Responsible Investment Report 2023

eastspring investments

A Prudential plc company

Foreword

When we first published our report last year, we focused on showcasing our Responsible Investment ("RI") journey since its inception and the capabilities our teams have when it came to integrating material Environment, Social, and Governance ("ESG") issues into our investment processes. This year, RI continues to be a key priority for Eastspring. As we reflect on the transformative journey of the past year, we are taking the time to condense the efforts of a year that has allowed us to dive deeper into our practices for insights and innovation for change.

We continue in our efforts of strengthening our RI leadership in Asia through another year of active ownership. Our investment teams across leverage on their expertise and local knowledge to engage companies and vote at shareholder meetings as a part of being responsible stewards of the assets we manage. This year, we dive deeper to demonstrate what various teams consider when it comes to integrating ESG within their investment processes, providing a closer look at what we do in our day-to-day interaction with material ESG issues.

Innovation steers our course towards industry leadership, harnessing our strengths and tailoring enhancements to elevate our RI capabilities. We embraced data and technology to navigate market changes and material ESG themes, with a finger on the pulse of what is of increasing importance in our markets. We embarked on internal projects to further refine our engagement process to amplifying its reach and efficacy.

We also enhanced our thematic engagement capabilities by adding Biodiversity to the range of topics being covered by our Central Engagement Programme. In the spirit of transparency, we share the progress made and enhanced insights from engaging on our flagship thematic, charting progress on the climate change dialogue across the region.

Rounding out the year with a 50% reduction in carbon emissions, we stand by the continued efforts our investment and sustainability teams have made to support the trajectory towards a green future. In assessing the progress that has been made, Prudential has revised its interim portfolio decarbonisation target up, committing to deliver a 55% reduction in the carbon intensity of our investment portfolio ("WACI") by 2030 against our 2019 baseline. We support this adjustment and will continue to partner with Prudential on its net-zero ambitions, and drive initiatives that will enable a transition that is just and inclusive. We believe that working alongside the economies in Asia and in the emerging markets to catalyse decade-defining change through their transition pathways would be a cornerstone endeavour towards securing a net-zero future "For Every Life".

We are excited to share all that we have achieved with you as we wrap up a year of progress and dive headfirst into the new one, refreshed and ready to take on another season of meaningful work across our businesses.

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

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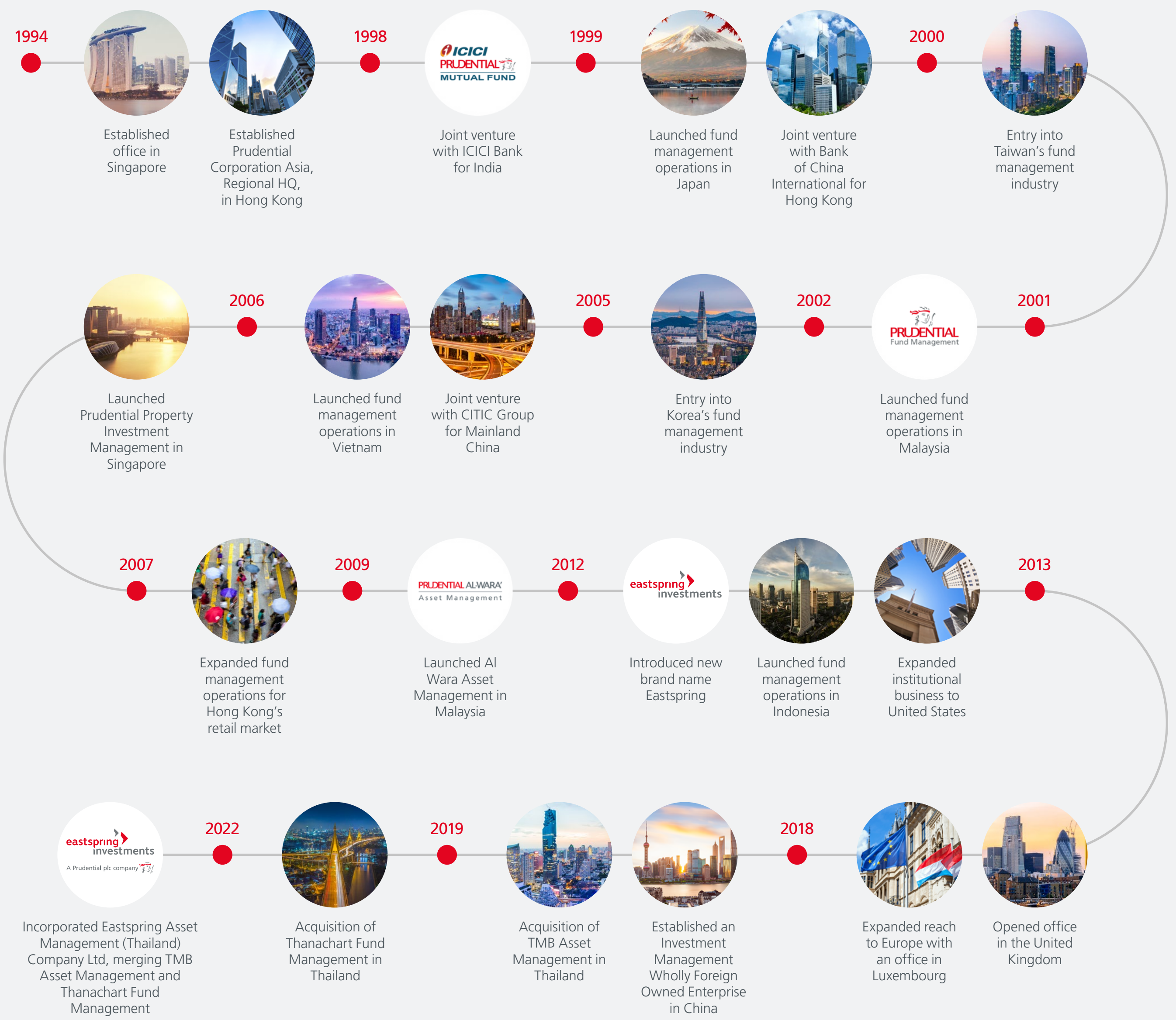
Eastspring Investments

Eastspring Investments Group ("Eastspring Investments" or "Eastspring"[1]), part of Prudential, is a leading Asia-based asset manager that manages USD 237 billion (as at 31 December 2023) 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



Managing
USD 237bn

400+
investment professionals

54.5%
of employees are women

41.2%
of Group Leadership Team are women

31
nationalities employed

Note: All numbers are as at 31 December 2023.

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

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

* 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.

2023 in numbers

875

engagements conducted across Eastspring Group

Read about our engagement activities and case studies on page 13

15

ESG strategic offerings*

Read more about our strategies on page 63

* as at 31 March 2024

87%

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

Read more about this alignment on page 62

50%

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

Read more about our climate change initiatives and progress on page 67

97.7%

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

Read more about our proxy voting activity on page 38

SGD 55k

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

Read more about our Community and People initiatives on page 85

2

5-star PRI modules with all modules at and above peer median

Read more about our PRI results on page 64

Note: All numbers are as at 31 December 2023, unless otherwise stated.

Active ownership

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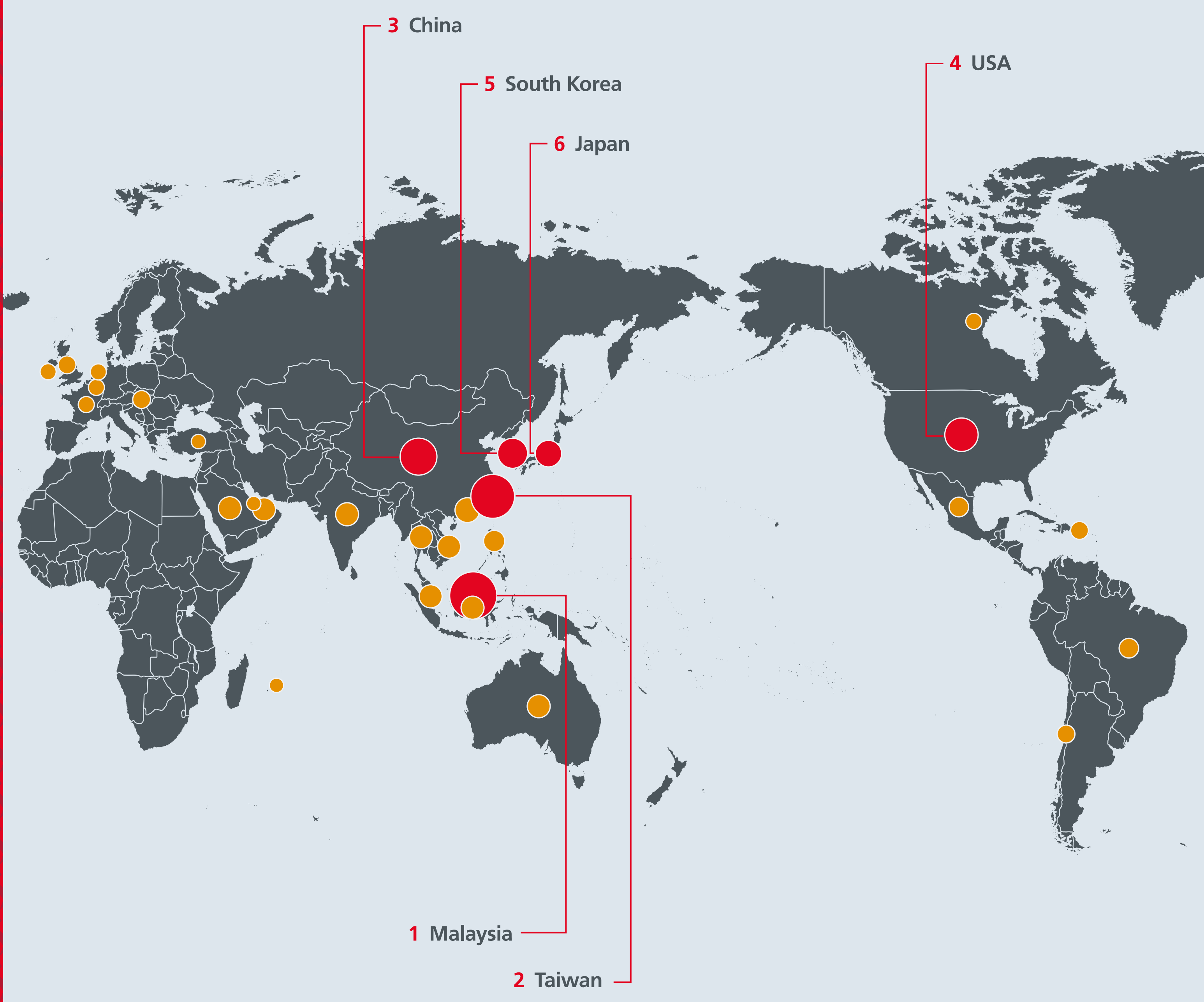
Eastspring's responsible investment approach is deeply aligned with active ownership activities for risk mitigation and value creation over the long term. As active owners, we leverage on our market expertise to foster long-term, collaborative relationships with directly-held investee companies to increase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

ESG engagement activity

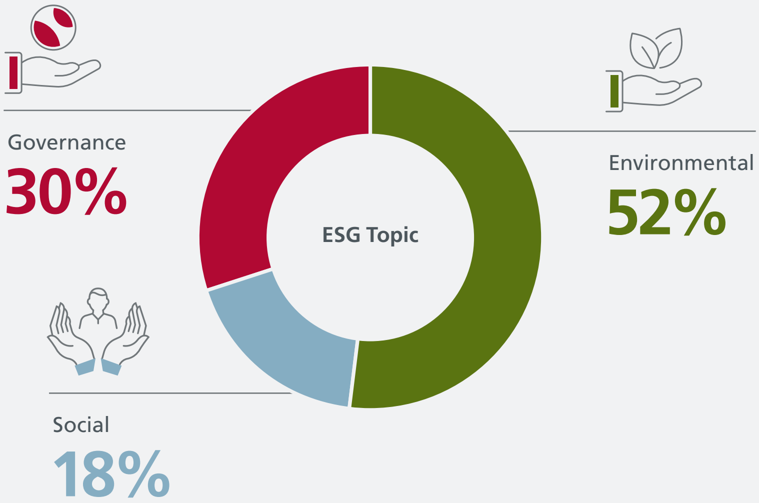
Eastspring global engagement heat map and top 6 markets for engagement



875
Total engagements

716
Company engagements

159
Central engagements



Company engagements

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

Our investment teams evaluate material 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 ESG-related controversies. By better understanding an issuer's approach to material sustainability risks and opportunities, these insights can be incorporated to create a holistic view of a company's investment profile. Engagement can also be undertaken to encourage improvements within an issuer itself. Our process incorporates a range of milestones reflecting time-bound expectations regarding acknowledgement of issues, strategy development, implementation, and reporting and disclosures.

As experts in Asia, the investment teams in our Local Business Units ("LBUs") across the region leverage long-standing relationships with investee companies in the markets in which we operate to engage on material ESG issues. The purpose of these engagements, which are long-term in nature, is to ensure that the issuer understands and manages 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, acknowledging a company management's speciality knowledge in their field.

Company A

Climate change

Eastspring Malaysia

Company A is a major Malaysian independent power producer

Eastspring first engaged with Company A in December 2022, given its strategic role in decarbonising the Malaysian economy. At the point of initiation, the company had already established its climate strategy to achieve zero Scope 1 and 2 emissions by 2050 supported by targets to reduce GHG emissions intensity and increase renewable energy capacity by 2031. With this in mind, the objectives of the engagements were to accelerate the company's climate actions towards best practices which included the following:

- Align climate strategy and disclosure with Taskforce on Climate-related Financial Disclosures ("TCFD") recommendations supported by near-term greenhouse gas ("GHG") emissions reduction targets and commit to the Science-based Targets Initiative ("SBTi");
- Enhance climate-related disclosures to include firm-wide carbon inventory and Scope 3 emissions; and
- Issue sustainable bonds to support its transition

In our first engagement, we managed to reach an agreement with the company in setting timebound milestones in line with the above objectives. Subsequently, we conducted follow up meetings with the company 2023 to understand its progress and challenges based on these milestones.

Since our first engagement in December 2022, the company has made notable progress towards the agreed milestones.

After the company engaged with its internal stakeholders, it began the process of finalising its near-term environmental targets. These targets would be subsequently endorsed by its newly set up Sustainability Committee. The company had also disclosed its carbon emissions with expanded scope in its latest annual report. The company has aimed to account for Scope 1 and 2 emissions within its remaining assets in Malaysia as well as Scope 3 emissions with the plan to onboard a digital carbon accounting system soon. Lastly, the company would continue to actively explore the issuance of sustainable bonds to expand its green portfolio. In 2023, it was involved in an ASEAN Green Sustainable and Responsible ("SRI") Sukuk issuance which would be used to finance small hydropower projects in Kelantan. Moving forward, we will continue our engagement with the company to monitor its progress towards the milestones.

Engaging with investee entities can be constructive

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

Company B

Human rights

Eastspring Singapore

Company B is a technology hardware and equipment company in Asia

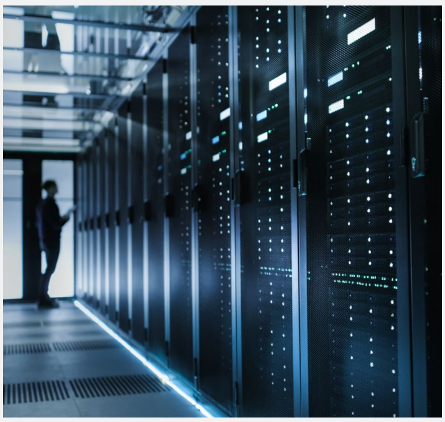
Eastspring conducted a series of deep-dive, focused engagements in response to the detection of a potentially significant case of human rights issues in the company's labour management approach. This ESG controversy was first flagged to the ESG specialist team and several equity teams holding the company in their portfolios through the ESG Controversy Active Monitoring Dashboard (refer to page 62). The teams then jointly engaged the company with the aim to achieve several outcomes:

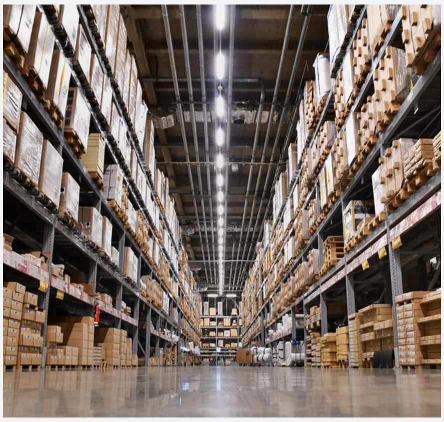
- Gain a better understanding of the severity and materiality of the controversy;
- Assess if mitigating actions were taken to remediate the issue;
- Assess if adequate ongoing checks, processes, and governance were put in place to prevent a recurrence; and
- Discuss steps to enable the company to improve its ESG controversy score with third party ESG data providers.

The engagement provided the investment teams with greater comfort that the issue may have been a one-off incident. The company demonstrated awareness of how third-party ESG data providers perceived the issue and were taking steps to put mitigating actions in place. As a start, the company provided evidence of independent labour reports audited by an independent and international third-party. Such audits were established as part of an ongoing labour rights and governance process. In addition, it has several established grievance channels and has published the results of regular employee engagement surveys conducted across both full time and contract employees.

The presence of adequate governance around the process gave the investment team more comfort that the incident was an exceptional case of mismatched expectations related to a point-in-time restriction measure as a response Covid-19, which was a time of difficult workforce adjustment that entire industries were addressing globally. Post Covid-19, there has since been no resurgence of any significant labour incidences in the company.

The company also acknowledged the input provided by Eastspring, and other like-minded investors on the need to increase public disclosures around third-party labour rights audits and recognised that this will help improve ESG controversy score ratings with third-party ESG data providers. In continued engagements with the company on this issue throughout the year, Eastspring assesses that the company continues in a positive direction on this issue.





Company C

Labour practices

Eastspring Taiwan

Company C is a multiline and speciality retailer and distributor in Asia

Eastspring has engaged with this company in recent years over a range of issues. In our engagement on labour practices, we determined that the underlying drivers of poor store service and high employee turnover rates were insufficient training and promotion opportunities for part-time employees who were made responsible for store operations. This damaged the company's image and increased the hidden operational costs of constantly training new employees, inhibiting it from achieving optimal operational efficiencies.

We engaged the company on its plan for remedying the conditions for its employees. To which, the company shared that it has established an internal training system to provide regular educational training courses and leveraged on online e-learning platforms to provide access to training.

In response to the training needs of newly opened stores, the company launched a standardised training and evaluation mechanism to help employees complete training efficiently, demonstrate their learning onsite, and obtain promotion opportunities. The company developed six different levels for its internal talent development plan, with a focus on the following:

- New Employee On-Job-Training ("OJT"): In the first stage, training is provided by the administrative manager for new employees, providing them with an understanding of the history, company, and corporate culture to assist their integration into the company. In the second stage, employees are posted to actual practice in various posts in the store to ensure that new employees are familiar with basic operations.
- Section Chief Promotion Evaluation: An evaluation mechanism for on-site assessments is carried out in stages, and promotion can be obtained by passing the assessments.
- Deputy Store Manager Promotion Evaluation: A practical assessment evaluation, where a promotion can be obtained by passing the assessment.

With a closer eye to this standardised training and evaluation mechanism, we expect that employees will get better employee treatment, which would also have a positive impact of lowering operating costs in terms of personnel replacement and turnover rates. We will continue to monitor the company's progress in regular engagements.

Central engagement

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

After assessing the disclosures, targets, and strategy of the company management, we commence engagement and assign a milestone to each company.

We utilise letter writing via emails as the initial mode of engagement to request that companies address the issue. Once the letter is sent, we will rate the company as Milestone 1 and continue engagement with each company until it has satisfactorily resolved the relevant outstanding sustainability issue. This is likely to be a multi-year process.

In 2021, Prudential Group had set a target to engage with the companies responsible for 65% of the absolute carbon emissions in their in-scope investment portfolio, which includes both listed equities and corporate bonds. The Eastspring Central Engagement team undertook these engagements under its Climate Change and Decarbonisation thematic, thereby allowing our client to meet their requirement of the Net Zero Asset Owners' Alliance ("NZAOA"). Furthering our Central Engagement Program in 2022, we expanded our thematic focus to include the unsustainable use of Palm Oil and United Nations Global Compact ("UNGC") violators. In 2023, we further expanded our focus to include Biodiversity, subsuming Palm Oil and adding Timber as sub-categories.

Milestone 1
Raise awareness of issue with company

Milestone 2
Dialogue is in process

Milestone 3
Company has agreed to address the issue

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

Milestone 5
Company has satisfactorily resolved the issue

Central engagement cycle

1. Identify topic for engagement
2. Identify companies that are in scope for the engagement topic
3. Cross-check company disclosures against selected standards, initiatives, targets, and strategy
4. Assess the companies against a theme-specific criteria
5. Compose engagement letter and email to target companies
6. Note down the engagement milestone and continue to engage in subsequent review

Climate change and decarbonisation

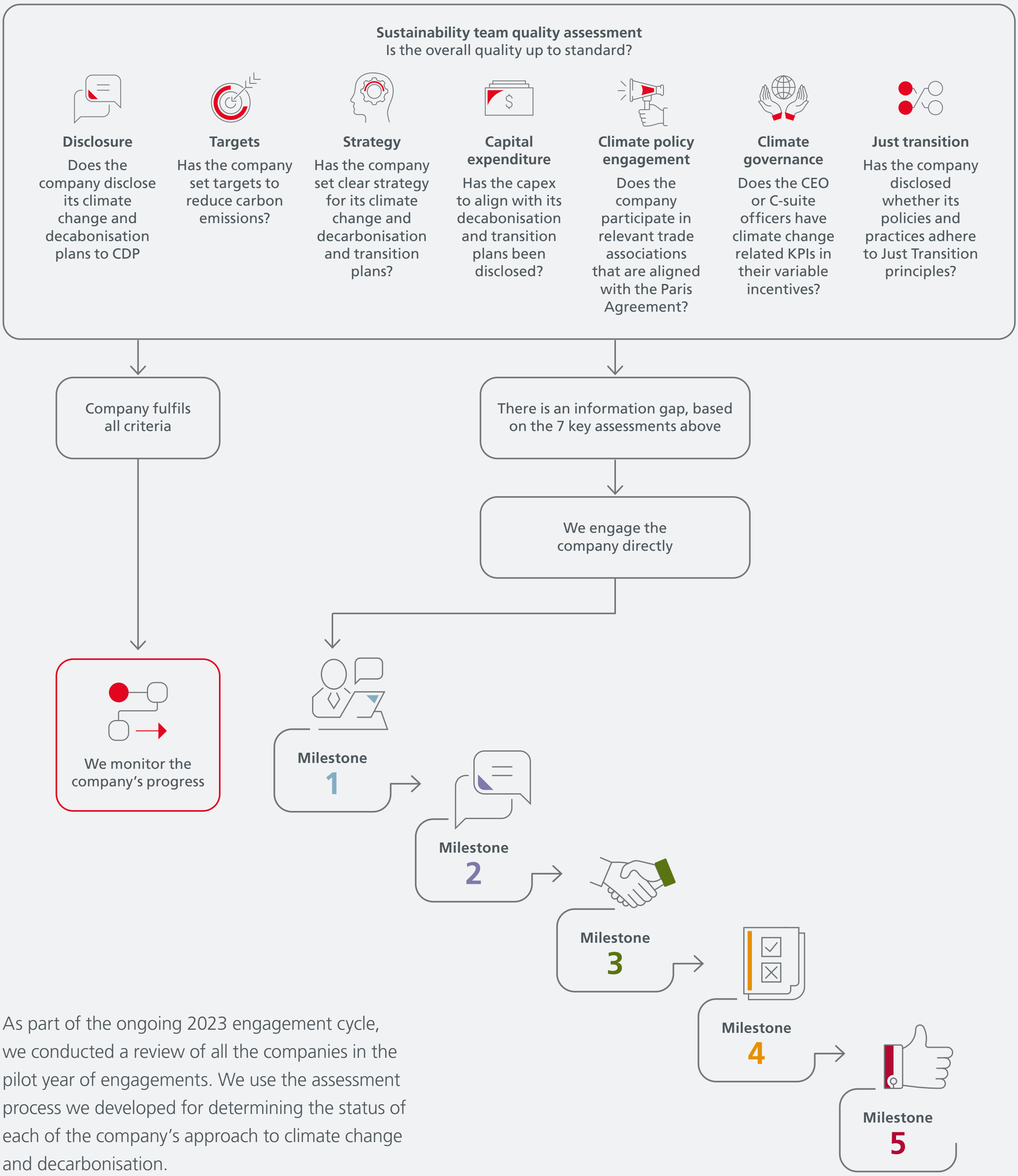
In our pilot year of engagement, we identified 72 companies for thematic engagement, as derived from the top emitters accounting for 65% of absolute carbon emissions of Prudential's in-scope investment portfolio. In the 2023 engagement cycle, we reviewed this original list of companies[1] assessing them on the climate change and decarbonisation strategy against a more comprehensive list of metrics. Four additional criteria have been added for consideration when evaluating companies.

In line with industry progress, we added new criteria to assess companies' climate action plans. This allowed us to align our assessment against the benchmark used by Climate Action 100+, the largest global climate initiative for benchmarking companies that contribute to top 80% contributors to global greenhouse gas emissions. The added criteria include the capital expenditure required for the company to achieve its emissions reduction targets, climate policy engagement, climate governance, and Just Transition.

Engagement Assessment Criteria

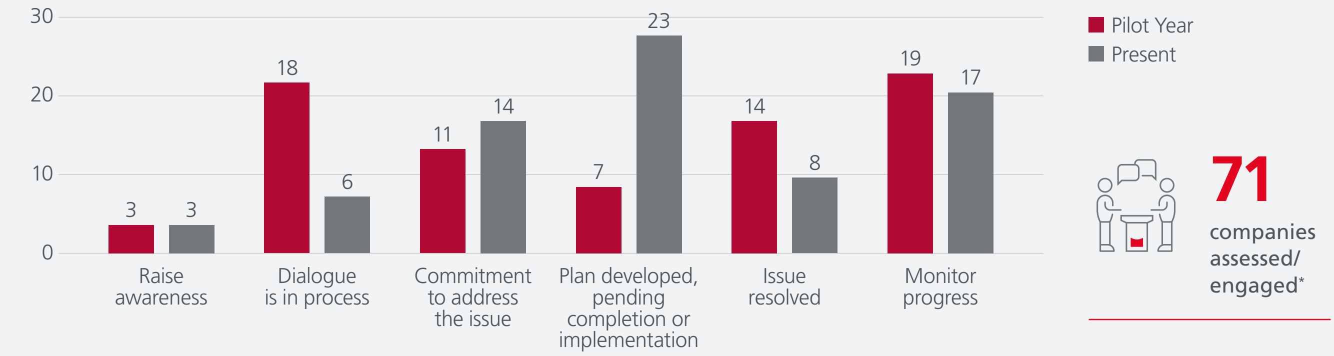
[1] There were two companies from the pilot year of engagement that were acquired and merged into a new single entity. Therefore, the starting group of companies for review is now 71 companies.

Assessment process



As part of the ongoing 2023 engagement cycle, we conducted a review of all the companies in the pilot year of engagements. We use the assessment process we developed for determining the status of each of the company's approach to climate change and decarbonisation.

Engagement Milestone Distribution



* There were two companies from the pilot year of engagement that were acquired and merged into a new single entity. Therefore, the starting group of companies for review is now 71 companies.

Review and insights

Reviewing the results of the second year of engagement: In the case of climate change and decarbonisation, our key observations revealed that even with the newly added criteria, we observed that many companies have improved and moved up the milestone ladder, mainly into Milestone 3 and Milestone 4. Whilst the companies assigned to Milestone 5 have reduced slightly, in part due to our introduction of the additional criteria.

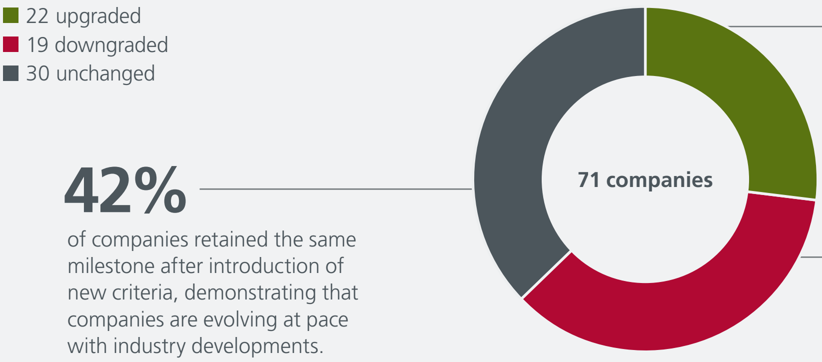
In addition, in completing our second year of engagement, we were able to translate lessons learnt in our pilot year into advancing and deepening the engagements.

1 Effective engagement is inherently long-term engagement: As companies on the engagement list are familiar with Eastspring and the topic of engagement, we were able to reach the relevant teams and get a response much faster than during our pilot round of engagement. The companies were also willing to share more in-depth details with us as we continue to build our relationships with them.

2 Awareness translates to action: In our latest engagement cycle, we are impressed by the number of companies that have already fulfilled most or all our new engagement criteria on this theme. This includes new metrics of capital expenditure to align with decarbonisation, climate governance, climate policy engagement, and Just Transition. Whilst capital expenditure to align with decarbonisation and Just Transition were the two most frequent metrics that lacked disclosure, our engagements revealed that many companies had discussed these metrics internally. Most companies were committed to disclosing its "green" capital expenditure and Just Transition in the next annual Sustainability report. We attribute this to how climate change is at the top of stewardship agendas; the more investors engage companies on their plans, the greater the awareness, which translates into action that we are witnessing.

3 Progress needs to be contextualised in different economies: Adopting metrics to assess companies for climate change is a great way to standardise and operationalise assessments of progress on a linear scale. It allows for a basis of comparison. However, it is pertinent that we remember that these metrics are simply a placeholder for real world change, which takes time, and often provide a snapshot in time of the maturity of climate change considerations and capacity for change across specific economies. Metrics need to be considered in context of the real-world progress and capacity for change across different economies. For example, memberships to relevant trade associations that are aligned to the Paris Agreement is a metric used to assess whether companies are committed to decarbonisation. Whilst realistic for developed countries and private companies, many state-owned enterprises ("SOEs") and companies in the emerging markets are in the process of building their decarbonisation strategies, and as such participating in the relevant trade associations or lobbying on climate change policies with policy makers may not be practical or reasonable asks in the immediate-term.

Engagement Milestone Review



42%
of companies retained the same milestone after introduction of new criteria, demonstrating that companies are evolving at pace with industry developments.

31%
of companies were upgraded, demonstrating that clear improvements have been made to prior assessments.

27%
of companies were downgraded and we will continue to engage with them on keeping pace with improvements to their strategy and targets.

Milestone 3

Engagement theme: climate change and decarbonisation

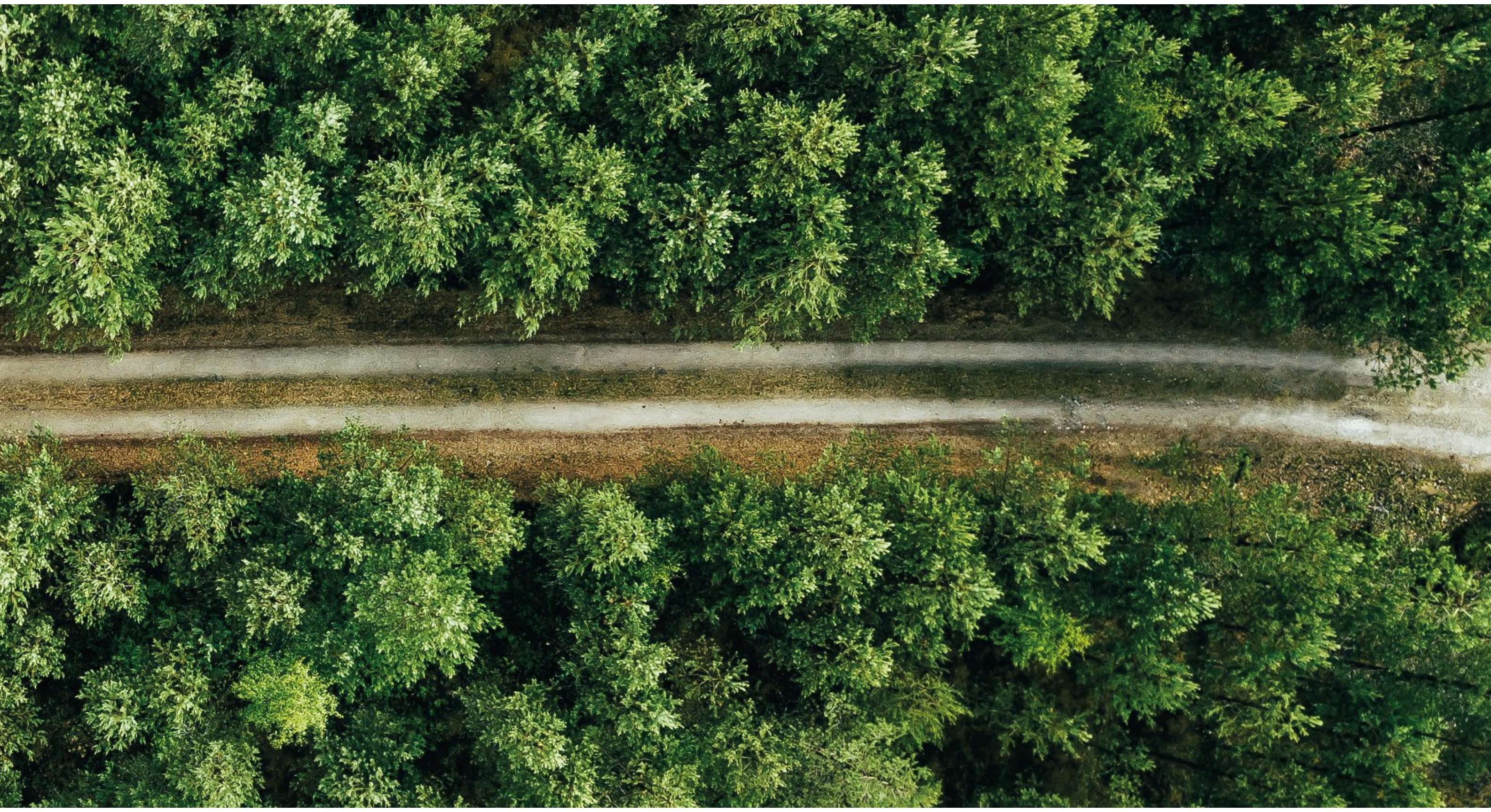
A cement company in Greater China is upgraded from Milestone 2 to Milestone 3.

The cement company is an SOE that we first engaged with our 2021 engagement cycle, as part of the pilot year of engagement. The initial engagement on the details and disclosure of the climate change and decarbonisation strategy led to the company's commitment to disclose to the CDP, the climate-related organisation that runs the global environmental disclosure. We rated the company at Milestone 2.

In the 2023 engagement cycle, the company shared that it has set short-term and long-term targets to reduce carbon emissions and has aligned its strategy and targets to its Nationally Determined Contribution ("NDC"). Its decarbonisation plan is clear, and it has rolled out initiatives such as installing solar panels around the manufacturing site and experimenting with Carbon Capture, Usage, and Storage ("CCUS") at one of its sites.

We engaged with management on the capital expenditure that is budgeted to align with its decarbonisation plan, climate governance, and Just Transition. Whilst the management was able to share its energy transition expenditure for the previous years, it has yet to work through the amount of capital expenditure for its energy transition for the next five and ten years respectively. During our engagement on the principles of Just Transition, the management articulated that it was in the transition process of building its own solar panels and entering the ready-mix bagged cement segment. It committed to retain all its employees, including workers involved in the coal-generated power sources, to reskill and upgrade the skill sets through training programmes.

Post engagement, the ESG Team Lead of the company noted that the engagement was useful and shared that the company will address capital expenditure and the principles of Just Transition in its next Sustainability Report. With this progress, we have upgraded the company to Milestone 3.



Milestone 4

Engagement theme: climate change and decarbonisation

A utility company in the Middle East is upgraded from Milestone 2 to Milestone 4.

We first engaged this utility company in the 2021 engagement cycle, as part of the pilot year of engagement. Our initial assessment of the utility's climate change plan was below average due to a lack of CDP disclosure. Although the utility has set a long-term target of net-zero emissions by 2050, the short-term and medium-term targets to reduce carbon emissions were lacking. It was also developing a comprehensive sustainable strategy including a plan for climate action. We assigned Milestone 2 to this engagement as it was clear that we must continue engaging the company to fulfil the basic requirements of a climate action plan.

In the 2023 engagement cycle, the utility had begun to disclose to CDP for the very first time. It has also set a clear medium-term target with a coal exit plan in its subsidiary in North Africa. With a decarbonisation strategy dominated by solar and nuclear plants, the company could share details of its capital expenditure to purchase and generate the required assets. The urgency on climate action on the utility is evident as ESG targets are integrated within the short and long-term targets as part of the company's internal scorecard and impact variable compensation schemes for all employees, including the Group CEO.

In our engagement call with the Head of Investor Relations and the Vice President of Sustainability and Climate Change, we focused on the discussion on Just Transition. We explained the principles of Just Transition and demonstrated how these principles are relevant for the company, prompting the VP of Sustainability and Climate Change to agree to consider Just Transition and showcase its position in the next Sustainability Report. As the utility company has shown vast improvement towards a credible and complete climate action plan, we double upgraded the company to Milestone 4.

Milestone 5

Engagement theme: climate change and decarbonisation

Steel company in Greater China downgraded from Monitor Progress to Milestone 5.

In the 2021 engagement cycle, the company had demonstrated a credible decarbonisation strategy with clear targets towards net carbon neutrality by 2050. It had also started disclosing to CDP and is committed to annual disclosure with the intent to improve its quality of disclosure over time. With this clarity, we had assigned the company to Monitor Progress.

In the 2023 engagement cycle, our review showed that the company was making good progress to meet its short-term target to reduce carbon emissions. The Board of Directors was supportive of the company's decarbonisation plan and had endorsed the sum of capital expenditure to align with its decarbonisation pathway to meet its medium-term target of 2030.

However, despite initial commitment, the company had yet to report on Just Transition. As such, we focused our engagement with the senior management on the principles of Just Transition, prompting senior management to express their commitment in ensuring that current employees can continue to contribute to the company through upskilling, addressing a key Just Transition objective of achieving mutual benefit for employees, businesses, and society. The company also thoughtfully addressed the possibility of redundancies, noting that should transition policies alter manpower demand, the company can either gradually reduce the amount of manpower available through non-replacement after retirement or via retraining programs for the existing workers. The company had also agreed to adhere to the principles of Just Transition and address this topic in its next Sustainability Report.

Although the company had missed out on one of the initial action points from our first engagement, we have decided to assign the company a Milestone 5 because we have confidence in its ability to deliver this in the near-term.

Just Transition – climate change and decarbonisation

The principle of Just Transition is imperative in any climate change and decarbonisation plan. The Just Transition Alliance and the International Labour Organization ("ILO") have defined clearly that a just transition means decarbonising and greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities, and leaving no one behind. It also notes that losses should be fairly compensated. We see an urgent need for all companies going through climate change and energy transition to acknowledge the importance of Just Transition and implement their climate change and decarbonisation plans accordingly.

In the 2023 engagement cycle, we included the principle of Just Transition in our assessment of the companies. From our engagements with companies, re-skilling and up-skilling training programmes to equip employees with new skills outside of their job scope featured widely in most Just Transition plans. We are encouraged that majority of companies are planning to retain their employees instead of creating redundancies. This is an important distinction for us. Even with fair compensation, without the right training and support, there is a high probability that these workers are left behind as the global economy moves on with energy transition. It also has the unintended consequence of benching a proportion of the world's workforce, when we can choose to equip this same group to partake in sunrise industries that require resources to match the pace of transition that is needed to meet a net-zero future. Transitioning the workforce therefore becomes the linchpin that allows us to decarbonise our economies and to ensure that we continue that progress sustainably.

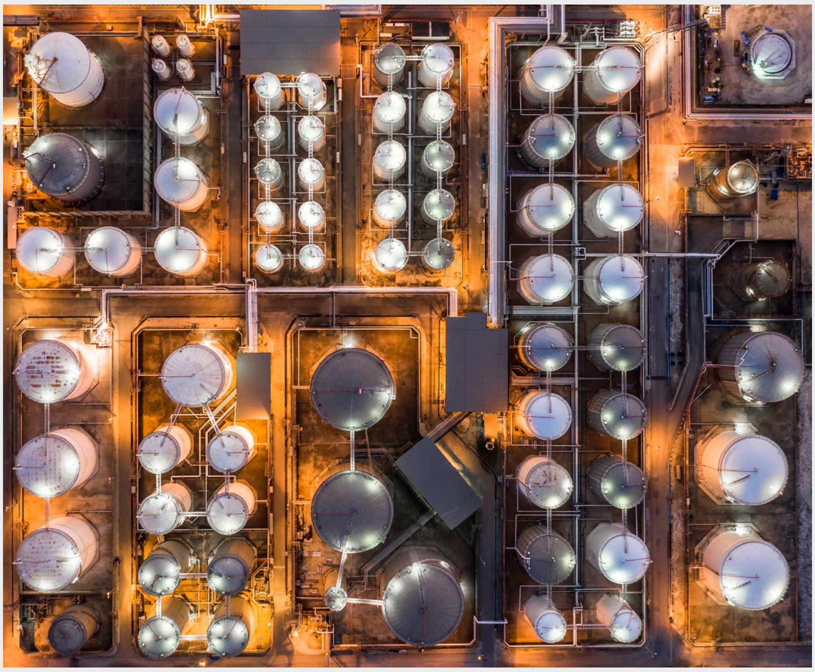
JUST TRANSITION CASE STUDY

This utility company is an SOE in Northern Asia. When reviewing the company, we considered its progress in relation to the government efforts. The government is actively advancing the country's progress towards its net-zero goal in 2050. It has incorporated the principle of Just Transition in its legislations and policies, with key policy stipulation that includes:

- Establishment of social safety nets preparing for extreme climate,
- Designation of specific regions which may be affected from climate crisis as special districts for governmental management,
- Support for business transition to minimise loss of assets.

In context to its local industries, the government has raised concerns on the job security of workers whose positions may be made redundant due to a shift in a company's new asset portfolio. This is especially salient for a company where its workers work predominantly in coal-fired power plants whilst the industry is moving on from coal production. In our engagement with the utility, we raised the importance of Just Transition principles in its plans, with a focus on equipping its workforce with new skills that complement its transition plans. The company emphasised that its workers are permanent employees and, in time when the coal-fired power plants are retired, all affected workers will be retained with a reassigned job scope in other power plants. This may include the company's new Liquefied Natural Gas power plant, which was constructed as a replacement for coal power plants.

The company is not in our investible universe due to exclusions. Nonetheless, we continue engagement and look to be a part of the wider dialogue on climate transition and adaptation so that as these companies evolve, they may once again become part of our investible universe.



Scope 3 emissions

Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organisation, but that the organisation indirectly affects in its value chain. Scope 3 emissions include all sources not within an organisation's Scope 1 and 2 boundaries[2]. At Eastspring Group, we recognise that the disclosure of Scope 3 emissions, albeit challenging to measure and implement emissions reduction, helps identify and mitigate the potential risks related to a company's upstream and downstream supply chains and final products. We have commenced engagement with the top 20 Scope 3 emitters in the in-scope investment portfolio we manage on behalf of Prudential. Our engagement serves a dual purpose: to encourage companies to report their Scope 3 emissions data and to set strategy and targets for Scope 3 emissions reduction.

[2] Source: Scope 3 Inventory Guidance, US Environmental Protection Agency.

United Nations Global Compact ("UNGC") violators

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

Assessment	Definition
Fail	Violating one or more of the ten UNGC principles
Watch List	Close to violating one or more of the ten UNGC principles
Pass	Not violating the ten UNGC principles

UNGC Review

Considering the nature of UNGC-related controversies, we observe that resolution is usually a multi-year, or even decade-long, process. Local and indigenous communities are usually the victims bearing the brunt of consequences of the accidents occurring at the mining sites, which may result in the contamination of the main water sources or even the permanent wipe-out of villages.

The pursuit and process of redress is often long-drawn, as outspoken community leaders or Non-Government Organisations ("NGOs") escalate these cases to country or international courts before compensation is even offered by the mining companies. It is observed that the incidences of mining and drilling accidents are higher in emerging and frontier markets than developed markets. In cases where local or central governments in the emerging and frontier markets are also joint-venture partners or majority shareholders of the mine, they do not appear to be involved in the safety and rights of the local communities and sustainability of the environments around the mining sites. As such, timely compensations are left to companies. However, whilst most of these companies may have comprehensive Health and Safety policies for their employees and contractors, it might not always translate into effective implementation at the mining sites.

In addition, whilst we note the improvement in disclosures by companies via their annual Sustainability Reports, we are yet to be convinced that these policies for employees and commitments to protect and conserve local communities and ecosystems translate into enduring action. We will continue engagement on this thematic.

Biodiversity

In 2023, we introduced Biodiversity as a new engagement theme into our Central Engagement Programme. We recognise that safeguarding and restoring biodiversity is fundamental to preserving the ecosystems that allow for long-term sustainability of our natural environment. We acknowledge that human activities drive changes to our natural environment, impacting whole ecosystems and their resilience. As such, it is imperative that we reduce continued loss and degradation of nature to safeguard against climate vulnerabilities. We identify deforestation as one of the direct drivers of biodiversity loss and will focus on engaging companies that are exposed to unsustainable timber, as timber production directly contributes to deforestation, especially when forests are cleared. This theme includes Palm Oil, a topic we first engaged in the 2022 engagement cycle, and Timber, a new topic in the 2023 engagement cycle.

Palm oil

Palm oil is the world's most produced, consumed, and traded vegetable oil. It is four times more productive[3] than the next best vegetable oil (soybean oil and rapeseed oil), and up to ten times more productive than coconut and sunflower crops. From a land use perspective, it is one of the most efficient crops. Up to 35% of the world's vegetable oil is palm, yet it is grown on only 10% of the land used to produce vegetable oils. Approximately six million people rely on palm for their livelihoods and estimated 40% of palm is grown by smallholder farmers[4].

The irresponsible production of palm oil, however, has caused widespread deforestation and biodiversity loss and exacerbated climate change. It also leaves in its wake a trail of negligence and disregard for human labour and land rights of local communities and indigenous peoples.

We began our first round of engagement with the palm oil-related companies in the 2022 engagement cycle. These companies included growers, global supply chains, and Fast-Moving Consumer Goods ("FMCG") companies. Although there are country-specific certifying bodies to certify sustainable palm oil, we choose to base our assessment criteria off the RSPO ("Roundtable on Sustainable Palm Oil") and Sustainability Policy Transparency Toolkit ("SPOTT") Index as they are the globally recognised certification bodies for palm oil and one of the top independent assessors on soft commodities respectively. To conduct our initial assessment, we have developed a set of criteria required to assess all the different players in the palm oil industry.

Palm oil insights

Following the first year of palm oil engagement, we have a clearer understanding of the wider landscape related to palm oil.

1. **Increased awareness enhances disclosure, with room for improvement:** Most companies that were engaged on disclosure have committed or made improvements in their disclosures. This is done primarily via publishing sustainability policies, sharing maps of its plantations, and adhering to No Deforestation, No Peat, and No Exploitation ("NDPE") policies. We believe that most palm oil companies can disclose and enhance the transparency of their biodiversity conservation policies, and their climate change strategies to reduce their carbon emissions, and we will continue engagement with them.
2. **Further engagement is required in pursuit of alignment towards global certification:** Not all palm oil growers are certified against RSPO as a small group believes that country certification standards are sufficient. In our engagement, we found that this belief is reflective of the prevailing customer sentiment of these companies. Presently, global FMCGs pursue different strategies to achieve their time-bound commitments to sourcing 100% sustainable palm oil. Most of these FMCGs prefer sourcing companies in the supply chain that are certified against global standards body such as RSPO over country standards. To advance past this deadlock of local versus global certification, we would need to consider engagement with a wider range of FMCGs, particularly local ones, on the merit of meeting a global standard in addition to local standards. It is also equally important to gain a clear understanding of and provide better support for local companies to work towards global certifications.
3. **Legislative pressures advance internal progress:** FMCGs with business units in Europe face increasing regulation with the European Union Deforestation Regulation ("EUDR"). There is an urgency amongst these FMCGs to ensure that the palm oil suppliers and supply chains adhere to the NDPE policies. As a result, we note that FMCGs are revising and aligning their targets and commitments to prioritise the upcoming legislation.

For the 2023 engagement cycle, we have completed a review of the palm oil-related companies and have identified 22 different players[5] within the palm oil industry – 17 plantations and supply-chain companies, 4 FMCGs, and RSPO itself – for engagement on sustainable palm agriculture practices. The purpose is to assess, understand, and engage to elevate the standards of growing or sourcing to meet the material aspects of SPOTT Index. Engagement for this cycle is underway.

PALM OIL MILESTONE CASE STUDY: MONITORING PROGRESS

A Global Fast-Moving Consumer Goods ("FMCG") company maintains its Monitor Progress milestone.

We first engaged with this FMCG company in the 2022 engagement cycle, as part of our thematic engagement in palm oil. It fulfilled our criteria of sustainable palm oil practices, which include a sustainability policy, certification against a globally recognised standard body, traceability and maps, and no deforestation and planting on peat land. We were impressed by its stringent requirements to have all suppliers in the palm oil value chain (including oil palm growers, mills, and refineries) be strictly certified by a third-party independent auditor. At the end of 2021, nearly 95% of its palm oil sourced is from suppliers who are engaged in and informed about the Consumer Goods Forum Forest Positive Coalition ("CGF PFC").

As part of the 2023 engagement cycle, we reviewed the company's progress towards sustainable palm oil production and practices. The company holds strong in its strategy and is actively working to ensure that its supply-chain moves closer to sustainable palm oil production and practices. The company presently maintains its 100% RSPO-certified palm oil sourcing status. Under its "Going Beyond Certification for Sector-Wide Transformation" action plan, the company required all its suppliers to transform their entire supply chain in-line with its Palm Oil Action Plan ("POAP"). The POAP requires existing and potential suppliers to commit to no deforestation, no development on peatland, no exploitation of workers or communities, and no violation of human rights. Its suppliers must also commit to the asks of the CGF FPC supplier commitments and coalition. In addition, the company reported that it supported the Coalition for Sustainable Livelihoods' initiative which focuses on goals of improving smallholder farmer livelihoods, removing palm oil from illegal deforestation from supply chains, maintaining tree cover in buffer zones of critical forests, and providing incentive models to drive scale. With a clear strategy and forward action, we maintain the company's Monitor Progress milestone.

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3 Defined as volume output per hectare of land cultivated

4 RSPO definition <50 hectares land ownership

5 Two new companies are added to the engagement group as screened by our data provider; one company was removed after further research showed that it is a rubber producer that had been misclassified.

Timber

Whilst timber is an important source of heat energy, illegal logging activities have a catastrophic impact on the world's forests. Its effects include deforestation, the loss of biodiversity, and fuelling climate change. It is estimated that forest loss and damage is the cause of around 10% of global warming[6]. In addition, areas that were formerly rich in biodiversity would likely experience losses of wildlife. This may ultimately lead to an instability of global ecosystems; without which, we would not have a secure food supply, clean water, essential medicines, or, ultimately, a habitable climate[7].

As part of the 2023 engagement cycle, Eastspring has identified 23 companies that produce, are dependent on, or use commodities that contribute to deforestation, and particularly via timber extraction. We have established a plan and commenced engagement to uplift the standards of sustainability, transparency, and traceability amongst this group (timber producers and companies that produce timber-based products). As part of the first year of this thematic engagement, we focused questions on sustainability forestry policy, certification against relevant bodies such as Forest Stewardship Council ("FSC"), Program for Endorsement of Forest Certification ("PEFC"), and policy on zero deforestation and zero conversion of natural ecosystems.

6 Source: World Wildlife Fund, United Kingdom

7 Source: National Resources Defense Council

Collaborative engagement

We believe that collaboration amongst investors is an effective way to address ESG issues and maximise investor influence. We are an active member of carefully selected collaborative organisations. From time-to-time, we may participate in collaborative engagement initiatives where we believe it to be in our clients' best interests to do so.

Asia Corporate Governance Association ("ACGA")

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

Asia Investor Group on Climate Change ("AIGCC")

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

AIGCC Asian Utilities Engagement Programme ("AUEP")

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

Since July 2021, we have conducted five collaborative engagements with the company to address its renewable energy ambitions including technology applications, its overseas acquisitions, and its plans to reduce its reliance on coal via its energy transition. In 2023, we conducted 2 engagements with the company and shared case studies on carbon capture, climate key performance indicators ("KPI") and possible models for early retirement of coal-fired power plants.

Following notable progress made in previous years, the company continued its momentum on climate actions this year. The company established climate-related remuneration KPI at executive level with sizable weightage. Whilst the company continues to explore early retirement of its coal-fired power plants, it reaffirmed its capabilities in grid upgrade to accommodate higher renewable energy capacities and announced new renewable energy projects in Malaysia in line with the recently released National Energy Transition Roadmap towards achieving the national target of 70% renewable energy capacity by 2050. Early retirement of its coal-fired power plants will continue to be the priority for our engagement with the company in 2024.

Carbon Disclosure Project ("CDP")

Eastspring has been a member of CDP since 2020 and is a participant of the Non-Disclosure Programme as a collaborative investor.

CDP Non-Disclosure Programme

In addition, Eastspring participated in CDP's Non-Disclosure Campaign (NDC), an initiative that encourages companies to respond to CDP environmental data disclosure requests. As part of this programme, Eastspring signed on, as a collaborative investor, to approximately 2,000 portfolio companies that currently do not disclose basic carbon data.

Climate Action 100+

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

Net Zero Asset Owner Alliance ("NZAOA") Scope 3 Emissions Track, alongside Prudential plc.

Eastspring supports its parent, Prudential plc, in its membership of NZAOA. By sharing our perspectives as an Asian-based an asset manager, we look to provide dimension to the body's discussions. In 2023, Eastspring participated in the Alliance's Scope 3 working group, which worked to draft a discussion paper on this current issue.

United Nations-supported Principles of Responsible Investment ("PRI")

Eastspring has been a member PRI since 2018 and is a participant of the PRI Nature Stewardship Advisory Committee.

PRI Spring Advisory Committee

During the year, Eastspring was invited to join the UNPRI's Spring Advisory Committee, a steering group seeking to establish engagement priorities on nature and biodiversity, including an investor statement containing expectations for investee companies, and a list of companies with whom the initiative will engage on Nature. Subsequently, Eastspring signed on the PRI's Spring initiative and has applied to be involved in the collaborative engagement initiative.

CDP Non-Disclosure Campaign findings

- Companies were twice as likely to disclose to CDP after being targeted by financial institutions through the 2023 NDC.
- On forest disclosures, targeted companies were 6.8x times more likely to disclose through CDP's forests questionnaire.
- 20% of the companies engaged by investors in the campaign have disclosed to CDP's climate survey.

Source: CDP

Spring Initiative

Spring is a PRI stewardship initiative for nature, convening institutional investors to use their influence to halt and reverse global biodiversity loss by 2030. Spring aims to address the systemic risk of nature loss to societies and long-term portfolio value creation by enhancing corporate practices on forest loss and land degradation.

Broadly, the Spring investor statement categorised expectations into three areas:

1. Business operations, strategy, and risk management: this includes public commitments and targets, proper oversight, and governance.
2. Supply chain management: this looks at the oversight of suppliers, establishing due diligence, and escalation and reporting processes throughout the company's value chain.
3. Political engagement: Commitments to align with global biodiversity frameworks and review membership organisations that might have a different attitude to biodiversity than that of the company.

The Spring Statement was signed by over 100 asset managers, asset owners, and other PRI signatories. The articulation of investor expectations in this relatively new field of biodiversity risk management will help companies define their approach.

Policy dialogue and engagement

As part of our Eastspring Group Responsible Investment Policy (“Group RI Policy”), we monitor and actively participate in the ongoing regulatory developments in the markets in which we operate. Our interpretation of regulatory guidelines informs our operational response to sustainability in our businesses. We consider, but are not limited to, the regulatory guidelines in the markets that we operate in. Where appropriate, we engage with regulatory bodies, policymakers, and other stakeholders in efforts to improve the wider investor ecosystem that we are a part of. As these dialogues and engagements often vary and may take on different mediums, including in person events and online consultations. The following illustrates some examples of the dialogue and engagement we have undertaken.

MALAYSIA

We continue to provide feedback via various channels on the development of ESG policies that are relevant to the Malaysia market:

- In June, together with senior leaders from asset owners, asset managers, utilities, regulators, and government agencies, we participated in the Malaysia Energy Transition Roundtable organised by AIGCC and Capital Markets Malaysia to discuss issues and potential solutions towards Malaysia’s energy transition ambition.
- In June, we participated in the ISSB consultation for Agenda Priorities via Malaysian Accounting Standards Board Working Group 71 on Sustainability Reporting.
- In November, together with representatives from investors, corporates, regulators and assurance providers, we participated in a consultation session organised by the Advisory Committee on Sustainability Reporting, a national-level inter-agency committee, to provide feedback on the adoption of the ISSB standards in developing the National Sustainability Reporting Framework.

SINGAPORE

We provided feedback to the following consultation papers through industry associations:

- The Green Finance Industry Taskforce (“GFIT”) Third Consultation on Green and Transition Taxonomy – February 2023
- MAS Consultation on Coal Phase-Out Criteria under the Singapore-Asia Taxonomy – June 2023
- MAS Consultation Paper on Proposed Code of Conduct for ESG Rating and Data Product Providers – June 2023
- Accounting and Corporate Regulatory Authority (“ACRA”) Public Consultation on Turning Climate Ambition into Action in Singapore – July 2023
- MAS Consultation Paper on Guidelines on Transition Planning (Asset Managers) – October 2023

Innovation: Project Sprint

In 2023, the Sustainability team embarked on Project Sprint as an innovation project for enhancing our engagement programme. The goal is to leverage on technology to increase the coverage, of companies and material ESG themes, represented in our engagement programme. Companies selected are considered laggards in the respective themes based on scores taken from the data provider.

Stage	Traditional	Problem to solve	Tech-augmented solution
Letter Creation	Engagement Lead crafts each individual letter and tailors content to each company.	Large amount of time spent drafting individual letters	Engagement Lead crafts a letter framework for each theme, technology is deployed to populate variable fields and scale letter writing across companies. The time-savings allow the Engagement Lead to focus on preparing for engagements.
Communication Management	Engagement Lead tracks all the emails exchanged with company and manually tags and logs updates.	Mass volume of emails that are hard to track	End-users access the folder where emails are sorted and stored. This allows us to identify the next action to take for each engagement and to prioritise our efforts accordingly. It is also saved in a format that could be easily integrated with our engagement dashboard.

Technology-augmented engagement: Traditionally, the process of engagement involves several manual activities such as letter creation, communication management, and the actual engagement. We sought out technology-augmented engagements to reduce time taken for these activities so that we can focus on increasing the coverage of companies in a scalable manner. For selected companies, we still continue with direct engagement. The result is implementing a semi-automated, human-led solution for Project Sprint.

Next Steps: The project will continue into 2024 as we look to complete the collection of all responses and review the process to see if we can further refine and enhance the way we have integrated technology in the engagement process. We will review the responses we receive on engagements so that we generate insights to:

- Aggregate how companies in different markets respond to themes. This will be shared to the investment teams as part of their research and possibly inform our proprietary materiality framework as we get a better understanding on issue.
- Reinform the types of questions asked, and the way questions are worded, in our Central Engagement Programme. This will be shared with the Central Engagement Lead and may recalibrate the way we engage on certain themes.

1,275
emails sent

21
themes

E: 49%
S: 20%
G: 31%
ESG issue split

30%
completed responses*

* Engagement is underway and will continue into 2024.

Insights: Interview with the Project Sprint team

The following is an interview with the team driving Project Sprint as they share their project experiences, engagement insights, and thoughts on a future where technology meets engagement for meaningful active ownership efforts.

Stuart Wilson
Head of Sustainability

Seah Peishee
Central Engagement Lead

Ang Kian Liong
Sustainability Quant Lead

Q Could you briefly describe what Project Sprint is about?

Ang Kian Liong (KL): Project Sprint is an engagement initiative aimed at enhancing our engagement process by incorporating technology. The project gave us a chance to evaluate our current engagement process and explore suitable solutions that would help us "sprint" through a larger volume of engagements. We wanted to see how much and where exactly we can incorporate technology into the engagement process so that we can extend our reach.

Seah Peishee (PS): We were thinking about how we can reach as many companies as possible, over a broad range of material ESG issues. The goal is to see if we might be able to pick up on responses from companies that we might not have otherwise reached and if there might be trends from casting a wider net on engagement.

Stuart Wilson (SW): Investing in Asia, we still notice disclosure barriers on material ESG issues, which may translate into incomplete scores from data providers. Most often, this is due to a gap in communication. This project helps us to close that gap by reaching out to these companies directly on core metrics, affording us a better understanding of companies who exist on the periphery for disclosures.

Q Can you share some interesting takeaways from managing the project?

KL: In managing this project, we learned that a carefully planned and executed approach can be very effective in delivering results. This required a willingness to experiment and fail forward. We had to quickly pivot our strategies to ensure we stayed on track within the tight timeframe. We moved away from pursuing a fully automated solution and decided that a semi-automated, human-led solution would be the more practical and efficient approach given the timeline we had. Ultimately, execution is just as important as developing and deploying the tool.

SW: With the sheer number of companies we covered, we were able to get up close and personal with the wide data set of responses over a range of material ESG issues. This allows us to cross-reference the responses we collected directly from companies with what we know from data providers. Borrowing from the lessons learnt in our Central

Engagement Programme, we are cognisant of geographical sensitivities and adjusted our course of engagement to allow for clear communication with these companies. It allows us to address potential data biases from other providers that arise due to outdated information or lack of access to companies. We have seen cases of companies getting categorised incorrectly and therefore are assessed on metrics that are not relevant to the scope of their business. We also get a shot at identifying reporting gaps and resolving discrepancies. The result is a much more informed look at how portfolio companies are addressing material ESG issues.

> ***"Being able to independently assess these companies after direct engagement allows us to form our own opinion on the company's efforts in addressing material ESG issues. This is especially important when investing in Asia as there are regional nuances that may not translate well into assessment frameworks."***

PS: Being able to independently assess these companies after direct engagement allows us to form our own opinion on the company's efforts in addressing material ESG issues. This is especially important when investing in Asia as there are regional nuances that may not translate well into assessment frameworks. We think forming our own opinion is an important part of ESG integration and we do so with the expertise of being long-standing investors in the region.

One of the things we incorporate in our engagement letters is a global best practice. We had to look closely at industry leaders and noticed that when data providers consider global best practice, there is a tendency to gravitate towards developed countries, extrapolating that the countries that lead policy development are the ones that are best primed to answer. Interestingly, in our initial assessment and through engagements, we realised that companies in developing markets provide responses that meet and even exceed these global best practices. For example, companies in Taiwan demonstrate an in-depth understanding of ESG processes and tend to address new regulations well. These regulatory expectations are readily incorporated as a lot of these corporates tend to have a strong foundation of CSR efforts. With pre-existing structures and processes in place, adoption of new expectations come as a natural extension.

Q One of the standout elements of this project is the volume of engagements and the number of themes covered. Can you share some observations that surfaced from casting such a wide net?

KL: We covered around 1,200 companies in this project and have heard back from a third of them thus far. Whilst we are waiting on the rest of the responses to get the full picture, there are some early trends and findings that we can see. For one, companies tend to disclose to the level of regulatory requirements set by governments.

SW: Exactly, regulation drives practices and corporate changes. With certain material ESG issues, government regulation normalises the responses that we receive as investee companies adequately address and report on key metrics. The most salient example is when we engaged on Toxic Waste Emissions, where companies would respond that they are heavily regulated, and they follow the rules and report on the list of requested metrics. This gave us confidence that clear standards have been set. We see that companies, across geographies and industries, are increasingly equipped to answer baseline questions on climate change strategy whilst an emerging proportion of companies are more thoughtful about the role they play in the wider industry on enabling a just and inclusive transition.

> ***"We see that companies, across geographies and industries, are increasingly equipped to answer baseline questions on climate change strategy whilst an emerging proportion of companies are more thoughtful about the role they play in the wider industry on enabling a just and inclusive transition. "***

PS: From an engagement perspective, this project allows us to explore a wider range of material ESG issues that cascade from the main thematic we usually engage on. The insights gained further enhances the way we conduct out thematic engagements, which by nature, are a lot more focused. Take for example our pioneer thematic engagement on Climate Change and Decarbonisation. In Project Sprint, we were able to focus on a subtheme Opportunities for Renewable Green Buildings where responses from companies provided us with greater context on how certain industries are thinking about their place in the wider ecosystem and the corresponding industry-specific efforts required for combatting climate change. The nuances allow us to dive deeper into each ESG pillar.

SW: We did get some insights around staff satisfaction results. We see a spectrum of responses including archaic opinions on staff being seen as expenses rather than assets and where there are also more modern efforts for talent development beyond retention. We get a better understanding that new ways of working are here to stay and if we want to thoughtfully engage on these issues, we will need to rethink the questions and expected best practices.

"By asking questions, companies take stock of investor concerns. These issues get put on agendas to be considered and acted upon. It really is a symbiotic relationship between investment managers and companies where we raise these questions and highlight best practices for companies to develop internally. And in engaging with them we get a sense of where the industry is at and where engagement efforts need to be."

PS: We notice that by asking questions, companies take stock of investor concerns. These issues get put on agendas to be considered and acted upon. It really is a symbiotic relationship between investment managers and companies where we raise these questions and highlight best practices for companies to develop internally. And in engaging with them we get a sense of where the industry is at and where engagement efforts need to be.

Q How do engagements under Project Sprint differ from more targeted thematic engagements we carry out in our Central Engagement Programme?

KL: The key difference between engagements under Project Sprint and our targeted thematic engagements lies in their objectives and scope. Whilst thematic engagements are focused on tailoring the engagement questions to each company to exert maximum influence and drive desired sustainability improvements, Project Sprint aims to collect data from a large number of companies to gather insights and trends on material ESG issues. These findings can be shared with investment teams to improve the incorporation of ESG analysis in their investment process.

PS: With the Central Engagement Programme, seeking change is key whilst with Project Sprint, we were going for reach. The former took a much longer time, and we cover a shortlist of companies, as building relationships over-time is paramount and requires longer time. With Project Sprint, we approach Investor Relations and for Central Engagement, we prioritise and spend more time ensuring that the letters reach C-suite, particularly the Chief Sustainability Officer and the CEO.

Q With the increase in reach, can you share some insights that you have derived from the engagements in this project?

SW: Yes, there is a difference in the response rate. Whilst our Central Engagement Programme sits at around a 99% response rate, Project Sprint is at currently at one-third of responses with the rest of the project underway. The two programmes do have different focus. With this project, we are looking for and have gotten greater reach and representation of responses. It informs the construction of an engagement programme for scope.

PS: Companies know when we are familiar with their strategy and approach because it reflects in the types of questions asked. With an increase in engagement activity globally, companies appreciate and tend towards thoughtful engagements that address information gaps. We conduct deep research and leverage on long-standing engagements we have with companies for the Central Engagement Programme, this makes all the difference because the long-standing engagements and dialogues with the company afford us a better understanding of the company's positions, processes, and progress. We are asking more informed questions and exchanging insights on progress towards engagement goals. When successful, we see these reflected in their responses and ultimately in corporate goals.

"With an increase in engagement activity globally, companies appreciate and tend towards thoughtful engagements that address information gaps."

Q Can you share how exactly does technology augment the engagement process and the challenges that you had to overcome to set this up?

KL: After deciding on a semi-automatic, human-led approach, we went on to identify time consuming processes, as these are potential pieces where we can reap the most time benefits. We landed on the creation of engagement letters and emails. These are time consuming, but they are also repetitive tasks that can be simplified by using a script optimised for scaling. Whilst this may sound easy, it involves a lot of data preparation and framework design before it can be deployed. We gave ourselves a soft target to work towards: 2,000 letters. It worked out and instead of writing all the letters from scratch, we only required 40 templates!

The monitoring of these engagements is another area we optimised with technology. We needed to know which engagement to pay attention to and hence created a straight-forward process where email updates can be picked up by and integrated into the platform that hosts our engagement log. With this solution, what would have taken 5-10 minutes can be accomplished in seconds per update.

Q How do you think advancements in tech can assist in engagements?

KL: The advent of generative AI shows us that there are wide-ranging possibilities as we collectively figure out how to use, manage, and integrate these advancements into our lives. In the near-term, we see that it can be used to enhance productivity and provide a time boost to the users who know how and exactly where to deploy technology in the activity chain at work. For example, the SME can use it to complete lower-order tasks and direct time towards higher-order thinking, strategic analysis, and translating insights into action. We think of technology as the vehicle. With enhancements, it can get us further in distance and it is better equipped to weather varied terrain, but ultimately the SME is in the driver's seat navigating.

"We think of technology as the vehicle. With enhancements, it can get us further in distance and it is better equipped to weather varied terrain, but ultimately the SME is in the driver's seat navigating."

PS: From the user's lens, in the near-term we can use large language models ("LLMs") to improve the development of questions and disclosures. It would be especially helpful for SMEs to cover a greater scope of questions and topics.

SW: With the International Sustainability Standards Board ("ISSB") reporting changes coming through, and as we already are dealing with enhanced reporting on an increased range of metrics, we would need big data solutions that allow for clean, concise, structured ESG data to be made readily available and accessible rather than on sole reliance on a singular provider.

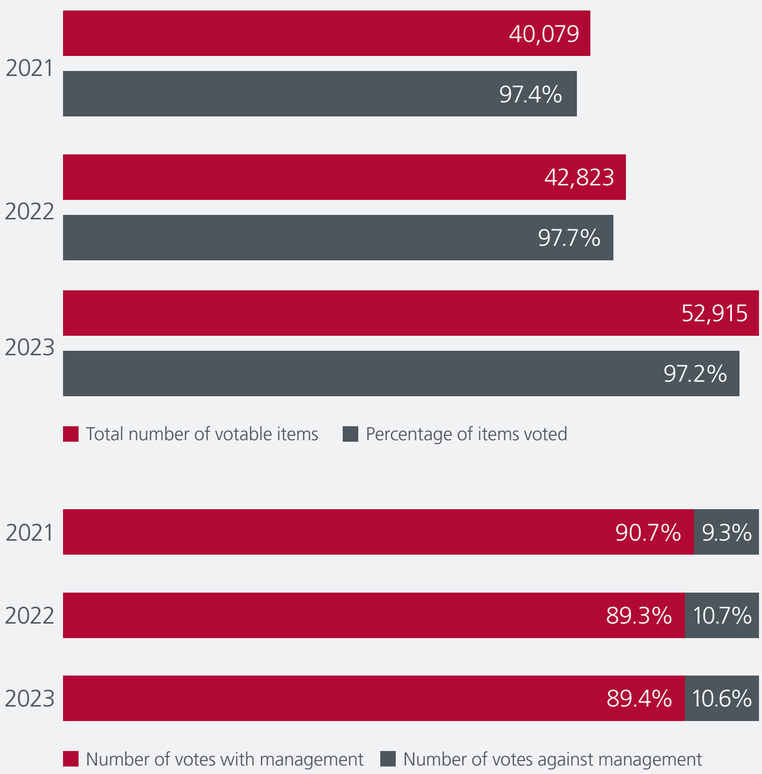
Proxy voting

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

Principles-based approach

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

3 year overview



Source: Eastspring Investments (Singapore) Limited's proxy voting record for calendar years 2021 – 2023.

Food & beverage company in Asia

Management Rec: For
ISS Rec: For
Vote Instruction: Against

The investment team voted against the re-election of a non-independent director even though both the management and proxy voting advisor had recommended a For vote. Specific to the company in this case study, the investment team voted as such as having the individual re-elected would keep the board composition at a low non-majority independent level, which prevented minority shareholder's viewpoints from being acted upon by the board.

Exclusions

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

Active Ownership is preferable to exclusion

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

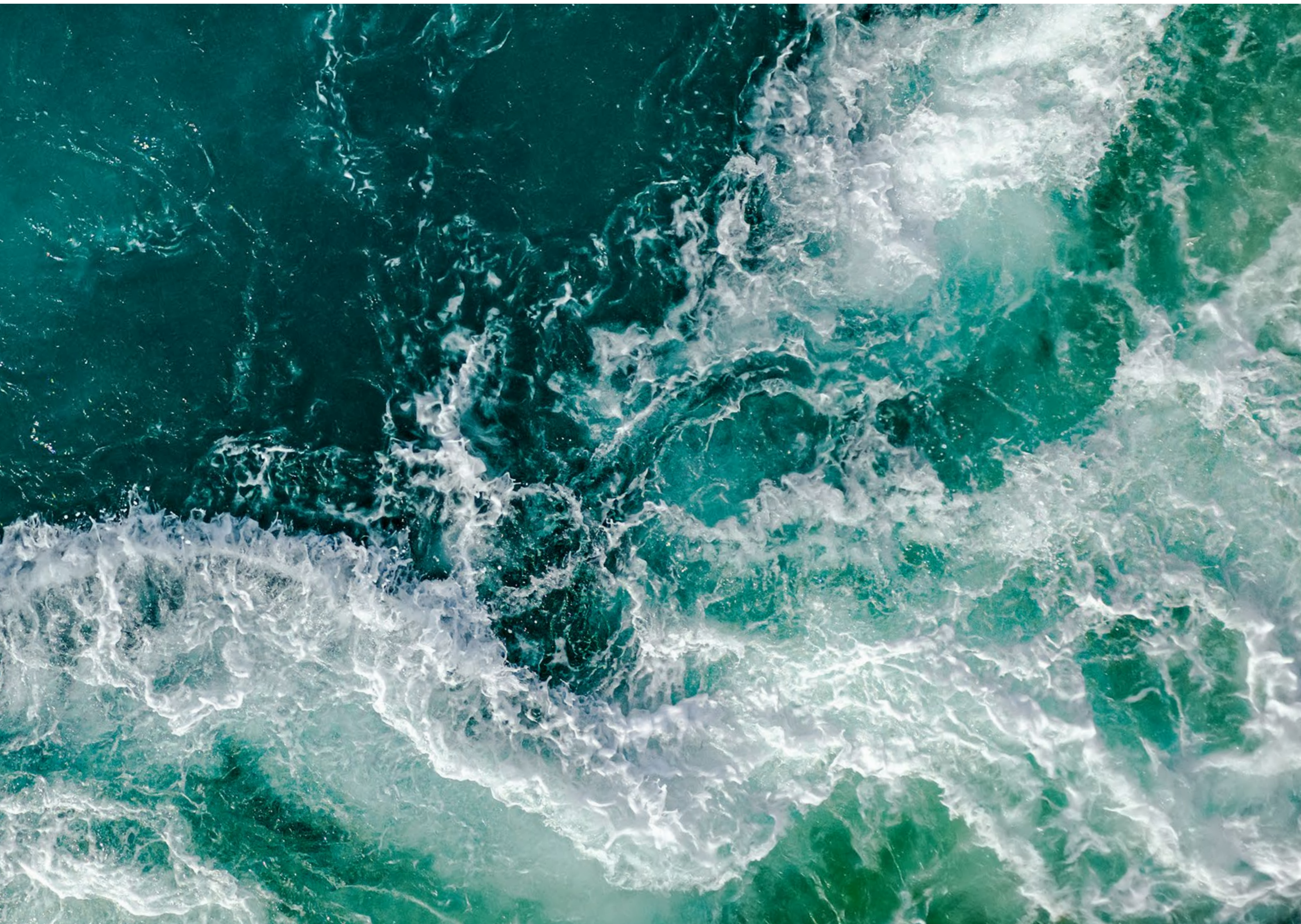
Eastspring applies exclusion criteria for companies in select themes, including controversial weapons, tobacco production, as well as companies that derive a material proportion of their revenue from thermal coal. When considering a Group-wide exclusion, an assessment is made on the expected risk versus return impact of the investment portfolio. A case for an exclusion needs to be approved and follows our RI governance process.

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

ESG integration

Contents

Here at Eastspring Investments, responsible investing is an integral part of our asset management activities. Responsible Investment includes the explicit consideration of material ESG issues into our investment decisions – both before we make investments and throughout the period an investment is held. All investment professionals are responsible for incorporating all factors, including ESG issues, deemed to materially impact the investment decision making process.



Eastspring ESG Principles

Our investment beliefs as they relate to Responsible Investment are:

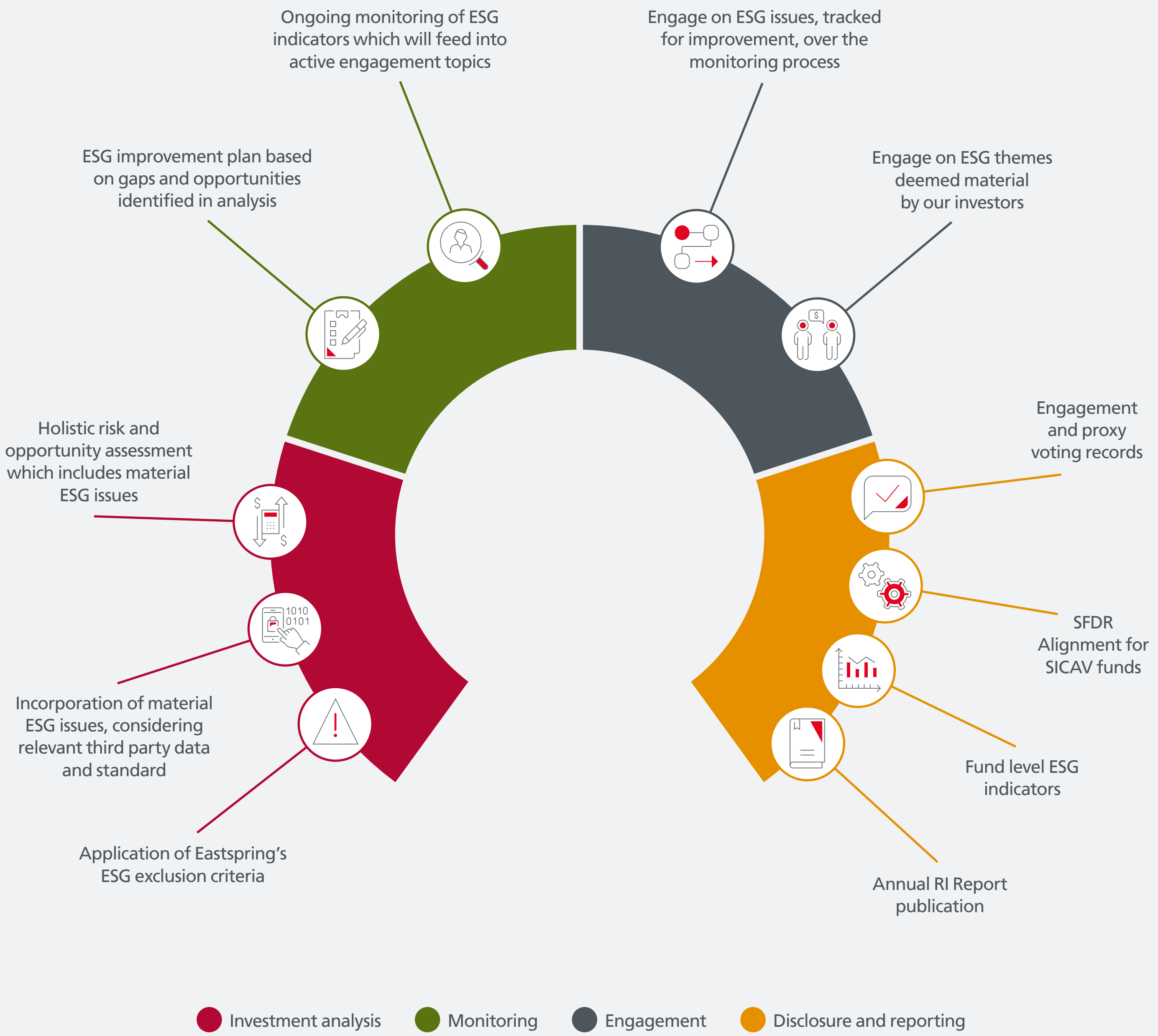
1 Integrating ESG results in better investment decisions.
We believe that incorporating material ESG considerations into the investment process can add value which can result in higher risk-adjusted returns for our clients over the long term.

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

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

4 Transparency to our clients is important.
We believe that providing transparency on our ESG activities helps our clients understand our priorities and impact.

Integrating ESG into our investment process



Integration in action: Fixed Income

Rong Ren Goh
Director, Asian Fixed Income
Eastspring Singapore

The Eastspring Singapore Fixed Income team takes a thoughtful and pragmatic approach to ESG integration as it looks to systematically uncover the risk and opportunity sets of the companies it assesses. When viewing the analysis of material ESG issues through the lens of managing risk and optimising for investment opportunities, augmented by wider systemic shifts, ESG integration becomes immediately intuitive.

Fundamental to the team's pragmatic approach to ESG integration is the inherent logic that the companies that recognise the financial impact of ESG risks, and are quick and ready to address them, will be better equipped to navigate the challenges and capitalise on opportunities that arise. As such, ESG integration does not have to be esoteric or non-financial as some might concede. Rather, when viewing the analysis of material ESG issues through the lens of managing risk and optimising for investment opportunities, amidst the context of the wider systemic shifts, consideration of ESG factors is imperative.

Eastspring ESG Score summary

		ESG risk exposures		
		High	**Medium**	**Low**
ESG preparedness	**High**	Neutral	Increase	Increase
	Medium	Reduce	Neutral	Increase
	Low	Exclude	Reduce	Neutral

< 20% limit

Applying the proprietary framework to assess and manage risks in the energy sector

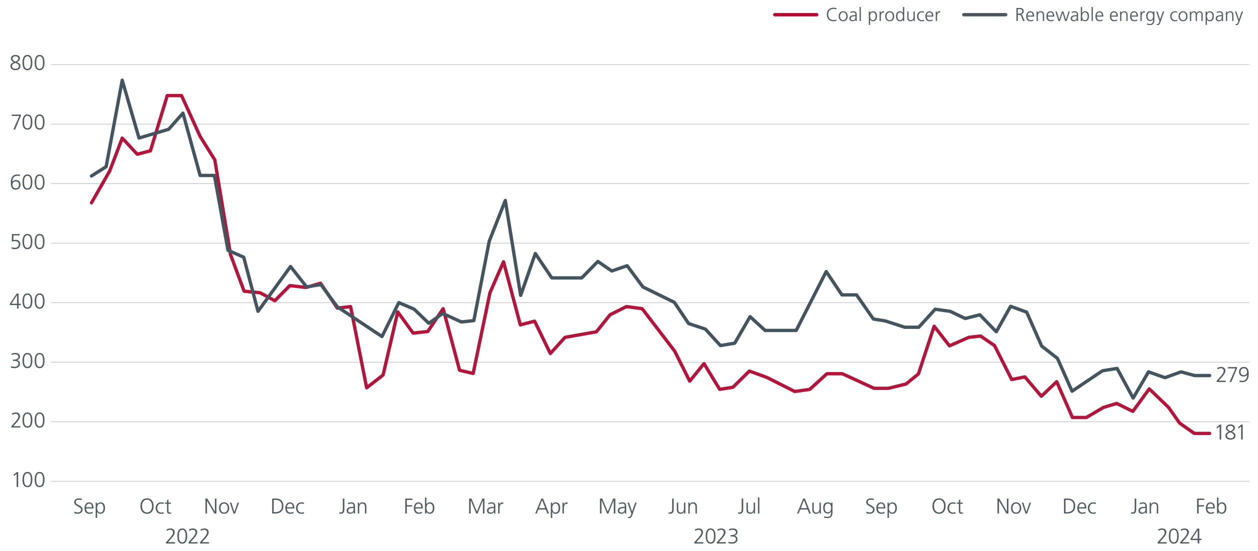
The energy sector has already witnessed seismic shifts resulting from net-zero commitments cascaded down from the national level. In the last five years, environmental issues have stayed firmly in the focus of policymakers, communities, and investors. As countries and whole industries move alongside regulations, committing towards a net-zero future, we observe disruption sweeping through industries, creating new industry leaders, whilst consigning behemoths to inevitable phase out should they fail to adapt. This plays out in the energy sector between coal producers, who are the subject of increasingly calls for divestments, and renewable companies, who have been recipients of capital reallocation to low-carbon emitters. For illustration, we have compared the credit spreads between a well-run coal producer and a leading renewable energy company in Asia, over the period February 2019 to February 2024.

The renewable energy company consistently outperformed across market corrections and rallies during this period, as it benefitted from the strong investment flows into the sector, as well as from efficiency gains in renewable energy production which have bolstered its profitability. We also view this as an implicit recognition from market investors of the strategic value renewable names have within their portfolios.

ESG assessments inherently solves for companies that manage risks well and in turn affords for opportunities

When it comes to performance, the team seeks to identify and differentiate between companies who address risks and optimise for opportunities versus those that do not. We leverage on an internal ESG matrix to evaluate material ESG issues with the intent of uncovering investment risk and opportunities that may be under-appreciated by other investment frameworks and look towards achieving superior risk-adjusted returns in the process. The following details an Asian renewables firm that we have assessed using our framework, placing it firmly in the top bucket for selection in our investible universe.

Comparison of spreads – coal producer versus renewable energy company



Source: Bloomberg. February 2024. For illustration purposes only.

Example: Scorecard of an India Renewable Company ("Company X")

Key ESG issues	• Company X is in the business of renewable energy generation and has minimal environmental risk. • Governance risk is in the form of high leverage due to growth projects, but we assess this to be manageable.	**Score: Low** ESG risk
Company's preparedness	• Company X is not rated by MSCI ESG Ratings as it is a private company. • Company X plays a key part in India's energy transition story, with investments in renewable energy production, providing round-the-clock solutions and pump storage technology. • Company X benefits from a social movement toward clean energy and as a renewable power generator, enjoys priority dispatch status relative to other power sources. This mitigates lower power demand and/or curtailment. • Government initiative requiring state distribution companies to clear overdues by instalments is seeing positive impact on its financials. • Governance risk is mitigated with two sovereign wealth funds as committed long term majority shareholders. Company X business model will gradually de-risk as well with pump storage projects not taking any price or volume risks.	**Score: High** Preparedness

Source: Eastspring Singapore. April 2024. For illustration purposes only.

Contextualising ESG analysis to country preparedness: Assessing ESG risk exposures and the preparedness in addressing those risks extend beyond companies to include country preparedness. The ability of companies to thrive amidst ESG-driven disruption is highly dependent on the support and guidance provided by policymakers within their jurisdictions. Countries that swiftly acknowledge the significance of ESG risks and proactively establish robust frameworks that are guided by regulatory and development bodies, chart a clear path for transitioning toward sustainability in both the public and private sectors. When companies operate within a framework of clear and stable rules and regulations, they can align their strategies confidently. This can in turn act as a catalyst for accelerated growth and development. We believe that companies which operate within such jurisdictions have a natural competitive advantage and therefore, allocate larger weights to these countries.

Green financing as part of wider transformational efforts: Green financing is an important cog that keeps the climate transition wheel spinning, especially when considering the massive amount of capex that is required to enable technologies and develop infrastructures necessary to meaningfully transit from a carbon-based economy. According to the IMF, Emerging and developing Asia will need at least USD1.1 trillion annually for climate mitigation and adaptation investments. Actual investment falls short by USD800 billion[1]. Given the importance of financing in the climate transition puzzle, both private and public funding will need to be galvanised and financial institutions will play a pivotal role in directing flows to such projects. When these financial institutions invest effort and allocate resources to develop the necessary expertise for evaluating these financing opportunities, it demonstrates the veracity in their commitment towards the transition towards a net-zero future and ensures that the integrity of green financing is upheld. We judiciously seek out financial institutions with such characteristics for our ESG-focused bond portfolios. By enhancing their ability to perform financially significant climate risk analysis and expanding their opportunity set, these financial institutions can strengthen their competitive positioning.

[1] IMF, Unlocking Climate Finance in Asia-Pacific: Transitioning to a Sustainable Future.

Integration in action: Developing an SDG-promoted Fund in Vietnam

Le Hoang Vu
Director, Head of Investment Solutions
Eastspring Vietnam

The Vietnam Prulink Sustainable Development Fund is an innovative investment strategy that aims to generate financial returns and positive social and environmental outcomes by investing in Vietnamese listed public companies that contribute to the advancement of the United Nations Sustainable Development Goals ("SDGs") through their products and services.

The SDGs are a set of 17 global goals that address the most pressing challenges and opportunities for humanity and the planet, such as poverty, inequality, climate change, health, education, and peace. The SDGs are also aligned with the national development goals and priorities of Vietnam, a dynamic and emerging market that has achieved remarkable economic growth and social progress in recent decades. Developing and implementing the SDG-promoted fund was not an easy task and meant that we had to overcome several challenges and innovate along the way.

Develop a proprietary SDG alignment methodology and adopt alternative data sources to support ESG integration: There is a scarcity of reliable and comparable data on ESG performance of Vietnamese companies, which makes it difficult to assess and measure their contribution to the SDGs. In order to conduct robust ESG research and analysis on companies within the investible universe, we leveraged various sources of information, such as third-party research reports, media articles, company reports and interviews, social media platforms, and stakeholder surveys to collect and analyse data on the ESG performance and SDG impact of Vietnamese companies.

To put this data set we have collected to use, we developed a customised methodology to evaluate the companies based on their contribution to the SDGs. We focused the evaluation on two categories – the provision of their products and services – and across four dimensions: alignment, materiality of contribution, operational effectiveness, and other impact.

Engage the wider industry to create awareness on ESG integration and disclosures: We observe that Vietnamese companies may not be as aware of the importance and benefits of ESG integration and reporting and may not have the capacity and resources to do so. Consequently, this limits their ability to communicate their value proposition and impact to investors and stakeholders, even when these issues might already be considered.

We believe in the importance of industry-wide collaboration with companies and stakeholders. We actively engage and collaborate with the companies in our portfolio and pipeline, as well as with other relevant stakeholders, such as regulators, industry associations, NGOs, academia, media, and peers, to raise awareness and promote best practices on ESG integration and reporting.

In addition, there are some legal and institutional constraints that hinder the development and promotion of sustainable investing in Vietnam, such as the lack of clear definitions and standards, the absence of incentives and support mechanisms, and the low demand and awareness from investors and intermediaries. However, these constraints are being actively addressed and are expected to improve in the future, paving the way for a more robust and effective sustainable investing environment. We have received positive feedback from various partners who have supported and collaborated with us in developing and promoting the fund, such as the Vietnam State of Securities, and Vietnam Bond Market Forum.

The SDG-promoted fund is an innovative example of how sustainable investing can create value and impact for investors, companies, society, and the environment in Vietnam whilst still providing decent returns to investors. It is also a testament to our commitment and leadership in advancing ESG investment in Vietnam and beyond.

Vietnam Prulink Sustainable Development Fund

The fund supports 20 Vietnamese companies that have contributed primarily to five out of 17 SDGs through their products and services. The fund focuses on three main themes of sustainable development, including Climate, Health, and Progress. Within these themes, the fund diversifies its portfolio into nine sub-themes, including Renewable Energy, Sanitation, Recycling, Food Security, Healthcare, Access to Financial Services, Information and Communication Technologies, Sustainable Infrastructure, and Education and Learning Opportunities. These themed companies have generated positive outcomes for millions of people in Vietnam and beyond, such as improving access to quality education, health care, renewable energy, financial inclusion, innovation, and sustainable infrastructure development. The fund has demonstrated a robust performance in gross returns over the past year, outperforming its index by nearly three times.

Insights: The state of play with Alternatives

Glyn Carroll
Co-Head of Alternatives
Eastspring Singapore

Marcus Tay
Co-Head of Alternatives
Eastspring Singapore

In recent times, the concepts of sustainability and impact have emerged as a significant investment theme within the global private equity market. This translates into the incorporation of material ESG issues into assessments as private equity managers progressively adopt and enhance their practices to mitigate the effects of climate change, social challenges, and governance risks within their portfolios. It also serves the dual purpose of developing more sustainable businesses that create more valuable outcomes for investors, and as a response to the increasing demands from their investors who are increasing allocations to managers that take sustainability seriously.

There are several market trends that Eastspring Alternatives has observed over this time that are contributing to this development:

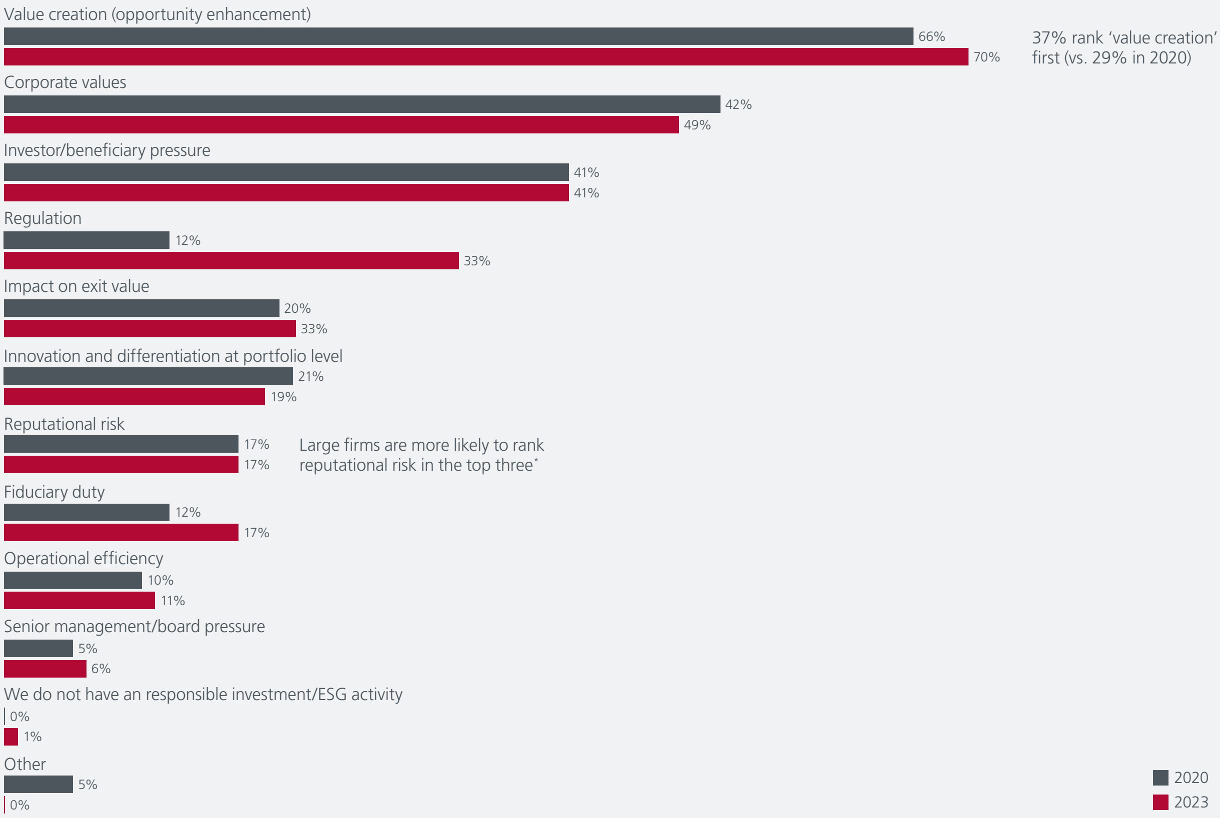
1 Increased recognition of sustainability as a core value creation strategy as opposed to a due diligence check: In the last decade, private equity managers have evolved to view sustainability as part of its value creation strategy. As a result, material ESG issues are used as a lens through which managers can assess and improve businesses as part of the value creation plans for portfolio companies. This new normal represents a shift in mindset of having material ESG issues exist beyond a risk factor that needs to be assessed and mitigated. These value creation plans include initiatives ranging from reducing a company's carbon footprint and including diversity metrics as part of hiring plans. Acknowledging and addressing material ESG issues is now seen as an opportunity for value creation and another way for private equity managers to generate better returns. We see how managers who undertake transformations on material ESG issues can be rewarded for those efforts and may command or realise a premium when they exit those companies. This is very much aligned with wider industry sentiment, where 70% of private equity managers surveyed by PwC in 2023 had identified value creation as a top three driver for pursuing ESG activities, an increase from the 66% in 2020. Furthermore, 37% of respondents rank value creation first on their list of ESG drivers compared with 29% in 2020.

2 Uptake of specialised sustainability professionals that drive internal strategies and initiatives: With sustainability and impact increasingly viewed as a driver of core value creation, managers are moving to institutionalise sustainability policies and practices for their portfolio companies. This fundamental enhancement necessitates the hiring of dedicated resources to sustainability and impact, who are responsible for setting policies and governance processes, providing resources to the rest of the company, and monitoring action plans across their portfolio of companies.

In addition, many private equity managers augment their in-house capabilities by using specialist consulting firms to perform due diligence on material ESG issues concerning prospective companies. These firms increasingly provide other services to managers including designing sustainability and impact initiatives, performing carbon footprint assessments, monitoring the progress of sustainability and impact action plans, collecting data from companies for benchmarking of specific ESG metrics, and publication of disclosures. Over time, Eastspring Alternatives believe that more and more of these resources will be brought in-house as more businesses are made increasingly aware of the resources required for delivering a thoughtful strategy.

3 Increased global investor demand for investing in sustainable and impact strategies: An increasing number of investors are making specific allocations to invest in dedicated sustainable and impact funds, which is leading to an increasing number of dedicated impact and sustainability funds being raised. According to a recent survey done by deVere Group and published in The Financial Times, 56% of investors of 800 polled expect to increase their allocations to ESG investments in 2024. Pension funds, insurance companies, and other institutional investors are creating dedicated pools of capital for investments that contribute towards alleviating the global climate crisis and investments that address particular social or governance related issues.

Share of respondents ranking each driver among the top three for their firm/fund



* 36% of firms with US$10.1 billion or more of assets under management; 44% of firms with 101 or more portfolio companies. Source: PwC's Global Private Equity Responsible Investment Survey 2023 (base: all respondents = 166).

To tap into these allocations and meet investors' demand for more sustainability and impact investment opportunities, an increasing number of leading private markets managers have set up and raised notable dedicated impact or climate funds in recent years. These funds are complemented by an increasing number of middle market and sector specialist funds that make up a large, investable market. Most of these funds target a specific theme or several themes such as energy transition, infrastructure, financial inclusion, health and wellness, and resource efficiency, all of which aligns well with the top-down investment themes that Eastspring Alternatives has identified for the sustainability and impact space. According to recent 2023 data from PitchBook, impact strategies within private markets accounted for USD 741 billion in assets under management across a wide range of strategies, geographies, and impact categories. At Eastspring, we are actively seeking to make additional investments in this space.

4 **The industry is facing an increase in the levels of data collection and disclosures**: Often considered the final frontier for coverage on ESG data, private markets are increasingly witnessing improvements in data collection and disclosures. This comes as the wider industry take on enhanced reporting on sustainability, especially in alignment with market regulations such as Europe's Sustainability Finance Disclosure Regulation ("SFDR"), and disclosure commitments such as the PRI Assessment. The result of having both managers and investors collect a greater breadth and depth of ESG data is that these data become more readily available and are of a better quality.

Managers are also becoming more proactive in driving disclosures, including some who engage with their portfolio companies to commission carbon footprint assessments to formulate and execute a climate strategy for their operations. Managers are also increasingly addressing investor concerns of the quantitative gap in ESG reporting. We are of the belief that as company disclosures become the norm and ESG data is being collected and aggregated, the industry will be better equipped to augment qualitative or anecdotal evidence of sustainable practices with the quantitative metrics required to evaluate the performance of portfolio companies over time. This enhances the access to evaluations of the financial impact of integrating material ESG issues and hence including private markets as a viable asset class for allocation of funds towards sustainable and impact goals. We continue to make headway in our engagements with our managers on this area as we work towards getting clear, concise, and reliable data for the companies.

The immediate future: There is a significant opportunity for private equity investors to make a difference by building more sustainable and impactful companies. Impact and sustainability have emerged as long-term investment themes in the private equity market globally and this is only likely to increase over time. Private equity managers have evolved over the last decade and through active ownership and a direct engagement approach, private equity as an asset class is inherently well suited for driving positive change in companies.

Alternatives Team: 2023 in review

Eastspring Alternatives select private equity managers that have invested resources and made demonstrable progress towards making sustainability a core part of their value creation plans. We expect up to 30% of our current program to be deployed in sustainable and impact investments, and actively seek to make additional investments into companies that are committed to and build sustainability deep within their businesses. In 2023, Eastspring Alternatives committed USD 139 million to three managers:

- ArchiMED MED Platform II: An SFDR Article 9 impact fund that invests in healthcare companies that develop products to improve the efficacy of healthcare services for underserved populations. ARCHIMED was also named as a top ten manager in the 2023 Mid-Market Buyout Performance Ranking* by HEC Paris Business School and Dow Jones.
- Norvestor IX: An SFDR Article 8 fund that invests in Nordic companies across a variety of sectors including occupational healthcare services, technology recycling, renewable energy, and sustainable agriculture. Norvestor seeks to partner with its portfolio company management to build their ESG capabilities as a key source of growth and value creation for its companies, and to help them develop a self-sustaining ESG management approach.
- Parcom VII: An SFDR Article 8 fund that invests in Dutch companies across a variety of sectors including healthcare, business and financial services, consumer and food, and industrials. Parcom seeks to work with its portfolio company management to identify ESG value creation opportunities and minimise ESG-related risks.

* The 2023 Mid-Market Buyout Performance Ranking evaluated performance data from 632 private equity managers and the 1,241 funds they raised between 2010 – 2019 with an aggregate equity volume of USD2.18tn. It highlights the potential of specialised sector strategies within the Mid-Market space and addresses which managers generated the best performance for their investors over the past years.

Insights: Just transition

Fabian Graimann
Portfolio Manager, Growth Equities
Eastspring Singapore

The global progress towards a net zero global economy by 2050 has been mixed in the years following the adoption of the 2015 Paris Agreement to limit global warming to well below 2°C. Ensuring this outcome via a Just Transition, by ensuring that the most affected and most vulnerable amongst us are not left behind, is a necessary consideration for this challenge. In Asia, where majority of the population has gained access to reliable sources of electricity recently, maintaining this crucial element of development will require a series of important decisions.

Unintended consequence of regulation: Investors and regulators have increasingly been focused on assessing a company's Just Transition journey in terms of their green-labelled assets or in terms of the progress being made on carbon emissions reduction. Naming an investment strategy 'Green' or 'Sustainable' typically requires the bulk of the fund's investments to include companies that are 'transitioned' or are more pure green in nature. This provides a large pool of capital for such companies, whereas hard-to-abate companies that require financing and investment to transition from brown to green often do not fit this definition. This is despite the overwhelming amount of investment required to transition and the massive positive impact it will have on global warming. The consequence is a lack of interest in companies in Asia and the emerging markets that are early in their transition to a more sustainable state.

Contrarian approach: In recent years, hard-to-abate companies have been left behind in an exodus towards investing in pure plays companies that provide climate solutions, especially in industries that have are further alone in their climate transition journey. For investors, adding positive real-world impact to these pure play companies is far more limited than the impact investors can have on dirtier, harder-to-transition companies. In many ways, whilst important, 'Green' labelled strategies can be thought of as 'feel good' investments where positive impact beyond the investment itself is limited. Moreover, several institutional investors, bound by their internal ESG policies, have become forced sellers of dirtier, harder-to-transition assets regardless of the companies' expected

"Contrarian investors who factor both the opportunity of transition through engagement as well as the value of existing free cash flow from legacy businesses may enjoy an upside to returns as companies adapt, transform, and improve."

cash flows and future investment transition plans. We believe that these effects have resulted in our proprietary Just Transition investable universe being characterised by many discounted companies with good growth and return potential. C ontrarian investors who factor both the opportunity of transition through engagement as well as the value of existing free cash flow from legacy businesses may enjoy an upside to returns as companies adapt, transform, and improve.

Active engagement: A key feature of any Just Transition strategy is that it utilises engagement to ensure that companies are maximising long-term transition and financial outcomes without bringing detriment to social goals. It is essential, especially in Asia and the emerging markets, that the movement towards a net-zero world does not come at the expense of the social capacity required for the region to thrive in the long run. Furthermore, our conviction is that active engagement leads to superior portfolio outcomes and is an alpha contributor over the cycle. Several academic studies point to positive excess returns through engagement, further confirming our belief.

Portfolios on Just Transition: In Asia, there is a rich opportunity set of companies in more climate-challenged industries. Indeed, these companies form a significant GDP base in Asian countries. Due to their scale, investing in and facilitating the transition of these companies from brown to green will be essential for a just transition in the region. The large number of overlooked or out-of-favour companies creates an opportunity for Eastspring to invest and create more substantial long-lasting change than the incremental improvements that may come with investing in the many smaller, transition technology companies.

Moreover, companies developing new climate change solutions or simply focussing on increasing core business model resilience to climate change can be found across industries. For example, Indian utilities are exploring several low-carbon technologies to reduce the reliance on thermal power. Likewise in Japan, steel produced using hydrogen presents an opportunity for investing in a much-needed decarbonisation solution. Investing in hard-to-abate sectors in transport, materials, and energy also provides an opportunity for capturing transition technology within these sectors, maximising potential for growth.

In Close: Significant investments of around USD 2 trillion per year are needed in emerging markets to support this transition through 2030 to achieve net-zero emissions by 2050, thereby exposing a huge opportunity. Ultimately, true impact cannot be achieved by ignoring or excluding the harder to decarbonise assets from investment portfolios. Whilst it may be enticing to write off hard-to-abate businesses as unfeasible to decarbonise, our climate goals will not be met without them. Active engagement can activate and facilitate the transition of firms previously thought of as laggards and create more real-life impact than being invested in something that already ranks as perfect.

Materiality through the Eastspring lens

ESG Visualiser

The ESG Visualiser ("ESGV") is Eastspring's proprietary ESG Ratings and ESG Integration and Research Tool which was launched in 2023. The tool was created to facilitate the drawing-out of material ESG insights on companies within Eastspring's investment universe.

The Eastspring ESG Materiality Matrix is an integration of lessons from our ESG investment viewpoints, built on our investment expertise across Asia and the emerging markets, and is informed by industry best practice frameworks that adopt an ESG financial materiality lens. The decision to develop our own materiality matrix is because whilst we considered frameworks from the Sustainability Accounting Standards Board ("SASB") and guides from industry bodies such as the International Capital Market Association's ("ICMA"), we needed a tool that could reflect industry standards and be augmented to integrate the assessment of investment teams on the identified material ESG issues.

How it works

The ESG Visualiser curates components from external ESG data providers and creates score outputs at various levels:

1	score for overall ESG level
3	individual scores for the E, S, and G level
17	individual scores for the ESG sub-issues level (or material ESG issues)

These scores are a composite output that is constructed through the lens of Eastspring's ESG Materiality Matrix. As a start we have identified 17 material ESG issues. The ESGV's score output is also designed to highlight meaningful differences in a company's scores relative to its peer group at the global and country level, allowing analysts and portfolio managers to quickly identify deviations in performance of key material ESG issues for further analysis or engagement. This curated and modular approach of the ESGV allows the generation of scores for forward-looking ESG issues. For example, the "ESG Strategy Score" is a metric that provides an indication of how well a company is tilting its activities and business lines to take advantage of opportunities in both the mitigation and adaptation aspect of climate transition. We continue to make adjustments and enhancements to the ESGV, as we conduct further research on material ESG topics across various sectors and refine our findings with engagements on these issues with investee companies.

The Sustainability Digest: Newsletter

The Sustainability Digest is a powerful daily tool that casts a wide net on the daily news cycle to capture updates on the 17 material ESG themes. To keep up with the issues that could affect the valuation of the portfolio, the Investment, Risk, and Research teams sign up to a huge volume of news from different news sources daily. These teams are often left to sieve through emails and websites, to piece together what may be material to companies in their portfolio. The Sustainability Digest was designed to address this issue so that relevant, up-to-date news is delivered daily.

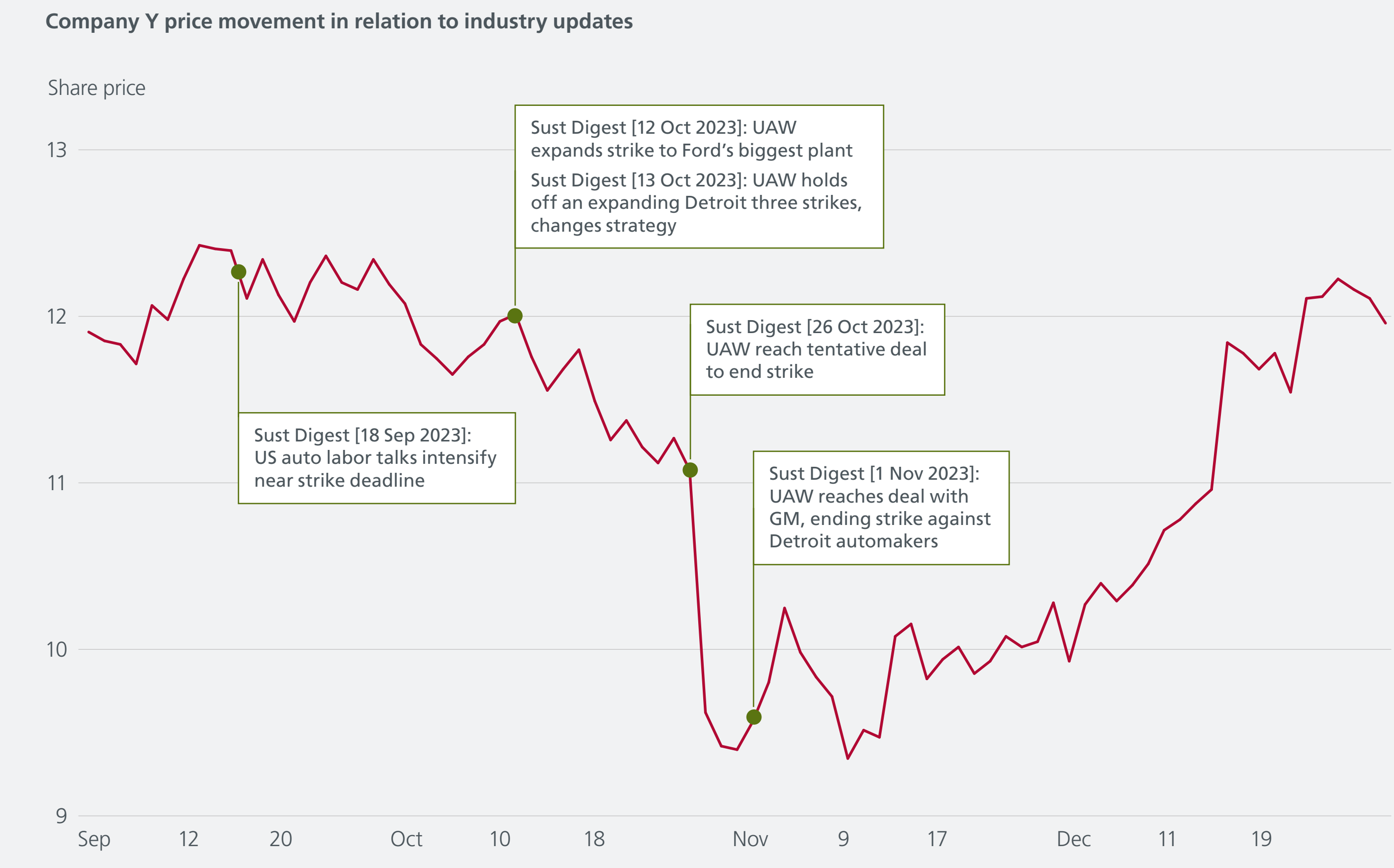
How it works

The newsletter augments the ESGV by scanning through thousands of Reuters articles for references to companies in our investable universe. We leveraged on our in-house AI model to efficiently sieve through the large volume of daily articles, categorise the relevant articles into the 17 material ESG themes, and produce smart summaries of the news for quick reading. The daily list of articles on material ESG issues is subsequently reviewed by the Sustainability Team.

The result is a curated shortlist for sharing. To ensure relevancy we only report controversies for companies where we have exposures, and we also embed the recent stock price movements to further contextualise insights into potential market impacts.

Mapping news updates to share price movements: In the case of Company Y, news pulled from The Sustainability Digest had aligned with pivotal directional changes in stock price and provided context during an uncertain period on a material ESG issue as it evolved and into resolution.

What are we doing next: We plan to roll out access to the newsletter to a larger group of users across the entire Eastspring Group. As the architecture design of The Sustainability Digest is made to be scalable, we can potentially increase the news sources to include more regional and local publications.



Source: Refinitiv. April 2024. For illustration purposes only.

An exploration of cybersecurity

One of 17 material ESG themes identified and used in the ESGV

The rapid digitisation of whole industries in the last decade, expedited in the last few years by of the pandemic, has led to an increased reliance on adopted technology. However, this uptake in technology comes with unequal pacing in the comprehension of cybersecurity risks and in the adoption of cybersecurity measures. Combined with the fast-moving, evolving nature of cybercrimes, this can compromise the ability of companies, and whole industries, to navigate cyber events effectively.

Globally and across a broad range of industries, business leaders are identifying cyber risks as a key threat to their companies in the short- and medium-term. Cybersecurity deficiencies are seen as a key risk and are expected to increase over time, a view that is consistent with the World Economic Forum 2024 Global Risk Report, where cyber insecurity is ranked in 4th position, leaping ahead by four spots from 2023. As companies identify cybersecurity as a business risk, it is increasingly being placed on the agendas of boards and senior management.

A market failure in the digital age: Despite its growing importance, the lack of understanding of cyber events and how companies should respond in one often means that when a cyber event occurs, markets do not always immediately, if at all, price in the event and its financial implications. This is often because there both a lack of information and of technical understanding to assess and project the extent of damages. The absence of an immediate share price movement may therefore be a red-herring and may not indicate that cybersecurity is immaterial. Instead, the market should first look to understand cyber events. And subsequently, to change the way the wider industry thinks about cybersecurity, we need to simultaneously consider how cyber threat actors and companies think and act, and how this dynamic perpetuates the increase in cyber events.

> ***"The market should first look to understand cyber events. And subsequently, to change the way the wider industry thinks about cybersecurity, we need to simultaneously consider how cyber threat actors and companies think and act, and how this dynamic perpetuates the increase in cyber events."***

The state of play for cybersecurity: So much of cybersecurity is marred by jargon, which makes comprehension of risks and deploying the right resources to managing a cyber event that much harder. It is why cybersecurity concerns are regarded with an increasing importance and yet IBM reflects that the costs associated with cybercrime stands at USD 10.5 trillion annually by 2025 – an outsized figure that exceeds cybersecurity spending by 40 times.

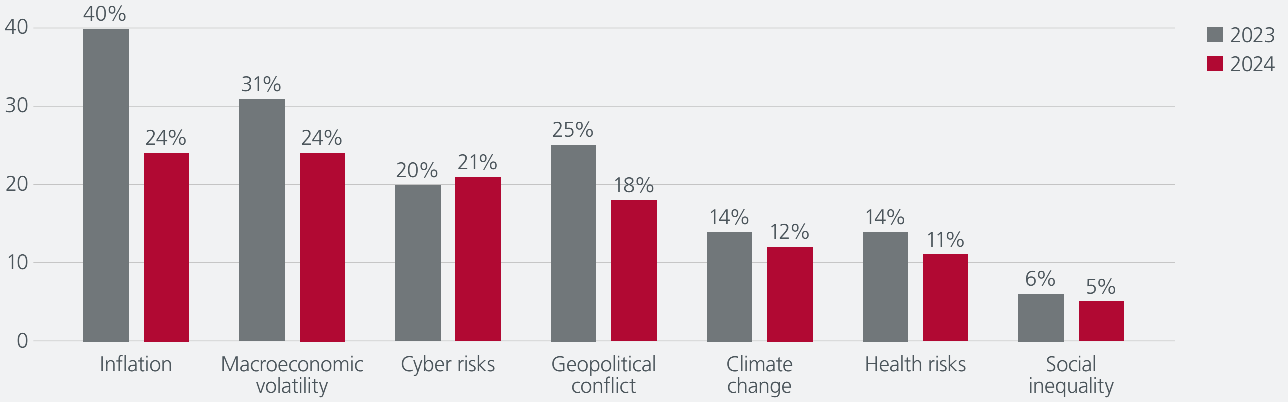
Global risks ranked by severity over the short and long term

- Economic
- Environmental
- Geopolitical
- Societal
- Technological

	2 years	10 years
1st	Misinformation and disinformation	Extreme weather events
2nd	Extreme weather events	Critical change to Earth systems
3rd	Societal polarization	Biodiversity loss and ecosystem collapse
4th	Cyber insecurity	Natural resource shortages
5th	Interstate armed conflict	Misinformation and disinformation
6th	Lack of economic opportunity	Adverse outcomes of AI technologies
7th	Inflation	Involuntary migration
8th	Involuntary migration	Cyber insecurity
9th	Economic downturn	Societal polarization
10th	Pollution	Pollution

Source: World Economic Forum Global Risks Perception Survey 2023-2024.

Extent of exposure* to key threats that CEOs believe their companies will face in the next 12 months



Source: PwC's 27th Annual Global CEO Survey

* Exposure is defined as probability of significant financial loss. Data reflected comprises of 'highly exposed' and 'extremely exposed' responses.

Therein lies an implication of this lack of understanding – companies may not allocate the right resources to mitigate cybersecurity risks. The disconnect between perceived cybersecurity risk and the corresponding capex directed towards mitigating this risk mostly plays out in small and mid-caps that tend to lack the budget to implement cybersecurity. These companies are often made targets by cyber threat actors, who road-test their cybercrime strategies on smaller prey before staging a larger-scale cyber event.

Where do we go from here? We have learnt from our engagement programme on climate change that what gets communicated with greater frequency in engagements is often then tabled for discussion with senior management and the Board. It gives an issue, especially one that is as technical as cybersecurity, greater air-time for discussion and potential allocation of resources to strategic targets for addressing the specific risks unique to the company.

"Perhaps more saliently, companies need to think about the uptake of cybersecurity efforts insofar as they complement the adoption of technology."

As a start, companies could look to allocate sufficient resources to cybersecurity and to ensure line-of-sight on this issue. Perhaps more saliently, companies need to think about the uptake of cybersecurity efforts insofar as they complement the adoption of technology. The rationale for this is simple: the adoption of new technologies can increase the entry points for cyber threat actors and mitigating this risk is why cybersecurity measures are deployed. This shifts the mindset from simply matching spending on cybersecurity and new technology on a dollar-to-dollar basis to one that considers the differential and ensures that the right tools and cyber professionals, from board to ground zero, are in place.

"This shifts the mindset from simply matching spending on cybersecurity and new technology on a dollar-to-dollar basis to one that considers the differential and ensures that the right tools and cyber professionals, from board to ground zero, are in place."

At the senior management and Board level, oversight should be established by making sure that dedicated resources that focus on cybersecurity exists. In a Gartner survey, 88% of boards regard cybersecurity as a business risk rather than solely a technical IT problem. Yet, only a small fraction of the same group have acted on this concern by instituting cybersecurity-specific board committees overseen by a dedicated senior management role such as a Chief Information Security Officer ("CISO") or equivalent. This individual will be responsible for meeting cybersecurity targets and strategic objectives, owning the playbook for navigating cyber events, and ensuring a budget that matches the needs of the company is in place. And perhaps more importantly, be able to translate technical issues into digestible steps for execution, whilst having the discernment on expenditure on is required.

With the increase in complexity of cybersecurity issues, having a cyber or a tech-specific board committee to allow for dedicated oversight of cyber risks as well as requirements and performance of the cybersecurity team could prove useful. Presently, companies tend to assign this responsibility to audit or risk committees. However, these committees already have a full agendas and adding one more key responsibility, particularly one as substantial as cybersecurity, may not leave time for proper consideration on issues. Having a dedicated committee, staffed with the relevant expertise, allow for sufficient bandwidth to address the complexities so that companies have a fair shot at minimising damages from cyber events. It would also necessitate that members are being appointed based on having specific skillsets geared towards addressing the technicalities of ever-evolving cybersecurity issues. Still, we note that a good starting point is having a dedicated senior management oversight for cybersecurity and having it tabled as a regular consideration at an existing Board committee meeting.

Rightsizing cybersecurity teams and infrastructure for dealing with cybersecurity risks and responding in cyber events: Allocating adequate resources to cybersecurity efforts will help companies be better poised for early threat detection and to be better prepared for a timely response in a cyber event. For that reason, it is important to have a cybersecurity budget and playbook that is commensurate with the company's size and identified risks. These elements should be subject to ongoing reviews so that it captures any new risks the company identifies.

As cybersecurity requirements evolves, there might be a risk for understaffed teams to double hat as they take on new responsibilities in response to new risks. The growing elasticity of the role arising from increased stakeholder expectations might leave these teams burnt out and more susceptible to social engineering attacks, as cyber threat actors look for easy marks to trick to gain entry to a target company. Right-sizing resources hence becomes an important step in building internal defence against cyber threat actors, where an inspection of the ratio of cybersecurity professionals to total technology headcount could give an idea of whether the company has sufficient resources.

Companies can reinforce their cybersecurity teams by managing its IT systems and infrastructure closely to better understand, control, and safeguard their digital assets. Keeping a clear map of how various systems work together and managing a controlled list of users who have privileged access to these systems could afford companies better clarity on the areas that may represent the most risk. The significant cost and time savings that come with early detection reinforces that allocation to cybersecurity resources do pay off in the long run. Specifically, IBM cites that companies that discover breaches themselves experienced nearly USD 1 million less in breach costs than those disclosed by an attacker.

Preventative and protective measures can be helpful additions. Cybersecurity awareness training programmes, simulation exercises as part of wider business continuity measures, and even cyber insurance all serve an added purpose of supporting the company's ability to navigate cybersecurity risks and cyber events. Whilst there has been an increase in companies adopting preventative and protective measures, there is no one-size-fits-all approach. What is essential is that companies have considered these options as part of their risk management toolkit for dealing with cyber threats and have made an active, informed decision on what to deploy.

> ***"Whilst there has been an increase in companies adopting preventative and protective measures, there is no one-size-fits-all approach. What is essential is that companies have considered these options as part of their risk management toolkit for dealing with cyber threats and have made an active, informed decision on what to deploy."***

All cyber events have one thing in common: a point of entry. Increasingly we see that cyber threat actors are exploiting human behaviour to gain access to companies. The use of social engineering attacks is further enabled by the budding Ransomware-as-a-Service cybercrime economy, which provides accessible tactics for cyber threat actors to deploy. Raising the awareness of the entire workforce would perhaps be the most salient preventative measure and this can be done through deploying training programmes. These trainings should be made widely available, with the goal of communicating the needed security information in a way that helps all employees develop a healthy level of skepticism and motivation to act when encountering unusual situations. At the end, each employee should be able to identify security issues, perceive their potential implications, and make an active, informed decision. For example, an employee is now able to identify suspicious emails or links and is aware enough to remove or report them. This training would also be a continuous process, adjusted to improve the usability and relevance to the participants. Each iteration factors in the evolving cyber threat landscape, advancements in technology, and shifts in the company's cyber strategy and identified risks.

The Jury is Out in Asia Pacific

When we piece together recent research about Asia Pacific, we notice a few key themes.

1 Asia Pacific region has the lowest proportion of cyberattacks – Moody's 2023 Cyber Risk Survey.

2 Asia Pacific companies witnessed a renewed recognition of cybersecurity as the leading business risk* with 38% of respondents in agreement of its top spot† which placed the region freshly above the global average of 36% of respondents‡. – Allianz Risk Barometer 2022-2024.

3 Asia Pacific region had the longest median dwell time, the amount of time an attacker is present in a target's environment before detection. Notably, it was the only region with an increase in time. – Mandiant M-Trends 2023 By The Numbers Infographic.

Not If, But When

As such, whilst cybersecurity risk remains a key risk for the Asia Pacific region, the region may not be as well-poised to withstand cyberattacks. The lessons that we learn from cyber events need to translate into preventative action.

* Ranked second in 2023; first in 2022.

† Versus 32% in 2023; 40% in 2022.

‡ Versus 34% in 2023; 44% in 2022.

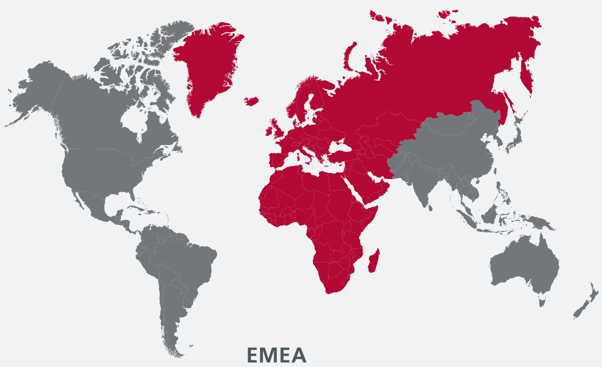
Regional median dwell time

APAC

Median dwell time increased to **33 days in 2022** compared to 21 days in 2021

Americas

Median dwell time decreased by a full week to **10 days in 2022** compared to 17 days in 2021



EMEA

Median dwell time was **20 days in 2022** compared to 48 days in 2021

Source: Mandiant M-Trends 2023 By The Numbers Infographic.

Having the resources is only one part of the equation; companies need to know how to respond and deploy resources during a cyber event as well.
To do that, one needs to consider the dynamic between companies and cyber threat actors. To condense, cyber threat actors work rapidly in networks, whilst companies and whole industries tend to work in silos at a comparatively glacial pace. In order to counteract these cyber threat actors, companies need to think of themselves as part of a wider ecosystem that works in tandem to mitigate cybersecurity risks and share best practices.

Going beyond having adequately resourced cybersecurity teams, companies would do well to consider the role they play in the wider ecosystem. Often, the currency of cybersecurity intelligence and adequate disclosures from cyber events would help companies have a complete picture of trending cyber events and the extent of damages. The more informed a company, the greater the ability to build a cybersecurity playbook and corresponding infrastructure that can weather a range of cyber events. Without foresight, companies may adopt the latest technologies used in the market and still find that cyber threat actors are able to identify the chink in the armour and sidestep all the security spending regardless.

"It is no longer just software companies where cybersecurity is a material issue. Rather, all companies within the digital supply chain network are exposed to this risk, making cybersecurity an increasingly sector-agnostic issue."

Collaboration on cybersecurity efforts in the wider digital supply chain network: As companies adopt more technology in their business processes, they are now connected to other companies through a network of third-party vendors that provide these resources. A consequence of this interconnectivity is the increase in the possible entry points, where a well-placed breach could mean access to multiple companies within the digital supply chain network. As such, not only is the digital supply chain network a potential conduit for cyber threats, it is increasingly also a target for disruption due to the increased accessibility to companies up and downstream.

It is no longer just software companies where cybersecurity is a material issue. Rather, all companies within the digital supply chain network are exposed to this risk, making cybersecurity an increasingly sector-agnostic issue.

To address this, companies could consider digital supply chain risk management as part of its business risk management framework. And as a starting point, companies can look towards providing clear communication of cybersecurity requirements for all third-party vendors and ensure communication channels are set up to support real-time communication and resolution tactics in the case of a cyber event.

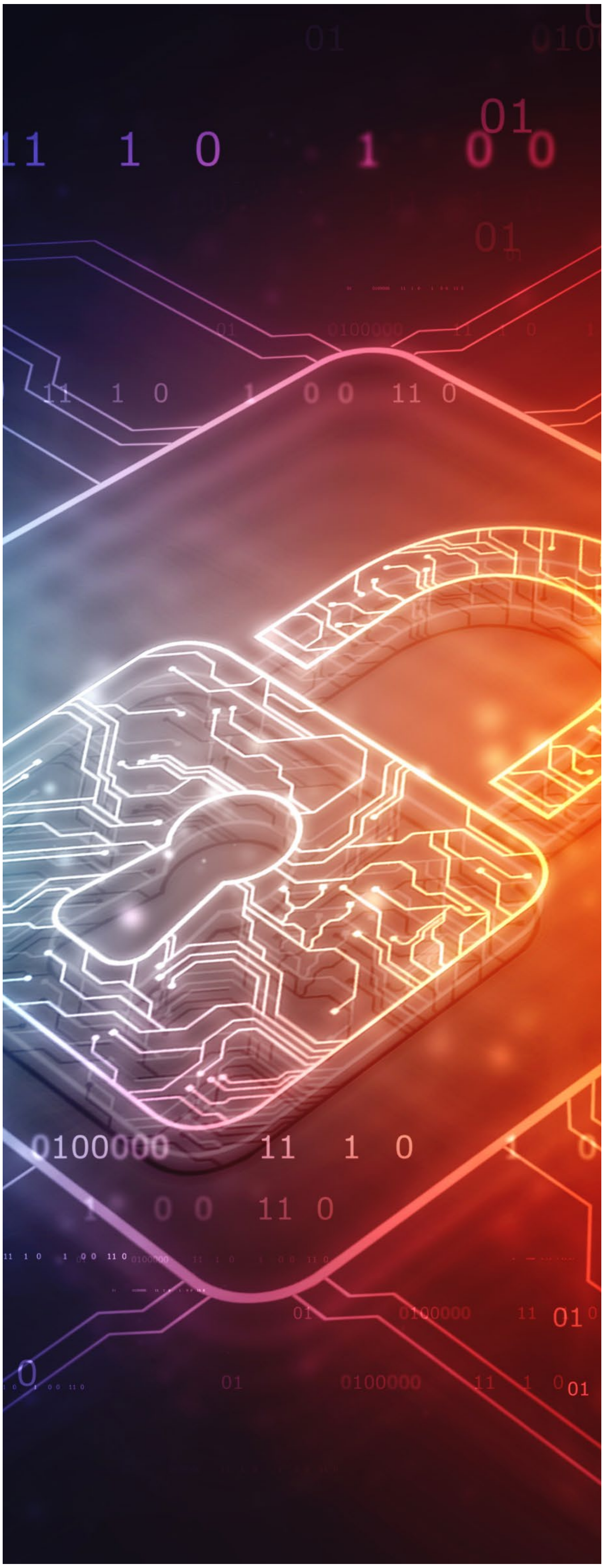
"Companies should look to map their stakeholders and communication channels as well as identify the ecosystem of internal and external responding partners so that they can easily deploy solutions and gain feedback during a cyber event."

IBM has found that only one in three breaches were detected by the company itself, with 27% of breaches disclosed by a threat actor, and 40% disclosed by a neutral third party such as law enforcement. This highlights the importance of establishing channels for real-time communication in threat detection. Companies should look to map their stakeholders and communication channels as well as identify the ecosystem of internal and external responding partners so that they can easily deploy solutions and gain feedback during a cyber event. It is important to identify these partnerships early and, where possible, include this identified group, who will form the front line in responding to a cyber event, in cybersecurity awareness trainings and simulation exercises as part of business continuity management.

Where the market role might end, and international regulation begins. Cybersecurity is increasingly a sector-agnostic issue with wide-ranging impact that can transcend national borders. Without public policy consensus, it is left to industries to determine the minimum standards and best practices during cyber events. The lack of this consensus, either in the form of public policy or industry standards, regarding how to respond in a cyber event can mean that companies often bend to the immense pressure that cyber threat actors levy. Caught between a rock and a hard place, companies may have limited time to choose between paying the ransom or risk having their private and proprietary data be released online.

This is where international collaboration would prove helpful. IBM has found that silence on breaches comes with a price. In the case of ransomware, companies that involved law enforcement saved USD 470,000 in average costs and reduced the average lifecycle of a breach by 33 days compared to those that elected otherwise. Despite these potential savings, 37% of ransomware victims studied did not involve law enforcement in a ransomware attack and nearly half of these companies had paid the ransom. Strides have been made in the past few years to create consensus and secure channels for companies to disclose in a safe and timely manner. For example, the SEC drafted new guidance on cybersecurity risk management, strategy, governance, and incident disclosure following a watershed event in 2020. On a wider scale, in October 2023, 40 countries in the International Counter Ransomware Initiative vowed not to pay ransom, as they looked to eliminate hackers' funding mechanism. However, in the absence of consensus of solutions to deploy in a cyber event, the jury is out on whether this alliance and measures will hold. We can also look towards developments coming out of the United Nations as the UN Global Digital Compact is undergoing consultations this year and, regionally, to the ASEAN Digital Masterplan set for 2025.

More than the sum of its parts: Taken individually, these measures can help enhance cybersecurity efforts of a company. However, it is the ability to deploy these measures together in a manner that addresses the company's unique risk profile, and in alignment with the wider ecosystem, that will elevate the wider systemic resilience of industries, globally. Lifting the digital curtain on cybersecurity concerns and best practices have never been of more prescience than today. For investors, spending time understanding portfolio companies' cybersecurity governance and maturity is time well spent.



Proprietary tools to support investment decisions and client reporting

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

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

ESGenie

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

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

ESG Controversies Active Monitoring System

a built-in portfolio controversy monitoring feature

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

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

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

HERA ESG

a centralised cloud that powers our ESG monitoring and reporting

HERA is Eastspring's proprietary cloud-native Data & AI platform, which empowers users to perform data analytics and create customised reports. Chief amongst its functions includes HERA ESG, which holds select ESG data and powers analytics built on a centralised data source. HERA ESG powers the five dashboards that are currently developed for reporting and monitoring, and enhancements will be made on an ongoing basis. In 2023, we have started rolling out centralised data access and dashboards to Eastspring LBUs. For more information on our dashboards, please refer to our Climate Change chapter on page 75.

SINGAPORE

At the end of 2023, 87% of Eastspring Singapore's SICAV range of funds* were classified as Article 8 funds under the EU's Sustainable Finance Disclosure Regulation ("SFDR"), the remaining 13% are classified as Article 6 funds. We have developed a suite of ESG-themed strategies focused on measurable social and environmental impact alongside long-term returns and we will continue to expand the development of ESG solutions with the evolving demand of our clients. Eastspring Singapore manages four strategies, Asia ESG Bond Fund (2019), CICC China USD ESG Bond Fund (2022), Japan ESG Equity Fund (2022), and Global Emerging Markets Carbon Transition Strategy (2022).

INDONESIA

Eastspring Indonesia manages one strategy, the Reksa Dana Indeks Eastspring ESG IDX Leaders Plus Fund, which was launched in 2022 in partnership with the Indonesia Stock Exchange ("IDX").

MALAYSIA

At the end of 2023, Eastspring Malaysia manages five strategies. This includes the Global Impact Fund, which was launched in 2022, as well as four mandates, including one that was won in 2023. These mandates are USD ESG Fixed Income strategy, ESG Domestic Small Capitalisation Equity strategy, and two ESG Domestic Equity strategies.

SOUTH KOREA

Eastspring Korea manages one strategy, the Industry Leaders ESG Securities Mother Fund, which it had converted into an ESG fund in 2021.

THAILAND

Eastspring Thailand manages a total of three strategies. This includes the Thanachart Global Sustainable Equity Fund (2019), Thanachart Eastspring Global Green Energy Fund (2020), and the recently launched Eastspring SETESG Open Fund (2023). The latter fund is passively managed to replicate the Thailand Stock Exchange's SETESG Index. The SETESG Index constituents are selected via an assessment of sustainable stocks of listed companies prepared by the Stock Exchange of Thailand, based on performance data, and environmental, social, and corporate governance operations. The fund strategy is to minimise tracking error.

VIETNAM

Eastspring Vietnam manages one strategy, the Vietnam Prulink Sustainable Development Fund (2024), an innovative investment strategy that aims to generate financial returns and positive social and environmental impact outcomes by investing in Vietnamese listed public companies that contribute to the advancement of the United Nations Sustainable Development Goals ("SDGs") through their products and services.

* This include funds that Eastspring Singapore directly manage as well as funds that are sub delegated to third party managers.

Our ESG strategic offerings

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

United Nations-supported Principles of Responsible Investment ("PRI")

Eastspring has been a PRI signatory since February 2018. The 2023 PRI Reporting cycle marks the third year that Eastspring has produced an official PRI Report.

2023 PRI Assessment

In this assessment, we are pleased to receive scores that place us at and above our peer median group. We are pleased to report improvement in our scores, producing our first 5-star ratings in the Fixed Income modules and reporting on our Private Equity capabilities, gaining us the first 4-star rating in this category. We will continue to uphold the commitments of PRI and make enhancements to our policy and processes, in line with industry developments, with the goal of improving our ratings over time.

Module	Eastspring	Peer Median
Policy Governance and Strategy	★★★★	★★★
Indirect **Private Equity**	★★★★	★★★
Direct **Listed Equity** **Active Quantitative**	★★★★	★★★★
Direct **Listed Equity** **Active Fundamental**	★★★★	★★★★
Direct **Fixed Income** **Sovereign, Supranational, Agency ("SSA")**	★★★★★	★★★
Direct **Fixed Income** **Corporate**	★★★★★	★★★★
Confidence Building Measures	★★★★	★★★★

Providing ESG-related training

As part of ongoing training and development initiatives for staff members, the following ESG-related training programmes have been made available in 2023.

Board-level training

In 2023, the Eastspring Group board of directors, executive team, as well as members of the investments and risk teams participated in climate scenario training sessions. The purpose of these sessions was to gain a better understanding of the how the dynamic worlds of climate change, policy response, and investment implications were interrelated, and to instil an understanding of the size and urgency of the challenge to keep warming to below 1.5°C. Utilising a tool developed in part by professors at MIT Sloan Sustainability Initiative, participants were able to explore the levers available to change behaviours, guide the market and enact change, all with the aim of limiting the most dangerous impacts of the various climate change pathways.

Staff training

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

1a. PRI Academy: Understanding Responsible Investment

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

OR

1b. PRI Academy: Applied Responsible Investment

Duration: 10 hours

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

All staff, Opt-in

2. CFA® Institute: Certificate in ESG Investing

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

All Staff, Opt-in

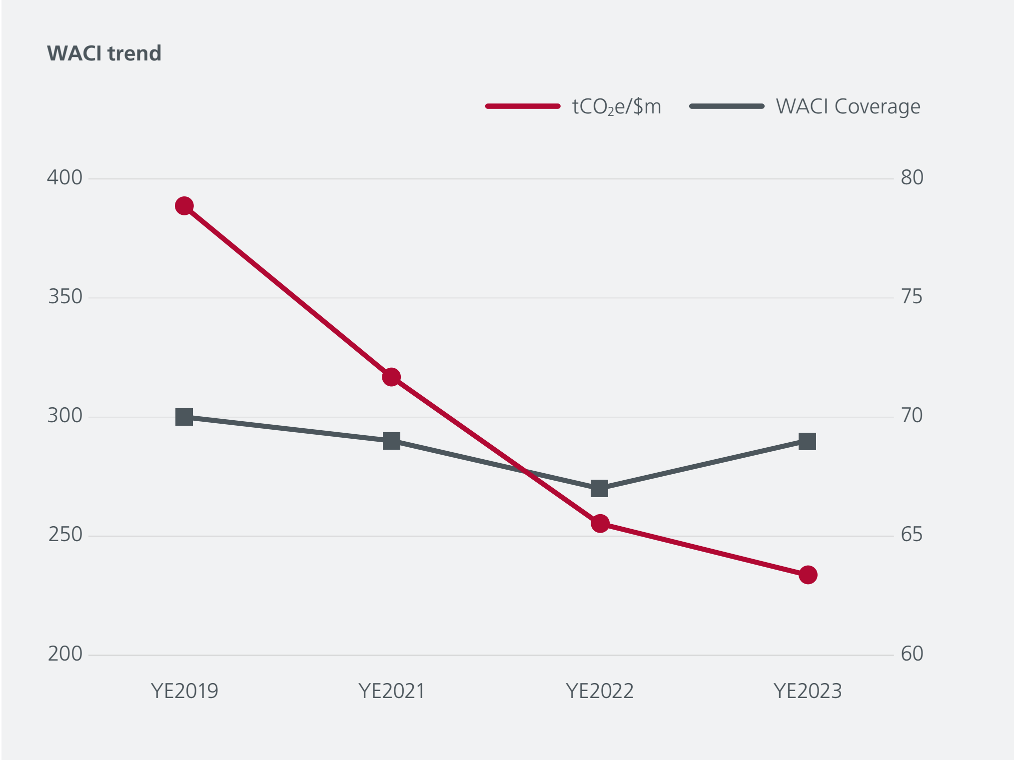
Climate change

Contents

Climate change is a sustainability challenge facing us all and the transition towards a low carbon economy is one that requires global solutions. For investors, climate change and the need for a rapid transition to a low-carbon economy present significant financial risks as well as investment opportunities. Eastspring believes in the need for a just and inclusive transition, and are focusing our support on accelerating the clean energy transition through engagement and opportunities for financing, rather than solely divestment.

Drove a 50% decline in Prudential's Weighted Average Carbon Intensity ("WACI") to 192 tCO_2e/\$m revenue in 2023 using a 2019 baseline.

Eastspring continues to improve the carbon efficiency of Prudential's investment portfolio[1]. By the end of 2023, there had been a 50% decline in the WACI of the investment portfolio against its 2019 baseline. Based on the strong progress made at the end of 2022, in August 2023, Prudential revised its WACI target upwards, committing to deliver a 55% reduction in the carbon intensity of its investment portfolio by 2030, compared with its 2019 baseline[2]. We will continue to take advantage of opportunities to reduce WACI and to meet Prudential's upgraded target for a 55% reduction. For more information on the initiatives that we work on with Prudential, please refer to page 79.



[1] Prudential investment portfolio ("investment portfolio") includes both listed equities and corporate bonds, whilst excluding assets held by joint venture businesses and assets in unit-linked funds as we do not have full authority to change the investment strategies of these.
The carbon footprint of the investment portfolio is calculated for the following assets, in line with industry practice and standards:
- Assets from wholly owned businesses only;
- Shareholder and policyholder assets only;
- Assets in the following asset classes only: listed equities and classified bonds, using industry practice; and
- Assets in the following investment vehicles: segregated mandates, collective investment schemes, and exchange traded funds ("ETFs").

For more information on scope, methodology, and assurance please refer to Prudential's Basis of Reporting, available here.

[2] In May 2021, Prudential committed to achieving net-zero emissions by 2050 for its insurance assets and announced its target for a 25% reduction in WACI within its investment portfolio by 2025.

Completed annual Central Engagement programme for Climate Change and Decarbonisation including a review of the original 71 companies[3] selected in the pilot year of engagement.

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

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

In our capacity as active owners, we encourage companies to set long-term decarbonisation targets, aligned at a minimum to their country's NDCs to the Paris Agreement, so that we can leverage on wider industry alignment to net-zero goals. For more information on how we conduct central engagement, please refer to page 17.

[3] We have assessed 86 holdings responsible for 65% of the absolute emissions in Prudential's investment portfolio, which translated into 72 companies as of June 2021. Since then, there were two companies from that were acquired and merged into a new single entity. Therefore, the starting group of companies for review is now 71 companies.

Central Engagement Programme

65%
absolute emissions

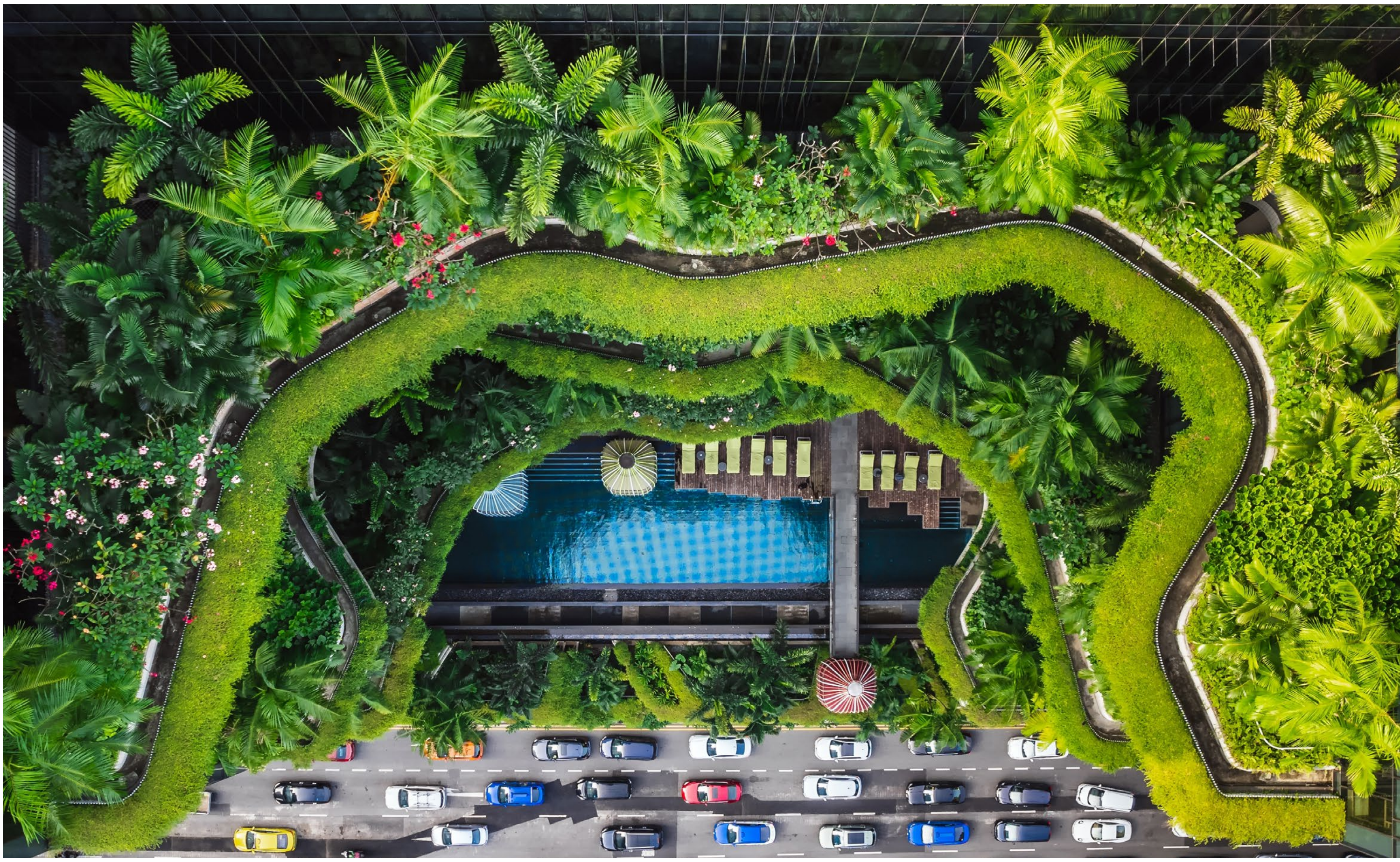
71
companies

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

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

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

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



Governance and risk management

Disclose the organisation's governance around climate-related risks and opportunities.

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

Eastspring RI governance structure

In 2022, we streamlined our governance structure so that it is well-placed to oversee our harmonised Group RI policy and approach. The Eastspring Board of Directors ("Board") oversees senior management represented on the Eastspring Executive Management Committee ("EMC"), which drives our day-to-day operations globally, and therefore have ownership and bear ultimate responsibility in the setting of 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 of the EMC and is delegated responsibility by the Board to oversee the execution of Eastspring's RI activities. This includes serving as a forum for decision making and as a sponsor of resource allocation to strategic Sustainability and Responsible Investment priorities. The 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;
- Provide direction for the Sustainability Workstreams and a forum to oversee and approve their proposals;
- Make decisions relating to the Eastspring RI policy, including updates and exclusion exemptions;

- Promote the culture and approach to RI across business activities;
- Oversee the implementation and monitoring ongoing compliance with the framework to manage ESG risks;
- Monitor the impact of sustainability and RI developments; and
- Review material disclosures in RI reports

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

Risk management

The Risk Workstream has been tasked to drive and monitor projects and activities delegated under this workstream by the Sustainability Committee. In 2023, we developed the Eastspring ESG Risk Management Framework to formalise the approach undertaken by the second line to provide oversight over ESG risks across the organisation. It establishes how we manage ESG risks in line with Eastspring's scope of business and sets out the key principles for the oversight of ESG risks on an ongoing basis.

Following the successful completion of projects to implement ESG-related regulations and ESG risk oversight into business-as-usual ("BAU") processes, the Risk Workstream was closed at the end of 2023. Significant ESG-related risk issues are flagged through BAU processes now in place and escalated to the Risk Management Committee ("RMC") to ensure that appropriate and timely actions are taken. For the avoidance of doubt, any material exceptions are to be further escalated to the Board. Where needed, oversight of the remediation process shall be carried out by the Investment Risk team in collaboration with other relevant stakeholders.

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

First line: The investment teams monitor financially material ESG factors, which may include proxies for measuring climate-related risk, as part of the research, portfolio construction, and ongoing portfolio risk review processes. Investment teams utilise desktop tools, combining a range of ESG data sources and frameworks, to monitor for changes that may impact the portfolio and apply judgement in assessing the portfolio. At this stage, the identification, assessment, and management of climate risk is driven by expectations set out by clients. In parallel, we are enhancing our capabilities for understanding forward-looking metrics within our portfolios.

We fundamentally believe that active ownership is a key part in the marathon towards a net-zero economy. The investments teams use company engagements to monitor for progress and to promote sustainable business practices. The Sustainability team also conducts thematic engagements, including climate change and decarbonisation, under our Central Engagement programme. For more information on our active ownership initiatives and a wider range of case studies, please refer to page 15.

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

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

Responding to local guidelines

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

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

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

Strategy, metrics and targets

We consider environmental risks, including climate risks, and opportunities in the assessment of current and potential portfolio companies. We continue to make strides in our climate change mitigation, portfolio resilience, and risk management efforts across various fronts.

Near-term projects

We believe continuing to add robustness to our climate strategy is a necessary enhancement that takes keen understanding of the local markets in which we operate in. In 2023, we have begun work to better understand our Scope 3 carbon emissions profile and to incorporate biodiversity concerns into our policy and engagement. For more information on our engagement with the Scope 3 emitters and timber companies, please refer to the Active Ownership chapter.

Driving the climate ambitions of Prudential

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

Climate targets	Metric rationale	2023 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 proxy for the climate transition risk in our investment portfolio: a higher WACI normally indicates that an investment portfolio has to transition more extensively to align with the Paris Agreement. By reducing the WACI of our portfolios, we also support the transition to a low-carbon economy. 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 end of 2023, we reduced the WACI of Prudential's investment portfolio by 50% against its 2019 baseline. This also translates into a 16% year-on-year reduction of WACI from end 2022. Investment decisions such as strategic asset allocation, portfolio construction, and investment selection can influence the direction of the WACI, as can changes in the carbon emissions intensity of the underlying businesses in which we invest. To ensure that we continue to manage portfolio WACI, we look towards both portfolio innovation and effective corporate engagement to further improve carbon efficiency and enhance disclosures on carbon emissions.

Climate targets	Metric rationale	2023 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 with recommendations from NZAOA. Engagement with investee companies is core to our active ownership responsibilities. We aim to encourage business and management practices that support positive enhancement of material ESG traits or mitigation of material ESG risks across our holdings through constructive engagement based on our in-depth knowledge of our investments in the context of their business environment.	We completed the second year of our Climate Change and Decarbonisation thematic engagement. This is helmed by the Sustainability team under its Central Engagement Programme. We refreshed the engagement programme in June 2023. We conducted a review of the companies in the pilot year of this programme. Engagement is underway and will continue into 2024. For more information on the Central Engagement Programme, please refer to page 17.

Climate targets	Metric rationale	2023 status update
Divestment from all direct investments in businesses which derive more than **30%** of their revenue from coal	We believe our coal policy supports a just and inclusive transition in the markets that we operate and demonstrates how we strike a balance between active ownership and exiting investments when ESG risks are insurmountable or where continued engagement is considered ineffective. Whilst we consider companies that are highly dependent on coal as a stranded asset risk, we also recognise the challenges faced by our LBUs in emerging markets, which invest in underdeveloped capital markets. 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.	We are fully divested from directly-held equity and fixed income assets in the investment portfolio, as of Q1 2023. This is an annual target, and the investment portfolio is constantly reviewed against this threshold. This is an annual target, and the investment portfolio is constantly reviewed against this threshold.

Improving climate reporting capabilities for Eastspring

Investment portfolio Scope 3 carbon footprint: To gain a more robust understanding of our climate strategy, we made the necessary enhancement of measuring and monitoring the Scope 3 emissions of the investment portfolio. As a first course of action, we have begun engagements with the top 20 emitters of Scope 3 emissions.

Operational carbon footprint: The vast majority of Eastspring's emissions arise from the indirect emissions from its investment portfolio, and we continue to improve the carbon efficiency of the portfolio. Whilst investment targets have been the focus, Eastspring plans to look into operational emissions and consider targets in the year ahead as part of the Sustainability Workstreams.

Category		FY2023
Operational carbon footprint	Total scope 1 – tonnes CO_2e	53.57
	Total scope 2 – tonnes CO_2e (location–based)	1,114
	Total scope 2 – tonnes CO_2e (market–based)	1,114
	Total scope 3 – tonnes CO_2e	1,428
Waste	Total non-hazardous waste produced – tonnes	7.13
	Total non-hazardous waste produced – tonnes/FTE	0.01
Electricity	Total electricity consumption (MWh)	2,306
Water	Total water consumption (m^3)	13,813
	Water consumption – m^3/FTE	11.72

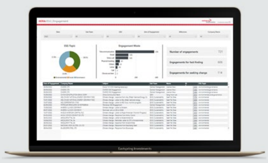
The data in this table represents Eastspring Group, and is a subset of data collected and assured by parent company, Prudential plc. For more information, please refer to Prudential's Basis of Reporting here.

We made headway into this during 2023 when Eastspring commenced planning for the relocation of its largest, central office in Singapore. Included in this decision were sustainability considerations including carbon emissions. A combination of a newer, more energy efficient office and a shift in the way we work towards activity-based working, means that we expect to see an improvement in our carbon, water, and waste metrics in 2024.

WACI & Exposures Dashboard

This dashboard is used to monitor the WACI and exclusion exposures of Prudential investment portfolio, allowing for ease in reporting on progress against our targets.

Engagement Dashboard

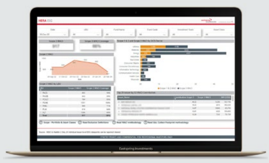


This dashboard is used to consolidate all ESG engagement activity across Eastspring Group, allowing for a quick aggregation and breakdown of all our engagement statistics.

Climate Risk Dashboard

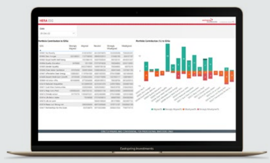
The dashboard is used to view the CVaR and ITR of the investment portfolio across various climate scenarios, allowing for quick comparisons.

Scope 3 Emissions Dashboard



The dashboard is used to monitor Scope 3 emissions. Whilst not formally a part of the WACI target, this metric is monitored, and the securities with the largest contribution are identified.

SDG Dashboard



The dashboard is used to monitor the extent to which a portfolio is aligned – either positively or negatively – to the United Nations Sustainable Development Goals.

Enhancing our data capabilities for strategic projects

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

Eastspring also recognises the challenges that arise with incomplete data. As a data user, we are at the end of the data value chain, using data disclosed by investees through reporting frameworks such as the TCFD recommendations and CDP. Data availability therefore remains an ongoing challenge, as is reflected in the coverage level of the WACI and financed emissions for our investment portfolio shown in this section. We continue to work with data providers to improve the availability of data. An increase in data coverage may have the impact of either raising or lowering the WACI of our investment portfolio if the profile of the new companies' data is different to those already included in the current coverage. We expect such limitations to be overcome as more climate disclosures occur in these regions, potentially using established frameworks such as the TCFD or the anticipated standards from the ISSB.

Medium to longer-term projects

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

Portfolio forward-looking metrics

We have been exploring forward looking metrics such as Climate Value at Risk ("CVaR") and Implied Temperature Rise ("ITR") to gain a better sense of the forward-looking risk profile of our portfolios. Leveraging on analysis conducted by Prudential, three representative scenarios have been selected. We use the orderly transition, disorderly transition and hot house world scenarios aligned to those provided by the Network for Greening the Financial System ("NGFS"), to identify risks over the short, medium, and long term. These scenarios are very rich in detail, providing high levels of insight into the financial implications that could emerge from such pathways.

These scenarios offer detailed insight into the potential financial implications of the different pathways and can simulate complex interactions between energy, economy, and climate systems, considering both policy and technology developments. We use data from external providers who have adjusted the calibration of the scenarios to employ non-equilibrium economic models to reflect real-world inefficiencies.

In 2023, as part of ongoing internal monitoring of various portfolios, including the Prudential investment portfolio, we improved data visualisation and presentation on the in-house CVaR dashboard. We also increased the coverage of funds on the in-house dashboard and engaged our data provider to enhance their model for CVaR.

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.

Improved data visualisation and presentation on the in-house dashboard: We revisited the in-house dashboard to further refine presentation of data for internal monitoring and stakeholder reporting. One of the key enhancements was to provide clearer visualisation on the investment portfolio's exposure to physical and transition climate change risks, which allowed us a closer look at changes to each metric over time. We will continue to develop our internal understanding of these metrics, taking into consideration that external disclosures will be enhanced when identified challenges are appropriately addressed or can be mitigated.

Increased the coverage of funds on the in-house dashboard: Since building the dashboard for the funds we manage on behalf of Prudential, we have increased the scope of funds onboarded in 2023. We have onboarded our SICAV funds and extended access to Eastspring Taiwan, with a view to roll out to the other LBUs in time. In rolling out the dashboard to Eastspring Taiwan, the local teams have ample time to better understand forward-looking climate risk metrics as they prepare for local regulatory disclosure expectations.

Laura Lai, Vice President of Research & Investments, shares, *"We are now better prepared for TCFD reporting, specifically how we can report the potential impact of climate-related risks on our bottom lines. CVaR dashboard established by the team offers insights into how our profits could be affected as the size of loss on a portfolio of assets are readily available for us."*

Engaged our 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., ice sheet melt, 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 like historical financial statements.

We maintain a feedback loop with our data provider, engaging them on enhancements and advocating for a more interactive model that uses systems dynamics for the relationship between physical and transition risks. In addition, where we notice risk metrics that might appear to not accurately capture or reflect a company's location and industry, we raise these with the data provider for investigation, with the purpose of improving overall data quality.

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 in deriving insight for managing climate risk over the long-term.

Partnership with Prudential

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

Supporting Prudential's Sustainability Strategy

In 2023, Prudential launched its refreshed Sustainability strategy, which consists of three pillars that reflect 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.

Sustainability Strategy

Purpose

For Every Life, For Every Future

Ambition

Sustainability for real-world impact and long-term resilience

Pillars and Priorities

Pillar 1

Simple and accessible health and financial protection

Increase access to health and financial protection for every life

- Delivering partnerships and digital innovation for health outcomes
- Developing sustainable and inclusive offerings
- Building resilient communities

Pillar 2

Responsible investment

Enable a just and inclusive transition to net zero for every future

- Decarbonising our portfolio
- Financing a just and inclusive transition
- Mainstreaming responsible investments in emerging markets

Pillar 3

Sustainable business

Embed ESG into our business and value chain to amplify the pace and scale of our impact

- Empowering our people
- Establishing sustainable operations and value chain
- Harnessing thought leadership to shape the agenda

Foundation

Good governance and responsible business practices

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

Success metrics

Net zero asset owner by 2025
55% WACI reduction by 2030

All people managers with ESG-linked KPIs by 2026

Governance: Groupwide Responsible Investment Working Group ("GRIWG")

Co-chaired by Prudential's CIO and the CIO of Eastspring, the GRIWG provides a regular forum for discussing responsible investment approaches and monitoring progress towards decarbonising our investment portfolio. Members to this forum include Head of Sustainability as well as representatives of the Sustainability and ESG Specialist teams. The GRIWG meets monthly to monitor the implementation of current responsible investment activities, in addition to assessing new initiatives.

Prudential Governance Structure

Risk Committee ("GRC")
Board committee that reviews the Group's material risk exposures, and monitors the Group's reporting against the recommendations of the TCFD.

Responsibility & Sustainability Working Group ("RSWG')
Board-level working group that oversees embedding the Group's sustainability strategy.

Group Sustainability Committee
Responsible for assessing sustainability matters holistically at Group level.

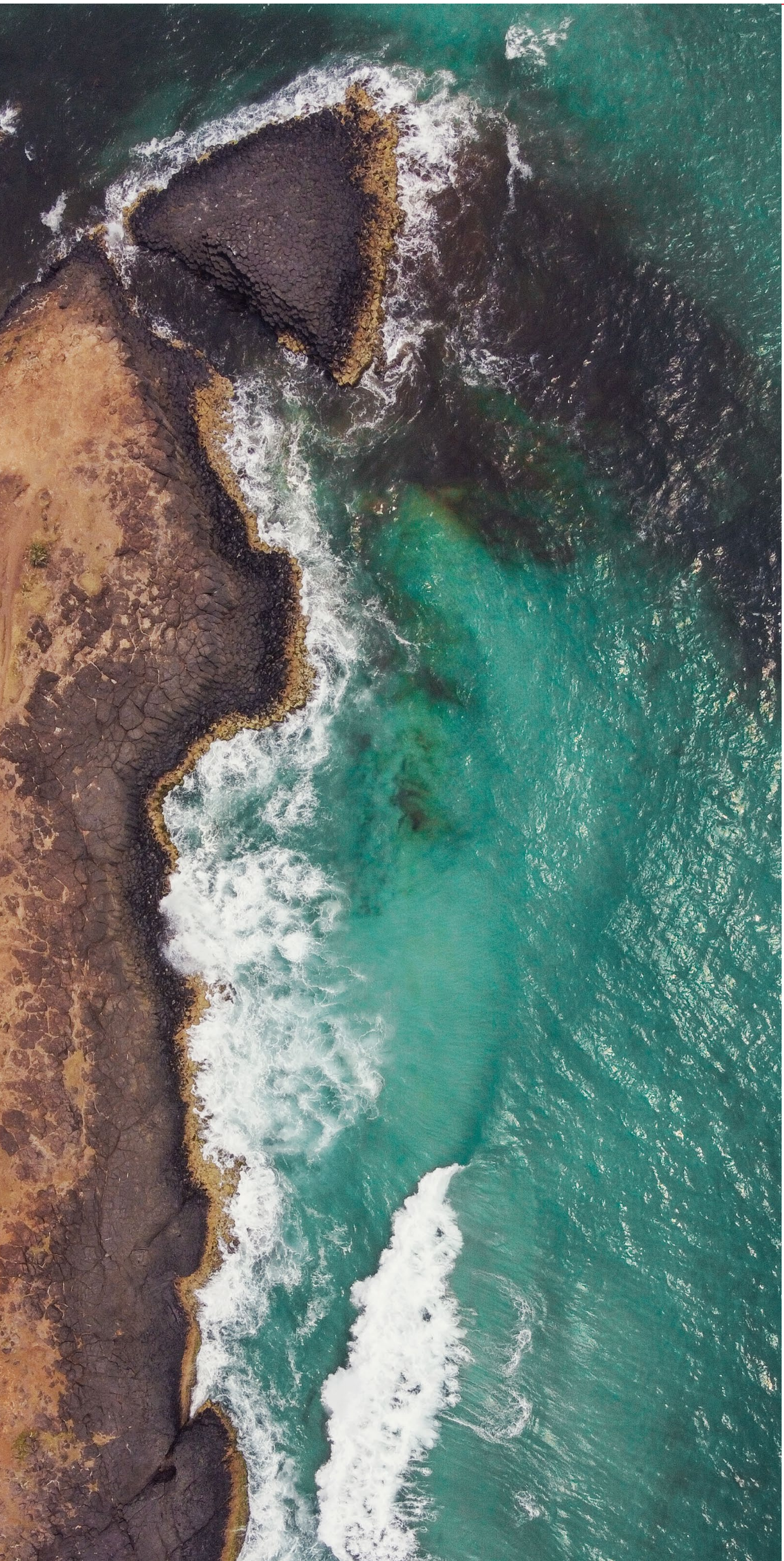
Group Investment Committee ("GIC")
Oversees Group-wide investment performance and risk exposures, including those impacting policyholders.
Members include asset manager CEO, CIO and Chief Actuary.

Group Responsible Investment Working Group ("GRIWG")
Oversees all responsible investment activity across the Group.

To oversee its responsible investment activities and monitor progress towards our commitments, Prudential has established a robust governance framework. At the Board level, the Risk Committee oversees environmental and climate-related risk, our commitment to decarbonise our operations and investment portfolio, and other responsible investment commitments.

The Responsibility & Sustainability Working Group also sits at the Board level and oversees the integration of our Group sustainability strategy throughout the organisation.

The Group Sustainability Committee oversees responsible investment activity and has delegated operational responsibilities to the Group Responsible Investment Working Group.



Towards a Just and Inclusive Transition

Decarbonising the global economy requires global solutions and global decarbonisation needs to be managed in a just and inclusive way that considers the specific needs of emerging markets. Companies operating in emerging markets might not be able to meet the high decarbonisation thresholds set by developed markets as they are at very different stages of economic development, as reflected in the net zero scenario of the International Energy Agency. The needs of these markets typically include a higher dependence on fossil fuels because it tends to be more affordable and more stable, allowing for these markets to address pressing social and development needs. The challenges of investing for development versus reallocating capital for decarbonisation often leaves emerging markets underrepresented in climate-related investment strategies because existing frameworks have created a bias against investing in them. Shifting capital away from regions where transition financing is most needed hampers not only the climate transition, but also long term sustainable social and economic growth in these regions.

In 2022, Prudential published a white paper Supporting a just and inclusive transition making the case for a just and inclusive transition and outlining the issues we want to help address through responsible investment. Currently, most global responsible investment frameworks do not differentiate between emerging and developed markets – applying the same standards and thresholds to both, despite the different risks and challenges they face. This is a barrier to much-needed investment to finance the transition and not in line with the 'common but differentiated responsibilities principle' of the Paris agreement.

With operations in Asia and Africa, Prudential is well placed to use its scale and position to drive positive change by ensuring that the needs of emerging markets are considered in its investment decisions. Its approach to responsible investment is built around three key themes:

- Financing a just and inclusive transition
- Decarbonising our portfolio
- Mainstreaming responsible investments in emerging markets.

Driving Just Transition through Active Ownership and ESG Integration

Eastspring complements Prudential's approach particularly through our active ownership activities, as Eastspring drives engagement with companies on funds that we manage on their behalf. For more information on our thematic engagement for Climate Change and Decarbonisation, please refer to page 23.

In addition, Eastspring investment teams have been considering categories across the transition financing spectrum, including both 'green' and 'brown-to-green' investments, in discussions on investment strategies. As of September 2023, Eastspring's Global Emerging Markets Carbon Transition strategy has been operational for one year. Launched in 2022, the strategy manages equities against the MSCI Climate Change Index and commits to deliver a diversified equity portfolio that has a WACI below this index. The strategy will also look to identify attractively valued low-carbon opportunities in developing countries, such as wind energy, solar energy, and water treatment. By design, this strategy delivers a lower WACI than that of the broader Emerging Market Equity universe. This in turn aims to provide a potential solution to institutional investors that want to lower their carbon footprint but remain invested in emerging markets. For more information on our how we are thinking about transition financing, please refer to page 52.

Finally, driven by the ESG Specialist team embedded in the Investment function, the Sectoral Decarbonisation Group has started development on a carbon modelling tool, applying it to various test cases as the group looks to enhance the accuracy and robustness of the tool.

Driving Just Transition via the Net Zero Asset Owner Alliance

Since 2021, Prudential has been a key supporter and member of the United Nations-convened Net-Zero Asset Owner Alliance, whose members have committed to transitioning investment portfolios to net-zero greenhouse gas emissions by 2050 consistent with a maximum temperature rise of 1.5˚C above pre-industrial levels; establishing intermediate targets; and to regularly reporting on progress. As an active member, and one that can lend a unique perspective on investing in both developed and emerging markets, Prudential supports their wider policy and outreach work, including the Emerging Markets Transition Investment ("EMTI") project.

Eastspring participates and contributes to these discussions, lending our expertise in Asia and the emerging markets to bring an added perspective of the challenges that these markets face in the energy transition. By raising awareness, it generates thinking on relevant solutions that more actively consider the impact of climate change on emerging and developing markets. We believe this represents a key and critical step in acknowledging developing economies in a just and inclusive transition. In 2023, Prudential and Eastspring supported specific NZAOA sub-tracks, advancing progress on:

- **Financing the transition in Emerging Markets**: Prudential initiated and leads this sub-track and started the EMTI project, with the objective of accelerating investment towards the net-zero transition of emerging markets. As part of the EMTI project, Prudential and Eastspring had previously organised two round tables in 2022 culminating in the publication of two papers Code Red: Urgent Action on Emerging Markets Transition Investment (2022) and Code Red! Call for Action on Responsible Corporate Engagement in Emerging Markets (2023).
- **Scope 3 Emissions**: Eastspring supports Prudential in its membership of NZAOA. By sharing our perspectives as an Asian-based an asset manager, we look to provide dimension to the body's discussions. In 2023, Eastspring participated in the Alliance's Scope 3 working group, which worked to draft a discussion paper on this current issue.

For a more extensive look at the work Prudential does with NZAOA, please refer to the Prudential Sustainability Report 2023.

Community and people

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

Year in Review: Our 2023 Initiatives

EASTSPRING TAIWAN

Expanding the reach of the Cha-Ching across Taiwan

Eastspring Taiwan, in a joint-effort with Prudential Taiwan, first collaborated with Taiwan educational authorities to launch the children financial literacy programme, Cha-Ching, in New Taipei City and Keelung City in 2019. As part of this effort, Eastspring Taiwan supported seeded schools in the implementation of Cha-Ching curriculums and via Cha-Ching weeks on campus, so that a larger population of elementary school students have ready access to basic financial knowledge.

In 2023, we expanded the programme to two rural elementary schools in New Taipei City, expanding the reach of the programme to more students. We had also invited 50 students from these schools to our office to take part in a basic education session on Cha-Ching, complete with a fieldtrip to Taipei 101. This year, we have also seeded 10 candidates to become qualified Cha-Ching teachers who will be placed under the tutelage of our Taiwan Cha-Ching teacher, who has 25 years of teaching experience. The new batch of teachers will be instrumental in our plan to expand the reach of the Cha-Ching to other counties.

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

Prudence Foundation: Cha-Ching programme

Cha-Ching is Prudence Foundation's flagship and award-winning global financial literacy education and responsibility programme, which provides a tailored curriculum for children aged between seven and 12. The programme aims to address financial literacy gaps across our markets, by providing a blended learning approach, leveraging digital tools and platforms, and implementing a classroom-based programme which can be taught by trained teachers in schools. Our focus is to cultivate strong financial literacy foundations and make the programme freely available and easily accessible to millions of children, parents, and teachers.

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

The programme is currently being taught in 16 markets. By the end of 2023, over two million children have been taught and over 66,000 teachers trained cumulatively since the programme's inception in 2016. The programme is available in English, French, Bahasa Indonesia, Bahasa Malaysia, Chinese, Cambodian, Vietnamese, and Thai. This year, a pilot programme was launched in Cameroon.

For more information on the programme, please refer to the Prudential Sustainability Report 2023.

EASTSPRING SINGAPORE

Spring for Kids Fundraising for Singapore Children's Society

In its annual fundraiser, Spring for Kids, Eastspring Singapore rallied to put up 136 listings in both its online auction and a one-day bazaar. The event raised SGD 55,000 for partner charities, Singapore Children's Society and Community Chest. The funds raised provide children with food and safe shelter, and support "Tinkle Friend," a national toll-free helpline and chatline that provides primary school children in Singapore a listening ear.

Singapore Children's Society Outing & Gift-a-Wish

Eastspring Singapore continued its support for the Singapore Children's Society as it organised two more events later in the year. Bringing the festivities to the youth that the charity supports, Eastspring Singapore put together an outing to the AdventureHQ, chaperoned by colleagues, and in tandem with the annual Christmas Gift-A-Wish event, where gifts for up to 150 children and youth beneficiaries were handwrapped and delivered.

EASTSPRING MALAYSIA

Project 1000-Days Nutrition Program

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

In 2023, Eastspring Malaysia embarked on Project 1000-Days Nutrition 3.0 ("PTDN 3.0"), which is a continuation of PTDN 1.0 & PTDN 2.0 carried out between 2020-2022. The programme included:

- Weekly supply of essential items for six months to 50 families, providing support to 250 people including children.
- Six small group nutrition education programs for parents on food nutrition.
- Incorporation of financial literacy that will guide parents to make the best food purchases for their families.
- Improvement on the beneficiary's (children) health statistics.
- Proposed submission of this project to IMU ethics committee for approval to be included as a research project for publication which will aid in promoting the future health of the mothers and children amongst the B40* population through better public policy formulations.

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

Fabric Recycling Collection Campaign

In April 2023, Eastspring Malaysia collaborated with Kloth Cares Malaysia for a fabric recycling campaign as part of its efforts to promote sustainable practices and reduce waste. This was held in conjunction with Eastspring Malaysia's Earth Week Forum titled "Fashion and Unmindful Consumerism: Addressing the Environmental Impact and Advancing Sustainable Practices". The campaign aims to increase awareness that unwanted textiles and clothing can be given a new lease of life and to inspire action towards reducing the amount of textile waste in landfills.

A final word

Eastspring has firmly established its presence in the RI industry over the past few years, supporting its clients' needs and building tools to intelligently incorporate material sustainability risks and opportunities into decision making. These innovations, and the portfolios they support, continue to evolve in exciting ways.

Across the investment industry, the reality of having less than two decades of data to work with means that we expect that there will be better ways of finding, interpreting, and managing salient sustainability information. Eastspring is well-placed to advance the body of understanding in responsible investing, particularly as it relates to and elevates the Asian and emerging markets perspective. Going into the new year, we plan on sharing our views and findings as we progress. This education and thought leadership is intended to inspire, challenge, and induce debate on sustainability topics, which will make for an interesting year ahead.

Sustainability and investments have a temporal commonality – they are both long-term in nature. Our engagement programme, for example, can take many years of interaction before an investee company reaches the final milestone, successfully. Similarly, investment horizons and economic cycles are also likely to be multi-year events. At the same time, technology advancements are accelerating, challenging our understanding of how one does business efficiently. The augmentation of AI into the sustainability function can be the next giant leap forward in our pursuit of meeting client needs, and we continue to innovate to solve for meaningful progress.

We are also coming up into the middle of the 'decisive decade' for climate action or the 'decade of action' for the sustainable development goals. We expect that this will be a time of reflection for the wider industry as it is for us. Are we on track? Are we moving quickly enough? Can we persist? Answers to these questions, and their investment implications, will be crucial for investors.

At Eastspring, we are taking time to review the initiatives we have and take measured steps towards improving them. Moving forward into 2024, we look towards refreshed efforts as we 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 Future'.

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