

The Prudential Assurance Company Limited & Prudential Pensions Limited

2025 TCFD Report

June 2026

This report, covering reporting period 1 January to 31 December 2025, sets out our disclosures in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) for assets managed and administered by the following entities in accordance with the FCA's Policy Statement 21/24:

- The Prudential Assurance Company Limited (PAC)
- Prudential Pensions Limited (PPL)

The disclosures in this report for the two legal entities, including cross-references to M&G plc group disclosures, fulfil the regulatory requirements under chapters 2.1 and 2.2 of the FCA ESG sourcebook. They outline how PAC and PPL consider climate-related matters when managing or administering assets, encompassing their approach to governance, strategy and risk management, as well as relevant climate-related metrics and targets.

A handwritten signature in dark ink, appearing to read 'C Bolton', is positioned above the printed name.

Clive Bolton

Chief Executive Officer, M&G Life on behalf of PAC and PPL

June 2026

Our climate-related disclosures are consistent with the TCFD recommended disclosures and also reflect relevant TCFD Annex material (set out in the 'Guidance for All Sectors' and supplemental 'Asset Owners' guidance). The table on page 4 signposts the location of these disclosures for each entity.

Both PAC and PPL are wholly-owned subsidiaries of M&G plc (herein also referred to as 'the Group'). As there is alignment with the Group's broader strategy and approach to climate risks and opportunities, this report relies on and cross-refers to Group-level TCFD disclosures published in the **M&G plc 2025 Annual Report and Accounts (ARA)**, supplemented by entity-specific information where appropriate. As required by the FCA's ESG Sourcebook, this report covers the disclosures relevant to the assets managed or administered by PAC and PPL.

TCFD pillars	Recommended disclosures	For further information, please refer to:		
		M&G plc ARA 2025 section	PAC	PPL
Governance	Board's oversight of climate-related risks and opportunities	Sustainability in our organisation: pages 53-54	This report: pages 5-7	
	Management's role in assessing and managing climate-related risks and opportunities	Sustainability in our organisation: pages 53-54 Climate risk management: pages 62-63		
Strategy	Climate-related risks and opportunities the organisation has identified	Climate and investments: pages 60-61 Climate risk management: pages 62-63 Developing our approach to nature: pages 72-73	This report: pages 8-9, 18-20	
	The impact on the organisation's businesses, strategy and financial planning	A focused, collaborative and evolving approach: page 52 Navigating environmental risks and opportunities: page 58 Climate and investments: pages 60-61 Climate risk management: pages 62-63 Developing our approach to nature: pages 72-73		
	Resilience of the organisation's strategy, based on different climate-related scenarios	Climate risk management: pages 62-63 Portfolio alignment and Scenario analysis: pages 70-71 Financial statements: from page 158 (Notes 1, 13, 15, 17, 24, 31)		
Risk management	Processes for identifying and assessing climate-related risks	Climate risk management: pages 62-63 Risk management: pages 40-48	This report: pages 10-11	
	Processes for managing climate-related risks	Climate risk management: pages 62-63 Risk management: pages 40-48		
	Integration of climate-related risks into overall risk management	Climate risk management: pages 62-63 Risk management: pages 40-48 Sustainability in our organisation: pages 53-54		
Metrics and targets	Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process (Investments)	Climate metrics (investments): pages 67-69 Portfolio alignment and Scenario analysis: pages 70-71 Progress against targets in 2025: page 59	This report: pages 12-16 pages 18-20 page 9	This report: page 17 pages 18-19 page 9
	Greenhouse gas emissions (Investments)	Climate metrics (investments): pages 67-69	This report: pages 13-16	This report: page 17
	Targets used to manage climate-related risks and opportunities and performance against targets (Investments)	Progress against targets in 2025: page 59	This report: page 9	

Introduction

PAC offers savings and investment products to a number of different types of clients, including retail clients, institutional investors such as pension schemes, and investment platforms. These products include With-Profits policies, annuities, and unit-linked funds. PAC has a direct relationship with the policyholder. PPL, a subsidiary of PAC, mainly sells unit-linked products.

PAC and PPL form part of the Group's Life business (also herein referred to as 'we', 'our', or 'us'). The assets managed and administered by PAC and PPL are primarily overseen by the Life Investment Office (LIO) function.

Given that the approach to governance, strategy, and risk in relation to the management of climate risks and opportunities is consistent across the two entities, we have deemed it appropriate to prepare one combined report, with separate sections provided for each entity's climate-related metrics.

Governance

The separate PAC and PPL boards are responsible for overseeing the sustainability strategy applicable to their respective entities, including inputting into, interpreting, and applying the Group-wide sustainability strategy. Accountability for setting the Group-wide sustainability strategy ultimately rests with the M&G plc Board. M&G plc has developed a sustainability framework that groups its activities into two themes – 'Resilient planet' and 'Resilient societies'. Both PAC and PPL boards receive periodic updates on sustainability-related activity, as appropriate.

PAC and PPL share three common board directors, facilitating information sharing on relevant issues and policy decisions.

The entity boards are supported by sub-committees, management-level committees, working groups and teams who oversee day-to-day climate risk integration efforts and execution of associated initiatives and activities.

Key delegations at board sub-committee level are:

- The PAC Risk Committee (with delegated responsibility in respect of PPL) oversees financial and non-financial risks faced by the entities. It is also accountable for overseeing PAC and PPL's compliance with the Group Risk Management Framework, which considers ESG risk at a strategic level. The PAC Executive Risk Committee further supports oversight at the entity level, for instance, through regular reviews of PAC's risk profile and key and emerging risks against appetite and the control environment.
- The PAC Audit Committee (with delegated responsibility in respect of PPL) assists the boards in fulfilling oversight responsibilities relating to material entity-level regulatory disclosures in respect of climate and sustainability matters, and associated controls and procedures.

The Independent Governance Committee provides independent oversight of sustainability and stewardship policies on behalf of pension policyholders.

Specific sustainability-related responsibilities (also covering climate aspects) have been assigned to management as follows:

- The PAC Executive Committee has responsibility for overseeing progress towards PAC and PPL's strategic business objectives, including sustainability.
- The PAC Investment Committee (IC) has responsibility for oversight of material ESG risks and stewardship considerations, in line with relevant ESG policies, for the investment portfolios of PAC and PPL. This also includes tracking the progress of sustainability plans and targets.
- The IC is supported by the LIO teams who have responsibility for our ESG investment strategy and alignment to related policies and standards, as well as selection and ongoing oversight of investment managers. This also includes tracking the progress of sustainability plans and targets.

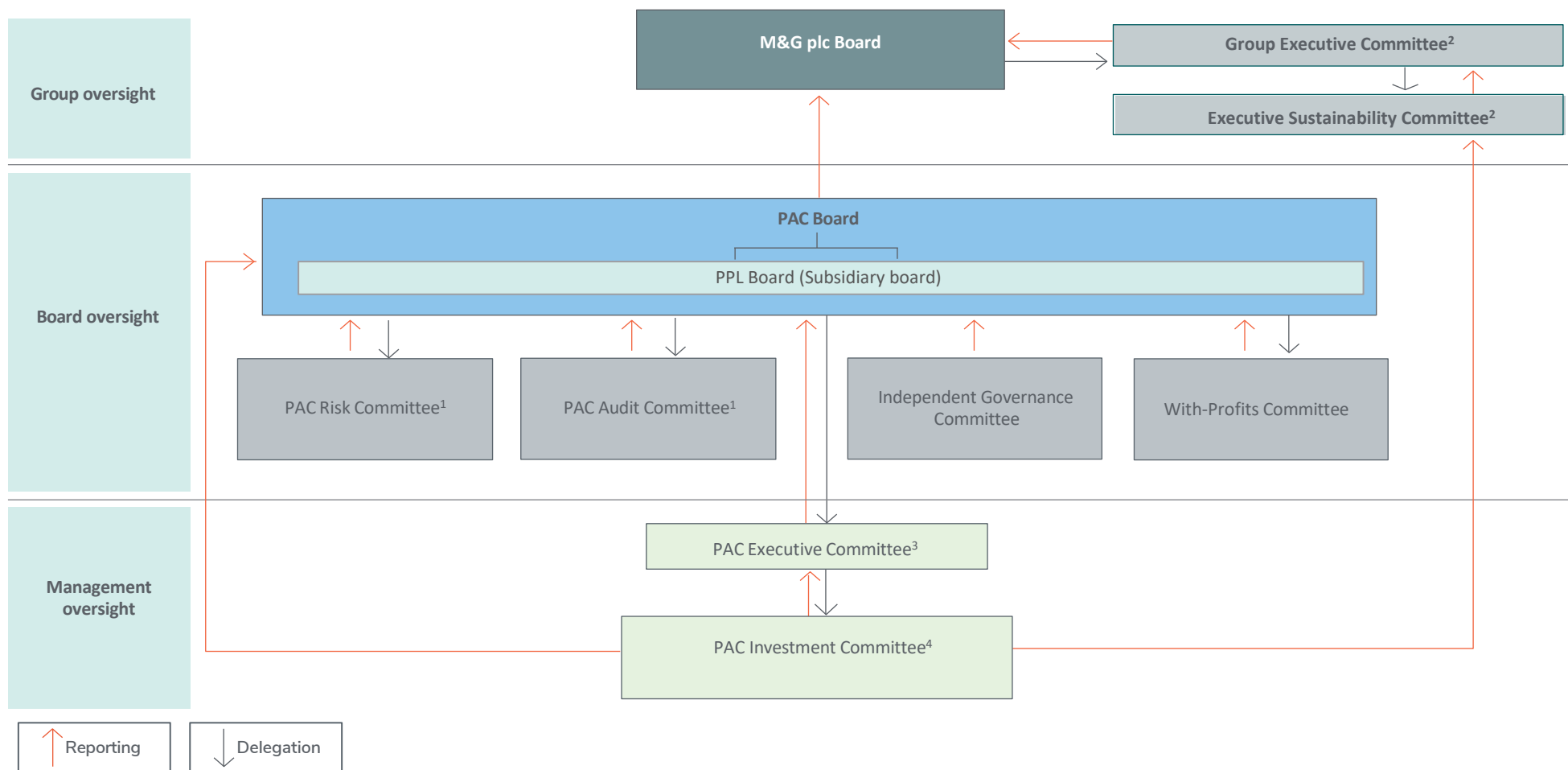
Ongoing communication is key to ensure consistency with the Group-level approach to sustainability. This is supported by cross-committee membership.

For example, the CEO of the M&G Life business (of which PAC and PPL are a significant part) chairs the PAC IC and is also a member of the M&G plc Group Executive Committee and Executive Sustainability Committee (ESC).

The ESC, chaired by the Group Chief Sustainability Officer, is responsible for supporting the successful execution of the Group's sustainability strategy and oversees the delivery of public commitments and targets. IC and LIO representatives also attend ESC meetings.

PAC representatives also provide support and input into the Group's thematic climate working group, set up to facilitate delivery of the Group's sustainability strategy and associated actions.

Financial planning is conducted at a Group level, and includes considerations for PAC. The plan includes income or expenditure related to our climate actions where we have a reasonable estimate of the value that is expected to materialise over the plan period (three years).



The chart above summarises the governance structure and relevant reporting lines for entities in scope. It does not show all legal entities within M&G's Life business.

¹ Has delegated authority from PPL Board

² The Director of Corporate Affairs, Brand and Sustainability has executive-level responsibility for sustainability across the Group and is supported by the Executive Sustainability Committee (ESC) in discharging these responsibilities

³ The Life CEO is supported by the PAC Executive Committee (EC) in discharging sustainability responsibilities with certain members of the committee having specific sustainability responsibilities

⁴ The PAC Investment Committee (IC) is supported by the Life Investment Office (LIO) who, acting as the in-house investment strategy manager for PAC and PPL, is the main coordinator of sustainability and climate-related updates to the PAC and PPL boards and Group-level committees

Strategy

M&G plc's climate approach is centred around the three levers of our Climate Action Framework – Grow, Align and Reallocate. This approach is designed to support companies that are driving action while managing our exposure to climate risks, and to support the Group's target to achieve net zero carbon emissions across investment portfolios by 2050. The sustainability risks and opportunities identified by the wider Group apply to both PAC and PPL, and M&G plc's ARA (pages 43 and 60-63) sets out how climate risks and opportunities are being addressed by the wider business, including considerations of time horizons.

Grow	Align	Reallocate
We aim to grow the share of funds and assets that support the achievement of climate goals – by increasing the share of funds and assets that are aligned to credible net zero pathways or providing climate solutions, we can support assets that are doing the hard work of delivering decarbonisation in the real economy. How we apply this lever: We continually aim to develop tools and methodologies to guide our climate strategy, for example, our asset alignment target (detailed on the next page) is underpinned by the Group's bespoke Transition Assessment Framework rolled out during 2025. Drawing on industry guidance issued by the Institutional Investors Group on Climate Change (IIGCC), it is a multi-criteria framework designed to assign portfolio companies an 'alignment level' based on the robustness and ambition of their greenhouse gas emissions targets and transition plan, and has been built by the Group's internal investment manager, with inputs and oversight from the LIO team. We are also working to develop new methodologies and data sets to cover a broader set of asset classes.	Through our investment managers, we aim to drive engagement with high-emitting companies and assets to seek robust transition plans aligned with climate goals¹. We also endeavour to collaborate with industry and policy stakeholders to create the right enabling environment for climate action. How we apply this lever: We rely on appointed investment managers to exercise direct climate engagement and responsible stewardship in line with our policies and objectives. As an asset owner, we set clear expectations of investment managers, communicating annual priorities and meeting on a quarterly or bi-annual basis. As part of our selection process we use our proprietary ESG Scorecard to rate investment managers' ESG propositions, including their approach to climate. We expect managers to actively participate in shareholder voting on our behalf (in line with PAC's Voting Standard which requires a voting approach focused on supporting real-world positive outcomes) and regularly report the results of their voting to us. We work with our peers through groups such as the NZAOA and the IIGCC to raise our views with policymakers.	There are uncertainties in the transition to net zero that may create risk to the investments we hold. While we seek to monitor and manage the climate risk characteristics of our investments, if engagement fails, we may consider reallocation as a measure of last resort. How we apply this lever: We believe companies should develop credible transition plans to help their management of climate-related financial risks and opportunities. In 2026, M&G Plc updated its Thermal Coal Position Statement. This Thermal Coal Position Statement is applicable to PAC and PPL, and is operationalised through the M&G Investments Thermal Coal Investment Policy for all assets managed by the Group's asset manager. Not all investments are in scope of this policy which means some investment portfolios are not subject to thermal coal restrictions. For PAC and PPL customers, we apply these restrictions to most of our investment portfolios, both where they are relevant and where they help us meet policyholder expectations. We recognise that active ownership is key, and we request that our investment managers engage with companies that fail our screening. Divestment is seen as an appropriate escalation when we foresee that further engagement practices will fail to yield the desired results, and an investment presents an unacceptable level of risk.

¹ Whilst we do not engage directly with investee companies, we rely on our investment managers to engage on our behalf. For the proportion of our assets managed by the Group's internal manager, this includes engaging with third-party data providers - for more information on approach, please refer to PAC's stewardship reporting available on our [website](#)

The ambitions of PAC and PPL are aligned, where appropriate, with the Group's target to achieve net zero carbon emissions across investment portfolios by 2050, in line with the Paris Agreement. To support our 2050 net zero goal across investments we have set a number of interim targets that guide near-term delivery of our ambition. We believe our asset alignment target, supported by a minimum engagement threshold, provides a more holistic measure of the alignment of issuers with global climate goals.

Implementation of our targets is underpinned by the strategy levers described on the previous page. Importantly, there are a range of challenges that may constrain our ability to deliver on our targets, notably insufficient government policy support. This is why public policy engagement and advocacy, to create the right incentive structures for the climate transition, is a key priority for us.

Interim climate targets

Asset alignment	Engagement	Portfolio decarbonisation
Target: 50-70% of in-scopeⁱ financed emissions (Scope 1, 2 and 3) are assessed to have set robust GHG targets and transition plans by 2030ⁱⁱ. Performance in 2025: 37% (2024: 40%) A range of factors have driven changes within and between asset alignment categories over the year, including upgrades and downgrades of issuers based on our assessments and movements in FCE of key issuers.	Target: For in-scope listed equity and corporate bond assetsⁱ, we aim to maintain at least 70% of financed emissions (Scope 1, 2 and 3) as assessed to have robust transition plans, or subject to climate-related engagementⁱⁱⁱ. Performance: 65% (2024: N/A) New processes were established in 2025 to support delivery of PAC's new engagement target, which we will work to meet in 2026 and maintain going forwards.	Targets: – 50% reduction in Scope 1 and 2 emissions intensity (tCO₂e/\$m invested) for in-scopeⁱ listed equity and corporate bonds by 2030 against a 2019 baseline. – 36% reduction in Scope 1 and 2 emissions intensity (kgCO₂/m²) for in-scope real estate assets by 2030 against a 2019 baseline. Performance: The carbon footprint for the assets in scope of these targets has decreased during the year, with listed equity now 35% (2024: 33%) below the 2019 baseline and listed corporate bonds at the target level of 50% (2024: 39%) below the 2019 baseline. Our real estate emissions have declined 22% versus the baseline (based on 2024 emissions data), reflecting an improvement over the previous year (21%) as the portfolio advances towards its interim net zero targets.
i) Assets in scope at the end of 2025 represented £72bn, covering listed equity and corporate bonds, including known use of proceeds, managed by the Group's asset manager on behalf of PAC, where PAC has sufficient investment control. 'Investment control' refers to where PAC is able to determine investment characteristics. This includes our With-Profits business, Shareholder and Policyholder annuities, and a portion of our unit-linked business (falling under PPL), including the Prudential Dynamic Growth funds and Non-profit unit-linked funds. In general, PAC does not expect to have investment control over collective vehicles where its assets are invested alongside those of third parties. ii) Our strengthened climate approach rests on the Group's Transition Assessment Framework (TAF), which we use to assess corporate climate targets and transition plans. The framework is based on the Net Zero Investment Framework guidance developed by The Institutional Investors Group on Climate Change (IIGCC). It involves assessing several components of a company's transition plan, including whether they have set science based targets, actions to deliver their targets and supporting investment. Companies are then assigned an overall level: net zero, aligned, aligning, committed, or not aligned with the goals of the Paris Agreement (see page 19). iii) Includes direct climate-related engagements undertaken by the Group's asset manager as well as engagements through collaborative initiatives where the Group's asset manager is actively involved. It includes engagement by external managers where this aligns with PAC's stewardship priorities.		

Risk management

Identifying and managing climate-related risks helps to minimise or mitigate the potential impacts on the risk profile and performance of investment portfolios.

PAC's ESG Investment Policy sets out the ESG investment principles we use to inform and guide our sustainable investment practice, to ensure relevant ESG factors are integrated into our investment process where appropriate, including our selection and oversight of managers. This policy applies to both PAC and PPL. The ESG Investment Policy is supplemented by assessment criteria used for specific topics, and our climate change targets.

In line with the wider group, we operate a 'three lines of defence' model to govern our approach to risk management, which provides a framework of responsibilities and accountabilities across the business.

From a first line perspective, the LIO function plays an essential role in supporting the identification and assessment of climate risks. When considering the investment implications of ESG (including climate) factors, we integrate sustainability considerations into our strategic asset allocations by taking into account their effects on our risk and return assumptions. This is so that when we allocate capital by asset class and investment jurisdiction, we have considered as many investment opportunities and risks as possible. For example, we integrate ESG considerations via our country risk categorisation framework, which informs our capital market assumptions and expected returns over the long term. Another mechanism is analysis which assesses individual constituents to consider whether a reduction in certain exposures could support ESG objectives.

We also employ climate scenario modelling, as a subset of our capital markets modelling process, to understand the sensitivity of different asset classes and regions to climate risks and thus our overall portfolio exposures.

In 2025, we developed a set of Group-wide Climate Scenario Analysis (CSA) principles to support a more coherent approach across the business. Over the year, a CSA working group brought together subject matter experts to establish principles and a supporting practitioners' template, with implementation commencing in 2026.

As part of our annual Own Risk and Solvency Assessment (ORSA) we explore the potential financial impacts of physical and transition risks on our balance sheet across a range of climate scenarios. For this work, we use the most up-to-date Network for Greening the Financial System (NGFS) scenarios as a basis, with additional inputs from other databases to support the modelling of physical risk. A key development in our modelling approach this year has been the adoption of a new damage function for physical risks, aligned with the NGFS phase 5 scenarios. Our latest ORSA explored the impact of three different climate scenario pathways ('Net Zero 2050', 'Fragmented World' and 'Current Policies' scenarios) over both the short term, broadly consistent with our business planning horizon, and longer term (30+ years).

In line with last year, an additional short-term 'Sudden Wake-Up Call' climate scenario has also been considered, assuming a major climate event disrupts economic activity and is followed by an abrupt policy change which sets off shock waves through the economy and financial system. This stress test was also included in the set of scenarios used to assess the resilience of the three-year M&G plc Business Plan. The results of our latest modelling continue to indicate that scenarios with higher physical risks, e.g. the 'Current Policies' scenario, would have the most significant impact on our balance sheet. However, we do recognise that the scenarios assessed represent only four potential outcomes from an extremely wide and uncertain spectrum and that actual impacts may be significantly different given the number of assumptions required. Overall, our business remains resilient under the range of climate scenarios considered.

One way we manage our climate risk exposures is through portfolio decarbonisation. Decarbonisation is enabled through asset reallocation, as well as investee engagement to set and deliver on science-based emission reduction targets. Portfolio financed emissions remain important to establish the overall ambition of our climate objectives, and provide an indicator of progress. However, financed emissions can be volatile and require detailed analysis of the multiple drivers of change, as they may not relate to changes in absolute real-world emissions (e.g. market movements and portfolio activity). Our set of interim climate targets promote an approach that aims to support companies innovating and reducing emissions in the real economy, and allow us to monitor both backward and forward-looking indicators of transition risk.

In respect of portfolio management activity, our asset manager selection process includes a comprehensive assessment against sustainability-specific criteria, to enable an appropriate review of the managers' alignment with our purpose, values and priorities. Once an investment manager has been selected and onboarded, the Manager Oversight team within LIO conducts ongoing due diligence reviews. This includes regular meetings and site visits, with sustainability issues being a standing agenda item at quarterly meetings, supported by LIO's ESG & Regulatory team.

At the issuer level, we operate a quarterly ESG screening process to give appropriate review of broader ESG issues and risks within our investment portfolios. This is characterised by reviewing our public holdings, where look-through is available to us, and monitoring their exposures against ESG-specific areas. Where appropriate, we will engage with managers over any notable issues. Although issuer engagements are executed by our asset managers, we hold them accountable for the interactions they have with investee companies, and engage with them to support delivery of our desired results. For example, in 2025, we developed a climate engagement priority list, with this selection of companies communicated to internal and external asset managers, including guidance on the type of engagement objectives expected. The response from managers has been positive. We now receive additional reporting on this target list, elaborating on material climate related issues.

Our Risk and Compliance functions act as the second line of defence, with responsibility for reviewing and challenging risk management practices by the first line and providing guidance. As part of its remit, the Sustainability Compliance team conducts regular horizon scanning for emerging sustainability related regulatory requirements and standards and advises and oversees integration across the business.

The Group's Internal Audit function represents the third line. It supports the entity boards and senior management by providing independent assurance over the first and second lines of defence.

Climate metrics

In preparing our financed carbon emissions metrics we consider the Partnership for Carbon Accounting Financials (PCAF) principles. We report data quality scores for our emissions metrics – covering listed equity and corporate bonds with both a known and unknown use of proceeds and sovereign debt emissions. The score is based on PCAF methodology and ranges from one to five, where one represents the highest data quality and five is the lowest.

In our analysis, ‘coverage’ refers to the proportion of in-scope assets under management and administration (AUMA) for which we have all environmental, financial, or other such data required in the calculation of the given metric (reported or estimated). We expect further improvements as availability of data improves, and industry guidance extends to a broader range of asset classes such as private credit and asset-backed securities. Private asset analysis for PAC is limited to real estate only, with other private asset classes excluded due to data limitations or on a materiality basis.

The metrics presented for PAC and PPL relate to assets managed internally within the Group – externally managed mandates in which PAC and PPL invest are not included. Coverage for PPL assets is restricted to funds where PPL has sufficient investment control. PPL also holds £3.5bn of collective funds that are not covered by these metrics. The financed emissions for each of the funds can be found in the respective product report for each, available **online**.

All figures presented reflect the annual emissions calculated with reference to in-scope AUMA of each asset class as at 31 December for each year.

We use a range of metrics to identify and assess climate-related risks and opportunities across investment portfolios. We monitor Scope 1 & 2 emissions and carbon footprint targets to inform our overall response to climate change, alongside our asset alignment and engagement targets. While we monitor Scope 3 emissions as a proxy for risk exposure to inform targeted actions, there are notable challenges related to data quality and disclosure of this emissions category, which makes it less reliable for decision making.

The scope of these metrics differs from the scope of assets over which PAC’s climate targets are set as part of the Net Zero Asset Owner Alliance, which can be found in M&G plc’s Climate Transition Plan, which is available to view on our Group **website**. The scope of assets covered by the targets is a sub-set of the PAC assets included in the metrics on the following pages.

Information on definitions of metrics reported and limitations relating to data used are detailed in the Group’s Environmental metrics Basis of Reporting (‘Basis of Reporting’), published on M&G plc’s website. In particular, it should be noted that we use data sourced from third-party data providers (e.g. MSCI and Bloomberg) to calculate the emissions metrics. Our Basis of Reporting also sets out our policy on restatements. Details on any restatements and the impact on the previously presented metrics are set out in the relevant section below.

The methodology and data used to assess financed emissions are evolving and maturing, and we expect industry guidance, market practice, and regulations to continue to change. We continue to refine our approach using appropriate data sources and methodologies available for relevant metrics.

Climate metrics (PAC)

Listed equity and corporate bonds				
	2025		2024	
	Value	Coverage	Value	Coverage
AUMA in-scope for metrics presented (£bn)	72.2	N/A	69.7	N/A
Financed carbon emissions Scope 1 & 2 (ktCO ₂ e)	5,248	97%	4,977	96%
Data quality score – Scope 1 & 2	1.5	N/A	2.1	N/A
Financed carbon emissions Scope 3 (ktCO ₂ e)	39,177	97%	35,763	96%
Data quality score – Scope 3	2.3	N/A	2.4	N/A
Carbon footprint Scope 1 & 2 (tCO ₂ e/£m invested)	75	97%	74	96%
Carbon footprint Scope 3 (tCO ₂ e/£m invested)	560	97%	533	96%
Weighted average carbon intensity (WACI) Scope 1 & 2 (tCO ₂ e/£m sales)	156	94%	146	93%
Weighted average carbon intensity (WACI) Scope 3 (tCO ₂ e/£m sales)	958	94%	871	93%

In 2025, Scope 1 & 2 emissions increased due to a combination of factors, but primarily from financial market movements leading to an associated increase in attribution² of emissions for some issuers, and to a lesser extent portfolio change, partially offset by a small net reduction in underlying emissions data across issuers. Scope 3 emissions primarily increased due to an increase in emissions data, driven by an improvement in the quality of emissions reporting during in the year.

² The timing of an issuer's reporting sometimes results in EVIC data from previous reporting periods being mapped to the current value of our portfolio holdings, creating a temporary effect of inflating our share of the issuer's financing in a market with rising stock prices.

Climate metrics (PAC) – continued

Green, social and sustainability bonds				
	2025		2024	
	Value	Coverage	Value	Coverage
AUMA in-scope for metrics presented (£bn)	2.7	N/A	2.5	N/A
Financed carbon emissions Scope 1 & 2 (ktCO ₂ e)	71	95%	81	95%
Data quality score – Scope 1 & 2	1.6	N/A	2.2	N/A
Financed carbon emissions Scope 3 (ktCO ₂ e)	527	94%	475	93%
Data quality score – Scope 3	2.5	N/A	2.6	N/A
Carbon footprint Scope 1 & 2 (tCO ₂ e/£m invested)	28	95%	33	95%
Carbon footprint Scope 3 (tCO ₂ e/£m invested)	208	94%	200	93%

This asset class relates to listed corporate bonds where there is a known use of proceeds covering green, social and sustainability bonds. Scope 1 & 2 financed emissions have reduced in the year due to more accurate data becoming available for some use of proceeds bonds. The Scope 3 emissions increase is driven in part by one high-emitting issuer disclosing additional Scope 3 categories for the first time.

Climate metrics (PAC) – continued

Sovereign debt						
	2025			2024		
	Value		Coverage	Value		Coverage
	incl. LULUCF ³	excl. LULUCF ³		incl. LULUCF ³	excl. LULUCF ³	
AUMA in-scope for metrics presented (£bn)	19.8		N/A	19.1		N/A
Production emissions (ktCO ₂ e)	4,553	4,614	99.7%	4,775	4,598	99.5%
Data quality score – production emissions	1.8	1.8	N/A	2.0	2.0	N/A
Consumption emissions (ktCO ₂ e)	5,171	5,233	99.7%	5,156	4,981	99.5%
Data quality score – consumption emissions	4.0	4.0	N/A	4.0	4.0	N/A
Weighted average production intensity (tCO ₂ e/PPP-adj GDP (USDm))	0.2	0.2	99.7%	0.2	0.2	99.5%
Weighted average consumption intensity (tCO ₂ e/Capita)	9.9	10.5	99.7%	10.2	10.4	99.5%

In 2025, production emissions excluding LULUCF have increased by a small amount due to rising AUMA for sovereign debt. Production emissions including LULUCF are also impacted by rising AUMA, but this increase is offset primarily by a reduction in the net contribution from a single sovereign's emissions, resulting in a lower overall result for 2025. Consumption emissions (including and excluding LULUCF) have increased due to the higher AUMA.

³ Land Use, Land Use Change and Forestry (LULUCF)

Climate metrics (PAC) – continued

Real estate (private assets)						
	2025		2024 (restated)		2024 (previously presented)	
	Value	Coverage	Value	Coverage	Value	Coverage
AUMA in-scope for metrics presented (£bn)	14.9	N/A	14.3	N/A	14.3	N/A
Financed carbon emissions Scope 1 & 2 (ktCO ₂ e)	29	94%	30	94%	27	100%
Financed carbon emissions Scope 3 (ktCO ₂ e)	203	94%	212	94%	200	100%
Carbon footprint Scope 1 & 2 (tCO ₂ e/£m invested)	2.1	94%	2.2	94%	1.9	100%
Carbon footprint Scope 3 (tCO ₂ e/£m invested)	14.5	94%	15.8	94%	14.0	100%

A change in the third-party platform used to calculate our real estate emissions during the year has introduced greater automation and a more structured estimation hierarchy, which will improve accuracy over time. This change results in some smaller Scope 3 categories that were previously reliant upon manual estimations no longer being reported. Due to the change we have restated our 2024 emissions to show the outputs from last year using the new platform. Our real estate assets recorded a small decrease in emissions of all scopes compared to restated 2024 figures, primarily due to energy efficiency improvements implemented across the portfolio.

Climate metrics (PPL)

The methodology applied to the PPL metrics is consistent with that of the PAC metrics for 2025. The in-scope PPL AUMA presented below is for directly held public equities and corporate bonds, and does not include PPL's exposure to Collective Investment Schemes, where we have not been able to source look-through data.

The AUMA in-scope has decreased in the year due to the transfer of two assets held within PPL to a fund managed by M&G Investments. PPL's investments in Collective Investment Schemes therefore make up a larger portion of overall AUMA in 2025. A list of these funds held by PPL has been provided in Appendix 1. Product-level TCFD reports for these funds, where relevant, can be found [here](#).

Listed equity and corporate bonds (including green, social and sustainability bonds)				
	2025		2024	
	Value	Coverage	Value	Coverage
AUMA in-scope for metrics presented (£bn)	0.6	N/A	1.7	N/A
Financed carbon emissions Scope 1 & 2 (ktCO ₂ e)	11	60%	50	89%
Data quality score – Scope 1 & 2	1.7	N/A	2.3	N/A
Financed carbon emissions Scope 3 (ktCO ₂ e)	105	60%	354	89%
Data quality score – Scope 3	2.6	N/A	2.7	N/A
Carbon footprint Scope 1 & 2 (tCO ₂ e/£m invested)	31	60%	34	89%
Carbon footprint Scope 3 (tCO ₂ e/£m invested)	306	60%	239	89%
Weighted average carbon intensity (WACI) Scope 1 & 2 (tCO ₂ e/£m sales)	89	57%	93	84%
Weighted average carbon intensity (WACI) Scope 3 (tCO ₂ e/£m sales)	758	57%	646	84%

PPL's exposure to sovereign debt instruments reported previously was due to the two assets noted above as now transferred to a fund managed by M&G Investments, therefore no sovereign debt metrics have been presented for PPL this year. PPL does not have a material exposure to directly held private assets.

Portfolio alignment and Scenario analysis

In addition to backward-looking metrics, which indicate the current emissions profile of an asset or portfolio, we also use forward-looking metrics to assess transition alignment and potential impacts on asset values over time by leveraging scenario analysis tools.

The key forward-looking metrics that we monitor are:

- **Asset alignment:** Our approach to assessing the companies we invest in from a climate transition perspective is undertaken through the Group's Transition Assessment Framework (TAF). This helps us determine the degree to which a company is aligned with the goals of the Paris Agreement. It shows the percentage of public asset financed emissions (all GHG scopes) that we have assessed to be 'not aligned', 'committed', 'aligning' or 'aligned' with climate goals based on the TAF.
- **Climate adjusted value (CaV):** this metric is equivalent to value at risk.
- **Implied temperature rise (ITR):** this metric is an attempt to estimate the temperature trajectory a portfolio is on. It is an intuitive way to gauge alignment with climate goals.
- **Private asset climate hazard exposure:** this data shows potential physical climate risk impacts across private fixed assets, covering real estate. Physical risk exposures assessed include climate-related natural disasters, such as storms, flooding and wildfires.

We use the Aladdin Climate platform to model CaV for our listed equity, corporate bond and sovereign debt assets against three scenarios, to help us to assess the relative financial impacts of climate change across different global decarbonisation outcomes, including asset value at risk. It assesses the financial impact of climate change based on three NGFS scenarios: orderly, disorderly and hot house, with orderly and disorderly being based on transition impacts and

hot house being based on physical impacts. The scenario modelling outputs for M&G plc broadly reflect the results at a PAC level, capturing PPL's portfolio as a subsidiary entity. As a result, separate modelling results for PAC and PPL have not been presented. For more detail on the M&G plc scenario modelling outputs see the **M&G plc Sustainability Annex**.

We also leverage the Aladdin Climate data and methodology for the calculation of ITR. The corporate model is currently applied to listed equity and corporate bonds. ITR is an intuitive way to gauge alignment with climate goals but there is no commonly accepted calculation approach for ITRs, and it is sensitive to sector and geographical emission assumptions, so needs to be interpreted with several limitations in mind. Asset alignment and ITR are presented at a PAC level, with the results capturing PPL's portfolio as a subsidiary entity. Real estate assets modelling is shown for PAC, reflecting its largest private asset class. To model the physical climate risk exposure of our real estate assets, we collaborate with Munich RE's Risk Management Partners. See more information on page 20.

As with any model, the forward-looking results for listed equity, corporate bond and sovereign debt assets are heavily influenced by the assumptions made. We recognise that the climate models are based on stylised scenarios, and attempt to capture the possible future interplay between physical climate impacts, policy, regulation, and consumer behaviour, amongst other factors, at a global scale. The scenarios are not predictive, but rather help us explore a range of potential outcomes and act as a useful tool for interrogating and understanding how climate-related developments could impact the assets we manage and administer. For more detail on the limitations of scenario analysis see the **M&G plc Environmental metrics Basis of Reporting**.

Transition Assessment Framework – (public assets)

Our asset alignment metric shows the percentage of public asset financed emissions (all GHG scopes) we have assessed to be ‘not aligned’, ‘committed’, ‘aligning’ or ‘aligned’ with climate goals based on our TAF. The proportion of financed emissions from issuers that are ‘aligning’ or ‘aligned’ under the TAF is an interim target for PAC’s in-scope assets⁴ (see page 9). We are targeting a range of 50-70% by 2030. Per table below, at the end of 2025, c.37% of in-scope assets (£72 billion) were either aligning or aligned. No issuer assessed has reached net zero emissions.

Transition Assessment Framework	2025	2024
Not aligned (%)	48.5	46.2
Committed (%)	14.9	14.0
Aligning and aligned (%)	36.6	39.8

Implied temperature rise – (public assets)

ITR is an intuitive way to assess transition alignment, within and between investment portfolios, by translating each issuer’s emissions trajectory into a temperature increase which can be weighted and aggregated. In simple terms, it shows what the global temperature rise could be if the whole economy followed the same emissions pathway (carbon budget overshoot or undershoot) as the issuer or portfolio analysed.

As part of our modelling, we have calculated the implied temperature rise (ITR) for each individual issuer where data is available, covering 95% of public equities and corporate bonds for PAC, as at 31 December 2025. The analysis shows that investee companies are aligned to a broad range of temperature outcomes with the weighted average warming potential across modelled issuers totalling 2.5°C for PAC (2024: 2.6°C).

While the average across our modelled assets is higher than the Paris Agreement goals, this is consistent with the broader economy. We expect the figure to improve as we work to meet our 2030 targets for in-scope assets, particularly as our asset alignment metric and Transition Assessment Framework informs engagements with investees as part of our stewardship efforts.

We acknowledge that ITR is subject to a range of inherent limitations, including the absence of a commonly accepted calculation approach, and sensitivity to sector emissions assumptions. We do not use ITR in isolation but believe it provides useful indications of alignment when viewed in conjunction with other information, such as our asset alignment metric. For a more detailed overview of ITR limitations, please refer to M&G plc’s ARA (page 70).

⁴ The assets in scope are listed equity and corporate bonds managed by M&G plc’s Asset Management segment on behalf of PAC, where PAC has sufficient investment control.

Scenario modelling results – PAC (Real estate)

We also model physical climate risks for PAC's directly owned real estate equity portfolio. In 2025, M&G plc appointed Munich Re Service GmbH to ensure that our climate risk modelling remains aligned with the latest scientific evidence. Munich Re's Location Risk Intelligence Platform is an advanced geospatial tool that evaluates more than 28 hazard types including drought, wildfire and earthquakes. Climate-driven risks are modelled for current conditions (2030) and future horizons (2050 and 2100) and under different decarbonisation pathways. This enables us to identify physical risks at specific asset locations and evaluate how our exposure may evolve over time and under different warming scenarios.

Assets are assessed against two pathways aligned with the IPCC's Sixth Assessment Report: a Moderate emissions scenario representing approximately 2.7°C of warming by 2100 and a Hot House scenario that corresponds with roughly 4.4°C of warming by 2100. The model produces a number of metrics, including 'climate expected loss', which shows the location- and peril-specific average annual loss to assets by natural hazard events. The analysis indicates that, across the period assessed, these high-risk assets still represent a relatively small portion of the respective portfolios. While the outputs presented show the number of assets potentially impacted, we also examine the potential financial losses in each scenario.

Modelling Limitations

The model estimates direct impacts at an asset's specific location, meaning that the outputs:

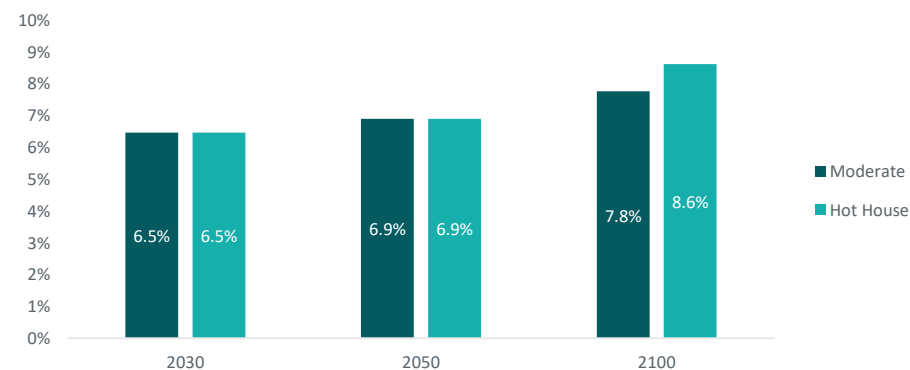
- focus only on physical damage at the asset's location,
- consider only physical damage, not transition risk, and
- do not consider second-order financial impacts (e.g. business disruption and rising insurance premiums, tenant disruption, and infrastructure failures).

Climate scenario analysis is not a prediction, but an exploration of possible futures to better assess our risk exposures. A large number of data points and assumptions are required, meaning results can vary significantly between different models. Many factors, including climate system tipping points and second-order impacts, such as rising insurance premiums or supply-chain disruption, are not modelled explicitly and therefore the risks could be underestimated. We are wary of false precision, so the outputs should be interpreted with these significant limitations in mind.

The analysis below presents the proportion of real estate assets for PAC that were identified as high risk from future climate conditions, based on location. An asset is classified as 'high risk' when its aggregated annual climate expected loss is greater than or equal to 2.51%. Importantly, the modelling does not consider transition and second-order impacts which could affect asset values.

Real Estate physical risk exposure based on Moderate and Hot House scenarios

Proportion of modelled assets (by count) at high risk from physical climate-related hazards



232 distinct real estate assets modelled (£10bn, 68% coverage of PAC's real estate AUMA).

Appendix 1: List of PPL Collective Investment Schemes

A list of the Collective Investment Schemes invested in by PPL⁵ has been provided below. Product-level TCFD reports for these funds, where relevant, can be found [here](#).

Prudential Discretionary Fund
M&G Episode Allocation Fund
M&G Episode Income Fund
Prudential Europe Equity Index Fund
Prudential Global Equity Fund
Prudential M&G Global High Yield Bond Fund
Prudential International Equity Fund
Prudential Japan Equity Index Fund
Prudential Long Term Growth Index Fund
Prudential North America Equity Index Fund
Prudential Overseas Equity Index Fund
Prudential Pacific Basin ex-Japan Equity Index Fund
Prudential Positive Impact Fund
M&G Recovery Fund
M&G Total Return Credit Investment Fund
Prudential UK Equity Fund
Prudential UK Equity Index Fund
Prudential Dynamic Growth I Fund
Prudential Dynamic Growth II Fund
Prudential Dynamic Growth III Fund
Prudential Dynamic Growth IV Fund
Prudential Dynamic Growth V Fund

⁵ Prudential Pensions Ltd (PPL) is not the sole investor into all the above collective investment schemes.

Glossary

Term	Definition
Aladdin Climate	Aladdin Climate is a BlackRock software application which enables investors to estimate transition and physical risks of investment portfolios, as well as alignment with global temperature goals.
Carbon footprint	Carbon footprint refers to financed emissions normalised by the market value of a portfolio (GHG emissions per million pounds of investment). This indicator is particularly useful for comparative purposes, but similar to financed carbon emissions is sensitive to financial factors that do not relate to decarbonisation.
Disorderly scenario	The disorderly scenario used in this report broadly aligns with Representative Concentration Pathway (RCP) 2.6 and predicts a temperature rise lower than 2°C by the end of century. However, climate action to achieve this is not taken until 2030, which delays transition impacts and makes them more drastic. This scenario is limited in that it assumes coordinated policy action at a global level by 2030.
Financed carbon emissions	Financed carbon emissions represent the absolute greenhouse gas emissions associated with a portfolio of investments, where there is available reported data or estimates. Financed emissions are influenced by changes in financial factors such as market movements and portfolio values, which are separate to real-world emissions.
Financed scope 1 emissions	Financed scope 1 emissions include direct emissions from an issuer's owned or controlled sources, e.g. emissions associated with fuel combustion in boilers and fleet vehicles.
Financed scope 2 emissions	Financed scope 2 emissions include indirect emissions from an issuer's purchased or acquired energy, e.g. electricity, steam, heat, or cooling, that is generated off-site and consumed by an issuer.
Financed scope 3 emissions	Financed scope 3 emissions are all other indirect emissions (not included in Scope 2) that occur in the value chain of an issuer, including both upstream and downstream emissions.
Greenhouse gases	Greenhouse gases are gases that trap heat from the sun in our planet's atmosphere, keeping it warm. The main greenhouse gases released by human activities are carbon dioxide, methane, nitrous oxide, and fluorinated gases used for cooling and refrigeration.
Hot house scenario	The hot house scenario used in this report broadly aligns with Representative Concentration Pathway (RCP) 8.5 and predicts an average temperature change above 3°C by the end of the century, assuming no global response to climate change beyond what has already been committed to.
Intergovernmental Panel on Climate Change (IPCC)	The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change. It provides policymakers with regular scientific assessments on climate change, its implications and potential future risks, as well as puts forward adaptation and mitigation options.

Term	Definition
Network for Greening the Financial System (NGFS)	The NGFS is a group of central banks and supervisors committed to sharing best practices, contributing to the development of climate and environment-related risk management in the financial sector and mobilising mainstream finance to support the position toward a sustainable economy.
Net-Zero Asset Owner Alliance (NZAOA)	The UN-convened Net Zero Asset Owner Alliance (NZAOA) is a member-led initiative of institutional investors committed to transitioning their investment portfolios to net-zero GHG emissions by 2050.
Orderly scenario	The orderly scenario used in this report broadly aligns with Representative Concentration Pathway (RCP) 2.6 and predicts a temperature rise below 2°C by the end of the century, in line with the Paris Agreement.
Own Risk and Solvency Assessment (ORSA)	The ORSA is a self-assessment of an organisation's risk management and capital adequacy and is mandatory for insurers under Solvency II regulation.
Paris Agreement	The Paris Agreement is an agreement within the United Nations Framework Convention on climate change, dealing with greenhouse gas emissions mitigation, adaptation, and finance. Its overarching goal is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.
Weighted average carbon intensity (WACI)	Weighted average carbon intensity provides a single metric summing the individual emissions intensities (by million pounds of issuer sales) of companies in a portfolio based on their weightings, indicating a portfolio's exposure to carbon-intensive issuers.

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