RESPONSIBLE INVESTMENT POLICY

NOVEMBER 2016

PRUDENTIAL
INVESTMENT MANAGERS

PRUDENTIAL SA POLICY

Prudential believes that Environmental, Social and Governance (ESG) factors can have a material impact on long-term investment outcomes. Our goal is to achieve the best possible risk-adjusted returns for our clients, taking into account all factors that influence investment performance. Consequently, ESG issues are integrated into our investment processes, and are incorporated into investment decisions wherever they have a meaningful impact on risk or return. We apply this integrated approach to ESG analysis across all asset classes and sectors in which we invest.

At Prudential being a responsible investor means being proactive in considering ESG factors in our investment research, in our engagements with management of listed companies or issues of debt, as well as using our formal and informal rights as shareholders to encourage companies to improve ESG issues.

PRUDENTIAL SA'S RELATIONSHIP WITH INTERNATIONAL AND SOUTH AFRICA BODIES OR CODES ESTABLISHED TO FURTHER RESPONSIBLE INVESTMENT

Prudential SA has officially endorsed the principles in CRISA (Code for Responsible Investing in South Africa) and its stated objective of encouraging socially responsible investing in SA. It is our intention to comply with CRISA, but in situations where we are unable to do so we should be able to explain our non-compliance. This is in accordance with CRISA's "comply or explain" principles.

We are also a signatory to the UN PRI (Principles for Responsible Investment) which require annual reporting on progress with responsible investing initiatives.

INTEGRATION OF RESPONSIBLE INVESTMENT INTO OUR INVESTMENT PROCES

Our approach to responsible investing may be described as integrated fundamental analysis and active ownership. While we consider it essential to include ESG issues in our investment analysis, we do not make investment decisions based solely on our ESG views. In particular we do not screen out particular entities and/or sectors based on our own subjective moral, religious or other viewpoints, as this could contrast with our fiduciary duty of active management across a client's entire investment universe (refer section below on "Socially Conscious Investing"). Rather, investment decisions are made after giving appropriate consideration to all factors that influence an investment's risk or return.

We have not reduced ESG into a specific stand-alone quantifiable element of our investment process. Our investment decision making process necessarily takes into account the prospects of a company, in particular a substantive view of factors potentially affecting its sustainability, and this is where ESG issues can play a material role.

As long-term investors we are conscious of all factors, including ESG issues, which affect the prospective cash flows of an investment. Where we are aware of particular and quantifiable costs or benefits, we adjust our long-run cash flow projections accordingly. We assume that positive or negative ESG effects will ultimately reflect in asset prices. As active, value managers we typically invest in assets that we believe are mispriced because the market is overly pessimistic on their future prospects. This pessimism might well stem from misconceptions around ESG issues. For example, we will seek to exploit situations where the market prices in a permanent reduction in a company's cash flows due to ESG concerns that are temporary in nature - and where the company's long-run prospects are not compromised to the extent implied by the market price.

RESPONSIBLE INVESTING AND ACTIVE OWNERSHIP

There are and have been instances where our engagements with companies on ESG issues have unlocked value for shareholders.

We exercise voting rights on behalf of our clients to enhance governance in the companies we invest in and ensure value in the portfolios under our management. Our voting records are made available quarterly to the asset owners on whose behalf we manage portfolios.

Our portfolios managers believe that the long-term success of companies is supported by effective corporate stewardship and good governance. We maintain a constructive dialogue with the management of investee companies through regular meetings with executive and non-executive directors. Such meetings are central to our approach and are focused on identifying whether a company's strategy is aligned with our interests as long-term shareholders. These engagements are important across all asset classes and are monitored within equity, fixed income and listed property categories. Our analysts and portfolio managers typically attend more than 400 engagements with management of investee companies each year.

RESPONSIBLE INVESTING VERSUS SOCIALLY CONCIOUS INVESTING

It is our view that socially responsible investing should be distinguished from socially conscious investing. We believe that our prudent value investment philosophy is consistent with socially responsible investing.

Socially conscious investing, on the other hand, varies depending on the group or individual convictions of investors based on religious and/or moral perspectives. We do not believe it is within our rights to impose our own religious or moral perspectives on our clients and we would prefer our clients to be specific in their mandates regarding any desired socially conscious investment restrictions. Examples of such mandates include Shariah compliant mandates, or mandates that exclude investments in tobacco, alcohol or gambling. We would therefore only apply a negative screening approach to portfolio construction once granted a specific mandate to do so by a client, and to the extent that our investment operations can accommodate any unique benchmarks or restrictions.