Responsible Investment Report 2024

For use with professional clients / qualified investors only. Not approved for further distribution or use with the general public.

Foreword

Eastspring's approach to sustainability and responsible investment has always been guided by fiduciary duty, financial materiality and client preferences. This pragmatic approach, combined with a long-term horizon, remains highly relevant today.

Global markets and economies were faced with some sobering climate statistics this year. The last decade was the warmest on record, and the year 2024 was the hottest we've experienced, recording average temperatures that were 1.5ºC above the pre-industrial benchmark. Achieving the outcomes described in the Paris Agreement are becoming increasingly difficult, which means that managing climate risks and impacts continue to be an important exercise.

Active ownership activities including our considered approach to proxy voting and sustainability-themed corporate engagement continued, and this report showcases a range of examples of our active ownership in action. Long-running engagement themes of climate resilience, sustainable palm oil and human rights continued, with a focus on improving the effectiveness of these programmes. It was encouraging to see the levels of corporate disclosure to investors improve over the reporting period.

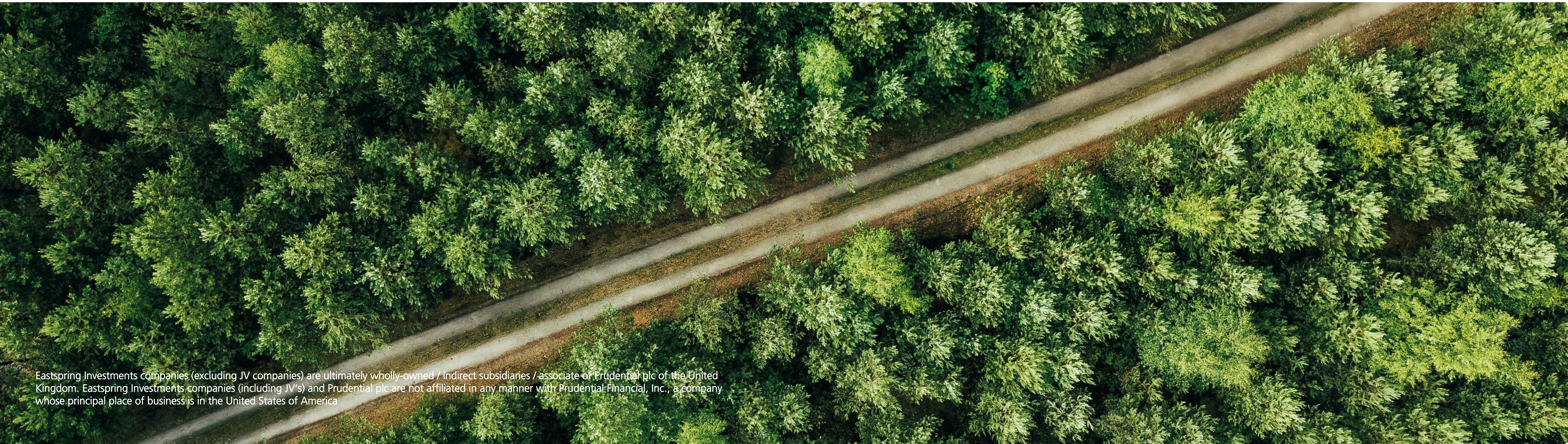
The tools available to the investment team continue to evolve and expand, providing for a more holistic set of responsible investment integration approaches. With Eastspring's ESG Visualiser (ESGV) of material sustainability risks and opportunities having been available for listed equities and credit, the team has turned its attention to updating a similar tool for sovereign bonds which is also explored in this report.

This was another year of demonstrating the strength of Eastspring's partnership with Prudential, which is itself a leader in sustainability. Eastspring continues to help Prudential meet their climate risk and sustainability engagement targets, and our co-created thought leadership is a testament to this solid partnership.

Our own operational sustainability also received a substantial uplift earlier in 2024, as the Singapore head office was relocated. This has not only reduced emissions in our Singapore office, it has also been carefully designed so that the team has more of what it needs – technology that works, quiet areas for focusing and space where teams can collaborate and share.

I present this Responsible Investment Report to you. Our team is excited to face the challenges of 2025 and to continue to deliver on our clients' needs.

Bill Maldonado
Chief Executive Officer
Eastspring Investments Group



Eastspring Investments companies (excluding JV companies) are ultimately wholly-owned / indirect subsidiaries / associate of Prudential plc of the United Kingdom. Eastspring Investments companies (including JV's) and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America

Contents

Eastspring Investments

Eastspring Investments Group ("Eastspring Investments" or "Eastspring"[1]), part of Prudential, is a leading Asia-based asset manager that manages USD 258 billion (as of 31 December 2024) 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

1994
- Established office in Singapore
- Established Prudential Corporation Asia, Regional HQ, in Hong Kong

1998
- Joint venture with ICICI Bank for India

1999
- Launched fund management operations in Japan
- Joint venture with Bank of China International for Hong Kong

2000
- Entry into Taiwan's fund management industry

2001
- Launched fund management operations in Malaysia

2002
- Entry into Korea's fund management industry

2005
- Joint venture with CITIC Group for Mainland China
- Launched fund management operations in Vietnam

2006
- Launched Prudential Property Investment Management in Singapore

2007
- Expanded fund management operations for Hong Kong's retail market

2009
- Launched Al Wara Asset Management in Malaysia

2012
- Introduced new brand name Eastspring
- Launched fund management operations in Indonesia
- Expanded institutional business to United States

2013
- Opened office in the United Kingdom

2018
- Expanded reach to Europe with an office in Luxembourg
- Established an Investment Management Wholly Foreign Owned Enterprise in China

2019
- Acquisition of TMB Asset Management in Thailand
- Acquisition of Thanachart Fund Management in Thailand

2022
- Incorporated Eastspring Asset Management (Thailand) Company Ltd, merging TMB Asset Management and Thanachart Fund Management

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.

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 opportunities[2]. We empower our Eastspring Local Business Units ("LBUs") to drive their own ESG integration and provide customised responsible investment solutions to meet their clients' needs, whilst aligning with Eastspring's group-wide governance framework. 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. 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
Jun 2021	Eastspring Singapore and Eastspring Malaysia join the AIGCC Asian Utilities Engagement Programme
Mar 2022	Eastspring Singapore participates in CDP Non-Disclosure Campaign
Jan 2023	Eastspring consolidates all memberships under Group
Feb 2023	Eastspring participates in the NZAOA Scope 3 Emissions Working Group
Jun 2023	Eastspring participates in the PRI Spring Advisory Committee

EI Initiatives

Eastspring Singapore forms Responsible Investment working group	Feb 2015
Eastspring Singapore appoints independent RI consultant to assist with introductory dialogue	Oct 2015
Eastspring formalises firm-wide RI Framework and Governance Structure	May 2018
Eastspring Singapore launches first ESG-themed strategy	Dec 2019
Eastspring receives first official PRI Assessment Report	Aug 2020
Eastspring formalises Sustainability Steering Committee*	Apr 2021
Prudential plc, parent company, announces 2050 net-zero targets	May 2021
Eastspring Singapore launches Exclusions Policy	Dec 2021
Eastspring appoints Head of Sustainability	Jan 2022
Eastspring Singapore appoints Director, ESG Specialist embedded in Investment function	Jun 2022
Eastspring launches harmonised Group RI policy	Jan 2023
Eastspring launches inaugural RI Report	Apr 2023

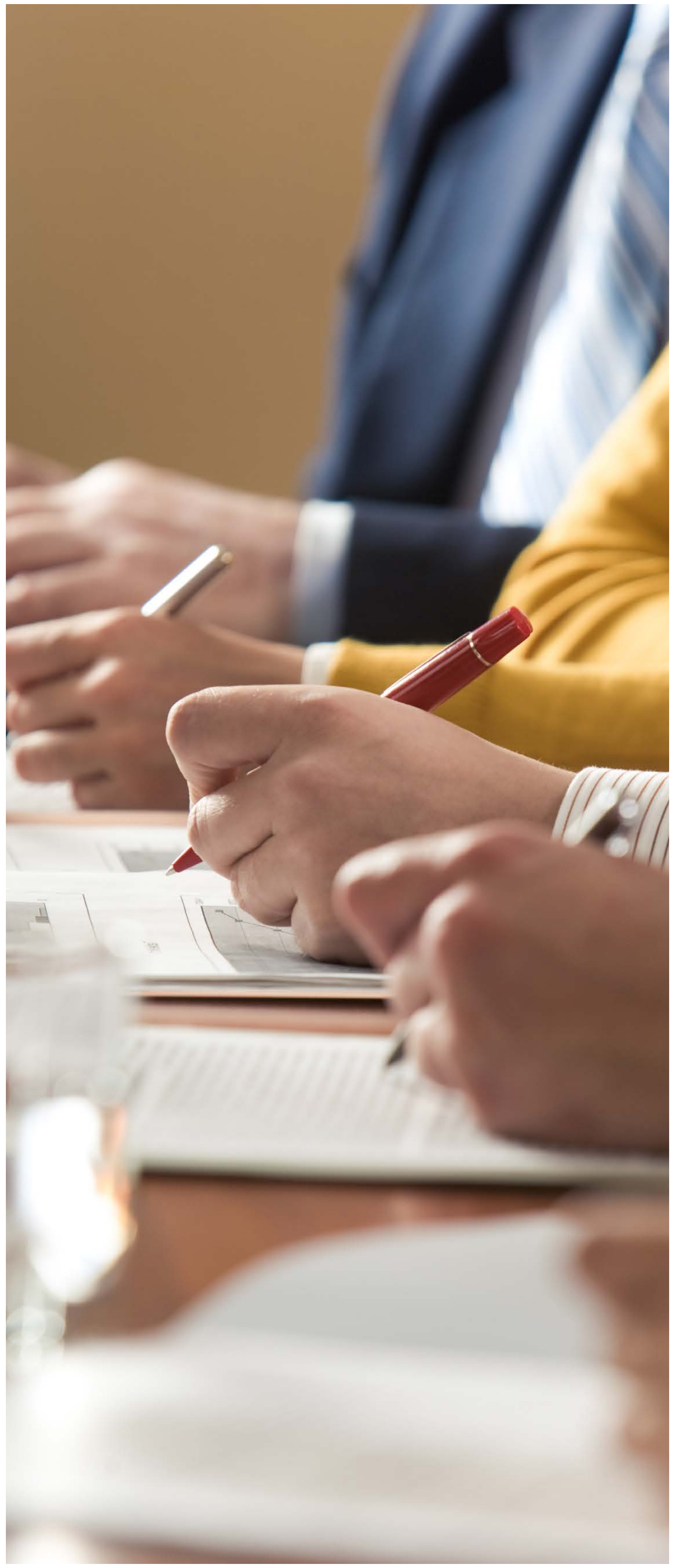
* This committee is now refreshed as the Sustainability Committee.

Our ESG Manifesto

At Eastspring Investments, sustainability is embedded in our purpose "For Every Life, For Every 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.

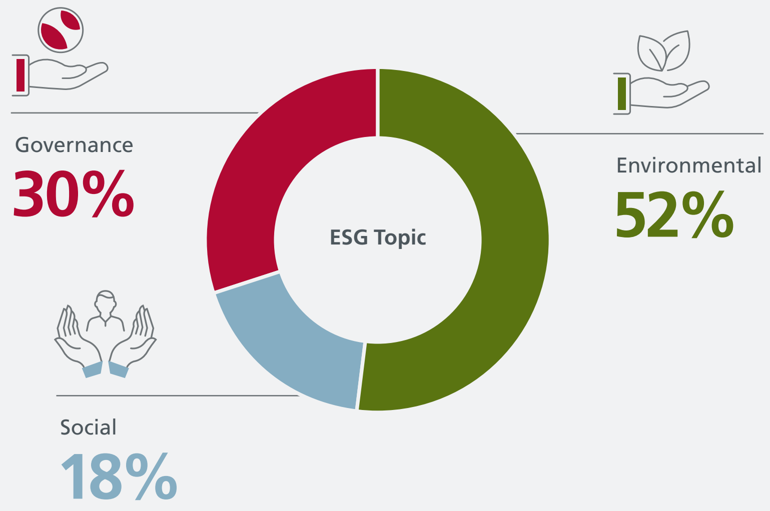


Active ownership

Contents

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

915
Total engagements



Engagement with investee companies is central to our active ownership responsibilities. We seek to encourage business and management practices that support positive enhancement of financially material sustainability-related traits or mitigation of material, unrewarded sustainability risks across our holdings. We do this using constructive engagement that is based on our in-depth knowledge of our investments in the context of their business environment. We believe this is aligned to our fiduciary duty to our clients.

Our investment teams evaluate material sustainability 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 sustainability-related controversies. By better understanding an issuer's approach to material sustainability risks and opportunities, these insights can be incorporated to create a more 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 disclosure.

As experts in Asia, the investment teams in our Local Business Units (LBUs) maintain long-standing relationships with investee companies in the markets in which we operate to engage on material sustainability issues. The purpose of these engagements, which are long-term in nature, is to ensure that the issuer understands and manages their material sustainability challenges in a suitable way and to a timeframe that meets our expectations. Where appropriate, we will work with issuers to address these challenges, providing an investor's perspective and sharing examples of what we see as their industry's best practice, whilst acknowledging a company management's specialty knowledge in their field.

Engagement Case Studies

Company A & B

Occupational Health & Safety

Company A is a European shipping and logistics operator

Company B is a South African precious metals miner

Occupational health and safety performance is a foundational component of a company's social license to operate, as well as an indicator of company management quality.

Improving the company's occupational health and safety outcomes is important for staff and contractors and is also aligned to creating value for investors, as it reflects management quality. Studies have shown that safety investment has a positive impact on both financial performance and corporate reputation. In addition, there is a growing body of empirical research that finds a negative relationship between accidents in the workplace and financial performance. Moreover, studies have found that a higher frequency of workplace accidents is associated with a fall in a company's productivity and profit. Poor safety records have also been linked to reduced quality of work as well as unplanned cost and time overruns.

This year we engaged with several investee companies that have recently recorded fatalities, a track record of fatalities since 2020 or have shown poorer performance regarding worker safety.

In the engagements, we shared our expectations of improved safety outcomes. We provided suggestions on actions that may assist in achieving improved results, such as:

- investing in a refreshed, CEO-driven safety culture,
- addressing safety hotspots,
- adopting a formal process for identifying and resolving injury events and near misses,
- involvement in peer networks to share and learn best practice and,
- at an overarching level, financial disincentives for executives when outcomes worsen.

Follow-up meetings with two companies revealed different approaches. One firm, a European shipping and logistics operator, appeared to have a more formulaic approach, due to its geographically diverse operations and port relationships. However, it also demonstrated adaptability in response to new safety challenges such as modern piracy. A second firm, a South African precious metals miner, explained that it opted for a more personalised approach, encouraging workers to deepen their commitments by keeping reminders of the purpose of their vigilance close at hand whilst on-site.

Both firms acknowledged the suggestions made and we will continue to monitor safety and fatalities as part of our integration process.

Company C

Climate Risks and Opportunities

Company C is a Consumer Electronics manufacturer in Asia

During the year we engaged with an Asian-based producer of smart consumer electronics, cloud and networking products and computing products and components.

This firm is a meaningful holding across Eastspring's portfolios and we have been engaging with the company for a number of years on a range of issues. Our engagement strategy seeks to encourage the achievement of three goals.

First, the company aims to source over 50% of its energy from renewable sources by 2030. It also aims to have dozens of its major suppliers commit to using 100% renewable energy to produce their products by 2025. Finally, we are encouraging the consideration of the firm's climate change performance as one of the elements of executive remuneration.

This year, a core set of information requirements was established to better understand the company's levers for achieving these objectives. These included:

1. How the company is progressing towards its short and mid-term decarbonisation targets in order to meet net zero by 2050
2. The company's disclosure of its desired decarbonisation pathway, including sourcing and increasing its renewable energy capacity and capital allocation
3. The company's transition strategy, including capital expenditure allocation towards climate solutions, and training and skills development for employees to ensure continued employment opportunities for staff as part of the decarbonisation strategy
4. Climate related disclosures such as a report aligned to the Task Force on Climate-Related Financial Disclosure (TCFD).

Our latest engagement session with the company was well-attended by senior executives, including the Sustainability Chief and the General Manager of the Board Sustainability Committee. The company was forthcoming with insights into its decarbonisation pathway, its interest in low carbon investments, how it deploys proceeds from its green energy fund, and more colour on its internal carbon pricing program. We were encouraged by the organisation's responsiveness, improving transparency and willingness to listen.

At the time of writing, we are awaiting the company's next TCFD report and expect a more comprehensive outline of its climate risks and opportunities. The company has made some encouraging progress toward its near-term goals however their achievement is not assured. In addition, we are monitoring the level of transparency that the company provides – with an expectation that it will continue to improve.

Company D

Human Rights

Company D is an Australian miner

Eastspring engaged with a large global natural resources company due to the miner having been assigned a United Nations Global Compact 'fail' status from a third-party ESG data provider. This assessment resulted from a fatal incident in 2015. Our engagement sought to encourage expediting the resolution of outstanding matters to provide certainty to investors, and to gain comfort that the lessons learned have been embedded in the organisation given its interactions with indigenous peoples at other mine sites.

The firm has reported solid strides in its efforts to recover and remediate the affected land and waterways following the incident, and has come to a multi-decade compensation agreement in the jurisdiction in which the incident occurred. During the year, the third-party ESG data provider took the decision to upgrade the target company from its 'fail' flag, and the firm's positive progress in relation to remediation and financial settlement are signs that the new 'partially concluded' controversy status is warranted.

Company E

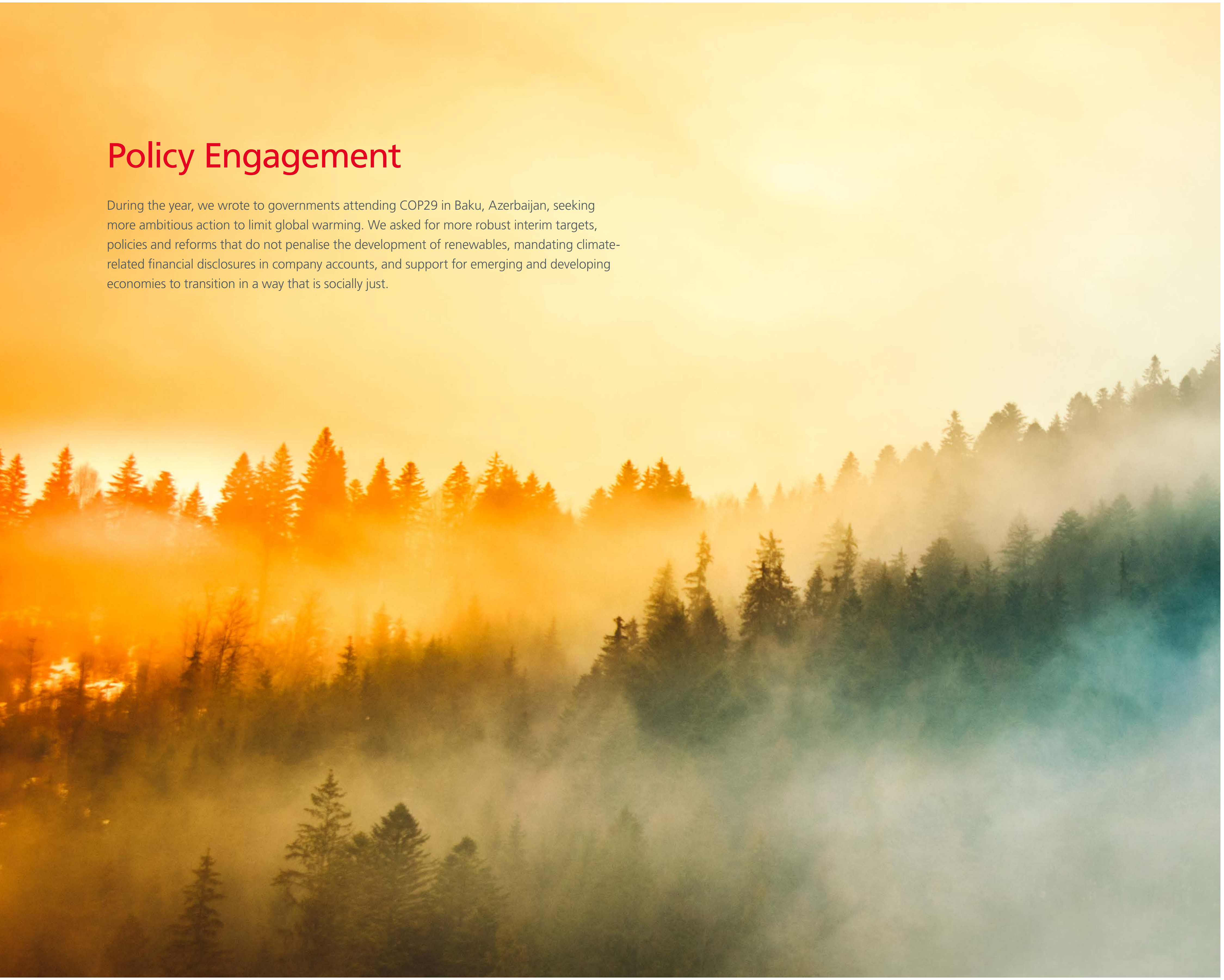
Sustainability

Company E is a Malaysian construction firm

Company E is a newly listed small cap company that provides engineering solutions in Malaysia and Singapore. After our initial meeting with the company, our analyst concluded that management had a very basic understanding of sustainability-related matters and there was room for improvement in its sustainability disclosures. We initiated the engagement with the CFO. Considering the size of the company and this being our first sustainability engagement with the company, we focused on knowledge sharing, providing a broad overview of the current landscape with the objective to increase the company's awareness.

During the engagement, we covered megatrends and how these trends might impact the company from operations and commercial perspectives. We also shared how the company can prepare itself with industry examples in managing risks and opportunities arising from material sustainability matters. We shared Eastspring's expectations and our approach in incorporating these considerations into each stage of our investment process. The company was appreciative of our sharing examples of good practices that are relevant to the company.

Following the engagement, the company reached out to us to understand our expectations for its upcoming first sustainability reporting. We shared that while we encourage our investee companies to explore and adopt industry best practices for their disclosures, the company should also take into consideration its resources planning and financial situation. We shared that the company could consider crafting a multi-year roadmap towards advancing its sustainability practices which include disclosures, and to include such roadmap in its sustainability report to provide clarity to investors and other stakeholders.



Policy Engagement

During the year, we wrote to governments attending COP29 in Baku, Azerbaijan, seeking more ambitious action to limit global warming. We asked for more robust interim targets, policies and reforms that do not penalise the development of renewables, mandating climate-related financial disclosures in company accounts, and support for emerging and developing economies to transition in a way that is socially just.

Proxy Voting

Voting our shares at company meetings is a core part of our active ownership approach. Along with an entitlement to declare dividends, being able to direct proxy votes is an important right afforded the owners of companies. An active and informed voting policy guides our direct equity investment philosophy. All things being equal, we are supportive of the boards and management of the companies in which we invest. However, where we expect improvement, or where boards and management consistently fail to achieve our reasonable expectations, we will consider actively expressing our views via proxy voting. By exercising our votes, we seek both to add value and to protect our clients' interests as investors.

Principles-based Approach

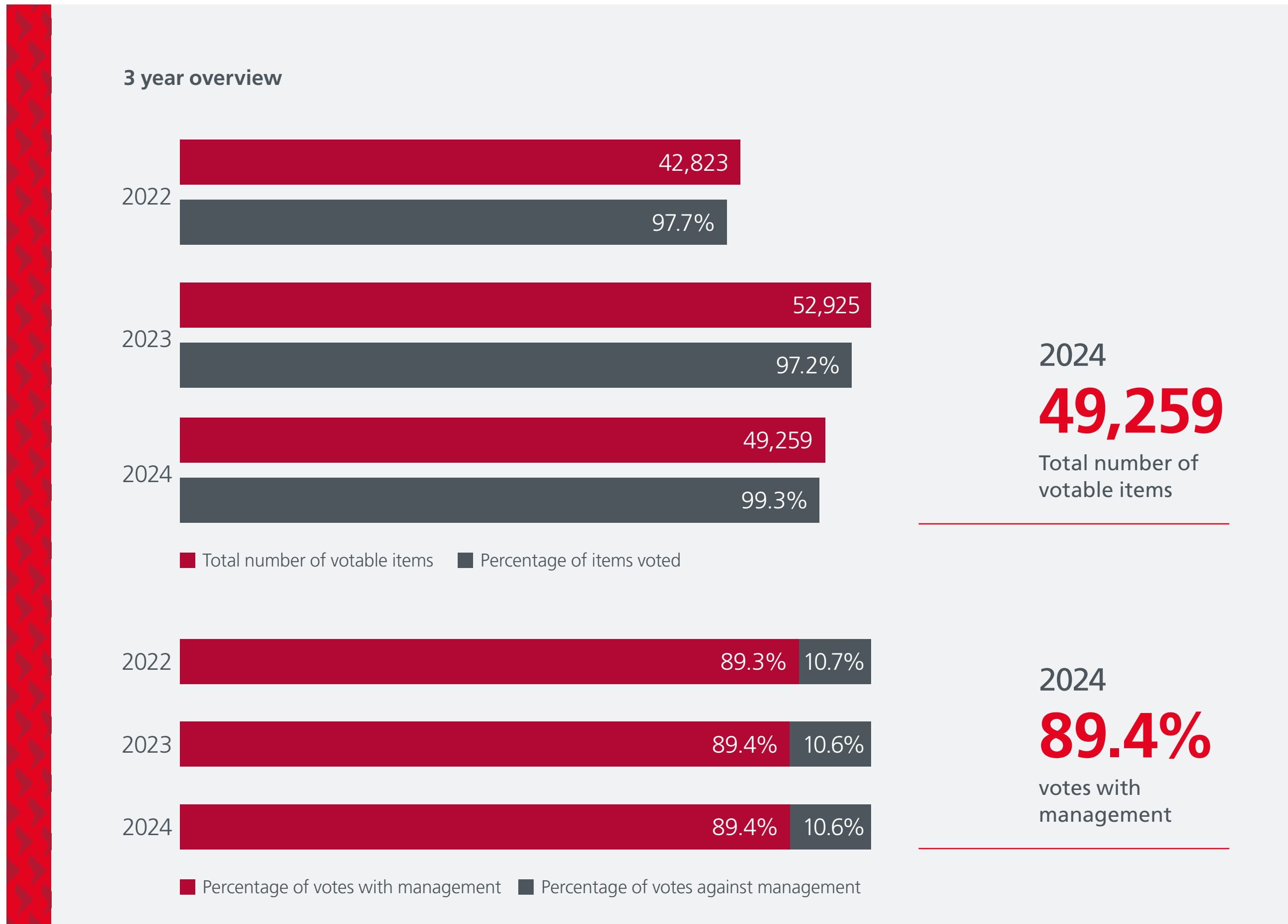
Eastspring Investments follows a principles-based approach to proxy voting, where all votes we exercise are considered in context of the company's characteristics and operating environment. We consider this approach to be superior to a formulaic, box-ticking approach to arriving at voting decisions. We consider the issues, engage with company leadership if required, and vote after also considering the independent recommendations of our proxy advisor. 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.

Proxy Voting Case Study

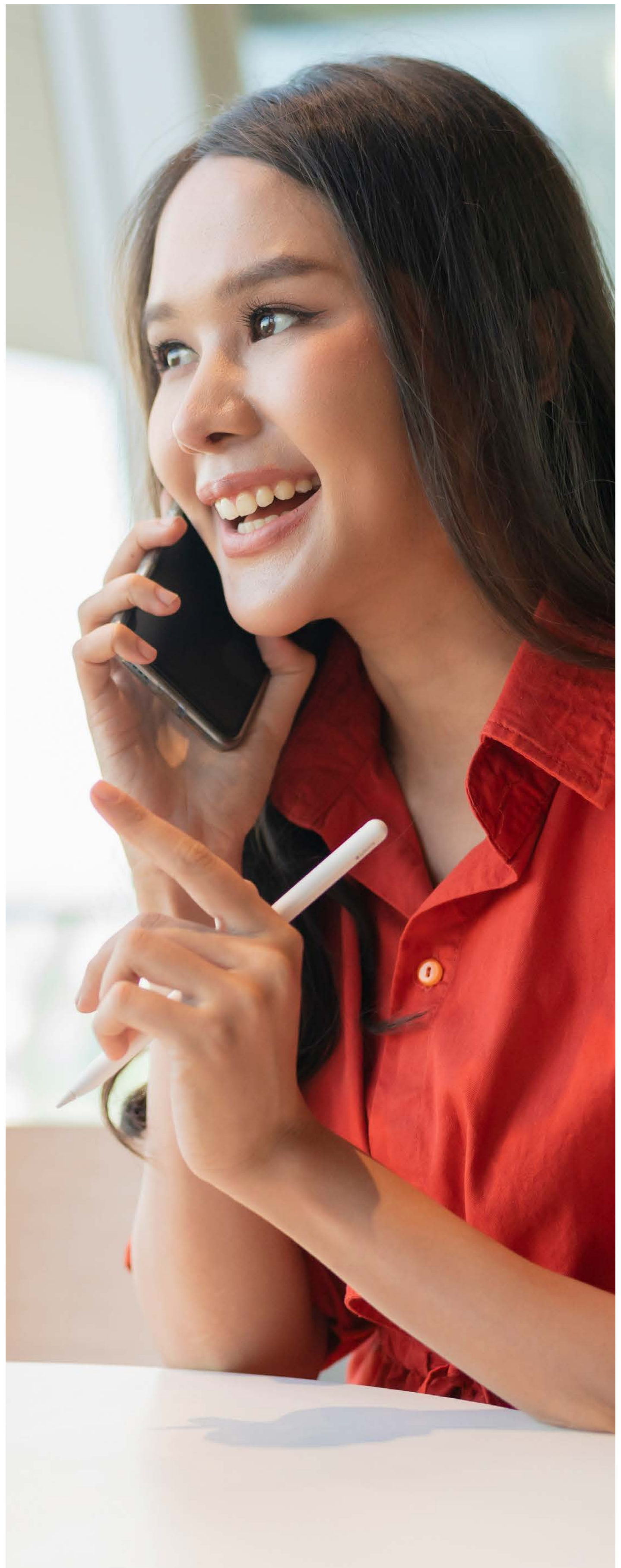
Company F is a Energy company in Asia

Management Recommendation: For
ISS Recommendation: Against
Eastspring Vote: For

The investment team voted "for" the approval of the report of the board of directors where the proxy voting advisor recommended an "against" vote. The argument for the proxy voting advisor's recommendation was their view that the company's short and mid-term emission reduction targets did not align with global best practice, based on an industry engagement coalition list for significant GHG emitters. However, upon detailed analysis of the company's transition plan, including cross-referencing with other global transition investment standards such as the Transition Pathway Initiative, and considering the progress of Eastspring's own internal climate transition engagement with the company, it was determined that the company has put in place nationally leading climate transition efforts. Features such as goal setting, governance, overarching climate strategy and actual climate transition action were all apparent. Furthermore, analysis revealed that the company had interim targets in place in relation to other climate transition progress-points such as growing its renewable energy portfolio and was moving towards global best practice. Therefore, the investment team voted "for" the item, in consideration of the company's transition efforts in the context of its trajectory as well as its market of operation.



Source: Eastspring Investments (Singapore) Limited's proxy voting record for calendar years 2022 – 2024.



Exclusions

Engagement preferable to exclusions

Active ownership in the form of engagement and proxy voting is preferable to exclusions. Engagement that encourages long-term outcomes allows shareholders to enjoy the benefits of the initiatives for which they have advocated, which is why it is preferred over hard exclusions. However, some business activities are of detriment to the communities and wider society that they operate in, and no amount of engagement is going to change this. Therefore, there is a very small subset of companies that are deemed incompatible with Eastspring's Responsible Investment Policy.

Producers of tobacco is one such industry that has been deemed incompatible with the Policy. According to the World Health Organisation, tobacco kills up to half of its users that do not quit, and more than 8 million people each year. However, tobacco use amongst adults has continued its long-term downward trend.

Controversial weapons producers include companies with verified involvement in cluster munitions, land mines, biological weapons, chemical weapons and nuclear weapons outside the UN Treaty on the Non-Proliferation of Nuclear Weapons.

Companies involved in the production of thermal coal, or in generating energy from thermal coal, may be excluded from investment portfolios. Thermal coal energy generation is the single largest contributor of global carbon emissions, and companies involved in these activities face a range of additional risks as the global economy decarbonises to tackle the long-term threat of climate change. However, a revenue threshold of 30% has been applied to this activity, and in 2024 a number of previously excluded companies have been able to reduce their reliance on this revenue stream sufficiently in order to be welcomed back into our investable universe now that they have de-risked their operations.

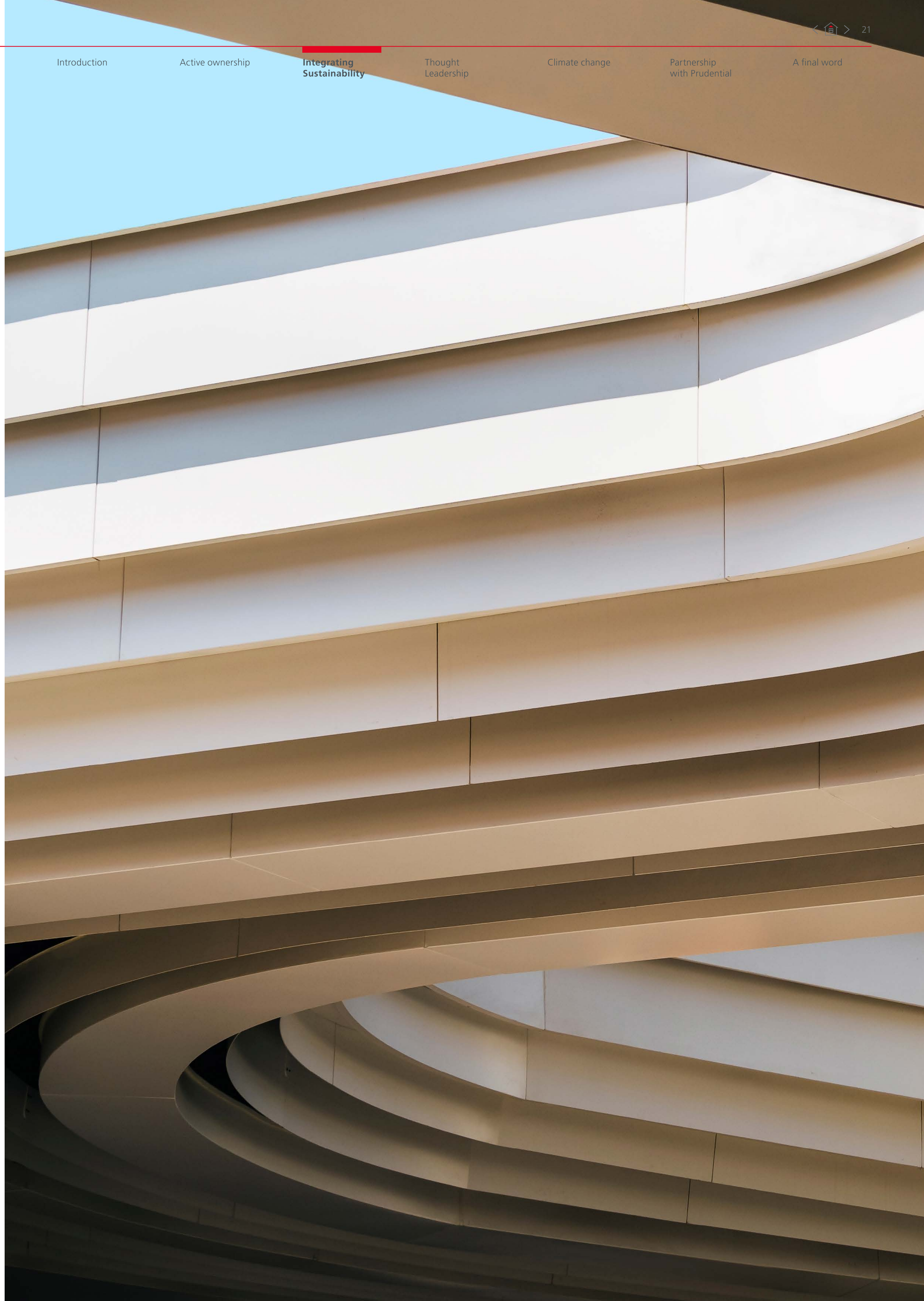
Data and flexibility are important

In rare circumstances, we find that our third-party data providers may have incomplete, incorrect or out of date data on a company. In these cases, the Eastspring Sustainability Committee may exempt a company from the exclusion list. In addition, in support of a just transition, and for emerging markets in particular, there may be cases where a company is genuinely pursuing a decarbonisation strategy, and supporting such an initiative warrants an exemption in order to support that company's credible plan.

Integrating Sustainability

Contents

Responsible investing is an integral part of our asset management activities here at Eastspring. Responsible Investment includes the explicit consideration of material sustainability issues into investment decisions – both in the leadup to the investment decision and throughout the period an investment is held. Investment professionals are responsible for incorporating all factors, including sustainability issues, deemed to materially impact an investment decision.



Eastspring's Sustainability Principles

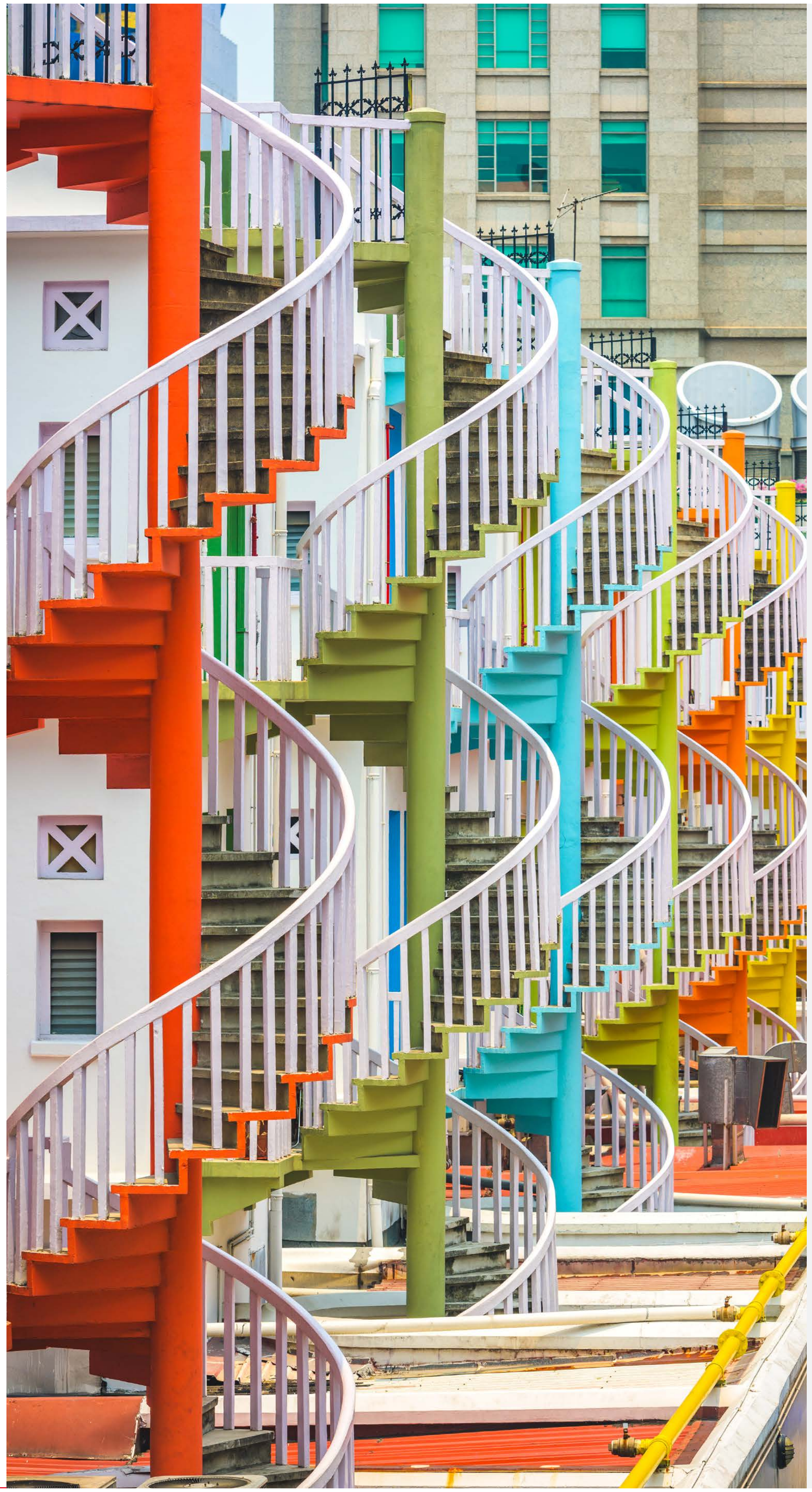
Our investment beliefs as they relate to Responsible Investment are:

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

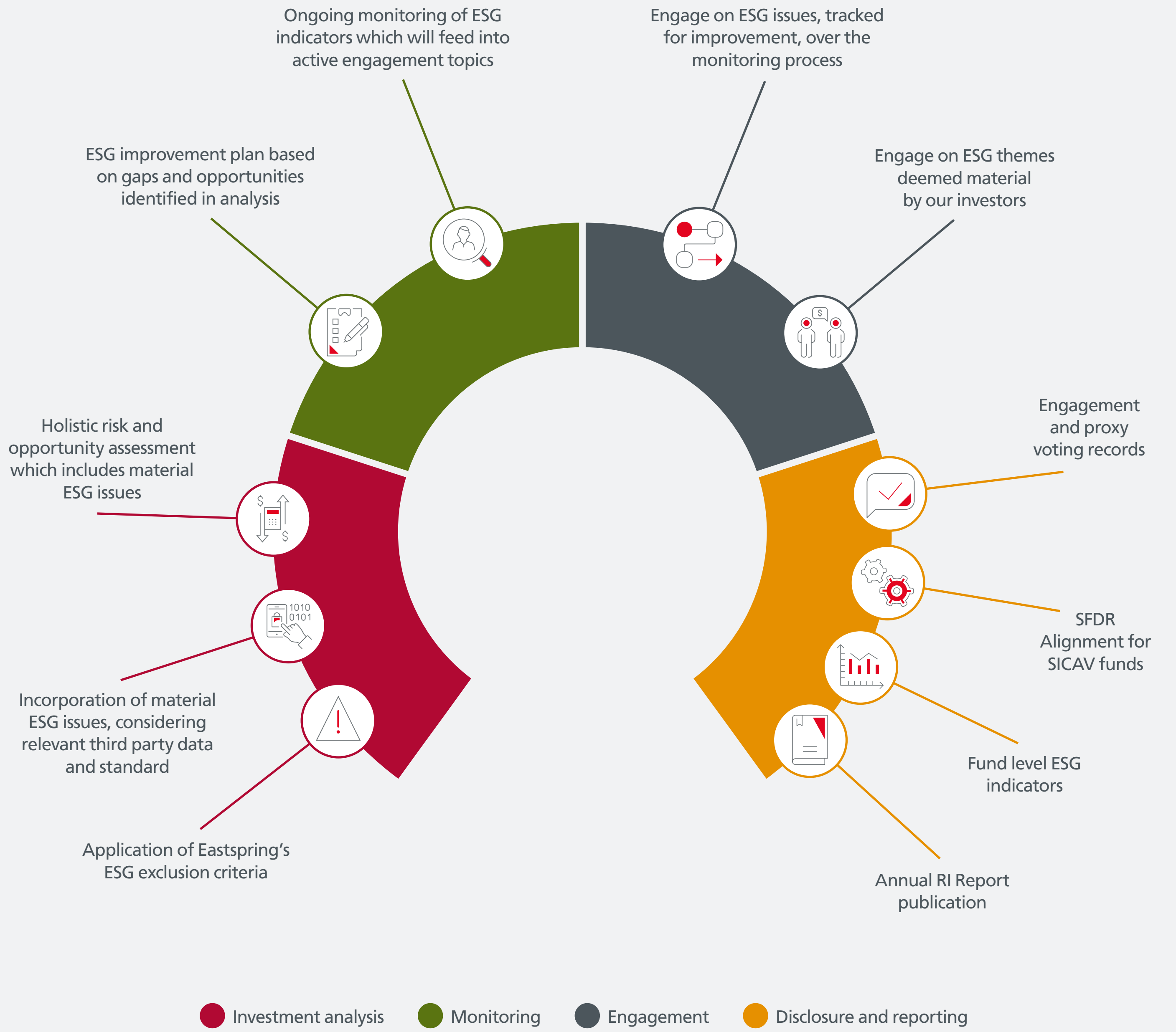
2 Engaging with investee entities can be constructive. We recognise that responsible investing requires a patient approach and an understanding that improvement in corporate behaviour can support investor value over time. We believe companies that adopt sustainable business practices are more likely 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 sustainability risks are insurmountable or where continued engagement is considered ineffective. Rather, seeking improvements 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 activities helps our clients understand our priorities and impact.



Integrating ESG into Our Investment Process



Integration in Action

Sustainability assessments for Sovereign Bonds

Sovereign credit risk is a critical consideration in asset management, as it influences the stability and performance of investment portfolios. Sovereign credit risk management involves assessing and mitigating the risk that a country may default on its debt obligations. Credit rating agencies play an important role by providing ratings that seek to reflect the creditworthiness of sovereign entities. Moreover, analysis is performed on countries' economic indicators such as GDP growth, inflation and fiscal policies, to gauge financial health. For a more complete set of analyses, consideration of the influence of Sustainability factors on the financial health of a country can augment traditional assessments.

Having spent time building the ESG Visualiser (ESGV), a tool which assesses sustainability risks and opportunities for equity and corporate credit securities over the last few years, it was time to explore how we might be able to design a more robust and reliable sustainability assessment model for sovereign bonds that can provide both visual and numerical representations of a country's non-traditional performance. This work can enable research analysts and fund managers to conduct more comprehensive credit analysis by using a reimagined sustainability assessment framework.

With a focus on our fiduciary duty to clients, we sought out metrics that we felt were both reliable and material to bond prices and default risks.

Table 1: Material sustainability factors for Sovereign Bonds

Environment	Governance	Social
Hydrocarbon Rent – Transition Risks	Corruption	Income Inequality
Stranded Assets - Fuel Reserves	Ease of Doing Business	Access and Usage of internet
Renewable Energy	Government Effectiveness	Basic Human Capital
Land and Minerals	Regulatory Quality	
Physical Exposure	Legal Rights	
Physical Risk Management	Voice and Accountability	

Climate risks for sovereign bonds

Most of the existing sovereign models used in the industry focus on decarbonisation. While decarbonisation is the ultimate goal for managing climate change, its impact on credit risk is not obvious. Therefore, internal models have been upgraded consider credit risks around the potential macroeconomic reaction to decarbonization. The narrative we have taken is that the world has started and will continue to move from a brown to green economy. In such a scenario, there will be less dependency on fossil fuels, which makes it important carefully consider at how this dynamic will eventually affect the country's ability to pay. From this angle, our project has identified several relevant factors that can influence a country's credit risk. These factors include concepts of hydrocarbon rent, fossil fuel reserve and renewable energy.

Hydrocarbon rent is the revenue generated from oil and gas extraction and can be a significant source of income for many countries. However, reliance on this revenue can be risky due to volatile oil prices and shifting global energy policies. A reduced dependency on fossil fuel may have a flow-on effect of reducing income for countries that are heavily dependent on oil and coal, thereby affecting their ability to repay debt. Furthermore, hydrocarbon rent can only be sustained with fossil fuel reserves - fossil fuel that is known to exist and can be extracted. Fossil fuel reserves are therefore currently viewed as a valuable asset to mitigate credit risk as they provide a potential income to service debt. However, under the brown -to-green scenario, these reserves may potentially not be exploited due to global climate action accords or market changes. In the scenario where the world is less dependent on fossil fuel, these reserves can slowly become stranded, which can affect the perceived ability to pay. These metrics are only material for a select number of countries that are heavily dependent on fossil fuel.

On the other hand, investment in renewable energy, if done properly, can enhance stability and sustainability under this scenario. By diversifying energy sources and reducing dependence on hydrocarbons, countries can mitigate the risks associated with stranded assets and volatile hydrocarbon rents. This transition to renewable energy can potentially improve a country's creditworthiness and long-term ability to meet its debt obligations, fostering a more resilient and sustainable economic future.

Eastspring Recognised for Stewardship Disclosure

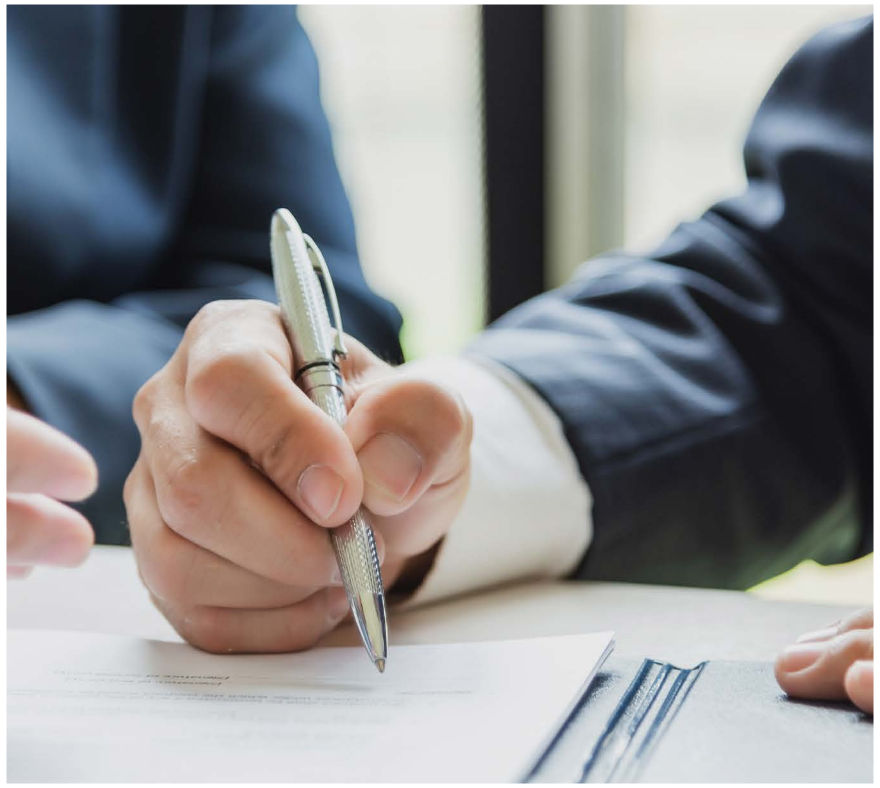
Eastspring Investments Taiwan has been ranked among the Best 8 in the Taiwan Stock Exchange's Best Institutional Investors for Stewardship Information Disclosure in 2024, a testament to our continued commitment to ESG integration and active ownership, driving long-term sustainable returns.

UNPRI

The PRI is the world's leading proponent of responsible investment with over 5,000 signatories. It provides a useful global benchmark that asset managers and their clients can use to assess their activities.

Eastspring has been a PRI signatory since February 2018. In 2024 the benchmarking exercise was voluntary, however we felt it is important to continue to monitor our progress against peers.

The 2024 assessment of Eastspring was performed across seven elements, and in each case Eastspring found itself at or above the median score in the industry. It was also pleasing to see that the enhancements that our Private Equity team implemented were recognised in the assessment, resulting in that asset class's first 5-star rating.



Policy Governance and Strategy	Indirect - Private equity	Direct - Listed equity - Active quantitative	Direct - Listed equity - Active fundamental	Direct - Fixed income - SSA	Direct - Fixed income - Corporate	Confidence building measures
Module Score	Module Score	Module Score	Module Score	Module Score	Module Score	Module Score
89	93	78	78	91	91	80
★★★★☆ (>65<=90%)	★★★★★ (>90%)	★★★★☆ (>65<=90%)	★★★★☆ (>65<=90%)	★★★★★ (>90%)	★★★★★ (>90%)	★★★★☆ (>65<=90%)

Thought Leadership

Contents

Building a Holistic Transition Investing Framework for Capital Markets

Mobilising capital towards closing the transition financing gap is essential in achieving the goals of the Paris Agreement. Capital markets present a key financing platform given their size but their full potential has not yet been realised.

A key challenge is the lack of definition for financing the 'brown to green' assets. But true impact cannot be achieved by ignoring or excluding the harder to decarbonise assets in investment portfolios; without them, climate goals cannot be reached.

A practical framework is needed to build a capital markets' portfolio of companies that are actively transitioning their business models towards a Net Zero future as well as reducing their emissions without negatively impacting the social element.

The fundamental concept of 'just transition' is to ensure that no one is left behind as companies, communities and countries adapt and make contributions to a climate-changed future. While all countries have a role to play in achieving the Paris Agreement goals, a just transition recognises 'common but differentiated responsibilities' at a country level. This must be followed through to the sector and company level. Underpinning this is the need for financing the climate transition – an area where the capital markets can play a significant role.

The Current Challenges in Transition Financing

The International Energy Agency estimates that investment of just over USD 2 trillion will be required each year by 2030 to finance the transition in emerging markets and developing economies. Capital markets represent a key financing platform given their size; global equities markets are worth nearly USD 106 trillion and bond markets another USD 128 trillion. Mainstreaming transition finance through capital markets can significantly impact and help close the financing gap. However, to date, their full potential has arguably not been realised. This is due to the difficulty in finding an all-encompassing company-level metric that is reasonably market-and-sector-inclusive and not tilted to either emissions reduction or specific transition-activities.

Current sustainable finance taxonomies primarily define opportunities at the activity-level, not at the company-level. This limits the eligibility criteria and favours companies that have a significant revenue share from a green activity. In most cases, these tend to match pure play cleantech or renewable companies.

Although industry bodies have provided guidance on principles to qualify businesses/assets as being transition-aligned, there is no clear indication of the types of large-scale data available to measure this alignment. Existing data solutions tend to have a tilt towards companies with predominantly green revenue streams or that have more focus on emissions reduction targets or commitments.

These challenges have limited the available universe for investors. But true impact cannot be achieved by simply excluding the harder to decarbonise assets in investment portfolios; without them transitioning, climate goals cannot be reached.

An Investing Framework that is Inclusive and Practical

First we must broaden the universe of companies that can qualify for the transition finance to include brown-to-green or brown companies that are exhibiting best-practice improvements in climate transition. These are firms committed to emissions reductions and are progressing towards best-practice climate targets and in alignment with the principle of the 'common but differentiated responsibilities' of the Paris Agreement.

In September 2024, Eastspring and Prudential has jointly launched the Eastspring-Prudential Framework for investing in Climate Transition in the Capital Markets. This framework is endorsed by the Climate Bonds Initiative and seeks companies that are already aligned or making credible progress in aligning their business activities according to these criteria:

- Green: companies that offer climate solutions or are aligned to a 'below 2 degree' pathway
- Amber: brown-to-green companies that are aligning to such a pathway or transitioning amidst growth. Carbon intensive sectors in high-growth economies may fit this category
- The best-practice transition principles from international industry bodies
- Ensuring adequate coverage of eligible companies within emerging markets
- Ensuring the social element of a just transition is not sidelined

Considering the above criteria alongside the need to be more inclusive and flexible, our framework uses current third-party data to derive a composite score from two components that identify actions and outcomes. **This dual approach assesses companies' efforts in both transition opportunities and emissions reduction.**

Climate Transition Opportunities

Transition opportunities assess a company's actions based on a variety of forward-looking indicators along the transition solutions product development cycle such as high-quality climate mitigation and adaptation solutions, capital expenditures and transition solution revenues. This allows for an early assessment of a company's future transition business alignment.

Emissions Reductions Efforts

Emissions reduction will focus on a company's existing efforts to improve energy efficiency and otherwise avoid emissions. This includes retrospective indicators such as emissions reduction trends and any capital expenditure transition efforts such as upgrades to energy efficient management systems. Other measures include the availability and quality of a company's climate strategy and public commitments.

That said, it is important to note that the mere existence of public commitments is not a primary focus of the analysis, which remains more action-based. Selecting companies that perform better on both elements of the composite indicators, relative to their market or sector would result in a subset of companies that are willing, and already taking steps to prepare for a climate-changed future. The presence or absence of such commitments would naturally fall into the design of ongoing engagement milestones, alongside other actions such as the monitoring of social elements as enhancers or detractors of transition performance, as well as the progress of alignment to international frameworks and Sustainable Finance taxonomies.

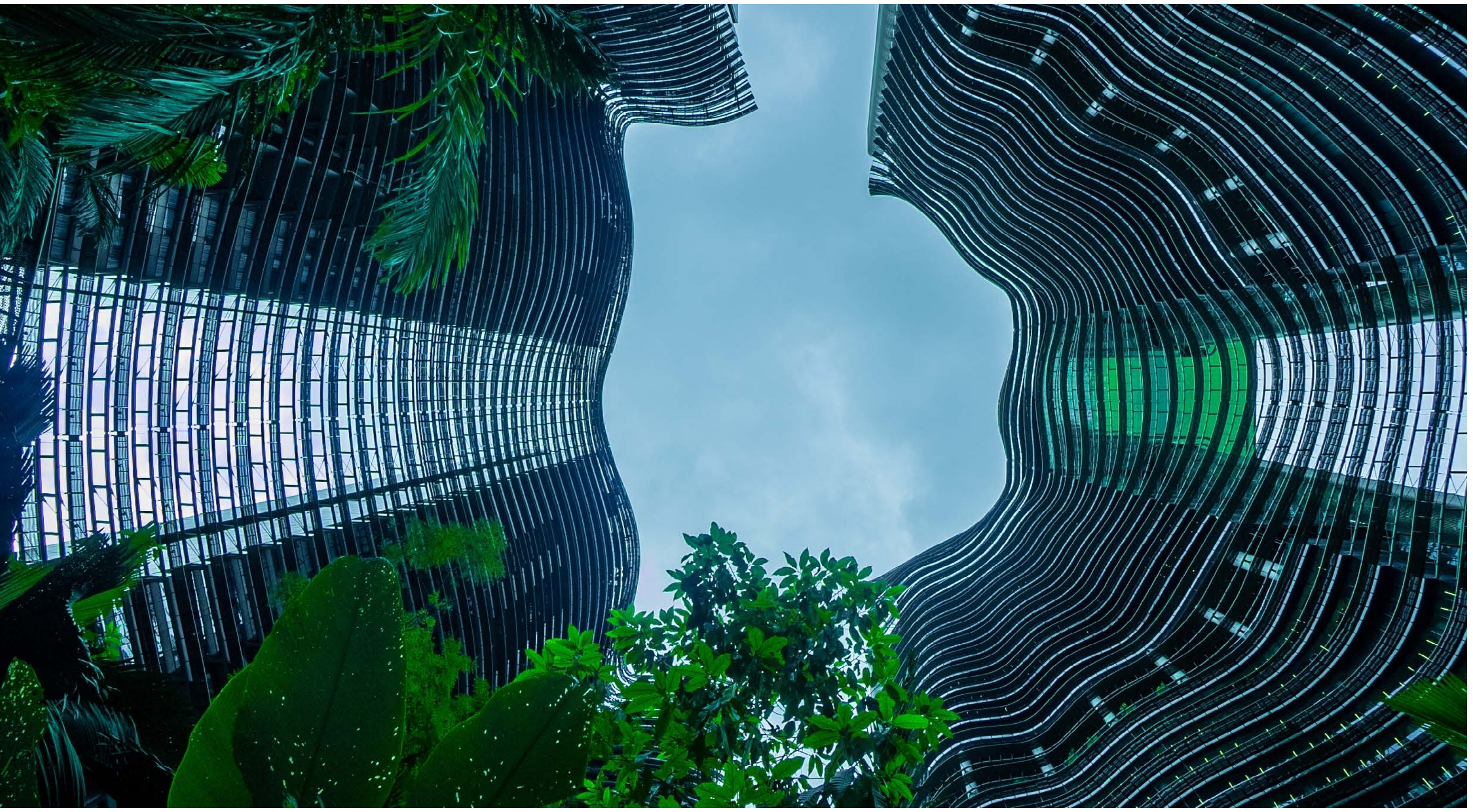
Fig 1: Overview of Eastspring's Just Transition investing framework

Stage	Portfolio Construction	Monitoring & Engagement	Reporting
Transition Portfolio	**Composite Transition screen** for defining an investible universe of securities • Composite score of two components that are sector differentiated: Transition opportunity Emissions reductions efforts *Qualifying companies score better than a broad average of their sector peers on both components* **Do No Significant Harm (DNSH) considerations*** • The screen above can be layered with an exclusionary criteria that targets reduction of Principal Adverse Indicators (PAIs) impact.	**Monitoring & Engagement indicators** • Progress against the components of the Composite Transition screen. • Engaging companies to consider how these companies are not sidelining the social elements while transitioning. Social elements should not be detractors to climate transition performance. • Engagement should feature time-based milestones where areas of improvement are identified. • Engagement should encourage public disclosure on both transition and social components and continued alignment to industry standards and Sustainable Taxonomies.	**Reporting should be aligned with the portfolio and engagement construct and could include:** 1. Number of engagements 2. Directionality of improvement on the Composite Transition screen 3. Ensuring no exposure to DNSH* indicators over the lifetime of the investment
Outcome	**Defining an investable universe of mispriced transition opportunities across markets and sectors.**	**Engagement on factors that are likely to improve the company's transition-based performance, ensure social elements are not sidelined, and add to the strength of the investment thesis.**	**Encourage alignment of expectations between Asset Manager and Asset Owner across the investment's lifecycle.**

* DNSH ('do no significant harm") exists to ensure that investments promoting sustainability in one specific area do not generate negative impacts elsewhere.

Source: Eastspring Investments

While the framework allows for a broader range of eligible companies, the quantity and quality of data remains crucial. To address potential data limitations, particularly around the public or certified Net Zero commitments made by companies in emerging markets, the framework focuses on selecting indicators that correspond to concrete actions in climate transition at the business level. Recognising the importance of public targets for best-practice transparency, the framework also includes dialogue on "turning action into public best practice disclosure", which may include seeking verification from third party organisations.



Our transition framework aims to identify companies across markets and sectors that are trying to capture transition (climate mitigation and adaptation) opportunities along the product revenue cycle whilst limiting their exposure to emissions risk. By identifying companies that are genuinely committed to shift toward more sustainable business models through measurable actions and outcomes, investors can build portfolios that effectively manage transition risks and opportunities. This approach allows investors to identify potentially mispriced assets early.

It also captures an investment's life cycle via monitoring and engagement to track transition progress, to monitor that social factors are not detractors for transition performance and to encourage disclosure and alignment to international frameworks. Part of the engagement process also features setting up time-based milestones to drive progress.

Achieving the aims of the Paris Agreement requires a step-up in transition financing and investments. However, the diverse landscape has led to multiple, often uneven, interpretations across the capital stack. In fact, climate transition funds have grown in the past couple of years to become the largest climate fund category with USD 210 billion in assets, up 25% in the last year. But around 70% of these funds simply track Europe's climate transition benchmarks which have emissions reduction as their primary goal. Only a small percentage screen for the opportunity side of the equation.

We believe that our more inclusive, flexible, and bottom-up framework can close the current gap in allocating and managing capital at the company level and help clients allocate capital towards transition portfolios. Such portfolios can potentially benefit from the future repricing of climate risk in the capital markets. Combined with active engagement and reporting throughout the investment's lifecycle, the concept of a just transition can be implemented at scale by investing in equity or bond portfolios.

Scope 3 Emissions

– the elephant in the 'emissions target' room

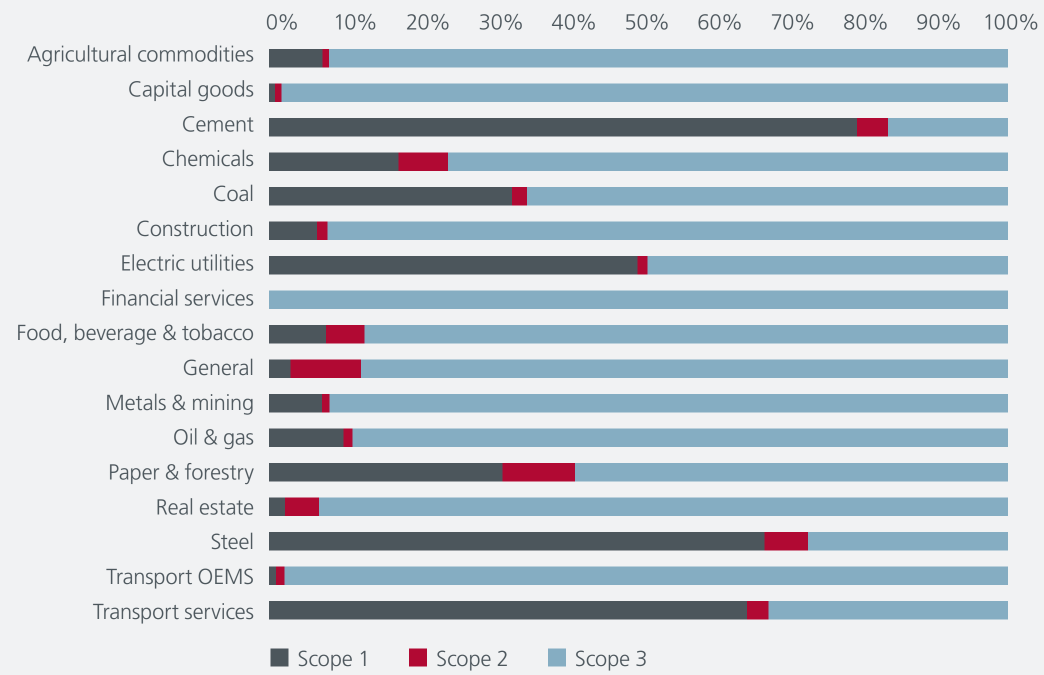
During the year, Eastspring was a member of a working group that published a discussion paper on tackling hidden emissions for a net zero transition.

Explainer: what are Scope 3 emissions

These are the indirect emissions that occur throughout a company's entire value chain, beyond just their direct emissions and primary energy use. They are not produced by the company itself, and are not in the company's direct control, but they do represent an element of climate risk. They can include, for example, the emissions of a bank's lending portfolio, the future emissions of an auto maker's products, and the emissions from a manufacturer's supply chain. Scope 3 emissions are an important indicator of transition risk as they are often much larger than the company's direct emissions figures.

In many sectors, a material component of total emissions relates to Scope 3 emissions. Take Oil and Gas, Utilities and Financials as examples. For these sectors, the Carbon Disclosure Project found that Scope 3 emissions make up 89 per cent (Oil and Gas), 49 per cent (Utilities) and almost 92 per cent (Financials), respectively (see Figure 1 below). Thus, understanding investee companies' Scope 3 emissions can support an investor's overall climate risk mitigation strategy, adding transparency on the full life-cycle sustainability of companies' products and services. Subsequently, this understanding supports the decarbonisation strategy of investors and helps them to integrate this knowledge into their climate actions and engagement plans.

Figure 1: Scope 1, 2, and 3 emissions distribution by sector (CDP, 2023)



Challenges of Scope 3 emissions

Measuring, estimating, disclosing, managing and setting targets for Scope 3 emissions are all fraught with difficulties. Some of the challenges are:

Company disclosure is patchy. Around 70% of companies are reporting Scope 1 and 2 emissions, but less than half are reporting Scope 3. In Asia there are even fewer reporters. Moreover, often material Scope 3 emissions are missing even if the company is reporting.

Scope 3 emissions are hard to measure or estimate, even by the company. For example, they could represent the lifecycle emissions of a product, which may cover many decades and be highly dependent on the product's user.

The different data suppliers have very different estimated numbers compared to each other and to the company itself. The variability of estimated emissions between data vendors, and the differences between them and the company itself, can be material.

Double counting – where one emission can be counted a number of times within an investment portfolio. This has the potential to make Scope 3 emissions look much larger than they actually are.

They can be difficult to avoid, influence and control, because they may be the responsibility of a company's supply chain or customers.

They cover different timeframes. Depending on whether emissions are stemming from upstream or downstream in the value chain, they may have occurred outside of the reporting year or they may be accounted for as future expected emissions.

There are three different ways that consolidation of emissions numbers may be performed. This reduces comparability.

In summary, Scope 3 emissions reflect a material climate risk to companies, but that they are very difficult to measure or estimate, difficult to aggregate and difficult to manage. This makes adding them to Scope 1&2 emissions targets problematic. To address these challenges, clients could consider a range of options:

Account for Scope 3 emissions separately and avoid aggregating all emission scopes at a portfolio level.

Focus on enhancing voluntary disclosures by companies and promoting standardisation.

Engage with data vendors to improve data quality and ensure a clear understanding of the different Scope 3 estimation models.

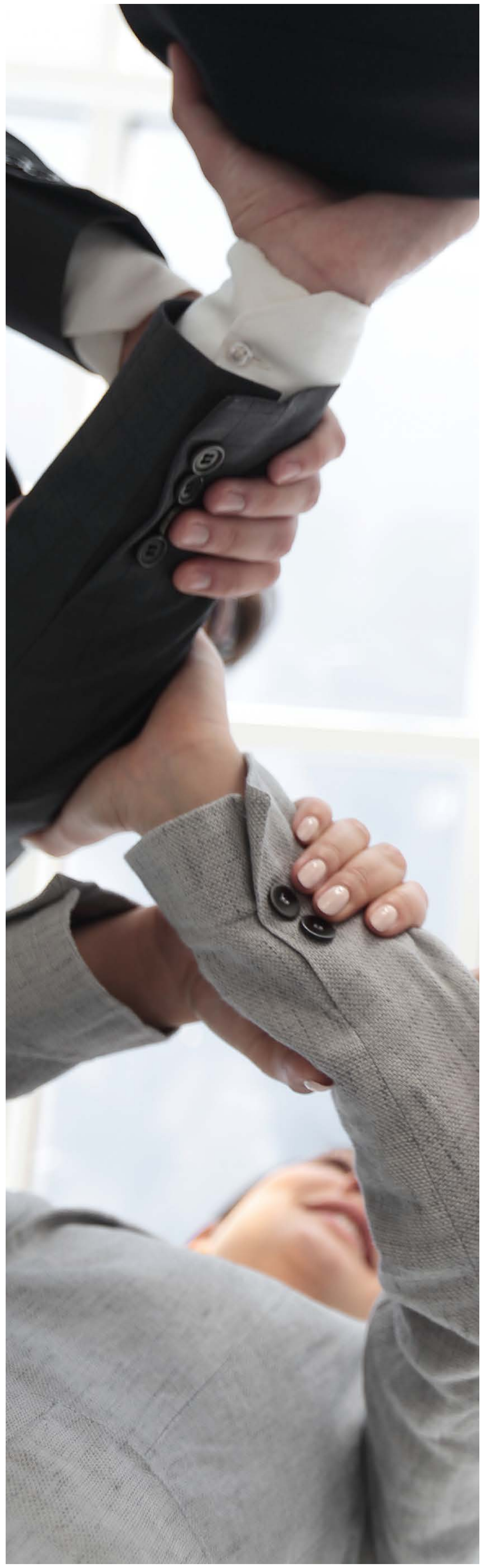
Target-setting for Scope 3 emissions is in nascent stages; however a range of options are emerging for those clients that feel such an action is important for mitigating climate transition risk.

Disclosure ambition: Investors can seek improved emissions disclosures from issuers, including independently verified or audited annual Scope 3 emissions estimates. A disclosure target could be set in the first instance, followed by a reduction target once the data has improved.

Engagement objectives: Investors could focus specific engagement with issuers or sectors where Scope 3 emissions are deemed most significant or where disclosure is lacking. Escalation measures may be necessary if progress lags.

Specific sector targets: Including Scope 3 emissions in specific sectoral reduction targets for financed emissions can partially address the issue of double counting as they do not encompass companies throughout the entire value chain. Moreover, Scope 3 can be included in target setting gradually, starting with those sectors that already have reliable data sets.

Policy engagements: Investors could encourage regulators to provide more guidance on Scope 3 material categories for each sector, mandate Scope 3 disclosure to increase data credibility and comparability (as has been done in the European Union and Japan).



Employee Engagement

– An underappreciated data set

One of the themes that Eastspring's proprietary Visualiser tool considers relates to 'employee treatment'. As an investor, we see this as an important theme that companies ought to understand and optimise, and we consider it to be material for the majority of industry sectors, but service industries in particular.

The team has conducted a range of fact-finding engagements on employee engagement over the past few years. It was somewhat surprising to discover that whilst some companies were measuring and scoring well on their employee engagement surveys, others appeared to be scoring quite poorly, and many were not even attempting to measure this aspect.

Some firms are decades behind the curve – for example, one company explained to us that whilst it did not measure employee satisfaction, it did have a suggestion box in the office. We believe that by measuring and addressing employee engagement, management can create a virtuous circle that engenders discretionary effort, improves output per employee and ultimately positively impacts financial results.

- A brief history

Around a century ago, the concept of 'job satisfaction' was popularised, and was defined as the extent to which a job is fulfilling one's needs, measured in terms of the individual's happiness. More recently, the idea of employee engagement became popular as it was seen as being more directly associated with performance. One can be perfectly satisfied doing the bare minimum in one's role, whereas a truly engaged employee is not just happy at work – they will have additional traits of loyalty, advocacy and a willingness to expend discretionary effort to contribute to the firm's success.

Satisfaction may be related to staff turnover, whereas engagement is more directly related to output. Happiness is often viewed as fleeting or short-lived, whereas engagement can be cultivated to last longer, as it stems from deeper relationships.

Engagement can be thought of as the strength of the connection between the individual and the company or role. Engaged staff have high levels of commitment to the organisation's success, and some benefits of high levels of employee engagement may include high productivity, commitment and having a positive influence on corporate culture. Teams of engaged people are more cohesive as they have bought into a clear and common objective.

Relevance for investors

As it relates to company success, profitability and winning in a competitive setting, the advantage of having engaged staff is intuitive. Employee engagement is at a neat intersection of benefitting both workers and the company – improving staff engagement is a win-win equation.

The most noteworthy piece of independent research on the nexus between employee engagement and financial performance was conducted by Edmans in the Journal of Financial Economics back in 2011. It showed that even after controlling for other common risk premia, portfolios with a characteristic of engaged staff generated statistically significant excess returns over an investment cycle, that the market was not fully pricing employee engagement into stock prices, and that there were indications that there was a causal relationship between employee engagement and financial results rather than mere correlation. FTSE Russell performed similar research and found directionally similar results.

As for links to corporate performance, the research shows consistent results, but there is an asterisk. Many of the reports of a link between strong staff engagement and corporate results or stock price performance appear to have been performed by non-independent sources such as service providers and engagement survey platform vendors, which may not have the rigor of peer reviewed and published research. This is partly due to the fact that these firms have access to datasets on employee engagement that are difficult to otherwise obtain. Whilst these results are interesting readers should exercise some healthy scepticism when considering the claims of operational impacts. The key findings from this set of research are that firms with engaged staff display;

- Improved productivity arising from higher exertion of discretionary effort, measured by revenue per employee.
- Improved customer satisfaction scores such as the net promoter score or an improvement in perceived service quality.
- Elevated metrics relating to staff. These include lower staff turnover and turnover-associated costs, reduced absenteeism, and better employee health. In addition, the ‘employer brand’ improved, making it easier to attract and retain talent. Even a link to lower shrinkage has been detected.
- Uplifted safety metrics.
- Employee engagement is a theme that spans across the entire market, however there are some industries and sectors where it can be thought of as particularly material. These include
- Service industries, where staff are not merely an input factor in production, but rather their effort is the product.
- Industries where there is often a war for talent. In situations where demand for skilled individuals outstrips supply, having a strong employer brand and engaged staff can be a differentiator.
- Industries where safety is paramount. This includes both worker safety, for example construction and mining and customer safety, for example healthcare.
- Customer-facing industries such a retail, leisure & tourism.

Modern staff engagement programmes

When considering employee engagement, executives address hygiene or tactical factors that tend to improve satisfaction - or perhaps reduce dissatisfaction. Hygiene factors typically include workload, working conditions, restrictiveness of policies and administrative red tape, supervision and management styles, interpersonal relationships with coworkers and fairness of pay. Notably, these are areas where frustrations can occur, and dissatisfaction can sour into disgruntlement when left unaddressed.

Beyond this, emerging best practice involves a focus on motivating factors that elicit discretionary effort and passion. These include line-of-sight from the day-to-day work to the corporate strategy, clear and empowering responsibilities and accountabilities, recognition of achievements, constructive and open two-way feedback, and opportunities for advancement.

Staff surveys are an efficient way of ascertaining the level of staff engagement in an organisation. If common questions are used, they can be compared over time. Statements can also be tailored to the aspects that management believes are the biggest drivers of engagement, or more standardised to allow industry comparison.

Some surveys include a single, omnibus statement, such as “Taking everything into account, this is a great place to work”. Having a single metric that refers to ‘taking everything into account’ can be useful as it provides an unambiguous score that can be used for target setting, historical trend analysis and as a KPI. In addition, one may measure interrelated questions that consider, say, perceptions of the leaders and leadership, hygiene vs motivating factors, and trust. Finally, one can measure and track the extent to which employees are engaged, perhaps by diving into categories of highly engaged on the positive side of the ledger through to barely engaged and disengaged on the other. Results can be divided by tenure or departments, and written feedback can also feature as a feedback tool.

Beyond statements on hygiene factors, the survey can also address:

The Role: Are employees being challenged, do they own the tasks, use their strengths and have access to development opportunities and options for advancement? Is their talent matched to their role?

Leadership: Are people put first, is employee feedback welcomed, is contribution acknowledged, do the leaders demonstrate the firm’s values, and do the leaders do the right thing? Do they model good behaviours, do they communicate with care?

Strategy: Is there buy-in to the corporate strategy? Is there line-of-sight from the employee’s work to the strategy’s critical success factors? Is there a path to success?

Surveys are typically conducted on an annual basis, especially if this is a KPI for senior executives, however our investigation saw a range of periodicities from monthly to once every few years. Investors are alert to engagement score ‘polishing’, which can occur when the survey is timed to coincide with staff social events, a planned series of positive announcements or other tactical initiatives designed to deliver a short-term fillip in scores. To combat this, and in order to obtain an unvarnished view of employee engagement, unplanned ‘pulse checks’ can be useful for boards and management, and can include a random sample of staff and a subset of the full questionnaire to combat survey fatigue. These can be useful interim indicators of engagement levels.

Following through

Whilst surveys are useful for measuring staff engagement, a more important aspect is the improvement programme or management response to the outcomes discovered in the survey process. This is critical to the establishment of a virtuous circle of improvement and the realisation of the benefits articulated above. Indeed, even perceived inaction on survey responses can be damaging to future survey outcomes, which can risk a vicious cycle of dissatisfaction, lower productivity, impacted results, further dissatisfaction and so on. By understanding the areas requiring improvement, and empowering people managers with the tools and education required, and by seeking long-term, enduring improvements, firms give themselves the best chance of being able to achieve the associated financial benefits.

Climate Change

Contents

Task Force on Climate-related Financial Disclosures ("TCFD")

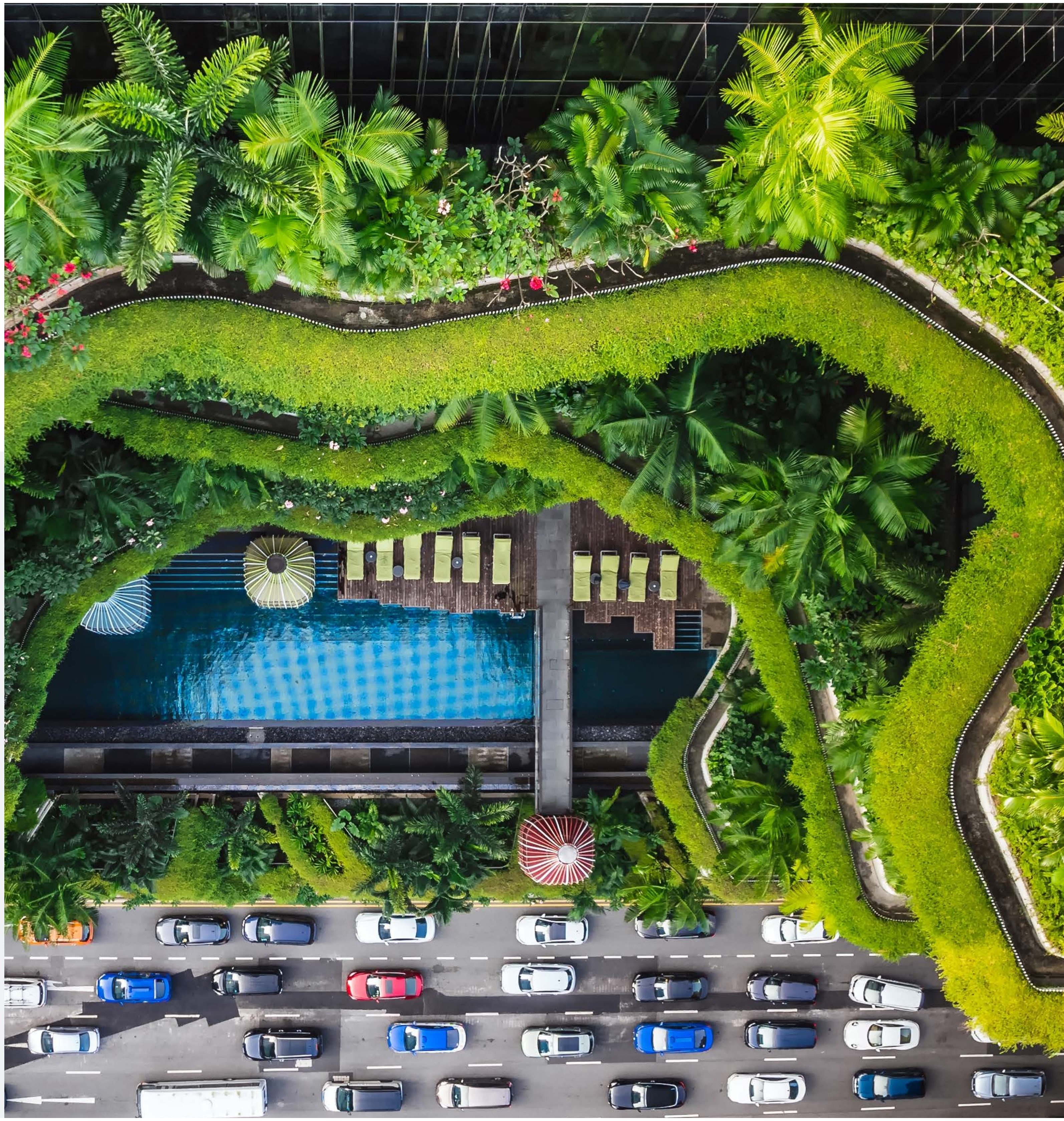
Prudential became a signatory to the TCFD in 2019 and has since been publishing climate disclosures based on the TCFD recommendations. In 2021, Prudential published its first set of TCFD disclosures within its ESG Report and replicated and enhanced its response to the framework thereafter. In its capacity as its wholly-owned asset management arm, Eastspring has supported Prudential with reporting and implementing initiatives designed to improve measuring and managing climate change risk. As part of these reporting enhancements and as a testament to ongoing efforts in mitigating financial risks associated with climate change, this third year of disclosures addressed both TCFD recommendations and the Monetary Authority of Singapore ("MAS") Guidelines on Environmental Risk Management ("EnRM") framework for Asset Managers.

Governance

Eastspring RI governance structure

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 Eastspring's RI strategy. The Eastspring Investments Sustainability Committee ("SustCo"), chaired by the Chief Executive Officer of Eastspring Investments, Bill Maldonado, is a management committee and is delegated responsibility by the Board to oversee the execution of Eastspring's RI activities. The SustCo serves as a forum for decision making and as a sponsor of resource allocation to strategic Sustainability and Responsible Investment priorities. The SustCo meets quarterly 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;
- 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 sustainability risks;
- Monitor the impact of sustainability and RI developments; and
- Review material disclosures in RI reports



Strategy, Metrics and Targets

Environmental risks, including climate risks, are considered within the assessment of current and potential portfolio companies. Positive progress has been achieved towards climate change risk mitigation, portfolio resilience, and risk management efforts across various fronts.

Near-term projects

Continuing to add robustness to our climate risk strategy is a necessary enhancement that takes keen understanding of the local markets in which we operate in. In 2024, in conjunction with the fixed income investment team, we developed a prototype to better measure and interpret sustainability risks and opportunities within sovereign bonds, which is currently being tested. In addition, with a growing number of companies having met our expectations via the Central engagement programme, we are working on a process to improve how we monitor their decarbonisation progress considering each company's unique circumstances.

Driving the climate ambitions of Prudential

For the portfolio that Eastspring manages for Prudential, Eastspring helps Prudential to achieve its net-zero ambitions through supporting the achievement of the near term targets outlined below.

Climate targets	Metric rationale	2024 status update
A target to engage with the companies responsible for **65%** of the absolute emissions in our investment portfolio on their plans to reduce their carbon footprint	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. This target also aligns to industry best practice. 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 Sustainability traits or mitigation of material Sustainability risks across our holdings through constructive engagement based on our in-depth knowledge of our investments in the context of their business environment.	The third year of our Climate Change and Decarbonisation thematic engagement program included companies that had been engaged with in prior years and a number of companies that were new to our engagement list. There are a growing number of companies where we would describe the engagement as successful, as the companies have developed or committed to credible long-term plans to reduce their exposure to climate risks. For more information on the Central engagement Programme, please refer to page 12.

Climate targets	Metric rationale	2024 status update
Divestment from all direct investments in businesses which derive more than **30%** of their revenue from coal	We believe this stance on thermal coal supports a just and inclusive transition in the markets in which we operate and demonstrates how we strike a balance between active ownership and exiting investments when sustainability risks are insurmountable or where continued engagement is considered ineffective. Whilst we consider companies that are highly dependent on coal as a stranded asset risk, we also recognise the challenges faced in developing and frontier markets, which invest in underdeveloped capital markets. 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.	The Prudential portfolio remains fully divested from directly-held in-scope equity and fixed income securities that have revenues from thermal coal mining or power generation that are above the 30% threshold, as determined by an independent third-party data provider. A number of companies re-entered our investible universe during the year, having reduced their exposure to this stranded asset risk.

Climate targets	Metric rationale	2024 status update
55% reduction in the carbon emissions intensity of our investment portfolio by 2030 against our 2019 baseline	We use the WACI as a loose 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. 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. 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.	At the close of 2024, the WACI of the Prudential in-scope portfolio had reduced once again, and has now halved since 2019 when the baseline was established. Investment decisions such as asset allocation, portfolio construction and investment selection can all influence the direction of WACI, as can changes in the carbon emission intensity of the underlying businesses in which we invest, and the levels of transparency thereof.

Operational Carbon footprint at Eastspring

The overwhelming majority of Eastspring's emissions arise from the indirect emissions from its investment portfolio, as measured by the WACI and discussed above. Whilst investment risk management has been the primary focus, Eastspring is active in reducing its operational emissions in line with Prudential's ambition to be carbon neutral by 2030.

In early 2024, Eastspring Singapore, the office where most Eastspring staff are located, was relocated. Known as 'project Green', the new office was selected in part for its environmental qualities. The reduction in our carbon footprints within the organisation this year was driven by this project.

Medium to longer-term projects

Climate risks are evolving at a rapid pace, and the increasing politicisation of climate policies is causing volatility with every national election. In addition, there have been advancements in model development relating to the various scenarios that could be applied to investment portfolios.

It is important to continue to seek to build confidence with the long-term models that have been developed to estimate climate risks, but also to acknowledge that the dynamic systems that feed into climate risk models – climate and weather, global economic systems, financial markets and politics, combined with a very long time horizon looking forward up to 75 years into the future, is inherently difficult to produce with meaningful accuracy.

The number of Eastspring funds that are included within the scenario analysis of Climate Value at risk continues to expand, and now includes Singapore Funds, Taiwan, Hong Kong and all SICAV funds.

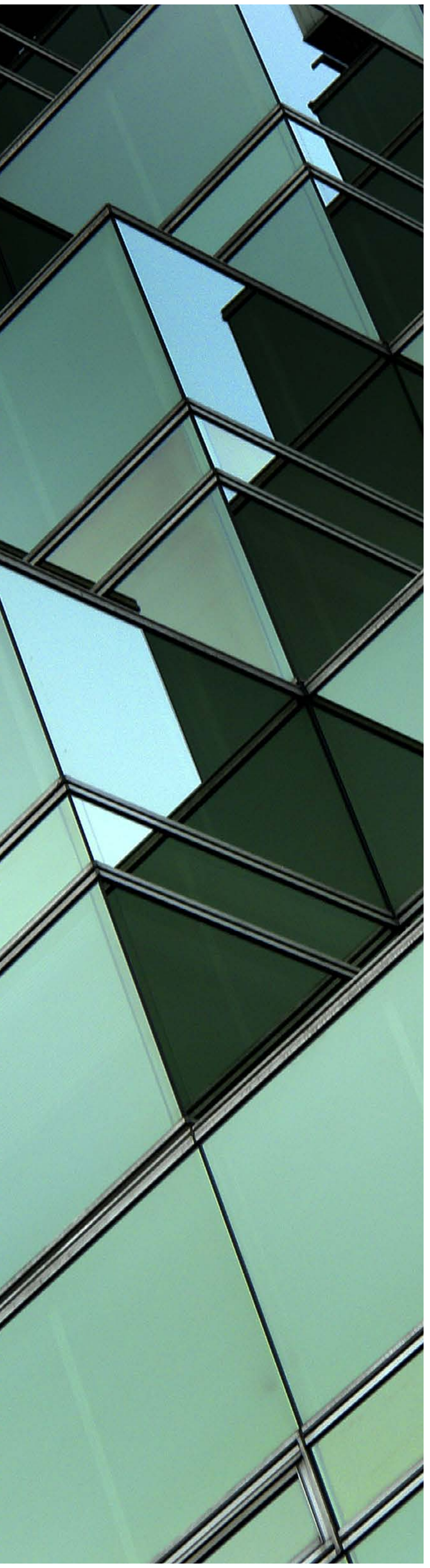
Category		FY2023	FY2024	% Change
Operational carbon footprint	Total scope 1 – tonnes CO_2e	53.57	50.33	-6%
	Total scope 2 – tonnes CO_2e (location–based)	1,114	948	-15%
	Total scope 2 – tonnes CO_2e (market–based)	1,068	888	-17%
	Total scope 3 – tonnes CO_2e	1,492	2,032	36%
Waste	Total non-hazardous waste produced – tonnes	7.20	10.11	40%
	Total non-hazardous waste produced – tonnes/FTE	0.006	0.009	40%
Electricity	Total electricity consumption (MWh)	2,306	1,882	-18%
Water	Total water consumption (m^3)	13,813	3,626	-74%
	Water consumption – m^3/FTE	11.72	3.06	-74%

The data in this table represents Eastspring Group, and is a subset of data collected and assured by parent company, Prudential plc. For more information, please refer to Prudential's Basis of Reporting here.

Engaging the data provider to enhance their model

Whilst we see the benefits in the use of forward-looking data, particularly in supporting the assessment of how well companies are prepared for the climate transition, it is important to acknowledge the limitations of forward-looking climate data. These limitations include but are not limited to data quality, data availability, data consistency, underestimation of physical climate risk, model limitations, greater uncertainties over longer time horizons, and extensive judgements and assumptions.

In addition, current climate models do not capture tail events such as climate tipping points (e.g., increased rate of ice sheets melting, Amazon dieback) or knock on effects (e.g., migration, war, political and social instability) that could have significant impacts on global economies. As a result, we treat forward-looking climate data with additional caution than we would for other decision-useful metrics such as financial statements. We maintain a feedback loop with our data provider, engaging them on enhancements. 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. 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 over the long-term.



Summary of the scenarios identified by Prudential

Orderly transition scenario: This below 2°C scenario aligns with IPCC's Representative Concentration Pathway (RCP) 2.6. Under this scenario, ambitious climate policies are introduced, reducing fossil fuel demand, implementing higher carbon taxes, and investing in low-carbon electricity generation and manufacturing. Despite emissions reductions, extreme weather events increase, leading to physical loss and damages.

Disorderly transition scenario: This below 2°C scenario assumes similar transition policies and physical impacts as the orderly transition scenario, but with delayed and disorderly policy implementation. Market volatility rises, especially in fossil-fuel intensive sectors and regions, as well as across all sectors due to the disorderly nature of policy introduction.

Hot house world scenario: This scenario forecasts an above 4°C temperature increase by 2100. It anticipates irreversible climate damage, extreme weather events, and water shortages in line with RCP 8.5. Some areas experience warming above 4°C, rendering them unsuitable for agriculture and habitation. Few additional climate policies are implemented, resulting in limited transition impacts.

Changes to NGFS scenarios

Eastspring has been diligently keeping up to date with the latest scenario and model developments from the Network for Greening the Financial System (NGFS) and our data provider. In late 2023, NGFS Phase 4 was introduced to the industry. By the second quarter of 2024, our data provider started to support NGFS Phase 4 and aims to phase out legacy scenarios by 2025. To ensure alignment with the industry, we have planned to upgrade our Climate Value at Risk ("CVAR") calculation. This includes replacing the "Divergent Net Zero" scenario with the "Delayed Transition" scenario. In "Delayed Transition," annual emissions do not decrease until 2030, after which strong policies are implemented to limit global warming to under 2 degrees. This is the most suitable replacement as it is the only other "Disorderly" scenario offered by NGFS.

In addition, we are enhancing our existing physical risks metrics to take into account the potential impact of global warming on our portfolio. We are currently considering a range of scenarios ranging from an intermediate emissions to a very high emissions outcome where the latter has temperature outcomes aligned with a hot house world scenario.

Risk Management

The management of risk and risk oversight are embedded in the first and second lines of risk defence respectively, and independent assurance is embedded in the third line of risk defence of Eastspring Investments' 'Three Lines of Defence' 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.

Sustainability-related risk issues are a component of our business-as-usual processes, and escalated to the Risk Committee and/or the Sustainability Committee 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.

First line: The investment teams monitor financially material sustainability factors, which may include 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 sustainability 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 12.

The second line consists of the Risk and Compliance Teams, who are responsible for ESG risk monitoring as well as checking and challenging ESG policies and their implementation. The investment risk function incorporates qualitative and quantitative measures and approaches in the monitoring of financially material sustainability factor exposures in portfolios and has in place risk oversight forums to support dialogues with investment teams on financially material sustainability risk exposures and factors. In parallel, the investment risk function also has governance processes to periodically report financially material sustainability 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 sustainability 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 Local Business Units (LBUs), a forum comprised of local sustainability experts is convened, and is used as a channel for information sharing on these regulatory and reporting guidelines. It facilitates regional dialogue and allows the various Local Business Units (LBUs) to support one another through sharing of experiences in tackling requirements.

Partnership with Prudential

Contents

Sustainability is woven into the spirit of what Prudential does as a responsible insurer, asset owner and asset manager. Ongoing accountability and commitment is ensured by setting robust targets spanning short- and long-term horizons. This approach fosters a unified vision, driving towards sustainable growth and enduring positive impact.

Supporting Prudential's Sustainability Strategy

Prudential's sustainability strategy consists of three pillars, reflecting who Prudential is as a business. We partner with Prudential to support their ambition of advancing sustainability for real-world impact and long-term resilience, deploying our investments and stewardship strength to enable a just and inclusive transition.

Prudential's sustainability strategy

Delivering real-world impact and long-term resilience

Our purpose:
For Every Life, For Every Future

Sustainability:
Delivering real-world impact and long-term resilience

Strategic pillars

- **Enhancing customer experiences**
- **Technology-powered distribution**
- **Transforming health business model**

Group-wide Enablers

- **Open-architecture technology platform**
- **Engaged people & high-performance culture**
- **Wealth & Investment capabilities**

Sustainability pillars and priorities

Pillar	Priorities
Simple and accessible health and financial protection	Delivering partnership end digital innovation for health outcomes Developing sustainable and inclusive offerings Building resilient communities
Responsible investment	Decarbonising our portfolio Financing a Just and Inclusive transition Mainstreaming responsible investments in emerging markets
Sustainable business	Empowering our people Establishing sustainable operations and value chain Harnessing thought leadership to shape the agenda

A foundation of good governance and responsible business practices

Corporate governance, conduct and ethics, risk management, external reporting and benchmarking

Key targets

55%
WACI reduction
(weighted average carbon Intensity) by 2030

Investment target
on financing the transition (established In 2023), which operates as an underpin for our WACI reduction target

42%
female representation
In Group Leadership Team by the end of 2027

All people managers to have **Sustainability-linked KPIs by 2026**

To remain on track for its ambition to become a Net Zero Asset Owner by 2050, Paris-aligned interim targets have been set. In 2024, with the assistance of Eastspring's portfolios and active ownership initiatives, Prudential continues to make progress towards its Weighted Average Carbon Intensity (WACI) reduction target as well as its underpinning target for financing the transition.

Responsible Investment

Targets and timing	Board's evaluation of progress	UNSDGs	Intended outcome
Deliver a 55 per cent reduction in the carbon emissions* intensity of our investment portfolio by 2030 against our 2019 baseline **By 2030**	**On track** During 2024, Prudential reduced the weighted average carbon Intensity (WACI) of Prudential's in-scope portfolio by 54 per cent against our 2019 baseline	13.1, 13.2, 13.3	Integrate climate change measures into national policies, strategies and planning;
Internal Investment target on financing the transition to a lower-carbon future. (Note: This is a critical underpin for the WACI reduction target and is linked to our executive remuneration) **By 2030**	**On track** As of 31 December 2024, Prudential has committed over $1 billion to financing the transition investments.	8.3	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, including through access to financial services.
Engage with the compantes responsible for 65 per cent of absolute emissions in our investment portfolio **Ongoing**	**Fully met** This is an ongoing annual target, which we have fully met in 2024 for the identified cohort of companies.	13.1, 13.2, 13.3	Improve education, awareness and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

In 2021, Prudential set a target to divest from all direct investments in businesses that derive more than 30 per cent of their income from thermal coal, with divestments completed by April 2023. Eastspring monitors the in-scope portfolios, which continued to meet the target throughout 2024.

In addition, in 2024 Eastspring and Prudential each produced complimentary thought leadership papers on financing the transition in emerging markets. This seminal work played a role in focussing the industry on financing a just transition in emerging and developing economies.

Eastspring conducted a wide range of sustainability engagements on behalf of Prudential throughout the year, covering material topics relating to climate risk, scope three greenhouse gas emissions, biodiversity, occupational health and safety, palm oil, and United Nations Global Compact non-compliance.

Supporting Prudential's Financing the Transition Framework

With adversities such as climate change intensifying around the world, Prudential's role in protecting more lives and channelling funds towards the green transition of businesses is becoming increasingly important. The majority of Prudential's markets are in emerging and developing economies, and their communities may suffer disproportionately from the negative impacts of climate change, leading to disruptions in their financial stability, livelihoods, and quality of life. Without concrete action, the World Bank estimates that more than 130 million people living in the most vulnerable countries will be pushed into extreme poverty by 2030, primarily due to climate change.

As a life and health insurer and long-term investor in many of these markets, Prudential is committed to playing its part by advocating for a just and inclusive transition, such that no country or community is left behind as efforts to decarbonise are scaled up. An important component of this is to ensure that developing and emerging economies have the necessary funding to disassociate their economic growth from burning fossil fuels, especially in carbon intensive sectors.

Within the limits of fiduciary duty, Prudential aims to be a leading investor in aiding the climate transition in emerging economies, particularly across Asia and Africa. It has also pledged to decarbonise its investment portfolio and become a net zero asset owner by 2050, working with Eastspring to strengthen engagements with investee companies and stakeholders, and urging industries heavily reliant on fossil fuels to transition to greener operations.

The lack of a universally accepted definition for financing the shift from high carbon (brown) to low carbon (green) projects stems from the complexity of defining transition financing and the lack of harmonised and standardised frameworks and taxonomies that also accommodate for the slower rate of decarbonisation in emerging markets. In response, Prudential launched its framework for Financing the Transition, which outlines criteria and an evaluation process for classifying investments that aid in the brown-to-green transition, with a particular focus on emerging markets in which Prudential and Eastspring operates.

Emerging markets face unique challenges in transitioning to a low-carbon economy. These regions, while historically contributing less to global greenhouse gas emissions, are often heavily reliant on fossil fuels and carbon-intensive assets for their economic development and are particularly vulnerable to the physical impacts of climate change. Moreover, they will need more financial resources to support this critical transition. To illustrate, many emerging markets are dependent on coal-based energy, accounting for 75 per cent of the world's coal-fired power plants. While these plants are newer than their peers in more developed regions, coal-fired power plants remain a significant source of global greenhouse emissions. Ensuring alignment with global climate transition trajectories implies retiring these plants before their designed lifespans, however, this brings additional costs and requires replacements with reliable and affordable alternative energy sources.

These challenges require a bridging of the financing gap for the climate transition in emerging markets, while accounting for these markets' different stages of economic development. Currently, emerging markets clean energy investment represents only 14 per cent of the global total. Annual investment needs to triple to almost USD 3 trillion by the early 2030s (not including the financing needed for the early retirement of coal-fired power plants, which would cost even more).

As Prudential's asset manager, Eastspring has been given a unique opportunity to contribute to a just and inclusive transition. We have found that climate goals cannot be reached by ignoring transitioning companies (brown-to-green) that are committed to emissions reductions and are progressing towards climate-resilient business models.

Eastspring has developed a framework that proactively identifies such companies across markets and sectors. In September 2024, Eastspring and Prudential have jointly launched the Eastspring-Prudential Framework for investing in Climate Transition in the Capital Markets. This framework is endorsed by the Climate Bonds Initiative. This widens the investible universe and will allow investors to identify potentially mispriced assets. It can be applied to capital market portfolios across asset classes, and we believe this proprietary tool can help unlock the market's full potential in driving meaningful change.

A Final Word

This 2024 Responsible Investment report is a testament to the nimble, committed team that is supported by a willing and engaged asset manager.

Eastspring's responsible investment pragmatism has been one of its many strengths. Our approach, which limits focus on what we see as financially material to our clients' portfolios over the long-term is well-suited to today's environment. At the same time, by encouraging innovation and technology to address the mountains of sustainability data being collected, we can continue to adapt and evolve to client preferences and regulator demands.

Sustainability themes that really matter to our portfolios tend to have a long-term horizon, which can be helpful in keeping focus on client-aligned outcomes. Investors can be overly sensitive to the news de jour, regulatory machinations and even political cycles, yet sustainability risks and opportunities tend to endure beyond all of these potential causes of volatility in both asset prices and attitudes.

When taken through an environmental lens, this report showcases many successes in our engagement programme here in the Asian region. There is much that heartens us – disclosures are improving, planning and targets are firming and regulators are supportive. However, viewed globally, it is clear that not only is this situation not uniform, but also the impacts of this progress are yet to make a dent in the long-term environmental risks facing markets and communities.

Eastspring's partnership with its parent, Prudential plc, reflects a vision of the future that is well-aligned. The management of Prudential's assets, development of frameworks and provision of investment solutions to its challenge of financing the transition in local regions has led to a close, collaborative relationship.

The next few years may reveal much about corporate intentions and their commitment to a range of sustainability-related initiatives. Our monitoring, thought leadership and research will continue and will elevate corporate governance themes. The team will be assessing whether portfolio companies have adequate CEO oversight in place, analysing the primacy of Eastspring's and other investors interests, and considering whether executives are being encouraged to display desired behaviours over the long term.

We also reaffirm our support for Prudential's commitment to becoming a net zero asset owner and embark on initiatives towards that make it a more sustainable, responsible, and inclusive environment 'For Every Life, For Every Future'.

Stuart Wilson
Head of Sustainability
Eastspring Investments Group

Contact Us

Singapore
Eastspring Investments (Singapore) Ltd
7 Straits View
#09-01, Marina One East Tower
Singapore 018936
Tel: +65 6349 9100

Hong Kong
Eastspring Investments (Hong Kong) Ltd
13th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong
Tel: +852 2918 6300

China
Eastspring Investment Management (Shanghai) Company Ltd
Unit 306-308, 3rd Floor Azia Center
1233 Lujiazui Ring Road, Shanghai 200120
Tel: +86 21 5053 1200

China (Joint Venture)
CITIC-Prudential Fund Management Company Ltd
Level 9, HSBC Building, Shanghai IFC
8 Century Avenue, Pudong, Shanghai 200120
Tel: +86 21 6864 9788

India (Joint Venture)
ICICI Prudential Asset Management Company Ltd
One BKC 13th Floor, Bandra Kurla Complex
Bandra, Mumbai – 400 051
Tel: +91 22 2652 5000

Indonesia
PT. Eastspring Investments Indonesia
Prudential Tower
23rd Floor Jl. Jend. Sudirman Kav. 79,
Jakarta 12910
Tel: +62 21 2924 5555

Japan
Eastspring Investments Ltd
Marunouchi Park Building 5F
2-6-1 Marunouchi, Chiyoda-ku
Tokyo 100-6905 Japan
Tel: +813 5224 3400

Korea
Eastspring Asset Management Korea Company Ltd
22F, One IFC, 10 Gukjegeumyung-ro,
Yeongdeungpo-gu
Seoul 07326, Korea
Tel: +822 2126 3500

Luxembourg
Eastspring Investments (Luxembourg) S.A.
26 Boulevard Royal, L-2449 Luxembourg
Grand Duchy of Luxembourg
Tel: +352 22 99 99 57 63

Malaysia
Eastspring Investments Berhad
Level 22, Menara Prudential
Persiaran TRX Barat
55188 Tun Razak Exchange, Kuala Lumpur
Tel: +603 2778 3888

Taiwan
Eastspring Securities Investment Trust Company Ltd
4F, No.1, Songzhi Road
Taipei 110, Taiwan
Tel: +8862 8758 6688

Thailand
Eastspring Asset Management (Thailand) Co., Ltd.
9th Floor, Mitrtown Office Tower,
944 Rama IV Rd., Wangmai, Pathumwan,
Bangkok 10330, Thailand
Tel: +66 2838 1800

United States
Eastspring Investments Incorporated
24 East Washington Street, Suite #875
Chicago Illinois 60602 USA
Tel: +1 312 730 9540

Vietnam
Eastspring Investments Fund Management Company
23 Fl, Saigon Trade Centre
37 Ton Duc Thang Street, District 1
Ho Chi Minh City, Vietnam
Tel: +84 8 39 102 848

For more information, please email content@eastspring.com

eastspring investments

eastspring.us