planning to enhance the existing Environmental Risk Management Guidelines. Our Compliance, Government Relations, and Sustainability teams are continuously monitoring and responding to regulatory and industry developments to address any potential regulatory gaps and to enhance our governance.
Reputational risk (Transition risks) (Short- and medium-term)	As organisations align with net zero goals, it is crucial for Prudential Singapore to collaborate with partners and suppliers who support a low carbon economy. Additionally, investing in companies undergoing transition to lower-carbon operations is important. All collaborations should be well-considered, within the company's risk appetite, and in a manner consistent with our fiduciary duties to our customers and shareholders
Greenwashing risk (Transition risks) (Short- and medium-term)	Prudential Singapore recognises greenwashing as a significant risk. We are developing processes and controls to address areas vulnerable to greenwashing, such as investments, product offerings and disclosures. Managing this risk will be part of our Risk and Control Self-Assessment (RCSA), aligning with future ISSB S2 reporting compliance.

Climate-related opportunities :

We aim to focus on the most impactful climate-related opportunities for our business, leveraging our influence as an asset owner and our responsibility as a life and health insurer:

- Invest directly to support companies which have an ambitious plan to transition to a low-carbon business model, in line with our Group Financing the Transition Framework, and in a manner consistent with our fiduciary duties to our customers and shareholders.
- Explore new customer offerings and solutions addressing increased health risks associated with climate change, such as heat stroke, respiratory infections and vector-borne diseases.
- Improve operational practices to reduce carbon footprint. By optimising resource utilisation and implementing digital processes where practicable, we aim to minimise waste, increase efficiency, and achieve cost savings in our daily workplace activities.

Resilience

We conduct an annual Own Risk and Solvency Assessment (ORSA) exercise to evaluate our risk exposures. Climate stress testing and scenario analysis within ORSA assess the impacts of climate change on our portfolios, liabilities, and business strategy. The BRC reviews these results to understand and respond to climate risks as needed. Transition risks are significant to our business due to our reliance on investment returns for long-term obligations.

We utilised four climate scenarios, adapted from our Group's framework. In 2024, we added a new disorderly scenario and lighter shock simulations. These scenarios, based on those from the Network for Greening the Financial System (NGFS), simulate key market risks during the global transition to a low-carbon future.

Scenario	Description
Orderly: Below 2° C	▪ Envisions climate regulations to progressively increase to guide the energy transition, with a 67 per cent probability of limiting global warming to below 2°C. ▪ Carbon dioxide removal (CDR) technologies accelerate decarbonisation ▪ Net GHG emissions reach zero around 2050 ▪ Physical risks are low, but transition risks are high
Disorderly: Delayed 2° C	▪ Envisions a pathway where annual emissions do not decrease until 2030 and strong policies are needed to limit warming to below 2°C ▪ New climate policies are not introduced until 2030 with uneven levels of action across regions ▪ Emissions temporarily exceed the carbon budget before declining sharply ▪ Higher physical and transition risks
Disorderly: Divergent net zero	▪ Envisions a world where net zero is achieved by 2050 ▪ Anticipates higher costs due to divergent policies across sectors, with higher carbon prices for transport and buildings compared to supply and industries, leading to a quicker phase out of oil use ▪ Decarbonisation of energy supply and industry is less stringent ▪ Considerably higher transition risks but lowest physical risks
Failure to transition: Current policies	▪ Envisions a situation where existing climate policies remain unchanged ▪ Emissions grow until 2080, leading to about 3°C of warming ▪ Includes irreversible changes like higher sea level rise ▪ Severe physical risks, low transition risks

This exercise aims to assess the long-term impact of material climate risk on Prudential Singapore's risk profile and business strategies, and to examine our resilience to financial losses under various outcomes. The four climate scenarios simulate different macroeconomic parameters at varying rates during the transition process over the coming decades. The static balance sheet as of 31 December 2024 is utilised as a baseline for projecting solvency at five-year intervals from 2025 to 2050 to demonstrate medium- to long-term impacts. These scenarios assess the extent to which solvency is affected by different macroeconomic shocks and whether the company has sufficient management actions to recover under such scenarios.

The results of our stress testing under the 2024 ORSA exercise indicate that Prudential Singapore will remain resilient across all four scenarios. Both the Tier 1 Capital[2] and Capital Adequacy[3] Ratios remain healthy, even under the 'Failure to Transition' scenario. Our long-term resiliency is supported by our strategic coal divestment policy[4] and our progress to reduce the WACI of our investment portfolio, both of which mitigate risk exposures related to the climate transition. We anticipate no intervention would be necessary to address projected impacts due to climate risks.

[2] T1R, or Tier 1 Capital Ratio, is the ratio of core equity capital to total risk requirements, excluding the risk requirements of participating funds. This provides a measure of the company's financial strength from a regulatory perspective and if it is protected against unexpected losses.

[3] CAR, or Capital Adequacy Ratio, the ratio of total financial resources to the sum of total risk requirements, is a broader measure of the company's ability to absorb and weather potential losses.

[4] Per our Group Responsible Investment Policy, we do not invest in any company that derives more than 30 per cent of their revenue from coal.

Risk management

Our Environmental Risk Management policy details our approach to identifying and managing climate-related risks and opportunities. This policy follows the MAS Environmental Risk Management Guidelines and uses metrics to measure readiness for tackling climate risks (see Metrics and targets section on page 8). We updated this policy in May 2024 to reflect changes to governance committees and responsibilities. We will review this policy annually to ensure alignment with internal changes, regulatory requirements and stakeholder expectations.

How we identify and assess climate-related risks

We identify environmental and climate risks through processes like the Risk and Control Self-Assessment (RCSA), scenario analysis, and stress testing.

- The RCSA employs a systematic bottom-up approach to uncover control gaps, assess risks and determine actions to address these gaps. Controls, including those for climate risks, are regularly reviewed and updated annually.
- Scenario analysis evaluates physical risks, such as flood hazard costs under various scenarios, including a 1-in-200-year event.
- Stress testing evaluates our financial resilience against transition risks by modelling economic changes and their impact on assets and liabilities.

How we manage climate-related risks

We collaborate with Eastspring to identify and assess climate-related risks in our investment portfolio, in line with the Group Responsible Investment Policy. This enhances our understanding of investee companies' climate risk exposures. For details, please refer to the "Responsible investment" section of the full Sustainability Report.

As a health insurance provider, we acknowledge there is limited information regarding the impacts of climate change on health and that further research is needed to support product development. We continue to work with Nanyang Technological University's Earth Observatory Singapore to explore the intersection between climate and health, with a focus on air quality impact on morbidity and mortality. The results of this research will support our efforts to enhance climate resilience and improve public health policies in the face of climate change.

We ensure compliance with regulations through gap analysis and continuous dialogue with our regulator. For instance, we reviewed our environmental risk management practices against the proposed Guidelines on Transition Planning for Insurers in Q4 2023 and are ready to implement them once formalised.

To manage reputational risk, we started a process to better understand our service providers and enterprise business clients during onboarding and as part of ongoing monitoring. We survey our service providers on their sustainability practices to identify potential exposures to third-party environmental risks and enhance our supply chain. For enterprise clients, we apply principles from our Responsible Investment Policy where practical.

Metrics and targets

We continue to use the same metrics to determine our progress towards our net zero goals.

The Weighted Average Carbon Intensity (WACI) of our investment portfolio is our primary decarbonisation indicator. Compared to the 2019 baseline, we have achieved a 54 per cent reduction in the WACI of our Group investment portfolio as of end 2024, against a target of 55 per cent WACI reduction by 2030. This outcome illustrates our significant efforts in decarbonising our investments as we shift our focus towards financing the energy transition in emerging markets.

Our Group maintains a target to become carbon neutral across our Scope 1 and 2 emissions by 2030. We have supported this target by reducing our operational emissions intensity under these categories by over 60 per cent compared to a 2016 baseline. In addition to the continued progress in our environmental performance, this goal will be achieved through carbon-offsetting initiatives.

In 2024, we achieved a 4.34 per cent reduction in our combined Scope 1 and Scope 2 emissions, and an 8.5 per cent reduction in our Scope 1 and 2 emissions intensity compared to 2023. This performance was driven by continued monitoring of our workspace usage to identify and minimise energy waste.

The boundary of our Scope 3 calculations is unchanged from 2023, and includes fuel- and energy-related activities, waste and water as well as corporate business travel.

	Baseline	2023 [Change since baseline]	2024 [Change since baseline]
Group WACI	2019	(50)%	(54)%
Scope 1 emissions	2016 16t CO_2e	16t CO_2e (0.0)%	15t CO_2e (6.3)%
Scope 2 emissions	2016 1,158t CO_2e	642t CO_2e (44.6)%	613t CO_2e (47.1)%
Combined Scope 1 and 2 emissions	2016 1,173t CO_2e	658t CO_2e (43.9)%	628t CO_2e (46.4)%
Scope 1 and 2 emissions per full-time equivalent employee (FTE)	2016 1.22t CO_2e/FTE	0.47t CO_2e/FTE (61.5)%	0.43t CO_2e/FTE (64.8)%
Scope 3 emissions[5]	-	269t CO_2e	296t CO_2e

For more information on our operational resource management, please refer to the "Responsible environmental practices" section in the full Sustainability Report.

[5] *The boundary of our Scope 3 emissions is aligned with our Group reporting and is comprised of fuel- and energy-related activities, waste and water and corporate business travel. The increase in Scope 3 emissions is caused by an expansion of the calculation boundary in fuel- and energy-related activities.*