



Responsible Investment Report 2022





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Foreword

At Eastspring, our teams have shown remarkable resilience in 2022 by delivering on our priorities whilst navigating a complex time in the asset management industry. One of these key priorities has been our Responsible Investment (“RI”) efforts and it is with great excitement that we present our 2022 Eastspring Investments RI report. Putting this report together has allowed us to reflect on the strides we have made and reinforce where we want to be next on our RI journey.

This was a foundational year for Eastspring’s RI progression. Taking stock of our key RI achievements in 2022, we have harmonised all RI-related policies across our markets into a single Eastspring Group Responsible Investment Policy (“Group RI Policy”) this past year. This policy uplift empowers us to adopt a consolidated One Eastspring approach towards our RI strategy in the years to come. Similarly, we enhanced our proprietary Environmental, Social, and Governance (“ESG”) data analytics so that our teams are equipped with technologies at their fingertips that will complement their decision making. We will continue enhancements to both in the new year.

In our efforts towards strengthening our ESG leadership in Asia, we continue to drive active ownership efforts as investment teams across our markets leverage on their expertise and local knowledge to engage companies. We also enhanced our thematic engagement capabilities by expanding the range of topics being covered by our Central Engagement Programme. We are proud to share initial results and findings of our

thematic engagement on climate change and decarbonisation in the region. It truly reinforces one of the four tenets of our ESG Principles that active ownership is preferable over exclusion.

Partnering with Prudential Group (“Prudential”) and aligning with our collective 2050 net-zero ambitions, we are delighted to share that we have well exceeded the goal of reducing the portfolio weighted average carbon intensity score (“WACI”) by 25% by 2025. We continue to support these ambitions and look forward to working on further initiatives that will support a climate transition that is inclusive and just.

We are excited to share all that we have achieved with you. As we continue to make headway with our strategic initiatives, we hope that this report showcases our efforts across Eastspring to build a sustainable future together.



Bill Maldonado
Chief Investment Officer &
Interim Chief Executive Officer
Eastspring Investments Group

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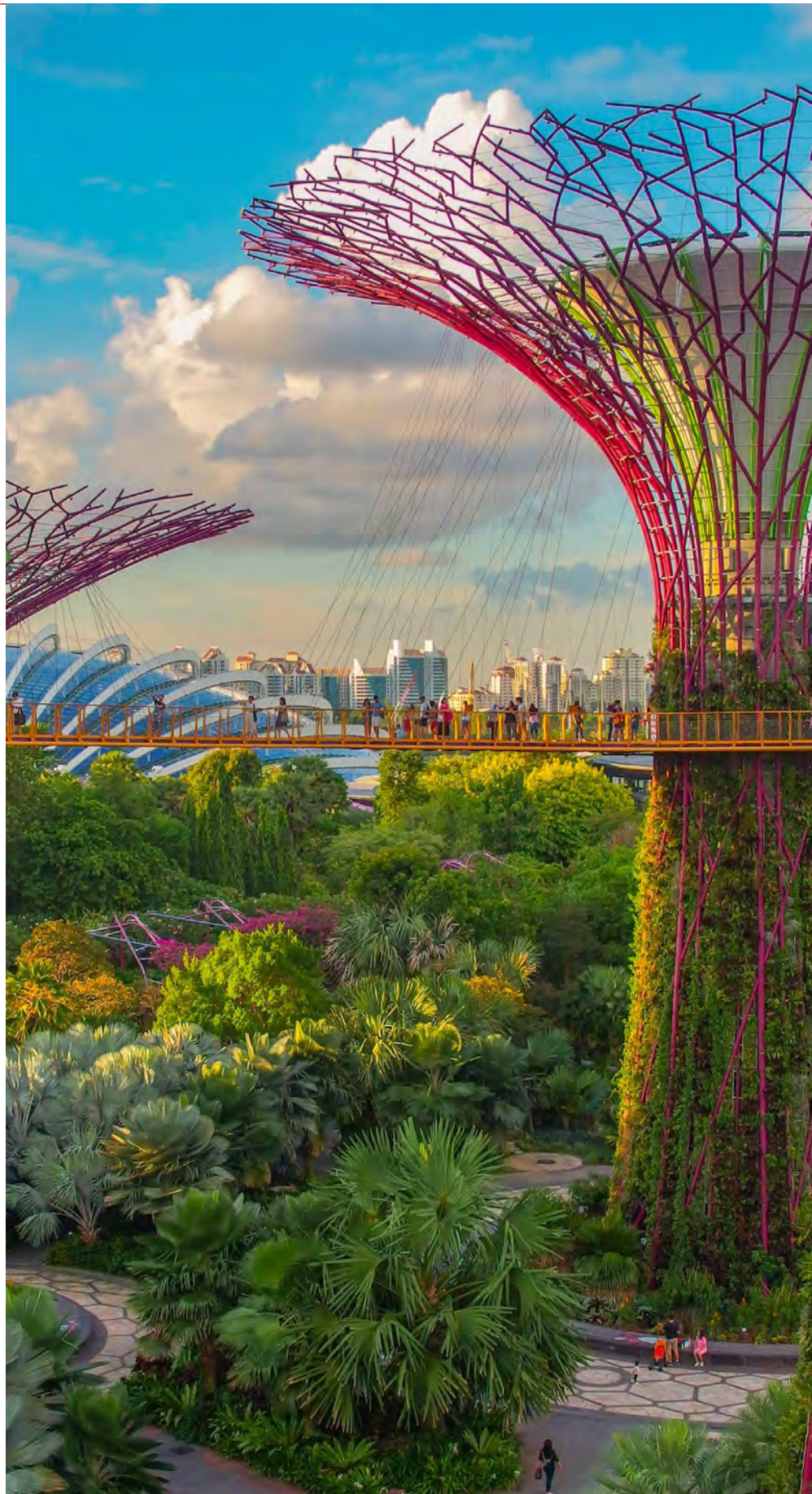
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Eastspring Investments

Eastspring Investments Group (“Eastspring Investments” or “Eastspring”¹), part of Prudential plc, is a leading Asia-based asset manager that manages over USD 221.4 billion (as at 31 December 2022) of assets on behalf of institutional and retail clients. Operating since 1994, Eastspring Investments has one of the widest footprints across Asia. We provide investment solutions across a broad range of strategies including equities, fixed income, multi asset, quantitative solutions, and alternatives. We are committed to delivering high-quality investment outcomes for our clients over the long term.

¹ Throughout the report, Eastspring refers to the entire Eastspring Investments Group. In cases where the report references individual Local Business Units, the country will be specified after Eastspring (e.g., Eastspring Singapore).



Our corporate milestones



Leading Asset Manager in Asia

Our deep understanding of Asian markets, paired with our global perspectives, helps us to develop unique investment solutions for our clients. We have a strong commitment to responsible investment and delivering long term sustainable outcomes for the benefit of our clients and stakeholders.



Managing
**USD
221.4bn**



300+
investment professionals



52.5%
of employees are women



32%
of senior management are women



31
nationalities employed



Note: All numbers are as at 31 January 2023, except for AUM.

We harness on the ground expertise across 11 markets, including joint-ventures, by drawing on our in-depth local understanding of Asian corporates, sovereigns, and markets when assessing ESG risks and opportunities².

We leverage the ESG know-how and expertise gained from being entrusted by Prudential to achieve its sustainability target, for the benefit of all our customers. We provide customised responsible investment solutions to meet their clients' needs, whilst aligning with Eastspring's group-wide governance framework.

The diversity of our workforce allows for the construction of wide perspectives, improves our decision making process, and helps us deliver better outcomes for our clients.

² Please refer to the relevant fund prospectuses or offering documents for further information on material risks and relevant ESG issues.

Responsible Investment journey

Memberships

- Jul 2014 ● Eastspring Singapore and Eastspring Japan sign Japan Stewardship Code
- Apr 2017 ● Eastspring Singapore signs Singapore Stewardship Principles
- Feb 2018 ● Eastspring becomes a PRI signatory
- Nov 2018 ● Eastspring Taiwan signs Taiwan Stewardship Principles
- Dec 2018 ● Eastspring Korea signs Korea Stewardship Code
- Jan 2019 ● Eastspring becomes member of AIGCC
- Feb 2020 ● Eastspring Singapore becomes member of Climate Action 100+
- Jun 2020 ● Eastspring Singapore becomes investor signatory of CDP
- Nov 2020 ● Eastspring Malaysia and Eastspring Indonesia join the PRI Sustainable Commodities Programme
- Jun 2021 ● Eastspring Singapore and Eastspring Malaysia join the AIGCC Asian Utilities Engagement Programme
- Mar 2022 ● Eastspring Singapore participates in CDP Non-Disclosure Campaign
- Apr 2022 ● Eastspring Singapore participates in CDP Transition Champions Pilot Programme
- Apr 2022 ● Eastspring Singapore participates in CDP Transition Champions Pilot Programme
- Jan 2023 ● Eastspring consolidates all memberships under Group.

EI Initiatives

- Feb 2015 ● Eastspring Singapore forms Responsible Investment working group
- Oct 2015 ● Eastspring Singapore appoints independent RI consultant to assist with introductory dialogue
- May 2018 ● Eastspring formalises firm-wide RI Framework and Governance Structure
- Dec 2019 ● Eastspring Singapore launches first ESG-themed strategy.
- Aug 2020 ● Eastspring receives first official PRI Assessment Report
- Mar 2021 ● Eastspring Singapore adopts the SASB framework
- Apr 2021 ● Eastspring formalises Sustainability Steering Committee*
- May 2021 ● Prudential, parent company, announces 2050 net-zero targets
- Dec 2021 ● Eastspring Singapore launches Exclusions Policy.
- Jan 2022 ● Eastspring appoints Head of Sustainability
- Jun 2022 ● Eastspring Singapore appoints Director, ESG Specialist embedded in Investment function
- Jan 2023 ● Eastspring launches harmonised Group RI policy; 87% of Eastspring Singapore's SICAV range of funds achieve SFDR Article 8 status and are SFDR Level 2 compliant

* This committee is now refreshed as the Sustainability Committee.

Our ESG Manifesto

At Eastspring Investments sustainability is embedded in our Company’s purpose “Experts in Asia. Invested in Your Future”. We are committed to making a positive difference to the future of our society and our environment. We embed sustainability into our culture and policies both in our investment decision and business management practices. We believe that at the centre of our sustainability efforts are our stakeholders and the environments we share with them. We identify areas and address environmental and social issues impacting our stakeholders through education and targeted action.

Our ESG Philosophy

1 Integrating ESG results in better investment decisions.

We believe that incorporating material ESG considerations into the investment process can add value which can result in higher risk-adjusted returns for our clients over the long term.

2 Engaging with investee entities can be constructive.

We recognise that responsible investing requires a patient approach and an understanding that improvement in corporate behaviour can support investor value over time. We believe that companies that adopt sustainable business practices are more likely to deliver superior value in the long-term.

3 Active ownership is preferable to exclusion.

We believe that hard exclusions from our investment universe should be utilised as a last resort, where ESG risks are insurmountable or where continued engagement is considered ineffective. Rather, seeking change in corporate behaviour through engagement is more likely to have real world impacts.

4 Transparency to our clients is important.

We believe that providing transparency on our ESG activities helps our clients understand our priorities and impact.

2022 in numbers

744

engagements conducted across Eastspring

Read about our engagement activities and case studies on page 16

43%

decline in the WACI for the investment portfolio managed on behalf of Prudential since 2019

Read more about our climate change initiatives and progress on page 64

1

harmonised Eastspring Group Responsible Investment Policy

Read about our Group RI Policy and approach to ESG integration on page 52

97.7%

of the total number of items eligible for proxy voting are voted on by investment teams

Read more about our proxy voting activity on page 46

13

ESG strategic offerings*

Read more about our strategies on page 58

* as at 31 March 2023

SGD 70k

raised for partner charities, as part of Eastspring Singapore’s Spring for Kids auction

Read more about corporate sustainability initiatives on page 84

87%

of Eastspring Singapore’s SICAV range of funds are aligned with SFDR Article 8

Read more on page 58

Note: All numbers are as at 31 December 2022.

72

companies identified for thematic engagement on climate change and decarbonisation

Read about our central engagement capabilities on page 31

Active ownership

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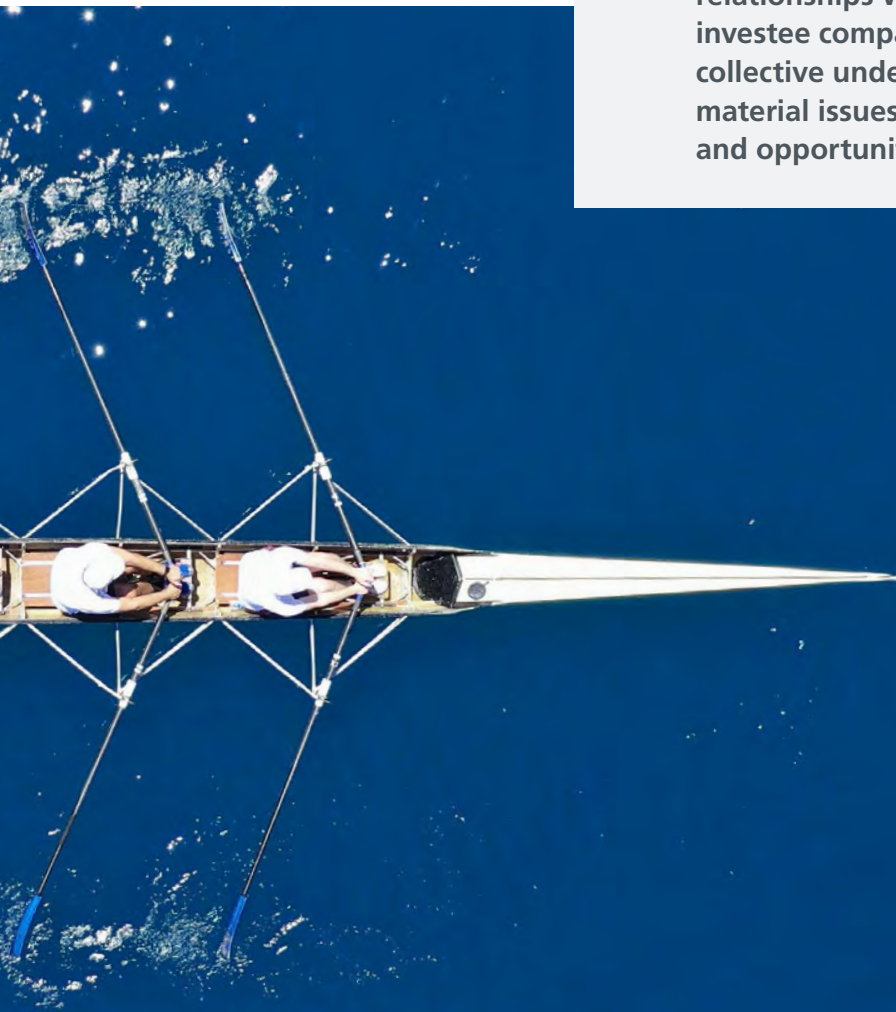
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Eastspring’s responsible investment approach is deeply aligned with active ownership activities for risk mitigation and value creation over the long term. As active owners, we leverage on our market expertise to foster long-term, collaborative relationships with directly-held investee companies to deepen collective understanding and tackle material issues including ESG risks and opportunities. As such, we consider engagement and proxy voting as key drivers of active ownership. Integral to the investment process, the responsibility of engagement and proxy voting is often led by our investment teams.



As active owners, we leverage on our market expertise to foster long-term, collaborative relationships with directly-held investee companies to deepen collective understanding and tackle material issues including ESG risks and opportunities.



Active ownership overview



744

Number of engagements



Governance

38%



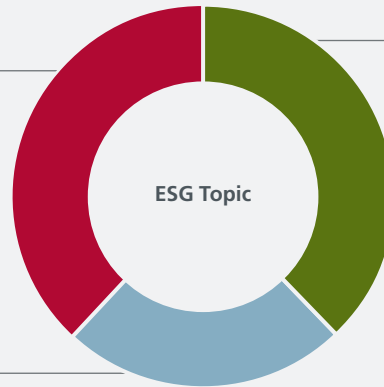
Environmental

38%



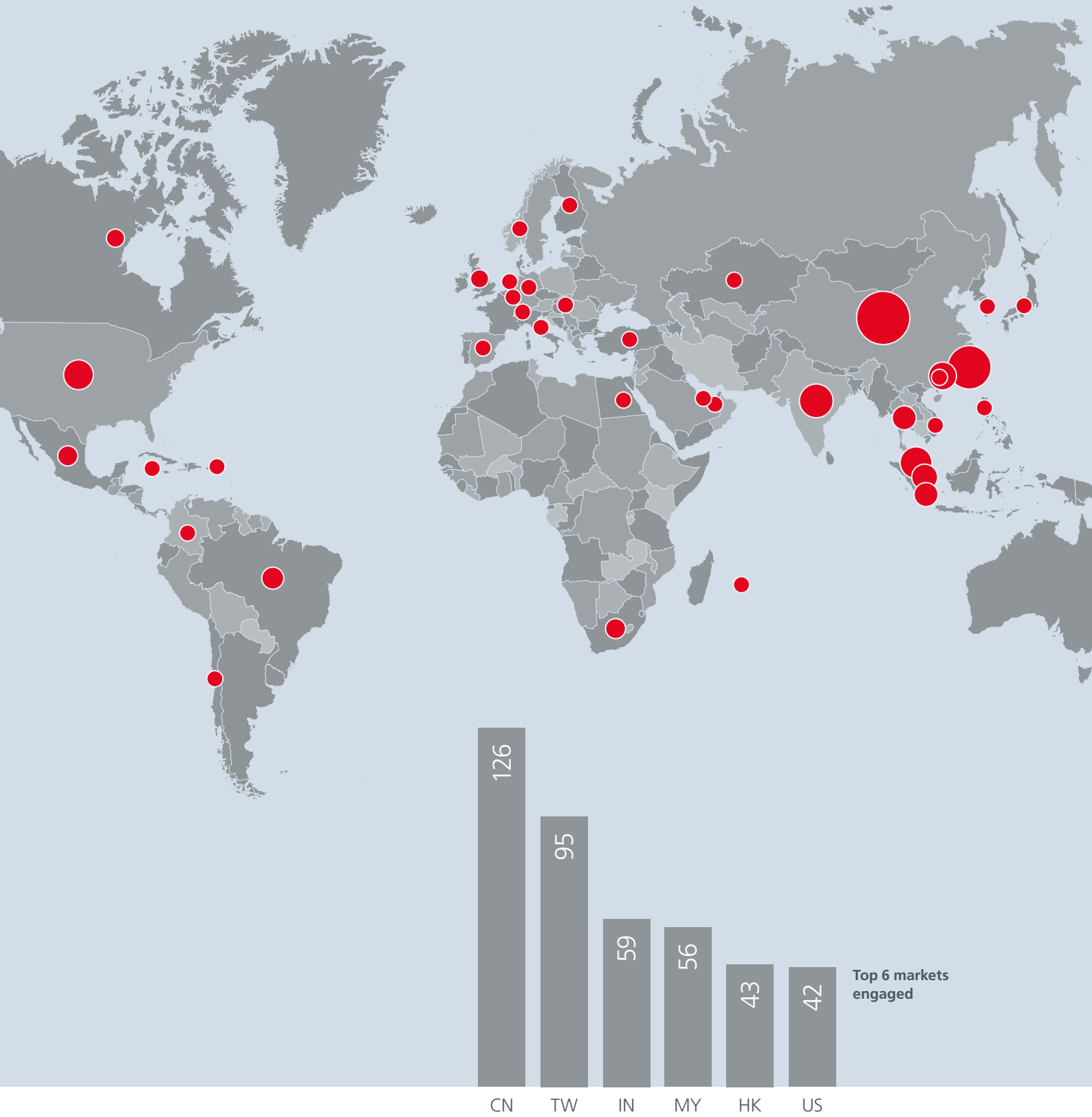
Social

24%





Eastspring global engagement heat map



Company engagements

Engagement with investee companies is core to our active ownership responsibilities. We aim to encourage business and management practices that support positive enhancement of material ESG traits or mitigation of material ESG risks across our holdings. We do this using constructive engagement based on our in-depth knowledge of our investments in the context of their business environment.

Our investment teams evaluate material ESG risks, which may differ across companies, sectors, and asset classes. The level of engagement will therefore vary based on materiality, the size of investment, and the nature of the risks themselves. As long-term investors we adopt a patient timeframe, as we believe that this can improve the probability of achieving value-added outcomes.

Engagement can be for a variety of purposes, such as for fact-finding or in response to specific ESG controversies. By better understanding an issuer’s approach to material ESG risks and opportunities, these insights can be incorporated to create a holistic view of a company’s investment profile. Engagement can also be undertaken to encourage improvements within an issuer itself. Our process incorporates a range of milestones reflecting time-bound expectations regarding acknowledgement of issues, strategy development, implementation, and reporting and disclosures.



Our engagement footprint

As experts in Asia, the investment teams in our LBUs across the region leverage long-standing relationships with investee companies in the markets in which we operate to engage on material ESG issues. The purpose of these engagements, which are long-term in nature, is to ensure that the issuer understands and manages material ESG risks in a suitable way and to a timeframe that meets our expectations. Where appropriate, we will work with issuers to address material ESG risks, acknowledging a company management’s speciality knowledge in their field.



Environmental



Social



Governance

Company A



Climate transition
capex

Eastspring Singapore



Company A is an energy company in an emerging market.

Given the increased impact of transition risk to high emission industries such as the energy sector, and the proliferation of companies setting long-term climate targets without near to mid-term clarity on execution plans, Eastspring Singapore reached out to the company to clarify its capex plans for decarbonisation with a focus on the 2022 – 2026 timeframe. This helped the team build confidence on the near-term risks and opportunities that the company can mitigate and capitalise on, respectively.

In response to the question by the investment team on the underlying assumptions driving future market demand for energy, the company mentioned that they were anchoring their strategy on the two assumptions that were relevant for their specific position in the market:

- 1 Continued proximity to, and ability to access cheap and low carbon gas, which will continue to be in demand beyond 2050.
- 2 Enhanced focus on decarbonisation of existing operations, whilst developing a more sustainable plan of developing new transition technologies.

The investment team sought greater clarity on the company's focus on new transition technologies to assess how the company was positioning itself to specific transition opportunities. The company demonstrated that it is building capacity to assess and subsequently invest in future energy diversification projects with synergies to the core businesses. It shared the creation of a fund and a dedicated research centre featuring a combined portfolio of projects focused on developing biofuels, hydrogen, and offshore wind power.

We also attained a better grasp of the company's governance of its climate strategy, which demonstrated Board oversight as well as executive implementation under a committee overseeing firmwide Occupational Health and Safety ("OHS"), Environment, and Sustainability initiatives.



The engagement highlighted how the ESG team provided feedback to the company on the type of internationally-recognised biofuel certifications to help the company better prepare for the increasing regulatory focus on biodiversity, including the possibility of future import taxes. The company responded that they were appreciative of this dialogue and will factor in these considerations when scaling their biofuel program.

With capacity building towards its strategy and proper governance channels in place, we gained a clearer understanding and level of comfort of the company's preparation for its climate commitments. We will continue to monitor the company's implementation of its transition strategy, whilst considering political and competitive landscape changes.

Company B



Climate
adaptation



Occupational Health
and Safety

Eastspring Singapore

Company B is a port operating company.

Eastspring Singapore spoke with representatives of the company to better understand their approach to handling material ESG risks, including climate adaptation and OHS.

Going into the engagement, we observed that a third-party ESG rating agency had awarded the company a bottom-quartile rating and utilised this opportunity to advise the company on enhancing disclosures and remediating identified issues. We provided feedback that a driver of the bottom-quartile rating had to do with limited disclosure of quantifiable ESG targets and programs in areas considered to be material from an ESG perspective.

We encouraged the company to take measured steps to ameliorate this issue by formalising remediation policies on impacted areas, setting quantitative OHS targets, and instituting a physical climate risk integration process. The company was receptive and revealed that they had already been conducting an Environmental Impact Assessment (“EIA”) before any potential modification to natural areas and that they will consider publication of these EIA reports, in order to reflect these processes accurately to third-party ESG rating agencies.

When questioned about their readiness for physical climate risks adaptation, particularly on rising sea levels, a material issue to port operators, the company demonstrated awareness of the issue and had already taken steps towards adaptation through conducting an expert review and increasing the height of several flood gates. The company also disclosed that it is currently working on climate physical risk scenarios modeling. In light of this positive sharing, we encouraged them to disclose their plans publicly as this would add to improving their ESG rating. In parallel, we reached out to the third-party ESG rating agency to prompt a timely rating review.

All things considered, we will continue to monitor the progress in addressing targeted issues and work in tandem with the company to improve disclosures to the market.





Company C



Labour practices and
working conditions

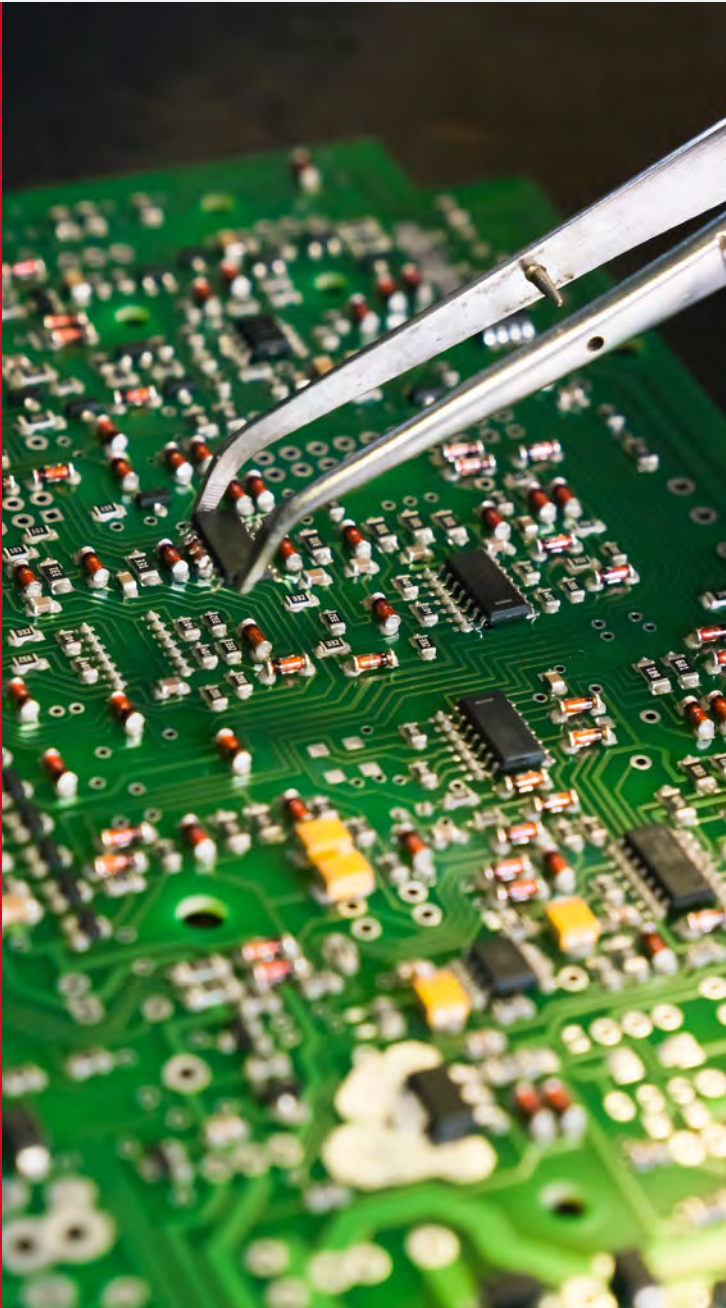
Eastspring Malaysia

Company C is an Electronics Manufacturing Services (“EMS”) company.

In May 2021, US Customs and Border Protection initiated an investigation into a Malaysian EMS company which has been accused of using forced labour. In November 2021, a high-tech home appliance maker terminated its contract with the company following an audit of its labour practices and whistleblower’s allegations. Recognising that EMS companies in Malaysia typically have high migrant workers ratio in the workforce, we believe other EMS companies could face similar scrutiny which could result in significant reputational risk and potentially loss of revenue if their labour practices are perceived to be below expectations.

This engagement is an extension of our wider engagement on this topic. Since 2021, we have conducted several engagements with two Malaysian EMS companies to understand how well they were managing migrant workers related issues. These engagements included 1-to-1 meeting and small group discussion with their senior management. We also engaged relevant specialist to understand expectations on migrant worker rights and the status quo in Malaysia.

Both EMS companies have made notable progress in 2022 with social compliance audit in place and found no systemic forced labour practices based on 11 indicators of forced labour set out by the International Labour Organization (“ILO”). Recruitment fees paid by workers to recruitment intermediaries have been fully reimbursed and other gaps identified were resolved or supported by immediate remedial actions. We are satisfied with the audit findings and actions taken by both companies and will continuously monitor their ongoing efforts on migrant workers related issues.





Company D



Business ethics
and transparency

Eastspring Indonesia

Company D is an energy company in Indonesia.

In 2021, then Chairman of Prudential Insurance Growth Markets, Donald Kanak, was the originator of the Energy Transition Mechanism (“ETM”) via the World Economic Forum and Asian Development Bank. Since then, we have been huge supporters of early retirements of coal-fired power plants (“CFPP”) and believe in the value of well-planned and well-financed early retirement projects.

In October 2022, the media reported that the company had signed a Memorandum of Understanding (“MOU”) with a state-owned entity (“SOE”) to purchase one of SOE’s coal-fired power plants (“CFPP”) to support the Nation’s net zero programme by accelerating the CFPP’s retirement. As no prior details were shared with investors, the immediate market reaction to the acquisition announcement made during the G20 Conference led to plunging share prices.

Within the week, we arranged a meeting with the company’s Chief Financial Officer (“CFO”) to discuss the details of this plan and other key concerns, including the lack of transparency and the significance of the CFPP against the company’s equity size and cash flow. If the communication of the MOU had been better managed, the company would have been able to highlight the benefits of the early retirement program and the value it will bring about to its key stakeholders, which may have prevented the volatility they experienced in their share price.

The company management responded positively to our feedback and shared that the project was a joint venture in the early stages of its development, hence valuation and internal rate of return details were not yet available at that point in time. The company also clarified its financing plans which, in line with its 2020-25 downstream plan, included expansion of its renewable energy business as well as the use of green financing instruments. We provided further suggestions on the delivery and content of investor relations materials to better position future announcements related to this project. The company demonstrated willingness to improve, and we will monitor progress on this project and engage with management accordingly.





Company E



Energy
management



Data
security

Eastspring Taiwan

Company E is a multiline and specialty retailer and distributor in Asia.

As most retailers are actively promoting their membership programs, aiming to combine online and offline channels to strengthen consumer consumption, energy management in physical stores and customer data security were selected as our top focus for engagement. The company shared the efforts to manage energy consumption, noting that it looks to:

- ▶ Control the air-conditioning temperature of each branch based on weather conditions
- ▶ Replace the traditional lamps with LED devices
- ▶ Switch the warehouse to automatic extinguishing lighting, and
- ▶ Increase the adaption of natural lighting in the stores during daytime.

We have also noted that the electricity cost of a single store has exhibited a downward trend annually. As the company is still actively expanding its stores and presence in both online and offline capacities, we expect that there will be an increase in electricity consumption.

As part of the engagement, we assessed the company on their readiness for data security issues, we are satisfied that the company has sufficient governance and infrastructure in place. The company's Information Security Officer and related personnel are responsible for implementing data security tasks and arranging education and training for all employees. All relevant personnel are required to obtain data security licenses.

The company also has cross-functional Risk and Data Security Team that reviews the data security plans, governance, implementation, and supervision of each department. The team reports findings to the Board on a regular basis. In terms of infrastructure, the company has clear measures for dealing with software and hardware issues. In addition, it conducts two internal audits and one external audit every year to continuously conduct data security risk assessment and control.





We have reminded the company to continue to implement and monitor its energy saving and data security practices, to protect consumer information from leakage and fraud traps during the period of frequent online fraud and attacks. We will continue to monitor the energy management and information security implementation results as it expands the scale of online and offline operations.

Company F



Supply Chain
Management and
Palm Oil

Eastspring Korea

Company F is a beauty and cosmetic conglomerate in South Korea.

As a recognised global cosmetic company, this company has been highly regarded in the local cosmetic industry for their commitment to sustainability management.

As part of preparation, the Eastspring Korea team assessed the company's 2030 agenda in sustainability management and identified two key engagement objectives for the company. First, the investment team wanted clarity on the long-term investment risks or opportunities. Second, the investment team sought a better understanding of current issues and solutions in supply chain management including the use of palm oil as an ingredient of its cosmetics.

Upon raising these concerns, the company responded by showing a recognition of the effects of unsustainable palm oil on the wider eco-system, citing the deforestation caused by indiscriminate cultivation of palm farms, including the threat to of endangered species, greenhouse gas emissions, and human rights issues in the supply process. As a starting point, the company displayed awareness and publicly reports its current consumption of palm oil and palm kernel-derived raw materials annually as raw materials for cosmetics and household products. To address supply chain management issues as part of its long-term ESG agenda, the company shared ongoing efforts to increase the proportion of Roundtable on Sustainable Palm Oil ("RSPO")-certified raw materials. Leveraging on its role as a consumer, the company is directing its support into efforts for the sustainable use of palm oil throughout the industry through the RSPO system by striving to expand the purchase of palm oil that is sustainably produced without deforestation. To further enhance its efforts, the company announced it will set aside an internal budget to invest into biodiversity conservation efforts and increase the use of RSPO certified palm oil to 90% or more by 2023. As of the latest reported statistic, in 2021, approximately 40% of the palm oil derivatives are RSPO-certified.





With a clearer understanding of the company's sustainability management, and in particular its treatment of supply chain management in relation to palm oil use, we will continue to express our expectation the firm only use 100% RSPO-certified palm oil and check its progress in the next meeting.



Central engagement

As active owners, we use our Central Engagement Programme as a platform to express our expectations on material ESG themes to targeted investee companies. Thematic engagement on specific issues complements the investment team’s more company-centric ESG engagements. The programme objectives are based on our judgment of materiality to investment portfolios managed on behalf of clients. For each identified material ESG theme, the Central Engagement team follows a six-step process to carry out the engagement programme.

To determine the deployment of engagement and to keep track of engagement progress, we have designed a six-step process for assigning engagement milestones to companies. After assessing the disclosures, targets, and strategy of the company management, we assign a milestone to each company.

We utilise letter writing via emails as the initial mode of engagement to request that companies address the issue. Once

the letter is sent, we will rate the company as Milestone 1 and continue engagement with each company until it has satisfactorily resolved the relevant outstanding sustainability issue. This is likely to be a multi-year process.

In 2021, Prudential had set a target to engage with the companies responsible for 65% of the absolute carbon emissions in their investment portfolio, which includes both listed equities and corporate bonds. The Eastspring Central Engagement team undertook these engagements under its Climate Change and Decarbonisation thematic, thereby allowing our client to meet their requirement of the Net Zero Asset Owners’ Alliance (“NZAOA”). Furthering our Central Engagement Program in 2022, we expanded our thematic focus to include the unsustainable use of Palm Oil and United Nations Global Compact (“UNGC”) violators. Additional thematic engagements, which will be discussed later in the chapter, have also been adopted by the team.



Milestone 1
Raised awareness of issue with company



Milestone 2
Dialogue in process



Milestone 3
Company has agreed to address the issue



Milestone 4
Company has developed or are planning to implement a plan to address the issue

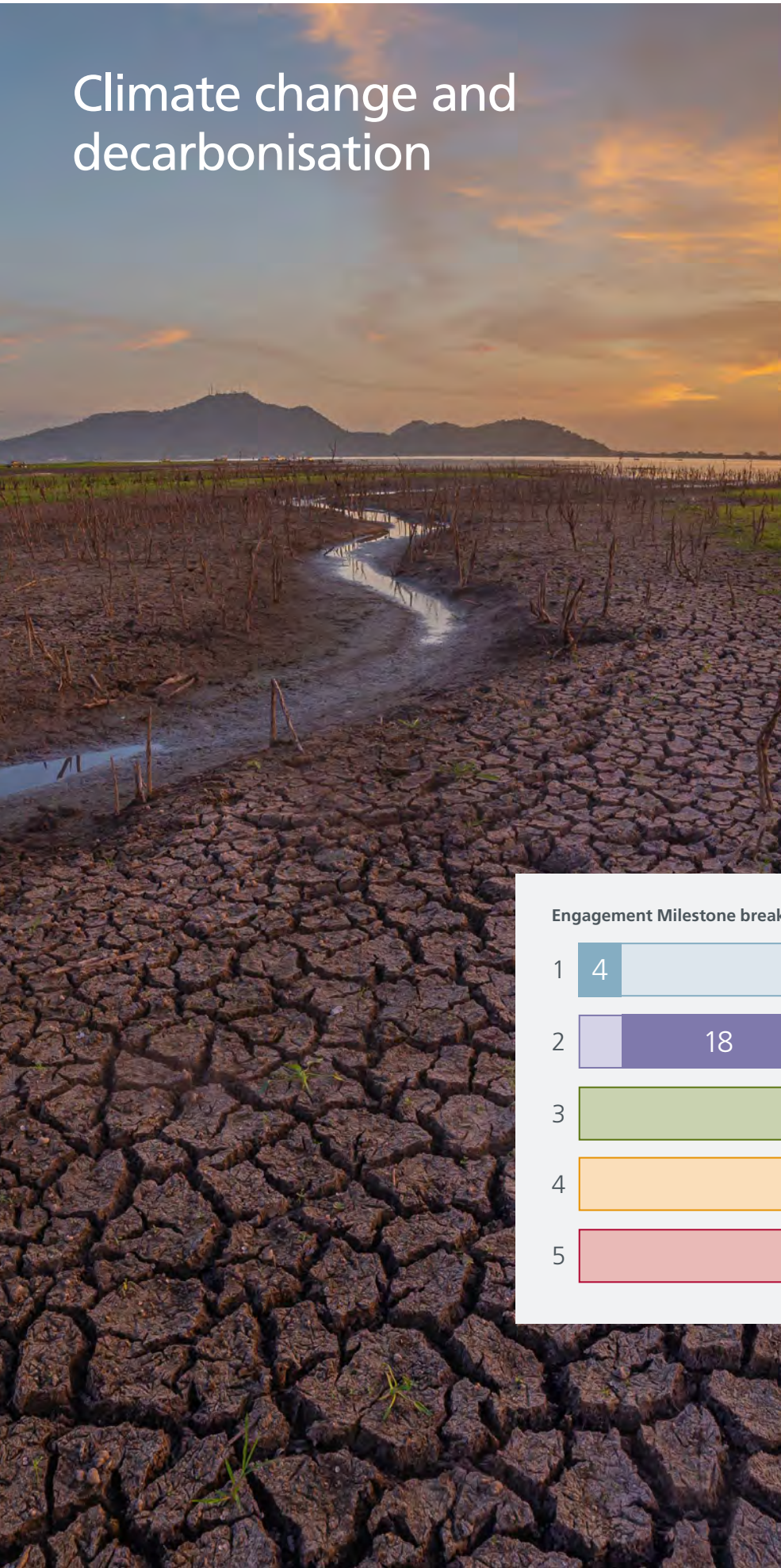


Milestone 5
Company has satisfactorily resolved the issue

Central engagement cycle



Climate change and decarbonisation

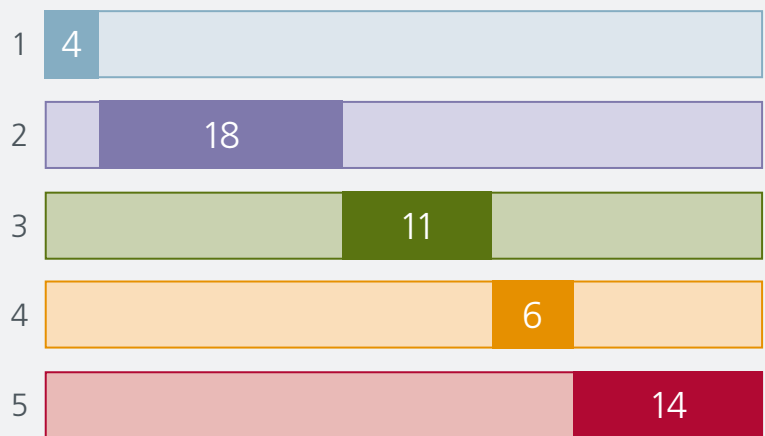


As part of the pilot year of our climate change and decarbonisation thematic engagement, we screened the portfolio for the top carbon emitting companies that make up 65% of the Prudential portfolio's absolute carbon emissions.

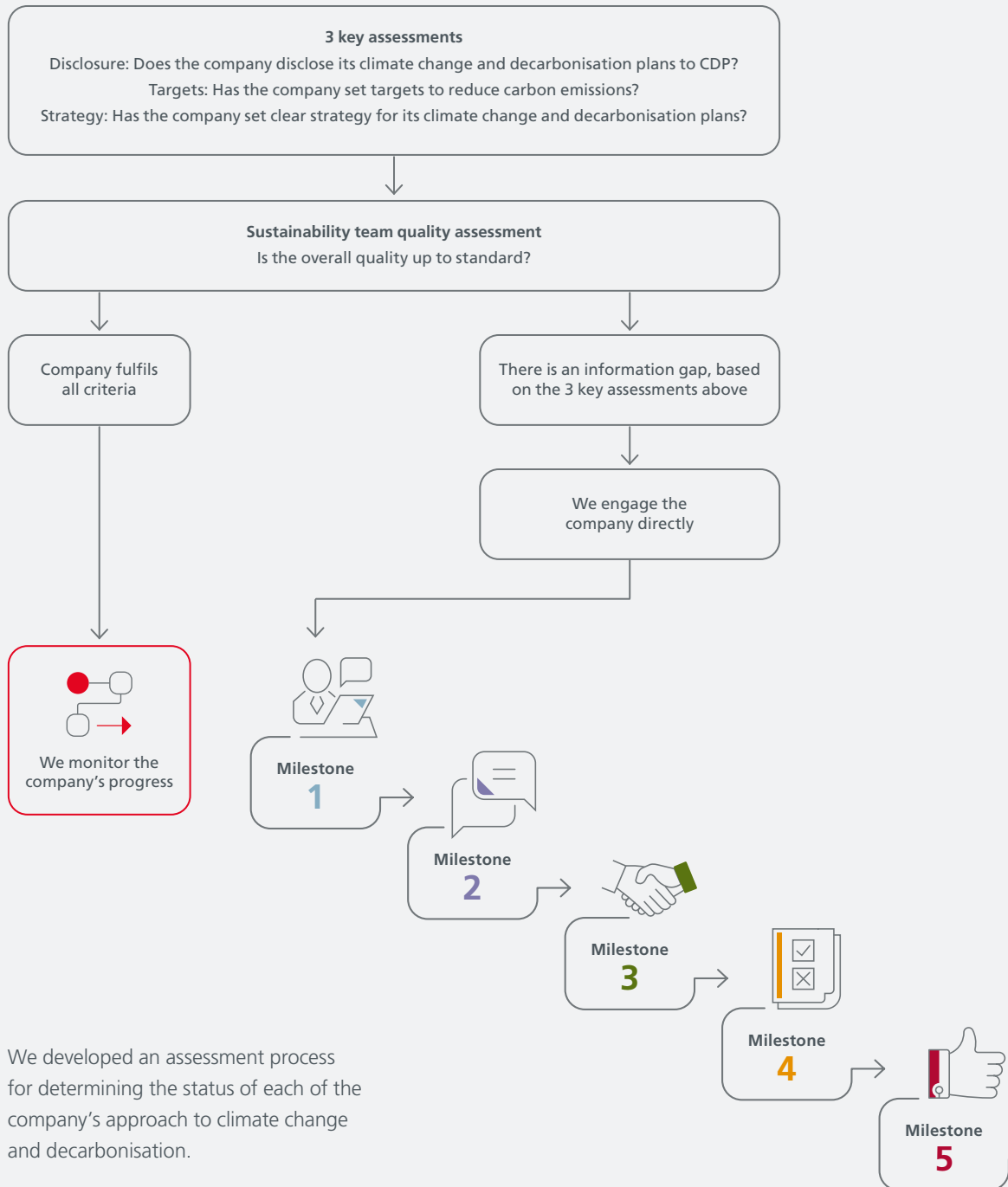
This had translated to 86 entities, or 72 companies. In the first year of engagement:

- ▶ There are 19 companies that have fulfilled all our criteria. Eastspring has engaged these companies and will continue to monitor their progress against stated goals.
- ▶ There are 53 companies that have deficiencies in the disclosure of their transition plans. Eastspring has engaged all companies at least once. These companies have been assessed and categorised over the five different milestones, depending on their responsiveness and maturity of their climate action plans.

Engagement Milestone breakdown



Assessment process





Milestone 1

Raised awareness of issue with company

A utility company in Southeast Asia.

In a very small number of cases, our engagement process is less effective than we would hope. In this case, the company did not disclose to CDP's climate survey, did not share targets to reduce carbon emissions, and did not provide any details on decarbonisation. Our attempts to engage the company resulted in a non-response to date, which, should it persist, will result in the implementation of our escalation process incorporating proxy voting.



Milestone 2

Dialogue in process

A cement company in China.

The company was initially assessed on its climate action plan in 2021, and it did not pass any of our minimum expectations, including disclosure to CDP, setting credible targets to reduce carbon emissions, and explaining its decarbonisation journey. Our continued attempts of following up yielded results when we were eventually referred to the senior Investor Relations ("IR") manager who is responsible of ESG. We arranged for a virtual meeting and had conducted the engagement in Mandarin. During the engagement, we communicated that investors primarily want to see that the company disclose for the first time and concerns over first time scores being poor are secondary. We encouraged the company to submit its first-ever disclosure in 2022, and it gave the IR manager confidence to agree to submitting its CDP disclosure for the first time.

As the Chinese proverb says: 趁热打铁 (translation: strike whilst the iron is hot), we contacted CDP right away after our virtual meeting with the company. The team at CDP was very thrilled, as other investors and itself have tried to engage with the cement company since 2010. For the disclosure cycle of 2022, the cement company responded to CDP's climate survey for the first time in over a decade after the CDP's first request.

We rate the engagement with the company as Milestone 2, because the company has yet to set targets for carbon emissions reduction and there is no concrete plan for decarbonisation.



Milestone 3

Company has agreed to address the issue

A global food supply chain company.

The company has provided adequate disclosure to CDP, shared details on its decarbonisation strategy, and has also set a medium-term target by 2035 for its Scope 1 and 2 carbon emissions. However, there was no mention of a long-term target to 2050.

We had a virtual meeting with the Chief Sustainability Officer (“CSO”), who agreed that the company needs to set a long-term target for carbon emissions reduction and explained that the company was committed to guidance from the Science-Based Targets Initiative (“SBTi”). The climate-related network has just developed a draft for the forestry and agriculture sector. The CSO planned to use the SBTi’s guidance as the basis for a long-term target for the company.

Management was very keen to transition from coal-fired fuel to other fuels, especially biomass. However, the change in coal sources requires the approval of local and state governments. CSO mentioned that the company has yet to seek government approval and is preparing the necessary documentation. We rate this company as Milestone 3 because the company has agreed to set and disclose a long-term target by 2050, primarily based on the guidance of SBTi.



Milestone 4

Company has developed or are planning to implement a plan to address the issue

A steel company in Australia.

Upon assessment, the company had fulfilled most of our criteria on climate change risk as it has set medium-term and long-term targets and shared details of its decarbonisation journey extensively. It has also conducted scenario analysis and explained the key drivers and assumptions for each scenario. In addition, its senior management, including the Chief Executive Officer (“CEO”) and Chief Sustainability Officer (“CSO”), have a part of the variable incentives linked directly to emissions reduction.

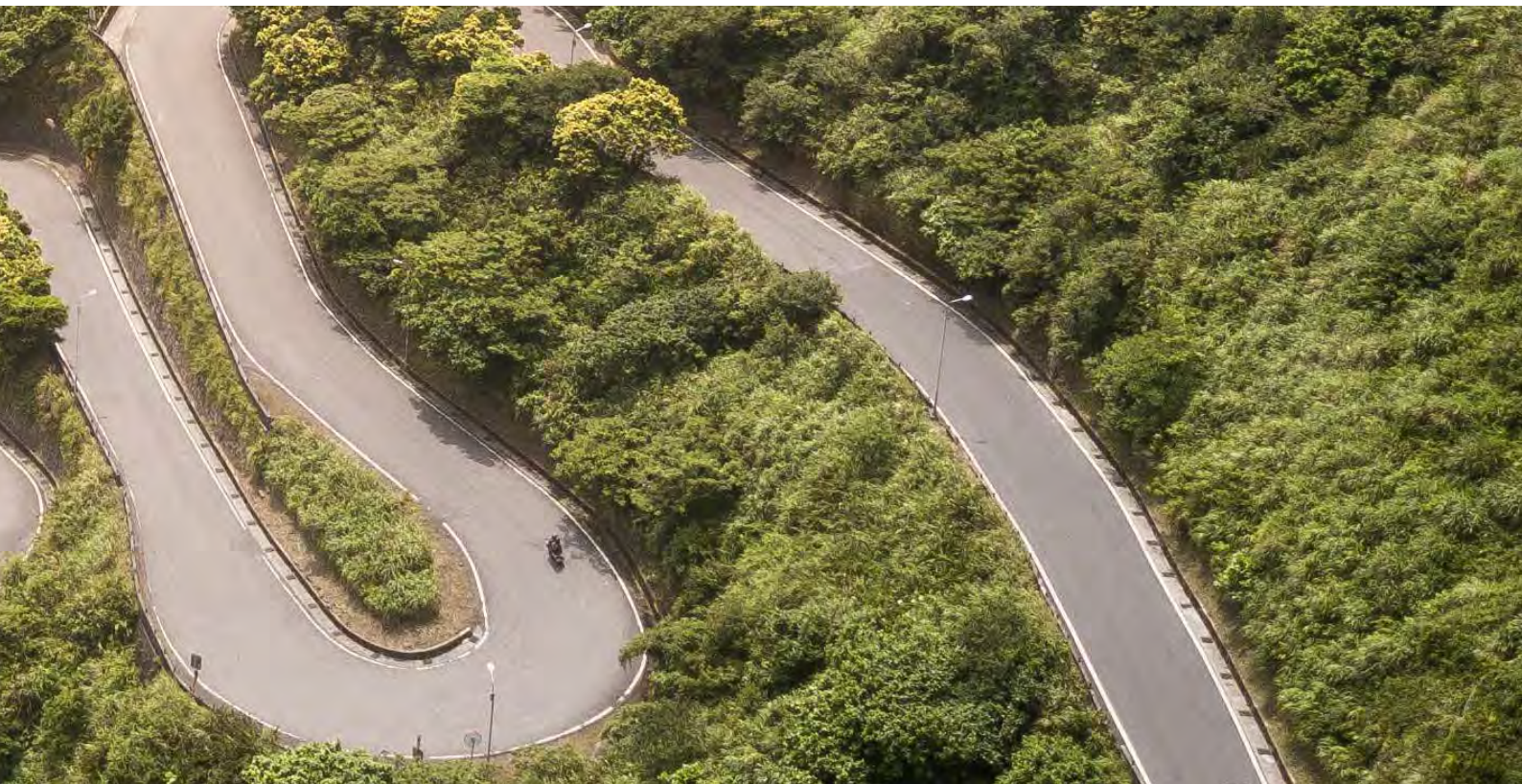
The only information gap is its disclosure to CDP’s Climate Survey. Initially, the company was reluctant to disclose to CDP as the Sustainability team had focused on enhancement in Taskforce on Climate-related Financial Disclosures (“TCFD”).

During our engagement, we explained the benefits of disclosing to CDP, which include improving its reputation as a transparent company, improving access to capital, moving ahead of regulatory changes on environmental reporting, identifying risks that were previously overlooked, and benchmarking against industry peers.

Five months later, the company informed Eastspring that it acknowledged our expectations to disclose on CDP and would participate in CDP’s disclosure cycle for 2022. Given the rich inventory of data and information on climate action the company already has, we believe that it can disclose to CDP in 2022.

We rate this company as a Milestone 4 because the company had agreed to report to CDP and was in the process of doing

so. In 2023, the updated CDP database showed that the company has provided their first ever disclosure. We will continue to monitor and engage the company on its progress.



Milestone 5

Company has satisfactorily resolved the issue

A private conglomerate in Southeast Asia.

As part of our assessment, the company has good-quality disclosure on its targets to reduce carbon emissions for the short-term, medium-term, and long-term. It also started disclosing in CDP's Climate Survey in 2020, when it has sufficient data inventory on its carbon emissions. The company has also set up a Sustainable Development Office in 2021 with the CEO serving as the Chair of the Sustainable Development Committee. The company has integrated climate-change related KPIs from the CEO to heads of various business units, to all employees. The CEO has an ESG-related KPI of 30% of total performance, and this KPI is assessed by the Board of Directors to translate into annual variable incentives.

However, details of its decarbonisation journey appeared to be vague and lacking in detail. This was the primary reason for engagement with the company. We engaged with the company's senior management including the CFO. To reach its short-term target of reducing carbon emissions by 2025, the management explained that it would largely rely on changes in energy sources from fossil fuels to alternative sources including biomass. Specifically, the management aimed for 50% of its energy sources coming from alternative fuel sources by end of 2022.

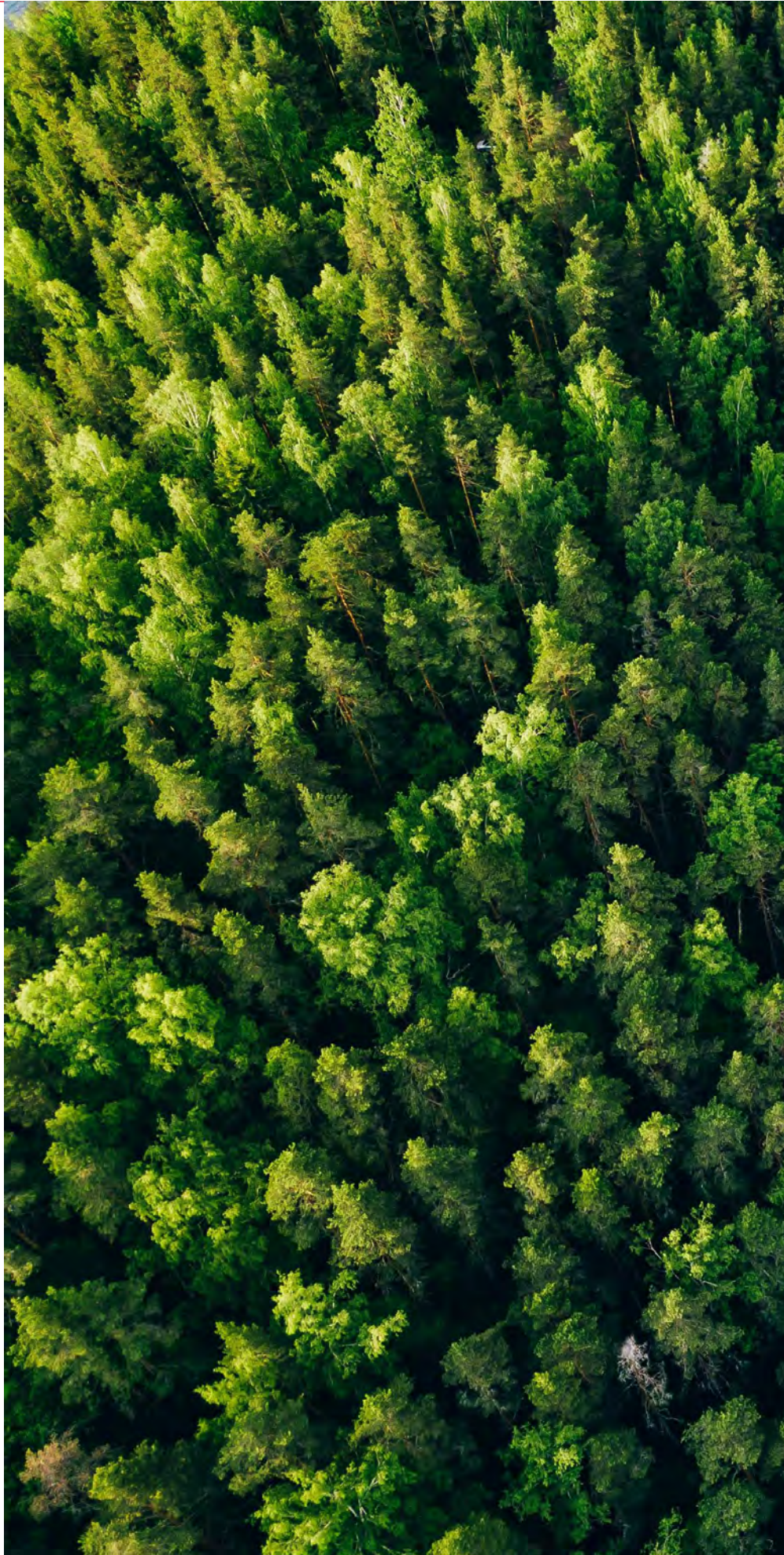
The management also articulated the key milestones for the decarbonisation journey from its medium-term target of 2031 to net zero target by 2050. To transition, the management shared that it plans to invest into green energy (e.g., hydrogen), utilise carbon capture, and propose internal carbon price to incentive employers to reduce carbon emissions at a faster pace. The company also plans to introduce new products that are highly recyclable and low energy consumption. We rate this company as Milestone 5 as it has fulfilled our criteria on disclosure, targets set to reduce carbon emissions, and its decarbonisation plan was clear and thoughtful.

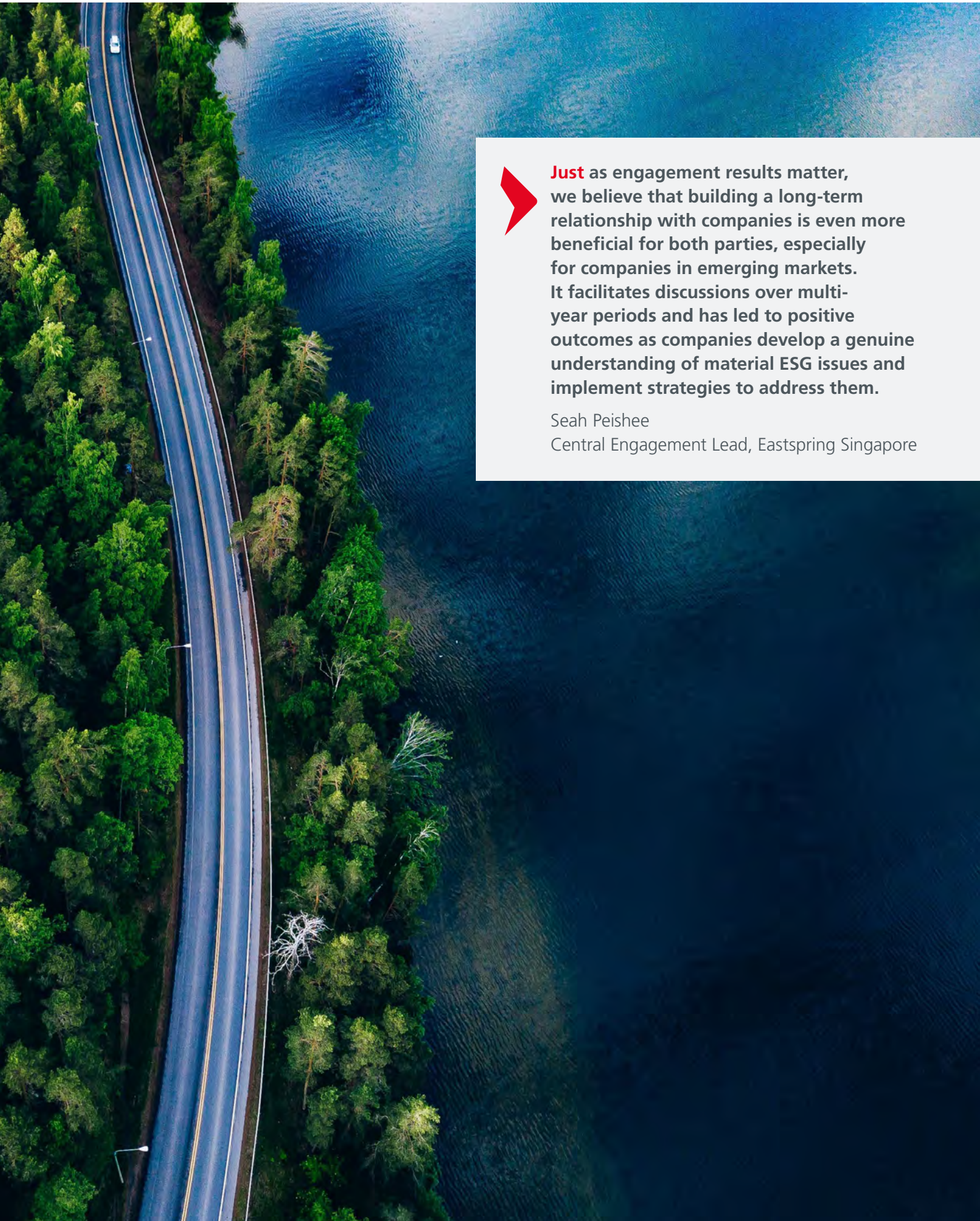


Monitor progress

A utility company in Greater China.

The company actively discloses its Scope 1, 2, and 3 carbon emissions annually. It participated in CDP Climate survey since 2010, has set clear emissions reduction targets over the short, medium, and long term, and targets to reduce Group's carbon emissions intensity by 80% from 2007 levels to 2050, ahead of China's National Determined Contributions ("NDC") in 2060. It has signalled that it plans to tighten long-term net zero target closer to 2050 and has outlined clear pathway to decarbonise from coal and liquid fuel. The company has taken the initiative to keep track of SBTi standards for utility companies. Its medium-term goal to reduce its 2030 carbon emissions intensity is also aligned with the Paris Agreement goal of limiting global warming to well below 2°C above pre-industrial levels. We wrote a complementary letter to inform the company that it is on the right track with its climate strategy, and we would monitor its progress on decarbonisation and tightening its 2050 target.





Just as engagement results matter, we believe that building a long-term relationship with companies is even more beneficial for both parties, especially for companies in emerging markets. It facilitates discussions over multi-year periods and has led to positive outcomes as companies develop a genuine understanding of material ESG issues and implement strategies to address them.

Seah Peishee
Central Engagement Lead, Eastspring Singapore

Insights

Taking on climate change and decarbonisation as the first thematic engagement of the Central Engagement programme provided great insight to the team on how to approach future thematic engagements. We recognised that for a topic as complex as climate change, we needed to be cognisant of local and industry sensitivities and adjust our course of engagement to allow for clear, two-way communication with these companies. As part of our first year of engagement, we noticed the following:

1 Medium is the Message: Depending on the industry and country that the company is based in, adjustments to our engagement channels and the usage of local language both serve to optimise our engagements with companies.

2 Local Knowledge is an Edge: Being proficient in the local language and customs, combined with having detailed knowledge of the climate ambitions of the country in which the issuer operates, can mean the difference between an effective engagement and a non-reply.

3 Accountability is Key: When companies link climate change metrics and targets to their senior management's variable incentives, there is a good chance that engagements will be taken more seriously as an accelerant for strategy development and implementation.

4 Patience is a Virtue: Company structures vary across industries and countries and creates different levels of bureaucracy and lines of reporting. As such, the entry point of engagement (i.e., the first point of contact for engagement) is essential and patience in navigating these structures for engagements is key. Change is often a multi-year endeavour.



For example, in the case of engaging with Chinese State-Owned Entities ("SOEs"), we found that by navigating language and culture barriers, choosing the appropriate mode of communication, engaging with the appropriate decision makers, framing our requests in line with National Commitments, and offering support for improved reporting and target setting, enhanced our engagement sessions and optimised them for follow-up actions and results. In the theme of climate change and decarbonisation, it appears that outcome-driven engagements with SOEs to develop the targets and disclosure is a multi-year journey.

Just Transition

In Asia and emerging markets more generally, the concept of a just and inclusive transition is a necessary ingredient of the world's move to more sustainable energy sources. In particular, the issue of access to electricity looms large, as many communities have only recently been afforded access to this essential service. Transitioning the energy mix, whilst maintaining this access to electricity, is the key challenge of a just transition. We



In the theme of climate change and decarbonisation, it appears that outcome-driven engagements with SOEs to develop the targets and disclosure is a multi-year journey.

believe it is important, especially in the markets in which we operate, to continue our engagement activities, even as clients may choose to exit coal producers and energy generators due to excessive, unrewarded climate risks that they possess.

Eastspring hopes to leverage on the long-standing relationship and regional expertise of engaging with these coal companies to encourage them to accelerate their transition. As such, we have elected to continue to engage with the companies that were identified in 2021 but have since been divested. We plan to continue being a part of the wider dialogue on climate transition and adaptation so that as these companies evolve, they may once again become part of our investible universe.



Palm oil

Palm oil is the world’s most produced, consumed, and traded vegetable oil. It is four times more productive³ than the next best vegetable oil (soybean oil and rapeseed oil), and up to ten times more productive than coconut and sunflower crops. From a land use perspective, it is one of the most efficient crops. Up to 35% of the world’s vegetable oil is palm, yet it is grown on only 10% of the land used to produce vegetable oils. Approximately six million people rely on palm for their livelihoods and estimated 40% of palm is grown by smallholder farmers⁴.

The irresponsible production of palm oil, however, has caused widespread deforestation and biodiversity loss and exacerbated climate change. It also leaves in its wake a trail of negligence

and disregard for human labor and land rights of local communities and indigenous peoples.

We have commenced engaging the palm oil value chain, from growers and traders to Fast-Moving Consumer Goods (“FMCG”) companies. Although there are country certifying bodies to certify Sustainable Palm Oil, we choose to base our assessment criteria off the RSPO and Sustainability Policy Transparency Toolkit (“SPOTT”) Index as they are the globally recognised certification body for palm oil and one of the top independent assessors on soft commodities respectively.

We have identified 22 different players within the palm oil industry – 17 plantations and supply-chain companies, four FMCG companies, and RSPO itself

– for engagement on sustainable palm agriculture practices. The purpose is to assess and engage to elevate the standards of growing or sourcing to meet all the material aspects of RSPO and SPOTT Index. To conduct our initial assessment, we have developed a set of criteria required to assess all the different players in the palm oil industry. Thus far, we have reviewed 100% of the companies and commenced engagement with 95% of the same group. We will continue these engagements into 2023.

³ Defined as volume output per hectare of land cultivated

⁴ RSPO definition <50 hectares land ownership



United Nations Global Compact (“UNGC”) violators

The UNGC is a non-binding United Nations pact to encourage businesses to adopt sustainable and socially responsible policies, and to report on their implementation. The ten principles of the UNGC are derived from international agreements on four topics: human rights, labour, environment, and anti-corruption. Using third-party vendor data, we classify companies into three categories.

► **Fail** – Violating one or more of the ten UNGC principles

► **Watch List** – Close to violating one or more of the ten UNGC principles

► **Pass** – Not violating the ten UNGC principles

We have identified 14 companies, many of whom are from the mining sector, for engagement to change their conduct and

comply with international agreements brought together in the UNGC. Thus far, we have reviewed 21% of the companies. We will continue our review before commencing engagement with the same group in 2023.

Additional thematic engagements

In 2022, we also undertook additional thematic engagements within the year’s activities as a response to client requests. We investigated severe controversies of selected holdings in our portfolio and gave recommendations on how senior management and board of directors can improve to reduce potential liabilities.

Business ethics

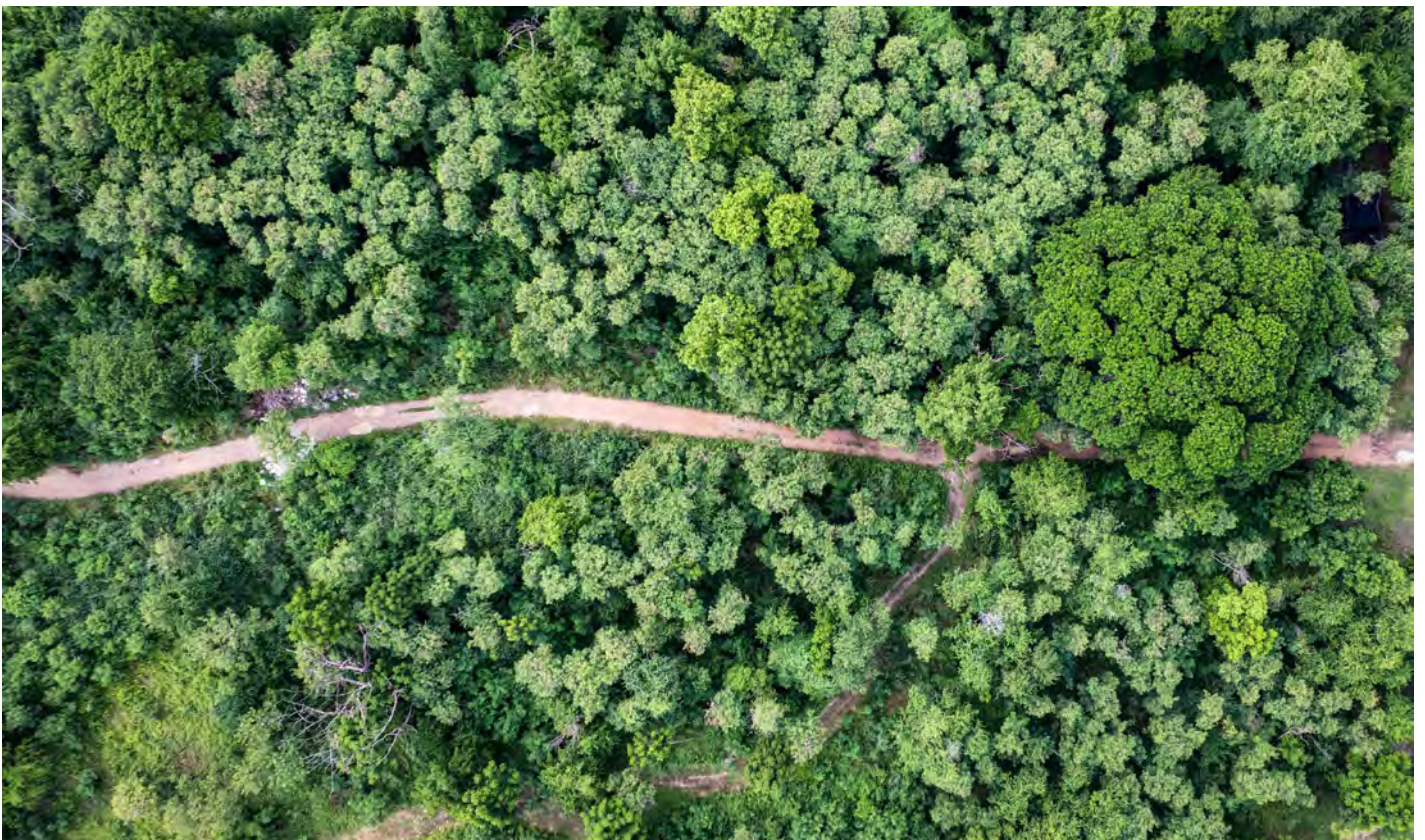
This series of thematic engagements was undertaken as a response to a request by our investment teams. Business ethics, also known as corporate behaviour, refers to the moral standards of what is right, wrong, and appropriate in the workplace. It essentially prescribes the code of conduct for doing business. We investigated severe controversies of selected holdings in our portfolio and, as part of our engagement,

provided recommendations to senior management and board of directors on how they can improve standards and behaviours in order to reduce potential liabilities. A small subset of nine companies in our portfolio were flagged for severe controversies. We have reviewed and engaged with all companies and will continue the engagement into 2023.

Bank-lending for fossil fuels

Banks are the lifeblood for a vast majority of companies requiring funding and capital expenditure. As such, they are instrumental to help fund and accelerate the decarbonisation journey committed by companies. At the same time, banks can set policies to limit the funding of activities that are detrimental to long term global economic growth. These financial

institutions can reduce their Scope 3 carbon emissions, and subsequently their contribution to climate change, by being discerning with their lending books, particularly on those that relate to the expansion of fossil fuel extraction projects. We have reviewed and engaged with five banks to assess their lending policies to hard-to-abate sectors. Key criteria for assessment include lending policies to new fossil fuel customers or new projects and promoting 2°C aligned activities through issuing green, transition, and sustainability bonds as well as other financial instruments. Two of the banks have satisfied our criteria fully whilst the remaining three are at various stages of engagement, with engagements to continue into 2023.



Collaborative engagement

We believe that collaboration amongst investors is an effective way to address ESG issues and maximise investor influence.

We are active members of collaborative organisations. From time-to-time, we may participate in collaborative engagement initiatives where we believe it to be in our clients' best interests to do so. In 2023, we have consolidated all our memberships under our group entity, Eastspring Investments Group Private Limited.

Asia Corporate Governance Association ("ACGA")

Eastspring has been a member of ACGA since 2002 and is a participant of the Japan Working Group and China Working Group.

ACGA Japan Working Group

Eastspring Singapore's Japan Equity Team is part of the Japan Working Group at the ACGA. The organisation is an independent non-profit dedicated to working with investors, companies, and regulators in the implementation of effective corporate governance practices throughout Asia. Together with four other global asset managers, Eastspring Singapore engaged a large multi-national bank through one of the Japan Working Group's five sub-tracks, each of which targeted a separate Japanese blue-chip stock. The objective was to establish a long-term working relationship focused on improving corporate governance, capital management (i.e., reduction of cross-shareholdings; increasing return on equity), and sustainability disclosures. We engaged with the bank twice in 2022. The result was the bank's commitment to unwind JPY 500 billion worth of cross-shareholdings (up from JPY 300 billion) during its current mid-term plan, to expand the scope of sector-specific public targets (i.e., beyond limiting financing for oil, gas, and power), and to strengthen its corporate disclosures as part

of its membership of the Net-Zero Banking Alliance.

Asia Investor Group on Climate Change ("AIGCC")

Eastspring has been a member of AIGCC since 2019 and is a participant of the Asian Utilities Engagement Programme ("AUPEP").

AIGCC Asian Utilities Engagement Programme ("AUPEP")

The investment teams from Eastspring Singapore and Malaysia are a part of the AIGCC AUPEP, which looked to engaged with Asian utilities. The Asian electric utility sector is critical to the net zero transition as it contributes to approximately 23% of global carbon dioxide emissions. Seven Asian utility companies, including one in Malaysia, were selected by the AIGCC AUPEP due to substantial greenhouse gas emissions, large coal-fired power capacity or due to their strategic role in driving the net zero emissions transition. Our team participated in collaborative engagements with a few of these identified companies.

In particular, we have been engaging with a Malaysian utility company since July 2021 and have conducted three collaborative engagements with the company to address the utility's renewable energy ambitions including its technology applications, overseas acquisitions, and plans to reduce its reliance on coal via its energy transition. A written request was shared with the company to specifically state its plan on how it will reach its net zero ambitions with short, medium, and longer-term targets.

The company has made encouraging progress towards decarbonisation since our initial collaborative engagement in 2021. It announced its aspiration to achieve net zero by 2050 and has upgraded targets, with a commitment to reduce 35% of its

emissions intensity as well as 50% of its coal generation capacity by 2035. These targets are supported by MYR 20 billion annual capital expenditure commitment to fast track its transition. In addition, the company plans to align its targets with SBTi in three years' time. We will continue our participation in the programme to accelerate the company's climate actions.

Carbon Disclosure Project ("CDP")

Eastspring has been a member of CDP since 2020 and is a participant of its Transition Champions Initiative and Non-Disclosure Programme.

CDP Transition Champions Initiative

Eastspring Singapore was selected to participate in CDP's Climate Transition Champions Pilot, an engagement project that worked with target companies to define transition plans and improve disclosures. Eastspring Singapore worked with the teams of numerous multinational corporations to assess the resilience plans of their key Tier 1 suppliers (if listed and disclosed to CDP). As the only asset manager from the Asia region, Eastspring Singapore shared and collected insights on how climate transition strategies of emerging market companies compared with their developed economy counterparts.

CDP Non-Disclosure Programme

In addition, Eastspring Singapore participated in CDP's Non-Disclosure Campaign, an initiative that encourages companies to respond to CDP environmental data disclosure requests. As part of this programme, Eastspring Singapore wrote to approximately 2,000 portfolio companies that currently do not disclose basic carbon data. CDP has since published the findings of its first year of engagement.

CDP Non-Disclosure Campaign findings

- ▶ The companies engaged in the 2022 Non-Disclosure Campaign were 2.3 times more likely to disclose than those not engaged in the campaign. This is a powerful outcome, which highlights the importance of direct engagement from financial institutions.
- ▶ Participants had a high impact on companies targeted in the transportation services, manufacturing, and apparel sectors.
- ▶ 90% of companies that submitted in the 2021 Non-Disclosure Campaign responded again in 2022.

Source: CDP

Climate Action 100+

Eastspring has been a member of Climate Action 100+ since 2020 and is a participant of its collaborative engagement programmes for target companies.

Net Zero Asset Owner Alliance (“NZAOA”) Engagement Track, alongside Prudential.

Eastspring has been involved in the NZAOA Engagement Track since 2022.

United Nations-supported Principles of Responsible Investment (“PRI”)

Eastspring has been a member PRI since 2018 and is a participant of the PRI Sustainable Commodities Programme.

Investor Statement: 2022 Global Investor Statement to Governments on the Climate Crisis

Eastspring signed the investor statement to reinforce our support, having signed the 2021 Global Investor Statement to Governments on the Climate Crisis.

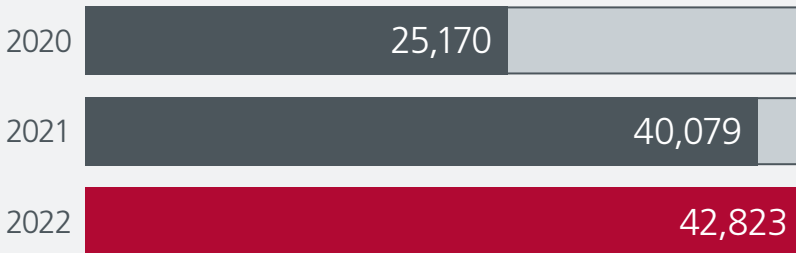


Collaborative engagement initiatives provide a useful platform for maximising engagement effectiveness, as they signal to companies the material ESG issues that investors deem as relevant to a company’s business. It also allows investors to exchange ideas on best practices and harness collective insights to gain a holistic understanding of the company. This translates to company engagements that are more efficient whilst providing greater value-add to all parties.

Joanne Khew
 Director, ESG Specialist, Eastspring Singapore

3 year overview

Total number of votable items



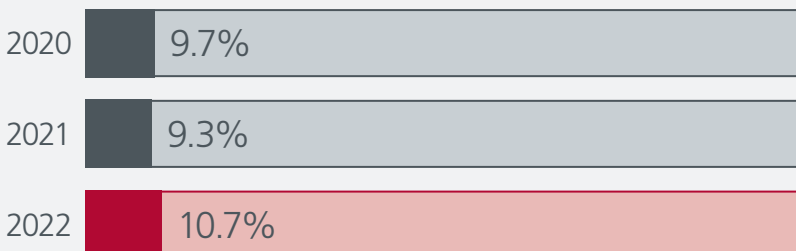
Percentage of Items voted



Number of votes with management



Number of votes against management



Source: Eastspring Investments (Singapore) Limited's proxy voting record for calendar years 2020 – 2022.

Proxy voting

An active and informed voting policy is an integral part of our direct equity investment philosophy and forms a core part of our approach to active ownership. As a starting point to this policy, we are supportive of the boards and management of the companies in which we invest. However, when companies consistently fail to achieve our reasonable expectations, we will consider actively promoting changes via proxy voting. By exercising our votes, we seek both to add value and to protect our clients' interests as shareholders.

Principles-based approach

Eastspring Investments follows a principles-based approach, where all votes we exercise are considered in the context of the guidelines set out below. We consider the issues, meet with company leadership if necessary and applicable to the investment strategy, and vote accordingly. Where possible, we would seek to discuss any contentious resolutions with investee companies before casting our votes to ensure that our objectives are understood and that our votes are cast in the best interests of our clients. We may decide to not vote proxies or abstain from voting in limited circumstances where the costs are prohibitive or would not serve our clients' interests.



We believe that active ownership is preferable to exclusions and that long-term outcome-based engagements will allow us to collectively move the needle on progress.

Exclusions

Eastspring acknowledges that certain businesses and their activities are of detriment to the communities and wider society that they operate in. We deem investments into these companies as incompatible with the Group RI policy.

Active ownership is preferable to exclusion

One of the four core tenets of our ESG philosophy acknowledges our preference and inclination towards active ownership, which includes engagement and proxy voting, over hard exclusions. In fact, we believe that hard exclusions from our investment universe should be utilised as a last resort, where ESG risks are insurmountable or where continued engagement is considered ineffective.

Eastspring applies exclusion criteria for companies in select themes, including controversial weapons, tobacco, or companies that derive more than a

certain percentage of their revenue from thermal coal. When considering a Group-wide exclusion, an assessment is made on the expected risk vs return impact of the investment portfolio. A proposal for an exclusion needs to be approved by the local business and follows our RI governance process.

We believe that seeking change in corporate behaviour through engagement is more likely to have real world impacts. To that effect, we do consider exceptions on a case-by-case basis.

Changes in Scope

We first launched our Exclusions policy as a standalone policy for Eastspring Singapore in 2021, electing to only include comingled funds, such as Singapore unit trusts and SICAVs, that are directly-managed by Eastspring Singapore. As part of the natural evolution of our RI commitments and wider effort to harmonise our Eastspring Group Responsible Investment Policy and

approach, we expanded the scope to include all our LBUs going forward, with the implementation of expanded scope set for the first half of 2023.

Hard exclusions can serve as a tool in managing the long-term ESG risks of our exposures. Eastspring recognises that the policy should not be applied in a vacuum without consideration of the markets in which we operate. Therefore, we are continuously mindful of the need to implement our policy in a way that acknowledges the nature of the markets in which we operate.

Controversial weapons

These are defined as companies with verified involvement in cluster munitions, anti-personnel mines, biological weapons, chemical weapons, and nuclear weapons outside of the UN Treaty on the Non-Proliferation of Nuclear Weapons.



Eastspring Singapore completed our divestment in this category by the end of 2021, and in 2022 continued to exclude such holdings from its investment portfolio.

Tobacco

These are defined as companies that produce tobacco, which are labelled as ‘Tobacco’ by GICS level 3 (or GICS Sub-Industry). Eastspring Singapore completed our divestment in this category by the end of 2021, and in 2022 continued to exclude such holdings from its investment portfolio.

Coal

We have decided to divest from all direct investments in businesses which derive more than 30% of their revenue from coal mining, and/or electricity generated from coal. For Eastspring Singapore, in-scope equity investments were fully divested by the end of 2021 and in-scope fixed income investments were full divested at the

end of 2022.

Electricity generation through coal is the single largest contributor to global carbon emissions, and companies with a large reliance on coal therefore carry a significant stranded asset risk to our portfolio. On the other hand, we are cognisant of the reliance of our markets on coal and the challenges for switching to renewable sources whilst energy demand is rising as many of our markets show significant economic growth. We believe that the 30% revenue threshold appropriately balances these two perspectives and are continually monitoring this decision.

In setting a threshold for divestment, we take great care in balancing our stewardship duties in developing markets, with our dedication to the low-carbon transition. We firmly believe that the foundation for a truly just and inclusive transition lies in the dedication to work with companies to phase coal out more

quickly and effectively, as opposed to strict divestment that diverts necessary financing for the transition. Our central engagement programme helps us to strike a balance between hard exclusions as a response to insurmountable ESG risks and harnessing active ownership as part of wider efforts for decarbonisation.

In the case for coal exclusions, we have specific criteria for exemptions for certified green bonds for coal, which can be granted on a case-by-case basis. The company should demonstrate a plan that contributes to a transition consistent with its country’s NDC or with (or better than) the Paris Agreement.



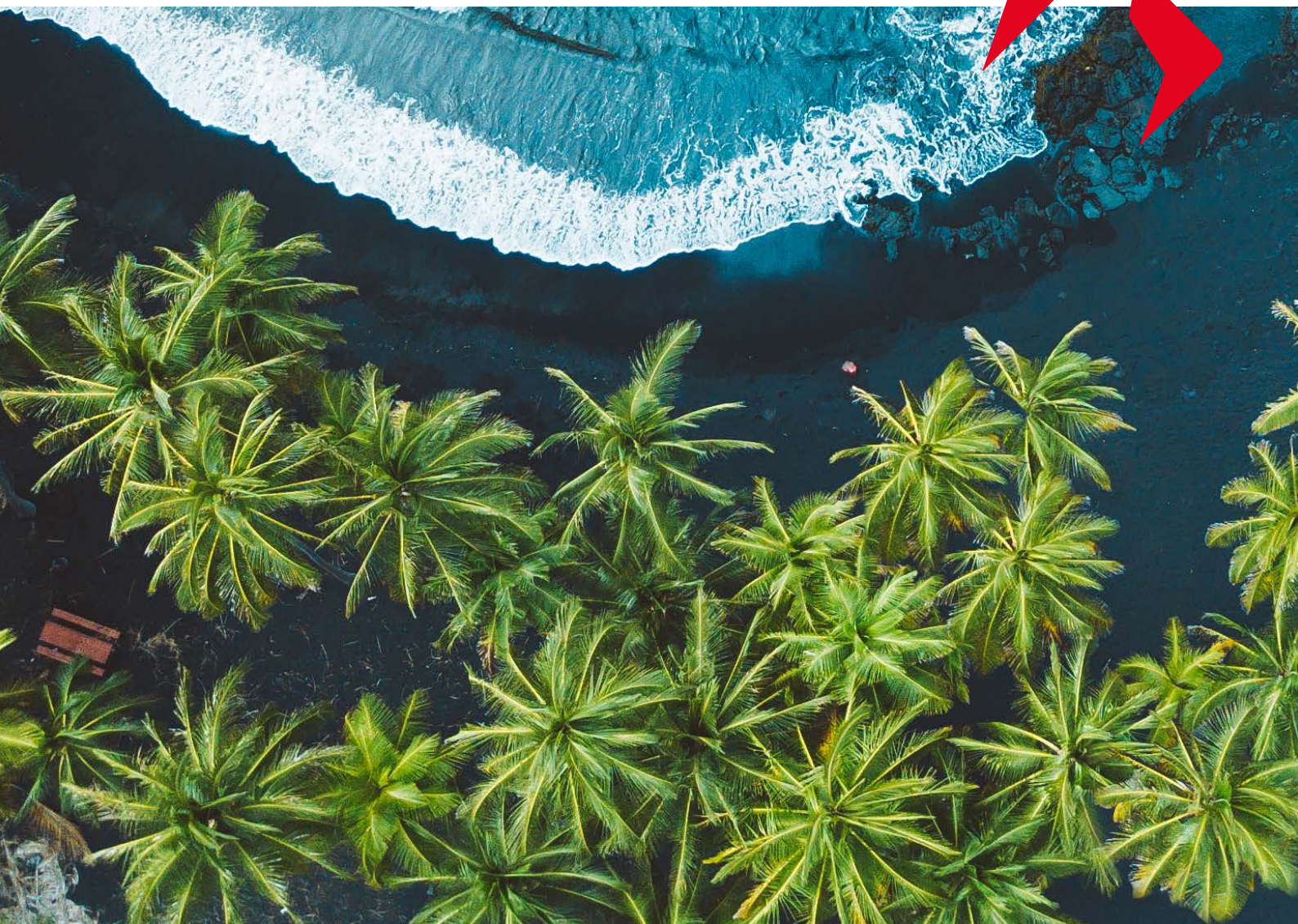
Exemptions in Action: A utility company in the Philippines

When we launched our exclusions policy for coal, applying a 30% revenue threshold, this Philippine utility company had met our criteria for exclusion. In 2021, revenue contribution from thermal coal generation was an unacceptable level of 41%. However, the following year revenue from coal activities decreased to 35%. As part of our ongoing engagement, the company shared that this stream of revenue is estimated to decline to 25% of revenue by 2023. It had also publicly announced that the current coal portfolio would be divested by 2025, paving the way for only renewable energy generating capacity by that time. In light of this, and to support a just and inclusive transition, we have exempted the certified green bonds for this issuer. We will continue engagement with the company as part and keep track of their revenue exposures to coal.

ESG integration

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- 61 Providing ESG-related training



At Eastspring Investments, responsible investing is an integral part of our asset management activities. Responsible Investment (“RI”) includes the explicit incorporation of material ESG issues into our investment decisions – both before we make investment decisions and during the period an investment is held. All investment professionals are responsible for incorporating all factors, including ESG issues, deemed to materially impact the investment decision making process.



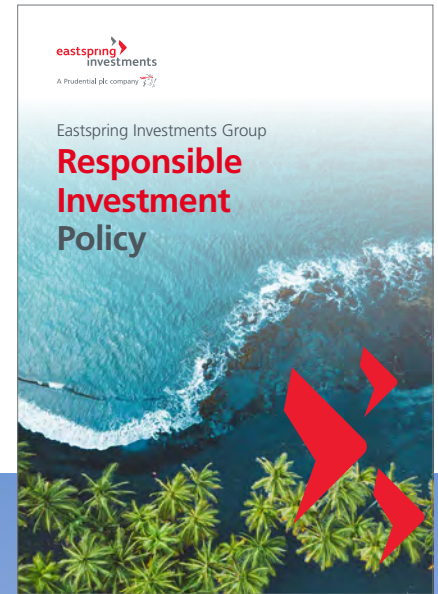
All investment professionals are responsible for incorporating all factors, including ESG issues, deemed to materially impact the investment decision making process.



Harmonised Responsible Investment Policy

In 2022, Eastspring embarked on a project to overhaul, substantially uplift, and harmonise our RI policy and approach to ESG integration across all our investment teams. An updated, singular Eastspring Group Responsible Investment policy was approved by the Eastspring Sustainability Committee in the latter part of 2022, updating previous exclusion, proxy voting, and ESG policies and principles. The Group RI Policy went into force on 1 January 2023, with the implementation of expanded scope set for the first half of 2023.

Throughout this process, we leveraged on the ESG Experts in Asia Workstream for information sharing and consultation. This workstream provided the forum for different LBUs in the region to bring awareness to the different stages of RI developments in their markets so that the policy could take these differences into consideration. For more information on our governance structure, please refer to page 66.



Eastspring ESG Principles

Our investment beliefs as they relate to Responsible Investment are:

1 Integrating ESG results in better investment decisions.

We believe that incorporating material ESG considerations into the investment process can add value which can result in higher risk-adjusted returns for our clients over the long term.

2 Engaging with investee entities can be constructive.

We recognise that responsible investing requires a patient approach and an understanding that improvement in corporate behaviour can support investor value over time. We believe that companies that adopt sustainable business practices are more likely to deliver superior value in the long-term.

3 Active ownership is preferable to exclusion.

We believe that hard exclusions from our investment universe should be utilised as a last resort, where ESG risks are insurmountable or where continued engagement is considered ineffective. Rather, seeking change in corporate behaviour through engagement is more likely to have real world impacts.

4 Transparency to our clients is important.

We believe that providing transparency on our ESG activities helps our clients understand our priorities and impact.

In Action

Following a press report in Brazil about a global food producer being investigated on the grounds of modern slavery, we commenced engagement on the matter raised. Whilst our holding was not significant, we believe that identified instances of alleged modern slavery require a follow up, leveraging investor pressure to swiftly address these issues. During the engagement we also raised questions on allegations regarding illegal land clearing for agriculture, as an extension of the wider controversies occurring within the supply chain of this company. By encouraging the company to provide remedy to those affected and seeking improvements in supply chain monitoring, we believe we are more likely to influence real-world change. Ultimately, we believe that active ownership is preferable to exclusions. We will continue engagements with the company on the basis that long-term outcome-based engagements will allow us to collectively move the needle on progress.

Equity and Fixed Income

We seek to identify, assess, and monitor material ESG risks and opportunities.

Investment teams integrate ESG issues with material impact on a company's valuation, credit worthiness, and license to operate within the investment analysis, investment decision, and active monitoring of holdings. This process also considers the impact of a company's readiness to position itself positively to exploit future ESG opportunities in its specific market and sector. Through the ESG integration process, investment teams develop an informed and holistic assessment of a company's exposure to and management of ESG risks and opportunities. This includes incorporation of third party ESG data, materiality metrics, as well as company and market specific data. Notwithstanding, we are mindful of data quality issues and will factor this into our assessment of materiality. Where possible, we will monitor and engage with data providers to address data quality issues.

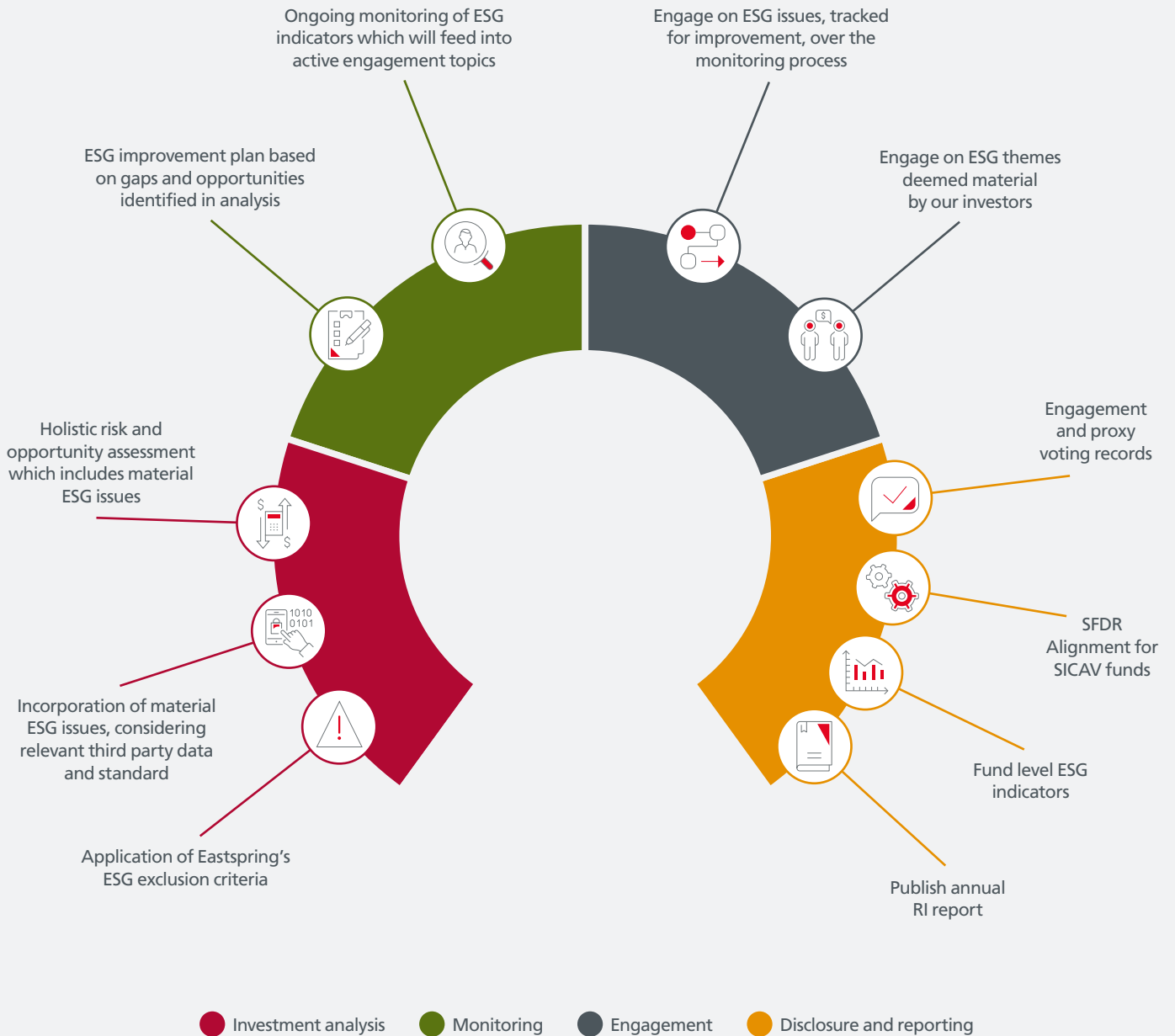
Integration in action: Reconciling ESG data with research and company engagement

Eastspring Singapore engaged a Hong Kong electric holding company to understand why its carbon emissions

intensity was so high. The portfolio manager had reviewed the company-reported carbon emissions intensity of the company against our data vendor's figure and noticed the disparity between these two figures. Leveraging on the long-standing relationship built upon years of engagement, the portfolio manager reached out to the company to seek clarification on this carbon emissions intensity number.

We subsequently engaged the data vendor which prompted a re-evaluation by the vendor and led to an update in their reporting of the carbon emissions intensity of this company. The updated carbon emissions intensity, which was a third of the previous figure, was significant enough to result in a decline in the WACI of some portfolios. This shows how ESG integration within the investment process and thoughtful engagement can reinforce the decision making processes, allow for a better assessment of climate risk within portfolios, and benefit the wider investment ecosystem.

Integrating ESG into our investment process



**Integration in action:
Harnessing active monitoring and
company engagement for evaluation**

Eastspring Singapore had assessed a financial institution as having a slightly higher risk and preparedness exposure relative to its peers in the “social” aspect of human capital development. This issue was also picked up through the ESG Controversies Active Monitoring system, that was created and operationalised within our portfolio monitoring systems. This prompted ongoing engagement with the financial institution on social issues on manpower, employee satisfaction, and compensation. As a result of this targeted engagement, we were able to gain a better understanding on the issues raised. The company had taken mitigating actions, such as the establishment of a dedicated entitlement compliance team with the requisite expertise to better resolve and pre-empt labour related issues with internal and external parties, including the regulator. This also demonstrates how our analysts identify material ESG issues in the ESG integration process, resulting in a proprietary assessment on the ESG risk and preparedness of any holding in this portfolio.

Quantitative strategies

ESG is incorporated as a formal stream in our quantitative research program, where we conduct significant research on alpha signals, including those related to material ESG issues, using available historical data. We look to identify and validate ESG alpha factors that improve the returns of our strategies and ESG risk factors that may mitigate risk in our strategies. We aim to enhance our data-driven approaches over time to strengthen our environmental and broader ESG capabilities, with a goal to effect meaningful and tangible change and generate alpha or reduce proven risks for clients.

Custom WACI benchmarks

As an example, Eastspring Singapore has the capability to design and implement customised low-WACI benchmark variants of current strategies. This employs quantitative approaches, such as optimisation-based portfolio construction, which are well suited for balancing a low carbon emissions intensity preference against other objectives, including the pursuit of alpha.

Private assets

Within our private asset strategies, ESG factors for any prospective investment are assessed during due diligence and at each stage of the investment process, from origination to exit. It is the fiduciary duty of the Alternatives investment team to seek to maximise returns on investments and ESG factors are intrinsic to that objective. To ensure the integration of ESG issues in the pre-investment phase, the investment team assigns an appropriate ESG rating to each prospective opportunity based on an assessment against certain criteria within a proprietary ESG Risk Assessment process. Where it is determined that a prospective investment has an excessive ESG risk, or where there is no ESG policy or limited procedures in place, the investment team will decline the opportunity. During the investment phase, and until exit, the investment team engages with underlying managers to promote ESG best practices, to manage and monitor ESG risks and address any material ESG issues.

**Launch of new global private
equity fund**

In October 2022, a new global private equity fund, managed by Eastspring Singapore, was launched with USD 1 billion of committed capital from Prudential Singapore. This fund makes commitments to private equity funds and co-investments

with part of its strategic allocation being directed towards impact investments.

In February 2023, Eastspring completed a commitment to an impact-focused fund, ARCHIMED MED Platform II, which makes mid-market investments in healthcare companies in Europe and North America. ARCHIMED has fully integrated impact and ESG into its investment process and strategy, with regular reviews of progress achieved against impact objectives at each of its underlying companies. ARCHIMED’s fund is classified as SFDR Article 9 and the manager has set up a charitable foundation that receives 5% of its performance fees. Going forward, Eastspring expects to make further impact-focused investments as part of its fund’s strategy.

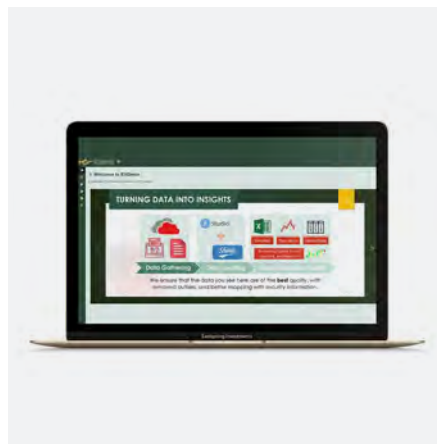
Developing proprietary tools to support investment decisions and client reporting

We utilise internal and external resources to assist in the analysis of material ESG issues which are incorporated into decision making and engagement activities. As part of the ongoing evolution of our approach, we continue to assess external sources of information to ensure our approach has the appropriate tools to aid in applying our best judgment. Investment teams may also consider other research resources including, but not limited to, a company's own data, other sell side research, public databases, and proprietary tools. In addition, LBUs may make use of market-specific data providers that might provide a more comprehensive coverage of local data.

The following tools have been developed for Eastspring Singapore. In the immediate future, we are looking to expand coverage and accessibility from Eastspring Singapore to all Eastspring LBUs.

ESGenie

an in-house desktop tool for easy access to ESG factors



We combine a wide-range of ESG data into a singular desktop tool to facilitate the integration of material ESG factors into our research and decision-making processes. First conceptualised in 2020, it was enhanced for our equity teams in 2021, and further enhanced for our fixed income teams in 2022. The Fixed Income Proprietary Matrix, which is Eastspring's assessment process that considers a range of ESG exposure and management metrics for corporate bond issuers, has been seamlessly built into ESGenie as an enhancement.

ESG Controversies Active Monitoring System

a built-in portfolio controversy monitoring feature

Eastspring Singapore has fully rolled out an ESG Controversies Active Monitoring System to enhance active ESG ownership of holdings in our listed portfolios in the equity and fixed income space. This system is integrated with our portfolio management system, allowing us to monitor holdings that cross a material ESG controversy threshold in a timely manner, throughout the investment period.

Holdings that cross this threshold are flagged to the ESG Specialists, Portfolio Managers, and Credit Analyst teams for further analysis for impact on investment thesis or development of an ESG engagement plan over the investment lifetime. The materiality threshold is designed to detect ESG controversies that may have direct business impact. Implementation of this system has resulted in the following outcomes:

- ▶ Aligns awareness amongst investment teams of ongoing, potentially financially material ESG issues, including how these issues may evolve in real-time.
- ▶ Triggers critical analysis of ESG issues with the ESG specialist team to reassess and refine, where necessary, the investment hypothesis
- ▶ Triggers targeted ESG engagement with companies on financially material ESG issues
- ▶ Increases timely understanding of ESG issues material to Eastspring’s portfolios, which is fed back into the investment analysis process.

HERA ESG

a centralised cloud that powers our ESG reporting and monitoring

HERA is Eastspring’s proprietary cloud-native Data & AI platform, which empowers users to perform data analytics and create customised reports. Chief amongst its functions includes HERA ESG, which holds select ESG data and powers analytics built on a centralised data source. HERA ESG powers the three dashboards that are currently developed for reporting and monitoring, and enhancements will be made on an ongoing basis. In 2023, we will explore rolling out centralised data access and dashboards to Eastspring LBUs.

WACI & Exposures Dashboard



This dashboard is used to monitor the WACI and exclusion exposures of Prudential investment portfolio. This is referred to when putting together the monthly deck for reporting.

Engagement Dashboard



This dashboard is used to consolidate all engagement activity across Eastspring. This also allows us to quickly aggregate and view a breakdown of all our engagement statistics.

CVaR Dashboard



The dashboard is used to view the Climate Value at Risk (“CVAR”) and Implied Temperature Rise (“ITR”) of the investment portfolio and underlying funds. It has the capacity for switching between the scenarios and providing comparisons.

Our ESG strategic offerings

Eastspring has strong local capabilities to deliver innovative solutions aligned with client needs. With presence in 11 markets across Asia, including joint ventures, Eastspring possesses the local knowledge and understanding of macro policies, sectors, as well as companies that are key in assessing material ESG risks in Asia. Our on-the-ground investment teams provide those local insights and work closely with clients to tailor innovative ESG-themed solutions to deliver sustainable returns to investors, the planet, and the next generation. Investment teams are empowered to integrate ESG considerations that are guided by the Group RI policy, consistent with their investment processes, and supported by our robust governance framework.

SINGAPORE

At the end of 2022, 87% of Eastspring Singapore's SICAV range of funds were classified as Article 8 funds under the EU's Sustainable Finance Disclosure Regulation ("SFDR"), the remaining 13% are classified as Article 6 funds. We have developed a suite of ESG-themed strategies focused on measurable social and environmental impact alongside long-term returns and we will continue to expand the development of ESG solutions with the evolving demand of our clients.

Asia Sustainable Bond Fund

Launched in 2019, the fund seeks to achieve positive total return whilst minimising downside risks with an ESG lens. It invests in bonds issued by Asian issuers who are aligned to ESG principles and uses an active investment approach with robust credit selection that incorporates ESG consideration. It includes Green, Social, and Sustainability ("GSS") labelled bonds within its holdings.

CICC China USD Sustainable Bond Fund

Launched in 2022, the fund combines both China International Capital Corporation and Eastspring's expertise in China credit and ESG investments to achieve positive total returns by investing in predominantly in US dollar denominated Chinese bonds which are aligned to ESG principles. It includes GSS labelled bonds within its holdings.

Japan Sustainable Value Fund

Launched in 2022, the fund invests in the most attractive, mispriced opportunities to generate long-term capital appreciation whilst pursuing a disciplined approach to direct capital to sustainable outcomes for society. It also looks to have 75% or more of its assets invested in companies whose products and services do not hinder the advancement of the United Nations 17 Sustainable Development Goals ("SDGs"). A target has also been set for the fund's WACI to be at least 20% lower than the reference benchmark whilst also having a higher ESG score than the reference benchmark.

Global Emerging Markets Carbon Transition strategy

Launched in 2022, this strategy delivers on a low carbon thematic focus, whilst remaining true to Eastspring's Value investment style as applied to a Global Emerging Markets Universe. The strategy commits to at least 30% lower carbon emissions intensity versus the MSCI EM Index and, being benchmarked against the MSCI EM Climate Change Index, commits to a further reduction in intensity by 7% p.a. In addition to engagement on ESG, the strategy features stronger carbon engagement on climate change disclosure, emission reduction targets, transition capex, and strategy alignment with a company's climate targets.

ARCHIMED MED Platform II

This fund is launched in 2023. For more information, please refer to page 54.

INDONESIA

In 2022, in partnership with the Indonesia Stock Exchange (“IDX”), Eastspring Indonesia launched the Reksa Dana Indeks Eastspring ESG IDX Leaders Plus Fund.

Reksa Dana Indeks Eastspring ESG IDX Leaders Plus fund

This fund was the first mutual fund that utilises the IDX’s ESG Leaders index in Indonesia with a maximum of 15% investments in offshore stocks. It offers investors a solution to invest in select stocks in Indonesia and the global market, which have been thoroughly screened and scored for ESG compliance. In 2022, the fund won the “Innovative Product and Business Model” award from the IDX Channel Anugerah Inovasi Indonesia. In 2023, the fund won the Asia Asset Management 2023 Best of the Best Awards award.

MALAYSIA

In 2022, Eastspring Malaysia won three ESG mandates and launched Eastspring Investments Global Impact Fund.

ESG Mandates

In 2022, Eastspring Malaysia won its first ESG mandate and subsequently secured two more mandates, resulting in a total of three ESG mandates secured during the year. These mandates are USD ESG Fixed Income strategy, ESG Domestic Small Capitalisation Equity strategy, and ESG Domestic Equity strategy. The latter, for example, requires assessment of ESG considerations and tracks overall ESG score improvement at portfolio level.

Global Impact Fund

Launched in 2022, the fund is a wholesale global equities feeder fund which aims to invest in companies whose core businesses aim to generate positive social and/or environmental change alongside financial returns. The fund adopts a long-term perspective, focusing on the companies’ sustainable growth potential, with the belief that these companies often have positive industry structures and long runways for growth driven by tailwinds from these impact themes.

SOUTH KOREA

In 2021, Eastspring Korea converted the Industry Leaders ESG Securities Mother Fund into an ESG fund.

Industry Leaders ESG Securities Mother Fund

The fund has two main focuses. The first focus is on companies that are ESG industry leaders, mostly large caps, to increase benchmark awareness. The second focus is on companies with improving ESG scores to create alpha. The fund actively utilises an internally established distinctive ESG and Fundamental combined scoring system (“E&F Scoring System”) to find new investment opportunities and to enhance the performance of the fund. It also monitors daily controversial ESG news which may affect the enterprise value to protect the potential downside risk of the fund. The ESG score of the fund stays above the benchmark.

THAILAND

Thanachart Global Sustainable Equity Fund

Launched in 2019, the fund is actively managed to achieve a long-term return above that of the Benchmark, with lower volatility, and to apply an ESG approach. It invests in equity holdings of companies globally that align with ESG principles. The fund performance measurement includes returns, ESG score, ESG rating, and carbon emissions intensity in comparison to the reference benchmark. The portfolio strategy is to cover almost 100% of holding companies that comply with ESG, in order to outperform the score and key performance indicators (“KPI”) of the Benchmark.

Thanachart Eastspring Global Green Energy Fund

Launched in 2020, the fund invests in companies providing low carbon solution to the world’s accelerating demand for energy. It invests in the equity holdings of companies across the broad range of renewable sources including wind, solar, biomass, and fuel as well as smart technologies that facilitate the integration of renewable energy and/or the use of energy more efficiently. The fund strategy target is to deliver alpha, considering ESG impact.

United Nations-supported Principles of Responsible Investment (“PRI”)

Eastspring has been a PRI signatory since February 2018. The 2021 PRI Reporting cycle, which would cover RI activities in 2020, marks the second year that Eastspring has produced a PRI Report. Over the last two years, progress has been made to enhance Eastspring’s RI capabilities.

Additional modules

- 1 Direct – Listed Equity – Active Quantitative – Incorporation
- 2 Direct – Listed Equity – Passive – Incorporation

The underlying AUM allocation for both categories constitute less than 10% of total AUM. PRI has allocated the rating of ★ for these categories. At the point of reporting:

- ▶ **The active** quantitative strategies reflected historic client requirements, which did not explicitly consider ESG integration.
- ▶ **The passive** quantitative strategies may not have ESG issues as a central focus in financial markets historically. The team, however, believes that the quality of corporate governance practices, and how companies manage the environmental and social aspects of their operations, can be material to delivering superior longer-term shareholder value. This encouraged the team to incorporate ESG as a formal stream of their research program as a starting point.

For our current approach to ESG integration for combined quantitative strategies, please refer to page 55.

Modules opted out of reporting

- 1 Direct – Fixed Income – Securitized
- 2 Direct – Fixed Income – Private Debt
- 3 Indirect – Private Equity

Eastspring Singapore has opted out of reporting for the following modules since, combined, they constitute 0.8% of total AUM. PRI has defaulted the rating to ★ for these categories. For fixed income categories, these assets represent a nominal part of the total assets under management by the firm and are not typically included in our conventional fixed income portfolios. Issuers which also issue conventional fixed income securities would also be subject to the ESG assessment conducted by the Fixed Income team.

In the case of private equity, at the point of reporting, the investment team was managing legacy funds which were in wind-down mode. These were not originally set up with any ESG targets nor was ESG considered part of the decision-making/investment process. Therefore, it is not possible to incorporate ESG into the assets retrospectively. For our current approach to ESG integration for private assets, please refer to page 55.

Signatory of:



PRI Assessment

Investment & Stewardship Policy



Direct

Listed Equity Active Fundamental Incorporation



Listed Equity Active Fundamental Voting



Listed Equity Active Quantitative Voting



Listed Equity Passive Voting



Fixed Income SSA



Fixed Income Corporate



Providing ESG-related Training

As part of ongoing training and development initiatives for staff members, the following ESG-related training programmes have been implemented in 2022.

Board-level training

In 2022, the Eastspring Singapore Board underwent a two-hour ESG Board training session. The training session was helmed and delivered by PricewaterhouseCoopers (“PwC”) and included the following topics: sustainability reporting and related developments, ESG integration, MAS Environmental Risk Management guidelines, and ESG governance.

Staff training

In 2021, the Sustainability Committee looked into equipping all staff with ESG-related training. The final decision was to provide three different levels of training so that we can cater to varied levels of ESG proficiency. The final selection of programmes was selected based on existing partners that are well-recognised within the industry. In 2022, the following has been rolled out to all staff and will be made available for all incoming staff:

1. WWF Responsible Investment 101

This course serves as a primer and introductory course into Responsible Investment. Upon completion the individual should:

- a. Understand the range of approaches to responsible investment
- b. Identify best practices and available tools for measuring & monitoring E&S performance
- c. Design meaningful disclosures that articulate how E&S risks and opportunities are being considered in financing decisions
- d. Effectively communicate about RI (both internally (w/ management) and externally (w/ clients))

All Staff, Compulsory

2a. PRI Academy: Understanding Responsible Investment

The course explores the key principles of responsible investment, uses real life case studies to illustrate the materiality of ESG issues in business, and introduces strategies for identifying and managing new approaches to ESG. The course provides insights into the materiality of ESG issues and introduces a systematic approach to incorporating ESG factors in investment decisions and active ownership.

OR

2b. PRI Academy: Applied Responsible Investment

This course focuses on identifying and incorporating ESG factors in investment decision making, this course is our flagship training programme for responsible investment practitioners. This is PRI’s flagship training programme, providing a comprehensive examination of responsible investment from theory to practice. The course trains investment professionals to identify and analyse material ESG factors and to incorporate these factors into their investment decisions and ownership activities.

Investment Professionals, Compulsory

Select Distribution professionals, Compulsory

All staff, Opt-in

3. CFA® Institute: Certificate in ESG Investing

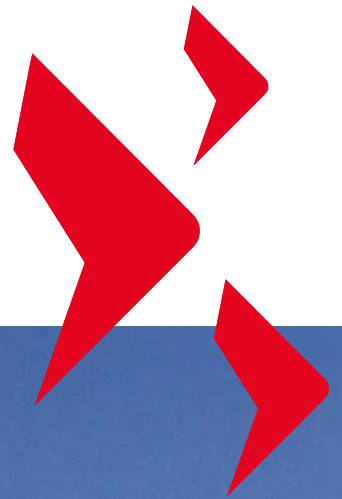
The CFA Institute Certificate in ESG Investing offers both practical application and technical knowledge in the fast-growing field of ESG investing – an opportunity to both accelerate progress and demonstrate purpose. The certificate and learning materials were developed by leading practitioners for practitioners and have been recognised by the UN-supported Principles for Responsible Investment, an independent body that seeks to encourage investors to use responsible investment to enhance returns and better manage business risks. The Certificate in ESG Investing is owned, administered, and awarded globally by CFA Institute having previously been developed and awarded by CFA Society UK.

All Staff, Opt-in

Climate change

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Climate change is a sustainability challenge facing us all. The transition towards a low carbon economy is a global challenge, requiring global solutions. For investors, climate change and the need for a rapid transition to a low-carbon economy present significant financial risks as well as investment opportunities. Eastspring believes in the need for a just and inclusive transition, in a way that actively places the considerations of emerging and frontier market economies at the forefront of discussions. We are focusing our support on accelerating the clean energy transition through engagement and opportunities for financing, rather than solely divestment. In addition, we consider environmental risks, including climate risks, and opportunities in the assessment of current and potential portfolio companies. We continue to make strides in our climate change mitigation, portfolio resilience, and risk management efforts across various fronts.

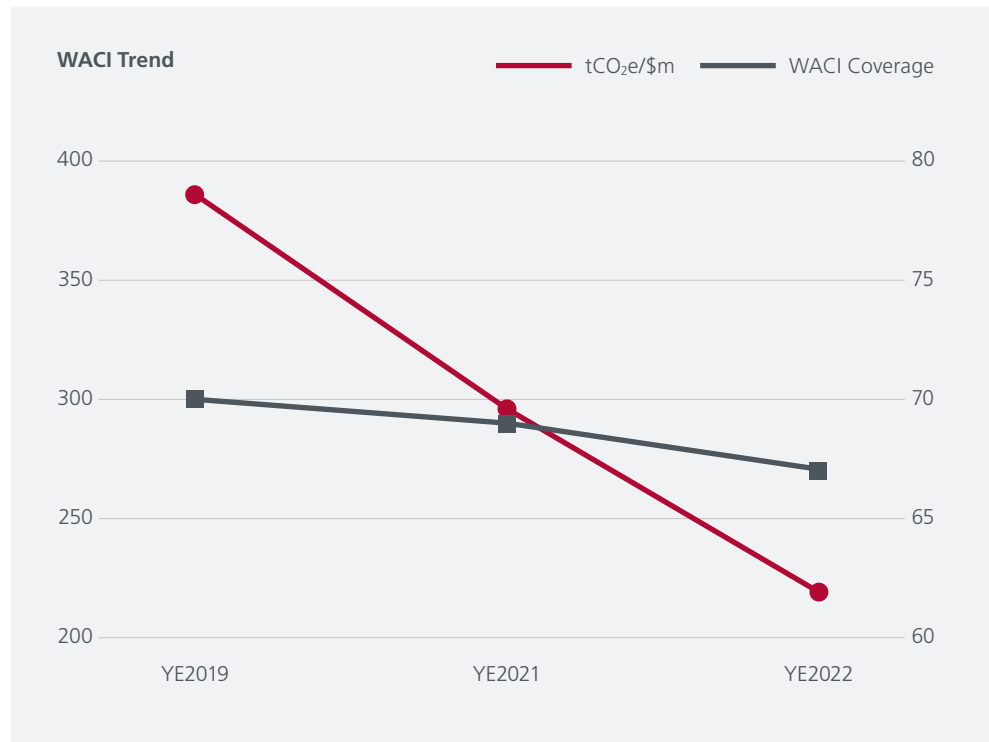


Eastspring believes in the need for a just and inclusive transition, in a way that actively places the considerations of emerging and frontier market economies at the forefront of discussions.

ONE

Drove a 43% decline in Prudential's WACI to 219 tCO₂e/\$m in 2022 using a 2019 baseline.

Eastspring continues to drive the decarbonisation of Prudential's investment portfolio⁵. In 2022, there is a 43% decline in the WACI of the investment portfolio against its 2019 baseline. This effectively means Prudential's target of a 25% reduction in the carbon emissions intensity of their investment portfolio has been met and it will continue to be monitored towards the YE2024 deadline. For more information on the initiatives that we drive for one of our largest clients, please refer to page 75.



TWO

Completed annual Central Engagement Programme for Climate Change and Decarbonisation totaling 140 engagements with 72 companies.

Eastspring recognises that one of the most meaningful aspects of the net-zero conversation is the global energy transition towards more sustainable alternatives. With a significant proportion of our assets in Asia and the Emerging Markets, we are uniquely positioned to leverage on our in-depth knowledge of this region's companies and their business environment to encourage business and management practices that support sustainable development.

⁵ Prudential investment portfolio ("investment portfolio") includes both listed equities and corporate bonds, whilst excluding assets held by joint venture businesses and assets in unit-linked funds as we do not have full authority to change the investment strategies of these.

Ultimately, changes in the carbon emissions intensity of the underlying businesses in which we invest will change the WACI of our portfolios. As such, it was imperative to include, within our portfolio decarbonisation strategy, a focus on thematic engagement that is helmed by the Sustainability team and performed in consultation with investment teams across the group.

In our capacity of active owners, we encourage companies to set long-term decarbonisation targets, aligned at a minimum to their country's NDCs, so that we can leverage on the wider industry alignment to net-zero goals.

We have assessed 86 holdings responsible for 65% of the absolute emissions in Prudential's investment portfolio. This translated into 72 companies as of June 2021. We completed the first year of engagement with these companies and have embarked on the second year of this engagement. For more information on how we conduct central engagement, please refer to page 31.

THREE

Implemented WACI budgets in select passive strategies.

As one of the key strategies we employed this year, we implemented WACI budgets by carefully adjusting existing passive quantitative strategies to reduce WACI relative to the benchmark. We believe this limits the level of unrewarded climate risk in the portfolio. This highlights our commitment to reducing the carbon emissions intensity of our funds whilst maintaining a focus on performance. This initiative is helmed by our Quantitative Strategies team. For more information on our quantitative capabilities, please refer to page 55.



86

Holdings



65%

Absolute emissions



72

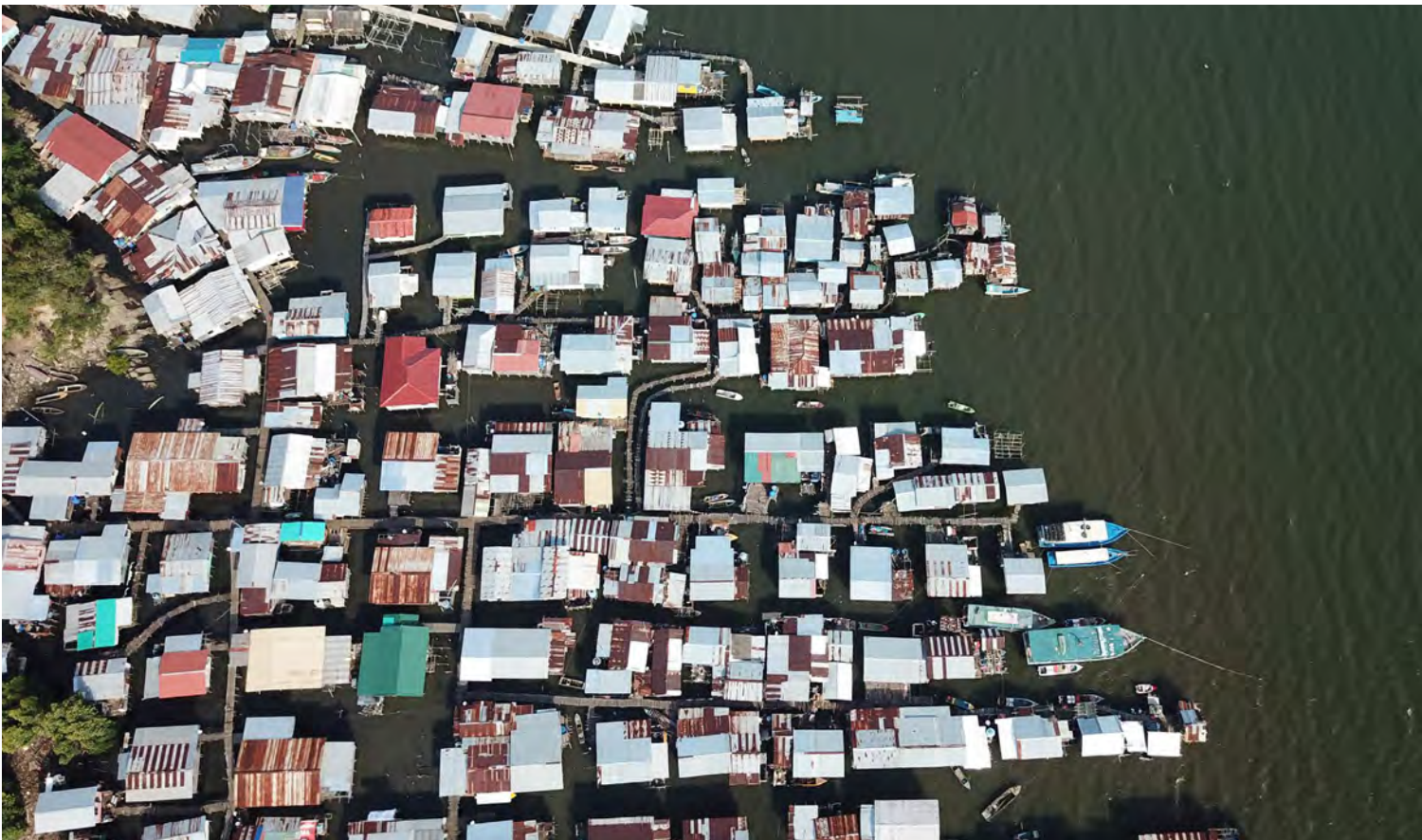
Companies

Task Force on Climate-related Financial Disclosures (“TCFD”)

Prudential became a signatory to the TCFD in 2019 and has since been publishing climate disclosures based on the TCFD recommendations. In 2021, Prudential published its first set of TCFD disclosures within its ESG Report and replicated and enhanced its response to the framework in 2022.

In our capacity as the asset management arm, Eastspring has supported Prudential in its efforts at transparent reporting and in initiatives for improving the response towards climate change risk.

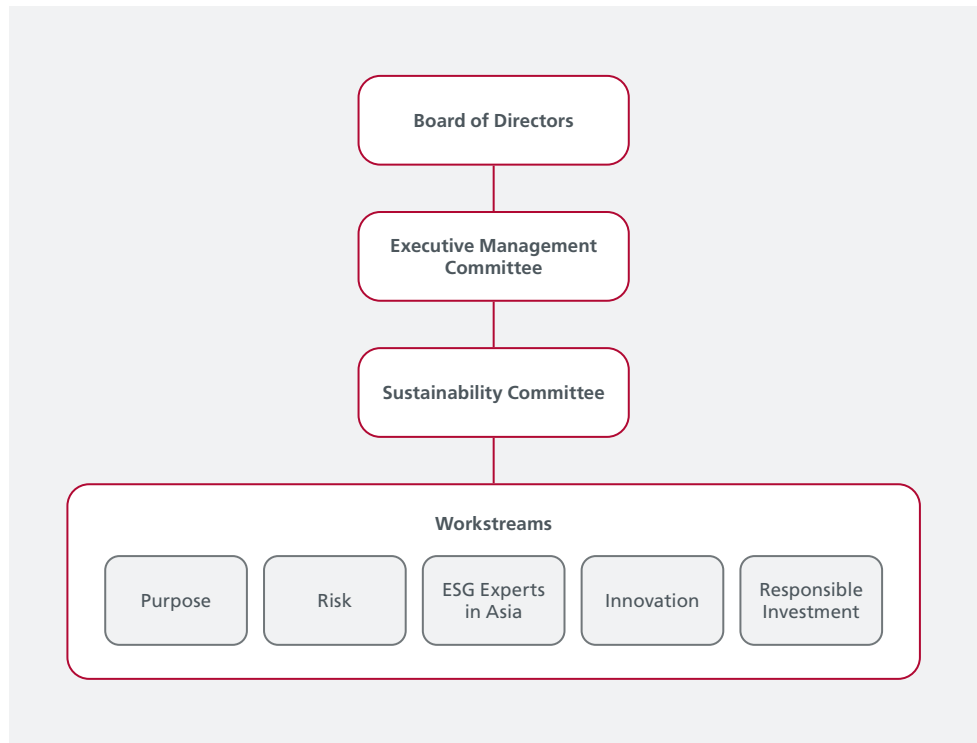
As part of reporting enhancements and as a testament to our ongoing efforts in mitigating the effects of climate change, we publish our first set of disclosures, aimed at addressing both TCFD recommendations and the Monetary Authority of Singapore (“MAS”) Guidelines on Environmental Risk Management (“EnRM”) framework for Asset Managers.



Disclose how the organisation identifies, assesses, and manages climate-related risks and opportunities.

Disclose how the organisation identifies, assesses, and manages climate-related risks.

Governance and risk management



Eastspring RI governance structure

In 2022, we streamlined our governance structure so that it is well-placed to oversee our harmonised Group RI policy and approach. The Eastspring Board of Directors (“Board”) oversees senior management represented on the Eastspring Executive Management Committee (“EMC”), which drives our day-to-day operations globally, and therefore have ownership and bear ultimate responsibility in the setting of the Eastspring’s RI strategy.

The Eastspring Investments Sustainability Committee, chaired by the Chief Executive Officer of Eastspring Investments, Seck Wai Kwong, is a management committee

of the EMC and is delegated responsibility by the Board to oversee the execution of our Responsible Investment activities. This includes serving as a forum for decision making and as a sponsor of resource allocation to strategic Sustainability and Responsible Investment priorities. The Sustainability Committee meets at least four times a year to:

- ▶ Ensure that Eastspring’s sustainability commitments are appropriate and consistent with the Prudential ESG Strategy
- ▶ Ensure that Eastspring’s RI Framework is appropriate, reviewed, and updated regularly
- ▶ Provide direction for the Sustainability Workstreams and a forum to oversee and approve their proposals

- ▶ Make decisions relating to the Eastspring RI policy, including updates and exclusion exemptions
- ▶ Promote the culture and approach to RI across business activities
- ▶ Oversee the implementation and monitoring ongoing compliance with the framework to manage ESG risks
- ▶ Monitor the impact of sustainability and RI developments
- ▶ Review material disclosures in RI reports

The Sustainability Committee oversees five Sustainability workstreams, comprising of cross-functional representation across our business, that collaborate to build capacity, make progress in priority areas, and facilitate ongoing continuous improvement towards our sustainability ambitions. These workstreams are tasked with focusing on various key sustainability issues.

Risk management

The Risk Workstream has been tasked to drive and monitor projects and activities delegated under this workstream by the Sustainability Committee. For example, in 2021, a workgroup reporting into the Risk Committee was set up to review the requirements of MAS EnRM and lead the discussion for meeting these guidelines ahead of the deadline.

Subsequently, any significant climate-related risk issues are escalated to the Risk Management Committee (“RMC”) to ensure that appropriate and timely actions are taken. For the avoidance of doubt, any material exceptions are to be further escalated to the Board. Where needed, oversight of the remediation process shall be carried out by the Investment Risk team in collaboration with other relevant stakeholders.

In general, the management of risk and risk oversight are embedded in the first and second lines of risk defense respectively, and independent assurance is

embedded in the third line of risk defense of Eastspring Investments’ ‘Three Lines of Defense’ model. Climate-related risk is a wide-ranging, multifaceted issue spanning both physical and transition aspects of risk. At Eastspring Investments, we are continuing to build our understanding of the implications and materiality of climate-related risks on the assets that we manage. As an asset manager with assets predominantly in Asia and the Emerging Markets, we recognise that we are put in a unique position to navigate the balance between development of these markets and stewarding the impacts of climate change.

First line: The investment teams monitor financially material ESG factors, which may include factors identified as proxies for measuring climate-related risk, as part of the research, portfolio construction, and ongoing portfolio risk review processes. Investment teams utilise desktop tools, combining a range of ESG data sources and frameworks, to monitor for changes that may impact the portfolio and apply judgement in assessing the portfolio. At this stage, the identification, assessment, and management of climate risk is driven by expectations set out by clients. In parallel, we are enhancing our capabilities for understanding forward-looking metrics within our portfolios. We fundamentally believe that active ownership is a key part in the marathon towards a net-zero economy. The investments teams use company engagements to monitor for progress and to promote sustainable business practices.

The Sustainability team also conducts thematic engagements, including climate change and decarbonisation, under our Central Engagement Programme. For more information on our active ownership initiatives and a wider range of case studies, please refer to page 18.

Second line: Our Risk Management and

Compliance teams, who are responsible for ESG compliance monitoring as well as risk monitoring and reporting, make up the second line in our risk management framework. The investment risk function incorporates qualitative and quantitative measures and approaches in the monitoring of financially material ESG factor exposures in portfolios and has in place risk oversight forums to support dialogues with investment teams on financially material ESG risk exposures and factors. In parallel, the investment risk function also has governance processes to periodically report financially material ESG factor exposures to management forums. The investment risk function utilises the same desktop tools and aligns with the investment teams’ approach to monitor portfolio and aggregate-level financially material ESG risk exposures.

Third line: The third line refers to the Prudential Groupwide Internal Audit (“GwIA”). The GwIA considers as part of its independent review, the robustness of our risk management framework in managing climate-related risks.

Responding to local guidelines

We monitor and actively participate in the ongoing regulatory developments in the markets in which we operate. As part of ongoing conversations with LBUs under the ESG Experts in Asia Workstream, we use the forum as a channel for information sharing on these regulatory and reporting guidelines. It facilitates regional dialogue and allows the various LBUs to support one another through sharing of experiences in tackling requirements. In the second line, LBU Compliance teams also provide updates to Head Office Risk Management and Compliance teams on ESG regulations as well as public consultations.



In 2022, Eastspring Singapore engaged with a telecommunications company on climate change disclosures.

Following the publication of the company's Sustainability-linked bond framework and its TCFD report in 2022, Eastspring Singapore embarked on regular engagements with the company to continually establish a better profile of the material climate change related issues the company faced through discussions of the strategic approach to decarbonisation and the steps taken to reach the targets it has communicated.

During this engagement, we noted new milestones on the company's journey that are aligned with its climate change goals. In line with its SBTi targets, the company reported a 7.5% year-on-year decline in its total Scope 1, 2, and 3 emissions in FY2022. In addition, it reported a 22% year-on-year decrease in carbon emissions intensity. The company is also increasing internal alignment towards meeting its SBTi targets through several measures. This includes completing Scope 3 indirect carbon emissions for its operations in Singapore and abroad for FY2021 and FY2022 and instituting an internal carbon price which it plans to fully incorporate into its business processes.

We also attained a better understanding of the company's strategic approach to tackling climate change through its TCFD report, with the company disclosing its climate-related governance structure, core competencies, and decarbonisation plans at the operations, financing, and process levels. We noted that the company has taken a holistic view towards tackling climate change across all its operations, from implementing decarbonisation testbeds for energy efficiency, increasing renewable energy sourcing, and clearly incorporating climate physical risk into its group risk management process.

With a better understanding of the company's plans to manage climate change targets and disclosures, the investment team remains invested in the company and will continue to monitor progress moving forward.

Strategy and metrics and targets

In 2022, we have taken key strategic steps in building capacity for our sustainability ambitions, harmonised our Group RI Policy which now includes our stance on climate change and just transition, expanded our central engagement programme, and enhanced our data access to climate-related metrics via internal dashboards. Therefore, 2022 has largely been a capacity building year. Moving forward, Eastspring will work on enhancements to our RI processes.

Near-term projects

Moving forward, we believe continuing to add robustness to our climate strategy is a necessary enhancement that takes keen understanding of the local markets in which we operate in to better understand our Scope 3 carbon emissions profile and to incorporate biodiversity concerns into our policy and engagement.

Driving the climate ambitions of Prudential

Eastspring is aligned with the net-zero ambitions of Prudential and are active agents in driving the near-term targets of our largest client. Our current strategic initiatives include:

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation businesses, strategy, and financial planning where such information is material.

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Short-term climate target	Metric rationale	2022 status update
<p>25% reduction in the carbon emissions intensity of our investment portfolio by 2025 against our 2019 baseline</p>	<p>We use WACI as a proxy for the climate transition risk in our investment portfolio: a higher WACI normally indicates that an investment portfolio has to transition more extensively to align with the Paris Agreement. By reducing the WACI of our portfolios, we also support the transition to a low-carbon economy.</p> <p>A key benefit of using WACI is that it is agnostic to asset classes and can be applied to the various strategies that we employ. This is essential to both Prudential as the asset owner and Eastspring the asset manager, as we manage a wide range of investment portfolios.</p> <p>Whilst we appreciate the benefits of an intensity measure, we also recognise that complementing it with an absolute measure gives us a more insightful view into our portfolio carbon footprint. To that end, we have chosen to conduct engagement with companies using an absolute carbon footprint threshold.</p>	<p>We reduced the WACI of Prudential's investment portfolio by 43% against our 2019 baseline. This also translates into a 26% year-on-year reduction of WACI from end 2021.</p> <p>Investment decisions such as strategic asset allocation, portfolio construction, and investment selection can influence the direction of the WACI, as can changes in the carbon emissions intensity of the underlying businesses in which we invest.</p> <p>This further reduction was a product of the following strategic drivers we employed:</p> <ul style="list-style-type: none"> ▶ Driving the execution of the coal exclusion policy. ▶ Implementing WACI budgets by tweaking select existing strategies to reduce WACI relative to the benchmark. ▶ Engaging with companies in the investment portfolio to influence them to adopt positive strategies to further improve carbon efficiency and enhance disclosures on carbon emissions. <p>To ensure that we continue to manage portfolio WACI, we look towards both portfolio innovation and effective corporate engagement.</p>

Short-term climate target	Metric rationale	2022 status update
<p>A target to engage with the companies responsible for</p> <p>65%</p> <p>of the absolute emissions in our investment portfolio</p>	<p>We aim to support a just and inclusive transition to a low-carbon economy through our engagement target, based on a belief that active ownership is preferable to exclusions in securing a just transition.</p> <p>Engagement with investee companies is core to our active ownership responsibilities. We aim to encourage business and management practices that support positive enhancement of material ESG traits or mitigation of material ESG risks across our holdings through constructive engagement based on our in-depth knowledge of our investments in the context of their business environment.</p>	<p>We completed the first year of our Climate Change and Decarbonisation thematic engagement. This is helmed by the Sustainability team under its Central Engagement Programme.</p> <p>Leveraging on insights gleaned from our pilot year, we refreshed the engagement programme in June 2022. This year's programme includes 108 companies, including new names in addition to retaining all engaged companies from 2021. Engagement is underway and will continue into 2023.</p> <p>For more information on the Central Engagement Programme, please refer to page 31.</p>

Short-term climate target	Metric rationale	2022 status update
<p>Divestment from all direct investments in businesses which derive more than</p> <p>30%</p> <p>of their revenue from coal, with equities to be fully divested by the end of 2021 and fixed income assets by the end of 2022</p>	<p>We believe our coal policy supports a just and inclusive transition in the markets where we operate and demonstrates how we strike a balance between active ownership and exiting investments when ESG risks are insurmountable or where continued engagement is considered ineffective.</p> <p>In our preliminary assessment, we considered different thresholds against whether it supported a just and inclusive transition and whether it fit the requirements on risk and return.</p> <p>Whilst we consider companies that are highly dependent on coal as a stranded asset risk, we also recognise the challenges faced by our LBUs in emerging markets, which invest in underdeveloped capital markets.</p> <p>Ultimately, the threshold for our coal policy was set to balance the risk and return, whilst also allowing companies in those markets to phase out of coal in an inclusive manner.</p>	<p>We divested 97% of directly held fixed income assets that derive 30% of the revenues from coal. This is held against a 31 March 2021 baseline, which was the date used for Prudential's May 2021 commitment.</p> <p>Due to illiquidity in the market, we were unable to fully divest from one remaining holding of USD 12.1 million. We view this illiquidity as an illustration of the degree of challenge a divestment strategy poses in the markets in which we operate and supports our broader philosophy of engagement over divestment in pursuit of a just and inclusive transition.</p> <p>We continue to seek opportunities to sell the remaining fixed income assets and intend to do so as soon as practicable. In parallel, we will continue to engage with the issuer on other options for us to divest from this holding as we believe we have set our coal policy in a just and inclusive manner. Since 31 December 2022, we have further divested from this coal bond.</p>

Improving climate reporting capabilities for Eastspring

Investment portfolio carbon footprint:




Eastspring has the capability to measure and report the carbon footprint of the funds we manage. The intensity measure was selected to account for various asset classes. In 2021, Eastspring first began to measure and report the carbon footprint of our strategies as a provided capability to our largest client, Prudential Group, that had announced its decarbonisation targets for its investment portfolio and had required internal and external reporting. Prudential Group disclosed the WACI of its investment portfolio for the first time in its 2021 ESG Report.

Operational carbon footprint:

Whilst current focus has been placed on investment targets, Eastspring plans to look into operational emissions and consider targets in the year ahead as part of the Purpose Workstream.

Enhancing our data capabilities for strategic projects

Eastspring is consolidating current reporting efforts and enhancing our capabilities for responding to regulatory changes, changes in data availability, and bringing our edge in Asian markets into focus. In conjunction with the harmonised Group RI Policy, we have built internal dashboards as a means of supporting the streamlining of our RI approach.

WACI & Exposures Dashboard	Engagement Dashboard	CVaR Dashboard
		
<p>This dashboard is used to monitor the WACI and exclusion exposures of Prudential investment portfolio. This is referred to when putting together the monthly deck for reporting.</p> <p>The original build of this dashboard was completed at the end of 2021 and enhancements were added in 2022.</p> <p>The dashboard has been expanded from the funds we manage for Prudential to Eastspring Singapore funds. At this stage, data is refreshed quarterly for internal reference.</p>	<p>This dashboard is used to consolidate all engagement activity across Eastspring. This also allows us to quickly aggregate and quickly view a breakdown of all our engagement statistics.</p> <p>Enhancements, such as a world heat map of engagement activity and a milestone tracker, have been added.</p> <p>For more information on engagement, please refer to page 16.</p>	<p>The dashboard is used to view the CVaR and ITR of the investment portfolio and underlying funds. It has the capacity for switching between the three scenarios and providing comparisons.</p> <p>As we continue to work towards streamlining data, we pivoted focus internally to pull together the original build of this dashboard in 2022.</p>

Eastspring also recognises the challenges that arise with incomplete data. As a data user, we are at the end of the data value chain, using data disclosed by investees through reporting frameworks such as the TCFD recommendations and CDP. As discussed in the Financial Stability Board's [2022 TCFD status report](#), which describes the global state of alignment of companies' reporting with the TCFD recommendations, the TCFD-aligned reporting by region is notably lower across Asia and Africa, which are key markets that Eastspring and Prudential operate in. Data availability therefore remains an ongoing challenge, as is reflected in the coverage level of the WACI and financed emissions for our

investment portfolio shown in this section. We continue to work with data providers to improve the availability of data. An increase in data coverage may have the impact of either raising or lowering the WACI of our investment portfolio if the profile of the new companies' data is different to those already included in the current coverage. We expect such limitations to be overcome as more climate disclosures occur in these regions, potentially using established frameworks such as the TCFD or the anticipated standards from the International Sustainability Standards Board ("ISSB").

Medium to longer-term projects

The trajectory of climate change discussions is evolving rapidly between changes to regulatory guidelines, updates to climate science, and enhancements to data sets. These advancements have provided insights in our approach towards medium to longer-term projects, which are extensions of the near-term projects.

Portfolio Forward-looking Metrics

As a next step, we have been exploring forward looking metrics such as CVaR and ITR to gain a better sense of the forward-looking risk profile of our portfolios. Leveraging on analysis conducted by Prudential, three representative scenarios have been selected.

We use the orderly transition, disorderly transition and hot house world scenarios aligned to those provided by the Network for Greening the Financial System ("NGFS"), to identify risks over the short, medium, and long term. These scenarios are very rich in detail, providing high levels of insight into the financial implications that could emerge from such pathways.

These three scenarios provide plausible future outcomes and are constructed to simulate the complex and non-linear interactions between energy, economy, and climate systems. They also account for various policy and technology developments, supporting a sophisticated exploration of different plausible futures, and an understanding of the impacts from trade-offs between the policy and technology options.

A key difference between the calibration we use for these scenarios, versus the NGFS's calibration which uses general equilibrium economic models, is the use of non-equilibrium economic models: we believe the non-equilibrium economic

Summary of the scenarios used

Orderly transition scenario: This 'below 2°C scenario' includes transition impacts as well as physical impacts in line with a 1.6°C increase in temperature by 2100 compared to the average temperature between 1850 and 1900, in line with the IPCC Representative Concentration Pathway (RCP) 2.6, through the orderly introduction of climate policies. Ambitious climate policies are introduced immediately. However, even as emissions are lowered, acute and chronic extreme weather continues to increase compared to today, resulting in increased physical loss and damages. There is a marked reduction in fossil fuel demand, higher carbon taxes and investments in low carbon electricity generation and manufacturing.

Disorderly transition scenario: This 'below 2°C scenario' includes similar levels of transition policy assumptions and physical impacts to the orderly transition scenario, but the policies are introduced in a delayed and disorderly manner resulting in increased market volatility in the medium term. There is increased volatility in the fossil-intensive sectors and regions, however due to the disorderly nature of implementing climate policies, there is also increased volatility in all sectors.

Hot house world scenario: This scenario includes physical impacts in line with a greater than 4°C in 2100. The physical impacts include irreversible damages to the climate, resulting in extreme increases in acute and chronic extreme weather in line with RCP 8.5. For example, many countries suffer extreme droughts and water shortages. Some regions will experience greater levels of warming of up to 5.6°C, resulting in certain parts of the world becoming unfit for agricultural production and human habitation. No further climate policies are introduced in this scenario beyond those already announced with little transition impacts assessed.

models better allow for real-world inefficiencies and decision making that could be expected to be part of the transition to low-carbon economies. The following presents a summary of the scenarios, including the range of climate-related events considered in the scenario testing work.

In 2022, work commenced on exploring various climate scenarios and the corresponding CVaR and ITR measures reflected for our investment portfolios. We embarked on a journey to better understand these forward-looking climate risk metrics, which includes both physical

risks and transition risks. The development of these metrics and the multi-decade assumptions incorporated into their calculation continue to evolve and improve, and we expect greater utility for investors over time.

An in-house dashboard has been developed and customised to include the above three key scenarios, to help streamline datapoints and focus future discussions on the drivers of these scenarios. This has helped to enhance internal reporting to include CVaR as an indicator of the forward-looking exposure on the investment portfolio's exposure

to physical and transition climate change risks and ITR as an indicator of the level of temperature alignment of our investment portfolio. We will continue to develop our internal understanding of these metrics, taking into consideration that external disclosures will be enhanced when identified challenges are appropriately addressed or can be mitigated.

In addition, whilst progress has been made, we recognise that in order to arrive at a future long-term target, a keen understanding of the drivers of material climate risk in each sector and across different geographies is required, along with an improved understanding of the extent to which these forward-looking metrics work as proxies for climate risk of our portfolios. We believe this will be key in deriving insight for managing climate risk over the long-term.



In our capacity as the asset management arm, Eastspring has supported Prudential in its efforts at transparent reporting and in initiatives for improving the wider Group's response towards climate change risk.

Partnership with Prudential

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As the dedicated asset manager of Prudential, Eastspring works in concert with our parent and largest client on strategic initiatives and adheres to the Prudential Group Responsible Investment Policy for the assets that Eastspring manages on its behalf. Prudential is a long-term steward of its clients' assets. This responsibility is reflected both in its governance and in its RI Policy, which outlines the expectations of all its businesses.



Our combined expertise as both a local asset owner and asset manager across Asia makes us uniquely suited to enable an energy transition that is just and inclusive.

Liza Jansen
Head of Responsible Investment, Prudential

Governance: Groupwide Responsible Investment Advisory Committee (“GRIAC”)

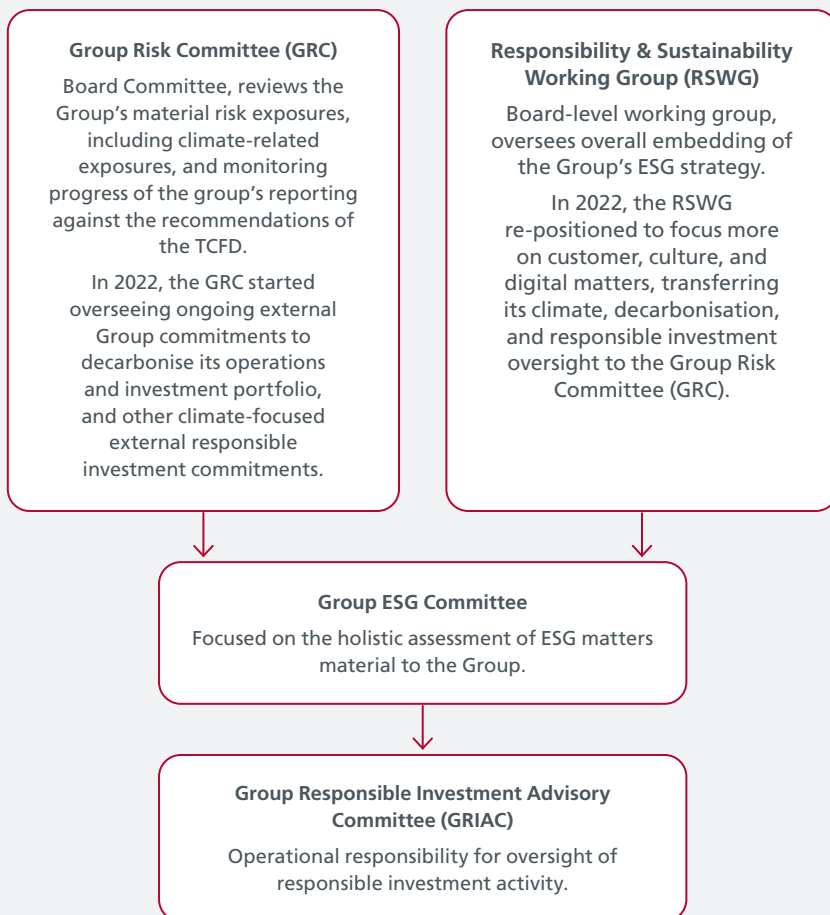
Co-chaired by Prudential’s CIO and the CIO of Eastspring, the GRIAC provides a regular forum for the main asset owner and asset management businesses to consider responsible investment approaches. Eastspring’s Vice Chairman and Head of Sustainability are also in attendance of this meeting. The GRIAC meets monthly to monitor the implementation of current responsible investment activities, in

addition to assessing new initiatives. In 2022, the GRIAC met 10 times and discussed a range of responsible investment topics, including:

- ▶ Progress updates on WACI and coal divestments;
- ▶ Eastspring’s progress on engaging with companies on climate change;
- ▶ New classification frameworks for fund products with ESG characteristics;
- ▶ Expanding third-party toolkits for Eastspring investment teams, such as templates to assess sectoral decarbonisation pathways;

- ▶ Developing and integrating forward-looking metrics for climate risk into Eastspring’s investment process;
- ▶ Prudential’s active involvement in the Net Zero Asset Owner Alliance; and
- ▶ Developing internal carbon pricing for relevant climate scenario planning.

Prudential Governance Structure



At the Board level, the Group Risk Committee (“GRC”) has assumed additional oversight responsibilities for environmental and climate-related risk, and the Group’s ongoing external commitments to the decarbonisation of its operations and investment portfolio, as well as other climate-focused external responsible investment commitments. The board-level Responsibility & Sustainability Working Group (“RSWG”) oversees overall embedding of Group ESG strategy. The Group ESG Committee oversees responsible investment activity, with operational responsibilities being delegated to the Group Responsible Investment Advisory Committee (“GRIAC”).

Internal Working Group: Sectoral Decarbonisation

During 2022, an internal sectoral decarbonisation working group was established, comprising members from both Prudential and Eastspring, with the aim of formulating sectoral approaches to inform investment decisions and engagement on climate change, particularly within emerging markets.

Following the assessment of transition tools in the market, the working group explored a range of sectoral decarbonisation pathways and toolkits and chose the Transition Pathway Initiative (“TPI”) which allows the assessment of companies based on an International Energy Agency (“IEA”)-aligned 1.5°C scenario, a below 2°C scenario, and a national pledges scenario. As data coverage across emerging markets can be a challenge, we commenced the development of an internal tool to complement the TPI tool. The completed tool will be made available across the organisation to investment teams within the local businesses. In conjunction, the working group conducted an assessment of sectoral engagement questions from leading industry sources. Based on this analysis, we focused on developing a list of sector-specific engagement questions for the utilities sector, designed to elicit a higher quality engagement response, and ultimately decarbonisation progress



Supporting a Just and Inclusive Transition

Decarbonising the global economy requires global solutions. Global decarbonisation needs to be managed in a just and inclusive way, which requires considering the specific needs of emerging markets. The needs of these markets typically include higher dependence on fossil fuels because it tends to be more affordable and more stable, allowing for prioritisation of economic growth. However, the consequence of this is insufficient transition finance to cleaner sources of energy and other climate change mitigation and adaptation solutions. To meet global climate goals, it is critical to ensure the transition in emerging markets alongside that of developed markets, in a just and inclusive way.



Eastspring complements the Prudential's approach particularly through our active ownership activities, as Eastspring drives engagement with companies on funds that we manage on their behalf.

With operations in Asia and Africa, Prudential is well placed to bring an emerging markets perspective to stakeholder discussions to help ensure the need for a just and inclusive transition in those markets is considered in policy and regulation. In 2022, Prudential provided further support on a just and inclusive transition through engagement and at various levels of advocacy.

Publishing the Just and Inclusive Transition white paper

In 2022, Prudential published a white paper [Supporting a just and inclusive transition](#) to outline the importance of prioritising a fair transition in meeting the Paris Agreement goals. It highlights three ways in which it is approaching a fair transition:

- A** Raise awareness on the challenges for emerging markets in the energy transition and developing solutions;
- B** Responsible investment must act as a key driver to build a greener future; and
- C** View the challenges of the transition through broadened perspectives because climate change touches on other aspects including health, gender, and vulnerable communities. These require both public and private investments, and the mainstreaming of investment in the energy transition.

The paper seeks to stimulate helpful debate and raise awareness of a fair transition for emerging markets, and explores case studies and further actions required, both from Prudential and the wider market. The paper also details how Prudential contributes to a just and inclusive transition in emerging markets through its influence as an insurance company and asset owner operating in emerging markets. As an insurance company and a long-term investor in local markets, Prudential is interested in their sustainable long-term development. The approach to the just and inclusive transition focuses on making sure emerging markets are not left behind in the global energy transition.

Eastspring complements the Prudential's approach particularly through our active ownership activities, as Eastspring drives engagement with companies on funds that we manage on their behalf. For more information on our active ownership activities, please refer to page 31.

Driving Just Transition via the NZAOA

In 2021, Prudential joined NZAOA – a network of institutional investors committed to the decarbonisation of their asset portfolios – to facilitate greater collaboration with global peers. As an active member, and one of the only members with an emerging market footprint, Prudential supports their wider policy and outreach work, including the Emerging Markets Transition Investment (“EMTI”) project. In 2022, Prudential's continued focus has helped to ensure that emerging markets feature more prominently in NZAOA communications and discussions.

Eastspring participates and contributes to these discussions, lending our expertise in Asia to bring an added perspective of the challenges that these markets face in the energy transition. By raising awareness, it generates thinking on relevant solutions that more actively consider the impact of climate change on emerging and developing markets. We believe this represents a key and critical step in acknowledging developing economies in the just and inclusive transition.

In 2022, Prudential and Eastspring supported specific NZAOA sub-tracks, advancing progress on:

- **Financing the transition:** Prudential initiated and leads this sub-track and started the EMTI project, with the objective of accelerating investment towards the net-zero transition of emerging markets.
- **Monitoring, Reporting, and Verification (“MRV”):** Submitting commentary through the public consultation, Prudential advocated for integrating a guiding design philosophy on sovereign bonds into the NZAOA's new protocol. The additions emphasise support of a just and inclusive transition

to low carbon economies, whilst acknowledging that emerging markets will be more impacted by climate change despite having contributed less to cumulative greenhouse gasses already emitted.

- **Policy:** Prudential provided input for the NZAOA's oil and gas position paper, which presents expectations for companies (i.e., users and producers), governments, and investors. The paper adopted our recommendations that more in-depth consideration be given to the unique transition challenges of emerging markets, and how investor engagement can be both impactful and consistent with principles of differentiated responsibilities and a just transition.

Looking ahead to 2023, Prudential will be taking more of a leadership role in NZAOA's emerging market thematic workstreams. For more information on Prudential's advocacy in the region and across industries bodies, please refer to the Prudential 2022 ESG Report.

Financing the Transition: Emerging Markets Transition Investment project

Prudential initiated and leads a sub-track within the Net Zero Asset Owner Alliance (“NZAOA”) on ‘Financing the Transition in Emerging Markets’, which includes EMTI project as a key component. The EMTI project was organised to identify practical, near-term solutions to accelerate investment towards the net-zero transition of emerging markets. The project is supported by the NZAOA, the World Economic Forum (“WEF”), and the EU-ASEAN Business Council.

As part of the project, Prudential and Eastspring organised two round tables in 2022. During the first roundtable, participants across the financial industry discussed the main barriers for investing in the energy transition in emerging markets. The outcomes resulted in the publication of a discussion paper, [Code Red: Urgent Action on Emerging Markets Transition Investment](#).

The second roundtable focused on effective engagement in emerging markets. The invitation-only roundtable was attended by 26 participants across the financial industry, including asset owners, asset managers, collaborative platforms, regulators, rating agencies, and non-governmental organizations (NGOs). Conducted under Chatham House Rules, the roundtable sought to unpack three questions:

- ▶ Sharing of best practices between asset owners and asset managers
- ▶ Regulatory dimension on engagement
- ▶ Collaborative engagement and sought to unpack

The outcomes are published in a discussion paper, [Code Red! Call for Action on Responsible Corporate Engagement in Emerging Markets](#). Broadly, five key guiding principles for responsible and effective engagement in emerging markets have been identified:

- 1 Establish a local approach with an appreciation for the complexity and variation of challenges.
- 2 Integrate the ‘common but differentiated responsibilities’ principle of the Paris Agreement into the engagement approach, by adjusting asks to locally specific social factors and the aspects around just transition.
- 3 Be prepared for ongoing engagement, with sustained dialogue to build trust.
- 4 Commit to knowledge sharing between global and local investors.
- 5 Be flexible with the engagement ask – consider the practicalities around ambitious target setting.

These guiding principles are supplemented with practical recommendations for implementation, which are grouped around the four themes. All recommendations are relevant for asset owners, asset managers, regulators, and other players in the financial sector engaging with companies. The last set of recommendations is specifically for regulators. Asset owners and asset managers are strongly encouraged to engage with regulators on policy; the asks of regulators on engagement should include these recommendations.

The high profile of the supporting bodies within the EMTI project, together with the release of Prudential’s Just and Inclusive Transition white paper, combine to raise the external profile of the Group’s future actions with regards to ‘stewarding the human impacts of climate change’, one of the three pillars of Prudential’s ESG Strategic Framework.





By raising awareness, it generates thinking on relevant solutions that more actively consider the impact of climate change on emerging and developing markets.

Community and people

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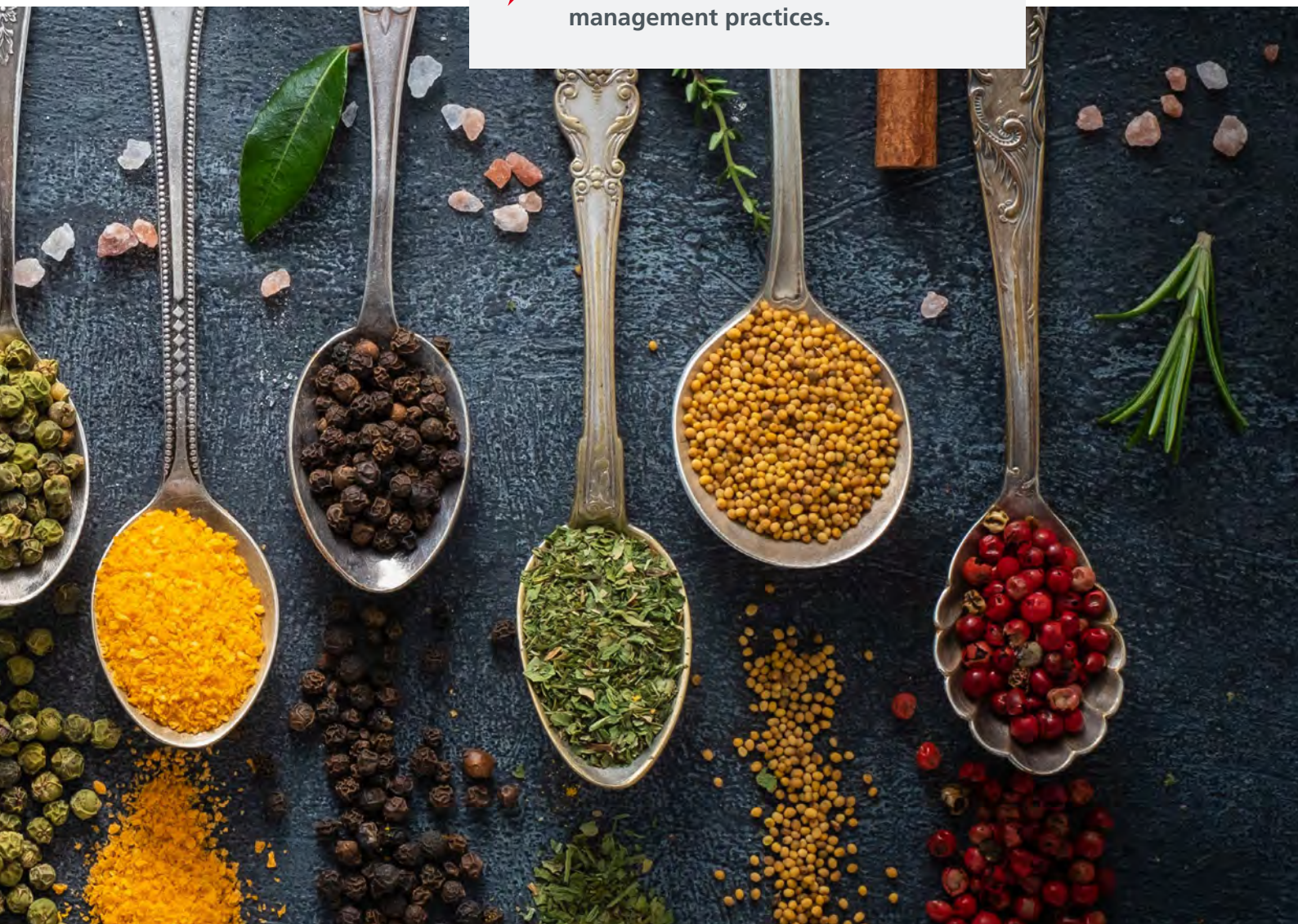
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At Eastspring, our corporate sustainability initiatives reflect our commitment to our ESG manifesto. These ground-up initiatives are driven respectively by the various Eastspring LBUs, and local staff members rally to participate and make these initiatives successful. This chapter provides a snapshot of activities that have taken place in the past year.



We embed sustainability into our culture and policies both in our investment decisions and business management practices.

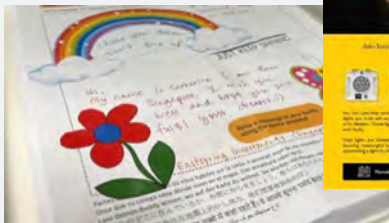
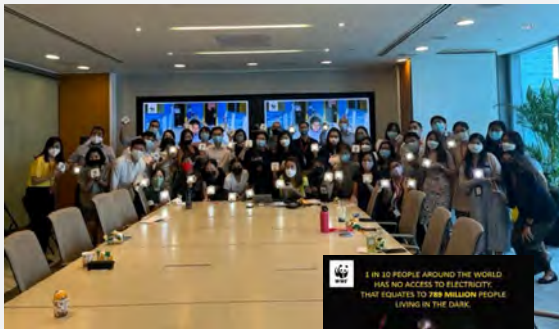


Year in Review: Our Initiatives

EASTSPRING SINGAPORE

WWF Solar Light Challenge

In April 2022, Eastspring Singapore organised a lunchtime engagement with WWF for a group of 42 colleagues. The team leading the WWF Solar Light challenge had visited the Eastspring Singapore premises and provided a presentation on energy poverty and renewable energy and an interactive quiz to engage the group of attendees. The goal of the session was to assemble 100 solar lights, which would go towards helping rural communities in Cambodia. These lights will replace kerosene lamps and provide many hours of light for children to work, live, and study. Significantly, this would help to ameliorate health impacts from the use of kerosene lamps, such as respiratory issues, cataracts, and environmental hazards such as fires and explosions. Attendees also provided a personal touch and wrote individualised letters that will accompany the lamps to the recipients of the programme.



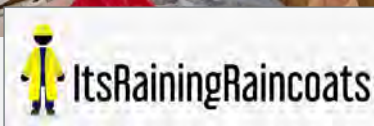
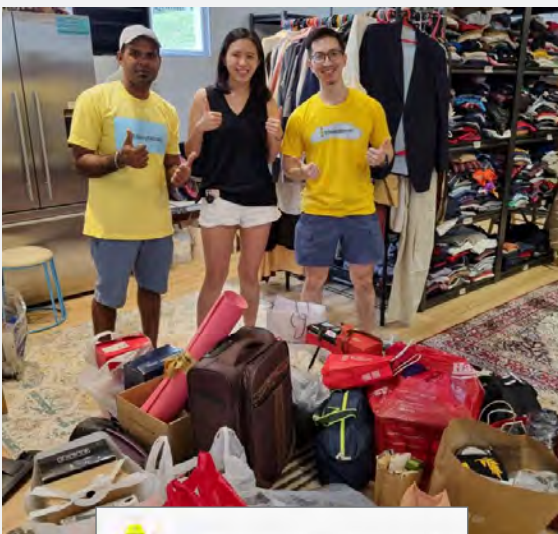
Spring for Kids Fundraising for Children's Charity

In September 2022, Eastspring Singapore held its annual fundraiser. This year's fundraiser, Spring for Kids, brings to life Eastspring's Purpose – that we are committed to our community and are invested in their future. Eastspring Singapore rallied to put up 180 items for an online auction and a one-day physical bazaar and raised SGD 70,000 for partner charities, Singapore Children's Society and Community Chest. The funds raised provide children with food and safe shelter, and support "Tinkle Friend," a national toll-free helpline and chatline that provides primary school children in Singapore a listening ear.



Donation and Collection Drive for ItsRainingRaincoats

In December 2022, Eastspring Singapore organised a donation and collection drive for ItsRainingRaincoats, a Singapore charity that seeks to improve the welfare of migrant workers by supporting their everyday needs and by helping to build bridges of integration with the Singapore community. This charity was selected for the excellent work the team does in meeting the everyday needs of migrant workers in a way that preserves their dignity. Migrant workers play a vital role in contributing to Singapore and this was one way of expressing gratitude especially after the challenging time they went through during the pandemic. In addition, the collection drive also resonates with our sustainability efforts by encouraging colleagues to give a second lease of life to new and pre-loved items.



Urban Farming with Grobrix

In November 2022, Eastspring Singapore embarked on its urban farming journey. We engaged Grobrix to set up, fully service, and harvest the produce from a vertical farm within office premises. The harvested vegetables are then distributed to staff in Singapore. In the span of four months, there has been 10 rounds of harvest. Having an urban farm in the office aligns a trifecta of benefits – promoting physical health, mental health, and sustainability.



EASTSPRING TAIWAN

Expanding the reach of the Cha-Ching across Taiwan

Eastspring Taiwan, in a joint-effort with Prudential Taiwan, first collaborated with Taiwan educational authorities to launch the children financial literacy programme, Cha-Ching, in New Taipei City and Keelung City in 2019. As part of this effort, Eastspring Taiwan supported seeded schools in the implementation of Cha-Ching curriculums and via Cha-Ching weeks on campus, so that a larger population of elementary school students have ready access to basic financial knowledge from the programme. In 2022, the programme was extended to six new seeded schools in Taoyuan city. The programme launch was highly regarded and appreciated by the Education Office of Taoyuan City Government.

Since its inception in Taiwan in 2012, the programme has reached several milestones in the past decade. A key milestone includes the 2020 achievement, where Eastspring Taiwan formed a strategic alliance with the largest textbook publisher in Taiwan, Han Lin Publishing, to embed Cha-Ching contents as supplementary materials to enrich the Social Studies curriculum for all elementary school teachers in Taiwan.

Prudence Foundation: Cha-Ching programme

Cha-Ching is Prudence Foundation's flagship and award-winning global financial literacy education and responsibility programme, which provides a tailored curriculum for children aged between seven and 12. The programme aims to address financial literacy gaps across our markets, by providing a blended learning approach, leveraging digital

tools and platforms, and implementing a classroom-based programme which can be taught by trained teachers in schools. Our focus is to cultivate strong financial literacy foundations and make the programme freely available and easily accessible to millions of children, parents, and teachers.

Prudence Foundation, a subsidiary of Prudential plc and a Hong Kong-registered charitable entity, was founded in 2012 to develop and deliver integrated regional community investment programmes, and to help our local businesses align and improve their individual community investment strategies. The Foundation's goal is to maximise positive outcomes in the regions where we operate, and help underserved communities to get the most out of life. It entered into a partnership agreement with Junior Achievement ("JA") Asia Pacific in 2016 to develop the Cha-Ching Curriculum. Through government collaboration and strong NGO collaboration, the curriculum has been implemented in schools across Asia and Africa.

The Cha-Ching curriculum is now taught in eight markets across Asia: the Philippines, Indonesia, Malaysia, Vietnam, Taiwan, Cambodia, Thailand, and Laos. Our teacher-led Cha-Ching Curriculum programme continued in Africa, where we worked with Junior Achievement Africa to bring this to primary school students in six countries: Kenya, Ghana, Nigeria, Uganda, Côte d'Ivoire, and Zambia.

For more information on the programme, please refer to the Prudential 2022 ESG Report.

EASTSPRING MALAYSIA

SpringBoard Challenge 2022

Eastspring Malaysia introduced the Springboard Challenge 2022 a financial literacy programme that aims to elevate the level of financial literacy and investment knowledge within the youth community. It was opened to secondary school students aged 14 to 17 years old. Volunteers helped facilitated the physical workshops held in schools. In 2022 we reached more than 8,000 students and teachers across 10 states in Malaysia.

Project 1000-Days Nutrition Program

Eastspring Malaysia funded the Project 1000-Days Nutrition Programme which supports pregnant mothers and those with young children below two years of age, as well as vulnerable families from low-income community at Kota Damansara who have been affected by Covid-19. The project provided these groups with essential items like fresh produce, milk supplies, and nutritional supplements. During the relaxed period of the lockdown, volunteers distributed some of the essential items to families.

Project Be the Light

Eastspring Malaysia funded the project Be the Light for two consecutive years since its inception in 2020. This project supports the Beautiful Gate Foundation, an NGO that provides fresh food, rental, utilities, and medical assistance to its members who comprise disabled individuals in the B40* groups, breadwinners who have lost their jobs or had pay cuts, and individuals who are severely in financial or medical aid.

Regular Investment Choice ("RICH") for Charity

RICH for Charity was inaugurated in 2020 during the Covid-19 pandemic to convert the efforts of Eastspring’s agents into a fund-raising initiative. RICH for Charity provides RM10 for every RICH account opened by the agents on behalf of clients and the cumulative amount will be donated to a local charity in need at the end of every quarter.

Book Donation Drive

In July 2022, Eastspring Malaysia launched a book donation drive to encourage staff to donate new or used books in any language suitable for children or adults. Books were donated to the PJ Community Library and the Book Effect, which is a year-long project dedicated to collecting 10,000 books and building libraries for various orphanages and refugee schools across Klang Valley.

* The B40 group in Malaysia refers to the bottom 40% of households in terms of income. This classification is used by the Malaysian government to identify households that require assistance and support, particularly in areas such as education, healthcare, and social welfare.

Diversity and inclusion

#BreakTheBias, International Women’s Day 2022

Recognising the year’s International Women’s Day theme, Eastspring hosted a roundtable with various leaders, who over a candid conversation, shared their stories and tips on how to be more aware of – and avoid – the unconscious bias trap. The session is moderated by an external leadership coach and had 260 attendees.

#IAmRemarkable workshops

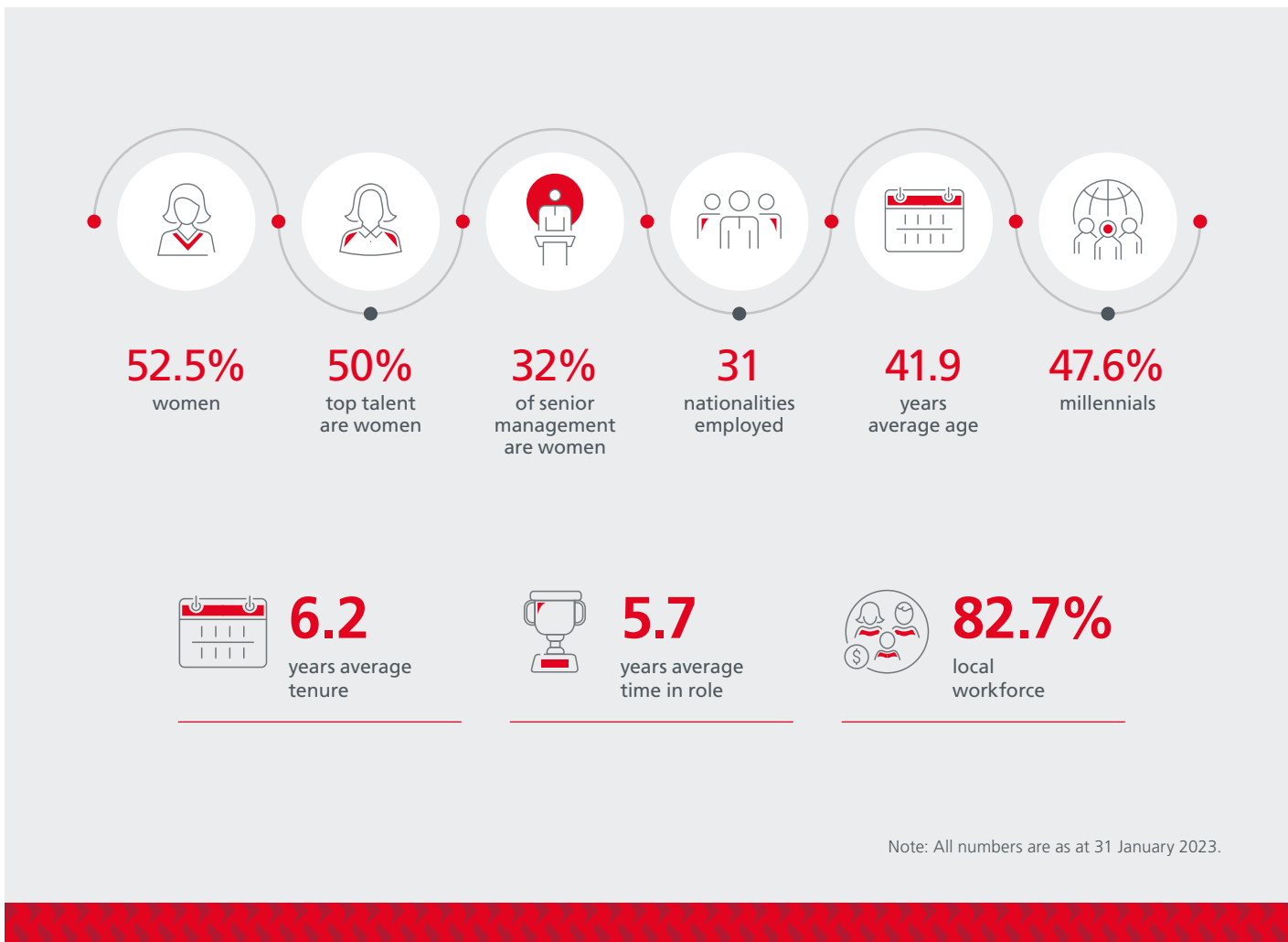
In the latter half of the year, Eastspring held #IAmRemarkable workshops for

colleagues. The Google-led initiative provides an opportunity for groups of colleagues to come together for a session of sharing as it empowers the attendees to speak openly about their accomplishments in the workplace and beyond, thereby breaking modesty norms and glass ceilings.

PRU Young Professionals

PRU Young Professionals is a program designed to develop a PRUCommunity of future leaders or “ChangeMakers” who will encourage an innovative culture and shape Prudential and Eastspring’s future. In 2022, a three-day workshop laid the

groundwork for their future development and growth as individuals and as team members through a buddy system, group structure, and a series of mentorships. The workshop aimed to harness the inventiveness and vitality of colleagues under the age of 35 to encourage cross-departmental collaboration to produce ideas, prototypes, and proposals that will keep Prudential and Eastspring competitive. The Pru Young Professionals programme has also developed into a network of friendships and support.





Building D&I into our practices allows us to invite a wider pool of talent, perspectives, ideas, experiences, and skills to the table. It helps to drive innovation, improve decision-making, and mitigate risk. Most importantly, it promotes fairness, embraces equity, and creates a positive impact not only within our organisation but for the wider industry.

Lewis Lam
Head of Human Resources, Eastspring Malaysia



A final word

As my first year at Eastspring comes to a close, just as the world reorients itself to a new way of working, it is the perfect time to pause and reflect on what we have done well and what we can do better. With the efforts and achievements detailed in this report, 2022 has been a year of calibration, one that is seminal and worthy of celebration.

Our progress in advancing RI initiatives has been swift and deliberate. Moving into the new year, with the foundations of the strategic RI projects in place, we intend to continue enhancements on various fronts. Our harmonised and materially enhanced RI policy allows us to scale our infrastructure for ESG integration. With a footprint that spans 11 markets, we believe the value of the insights that our local teams bring to the fore is unique in the industry. Combining this expertise with a robust, pragmatic, and proprietary ESG assessment process will sharpen our edge in ESG integration and in the way we address material ESG issues. In that spirit, just as we have expanded our range of ESG-themed investment strategies the past year, we intend to continue with an expansive footing.

As we look to reinforce our aspiration to be ESG leaders in Asia, we intend to step forward with surety of foot. In this new year, we will be directing our attention towards delivering an enhanced operational sustainability strategy. This

will outline enhanced sustainability efforts across many of the corporate aspects of our business and provide an outlook for the years ahead. We believe this will be a key initiative in ensuring that our ESG convictions evolve alongside enhancements made by our investment teams. Our collaboration with Prudential on key ESG topics such as climate change, biodiversity, and human rights will continue with enhanced engagement, reporting, and insights. We are hard at work implementing the 2023 action plan and look forward to sharing our progress when we check back in a year's time.



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