

Responsible Investing

27 August 2020



Prudential Funds

The Prudential Life Global Balanced Fund objective is to out-perform its benchmark, being the median competitor managers' performance as measured in the Alexander Forbes Global Large Manager Watch Survey. We aim to achieve this through steady long-term growth of capital and income by investing in a diversified combination of domestic and international assets, where the asset allocation is tactically managed. The Fund conforms to the regulations governing retirement fund investments (Regulation 28). The recommended investment horizon is 5 years or longer.

The Prudential Life Inflation Plus Fund has dual objectives, of which the primary objective is to outperform CPI by 5% over a rolling 3-year period and the secondary objective is to reduce the risk of capital loss over any rolling 12-month period. The Fund invests in an actively managed, diversified combination of domestic and international assets where the asset allocation is tactically managed. The recommended investment horizon is 3 years or longer.

Consideration of Environmental, Social and Governance (ESG) factors

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.

Our approach to ESG

At the heart of our approach is a desire to investigate and interrogate information on investee companies or debt issuers to ensure we understand factors that impact on their value propositions and long-term sustainability.

It is important to note this is not a 'bolt on' process, and neither is it a new aspect of our investing process. As with non-ESG information and research, ESG-related analysis informs our investment process.

Our approach to Engagement with Investee Companies on ESG Matters

Engagements are customised to entities and industries – we do not engage all companies equally

We do not engage all companies equally, nor on a predetermined set of criteria. Our engagements are more prominently focused on those entities into which we have invested our clients' assets, but we can engage entities where we may seek future exposure.

Engagements are typically unique to the industry type. For example, our engagement with mining and chemical industries is likely to be more focused on environmental and social issues than those engagements with banks. Companies with complex structures will likely receive more of a focus on governance issues.

Engagements may also be entity specific. We may not explore the same issue with all companies in a sector if there is no reason to believe that issue may repeat amongst its peers.

Companies that communicate transparently on material issues are likely to receive less engagement than those that do not do so.

A preference for direct and private engagement

As asset managers our preference is to engage investee company management directly and privately. This facilitates a more constructive and non-defensive engagement and allows for a more detailed and direct discussion. Moreover, public engagements that cause a market sentiment over-reaction can risk becoming value-destructive and may indeed be legally restricted.

Occasionally we will speak out publicly

Occasionally we will state our views publicly in an attempt to air our concerns to the broader shareholder base, in the hope of garnering support for our point of view, or when the issues are material enough that staying silent would be irresponsible or could be misinterpreted as condonation.

How we engage

We engage through meetings with management, at times individually, and at times with other shareholders. We also participate in conference calls, attend investor roadshows, and more formally we use written correspondence.

Engagement is either led by or involves the company analyst to ensure that ESG issues remain integrated in the investment process. Depending on the nature of the issue, other departments or consultants may be called on for assistance.

Commitment to Responsible investing

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.

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

VIEW OUR LATEST STEWARDSHIP REPORT

https://www.prudential.co.za/media/32876/stewardship-report_h2-2019.pdf