# Task Force on Climate-related Financial Disclosures (TCFD) Index

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| **GOVERNANCE** | |
| Describe the board's oversight of climate-related risks and opportunities | The Corporate Governance and Business Ethics Committee, of Prudential's Board of Directors, oversees Prudential's management of climate-related issues, specifically the environmental and sustainability strategy and progress. A dedicated Committee allows for the time and focus to be allocated to these issues and ensures ongoing progress against the company goals.<br><br>To this end, the Committee performs an assessment of the skills and the experience needed to properly oversee the interests of the company. Generally, the Committee reviews both the short- and long-term strategies of the company to determine what current and future skills and experience are required of the Board in exercising its oversight function and in the context of the company's strategic priorities. The Committee then compares those skills to the skills of the current directors and potential director candidates. The Committee conducts targeted efforts to identify and recruit individuals who have the qualifications identified through this process, keeping in mind its commitment to diversity. In general, the Committee oversees the following risks: the company's overall ethical culture, political contributions, lobbying expenses and overall political strategy, as well as the company's environmental risk (which includes climate risk), sustainability and corporate social responsibility to minimize reputational risk and focus on future sustainability. |
| Describe management's role in assessing and managing climate-related risks and opportunities | The individual with full responsibility for assessing and monitoring climate-related issues to inform climate change initiatives is the Chief Governance Officer. While responsibility for implementing climate-related strategies are integrated throughout the company, the Chief Governance Officer takes an overarching view of Prudential's progress to strategize and make continuous improvements at a company-wide level. The Vice President of Sustainability supports the Chief Governance Officer in this work. The Vice President of Sustainability position sits in the Governance group, from which the sustainability budget is allocated. An Environmental Task Force, with representatives from Prudential's businesses and Corporate Centers, supports day to day implementation of the strategy and related initiatives. The Chief Governance Officer/Corporate Secretary update the board quarterly on governance issues.<br><br>The individual with full responsibility for assessing and monitoring climate-related issues to inform climate change investments is the Chief Investment Officer (CIO). While responsibility for implementing climate-related strategies are integrated throughout the company, the CIO is in charge of managing climate risks along with other investment risks including overall investment performance, asset/liability management, portfolio construction and investment strategy for Prudential's international and domestic business operations which includes investments to support climate change mitigation. For example, Prudential's Chief Investment Office invests via PGIM Private Capital in a Renewable Energy Fund. |

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| **STRATEGY** | |
| Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term | Life insurance companies by design make long term commitments to policyholders. Therefore, Prudential is focused on the evolution of risk and resources through long periods of time. Many decisions the company makes today, such as the risks taken and the strategies used to mitigate that risk, have impact over 10, 20, 30 years or longer.<br><br>Short term (0 to 7 years): Inherent climate-related risks with the potential to have a substantive financial or strategic impact on the business include acute physical operational risk caused by increased severity and frequency of extreme weather events such as cyclones and floods. Another short-term risk is market risk due to changing customer behavior. Inherent risks driven by other climate-related developments could include shifting public opinion on climate change and climate risk, changing market demand for Prudential's climate-related products (such as green bonds and alternative energy investment portfolios) and growing employee interest in environmental stewardship.<br><br>Medium term (7 to 20 years): Prudential sees a climate-related opportunity with reputational benefits in terms of integrating responsible investing into the company's financial products. Prudential's Impact Investing team manages a stand-alone impact investment portfolio, as well as provides consultative services to the rest of the firm on responsible investments and perspectives on under-served markets. Prudential has also found opportunities to help mitigate climate change and support resilience in a variety of asset classes. Most prominently, the company has invested in renewable energy, green bonds and green real estate. In early 2020 Prudential issued its first green bond, furthering the company's commitment to sustainable investments which delivers a positive environmental impact. The green bond has a principal amount of $500 million and represents the first green bond issuance of its kind by a major U.S. life insurer.<br><br>For additional information review the company's CDP response questions C2.1a, C2.3, C2.3a, C2.4, and C2.4a. |
| Describe the impact of climate-related risks and opportunities on the organization's business, strategy and financial planning | Identified transitional risks and opportunities have impacted Prudential's approach to designing or administering products and services, as well as the company's capital allocation strategy. Studies have shown increasing demand for "responsible investment" products, such as those with climate-related attributes among institutional and retail customers, which will likely cause an increase in demand for these types' products and services. In general, shifting public opinion on climate change and climate risk could change market demand for climate-related product offerings. Though Prudential's investment processes inherently consider sustainability to ensure long-term returns for its clients, the company specifically pursued renewable energy investments, "green" bonds and "green" real estate in response to these climate-related risks and opportunities.<br><br>For additional information review the company's CDP response questions C3.1b, C3.1d, C3.1e, and C-FS3.3a. |

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| Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2-degree Celsius or lower scenario | Prudential has not yet applied qualitative and/or quantitative climate-related scenario analysis to assess the potential business implications of climate change and therefore inform its strategic and financial planning processes to ensure resiliency under those circumstances.<br><br>Using a more narrow application of climate-related scenarios to inform Prudential's efforts to mitigate its environmental impact, the company initiated a high-level analysis of science-based target setting methods to inform an update to its Global Environmental Commitment. The SBT methodologies considered various scenarios, including RCP 2.6, and applied company-specific growth trajectories including financial indicators and employees to historical GHG emissions trends to determine a business-as-usual (BAU) scenario.<br><br>The analysis was completed in 2019, which led to the announcement of the company's emissions reduction goal to reduce domestic emissions by 65% by 2050. The analysis provides Prudential with reference points to determine the appropriate plans of action to achieve emissions reductions, such as energy efficiency measures and renewable energy investments.<br><br>Prudential has also furthered its efforts to assess the impact of climate change on the general account. In 2020, Prudential's Chief Investment Office engaged Trucost to perform a carbon footprint and climate change analysis. The carbon footprint analysis covered approximately 70% of general account investments. We will continue to develop our understanding of potential climate change impacts on general account investments.<br><br>For additional information about Prudential's application of climate-related scenarios to inform the company's emissions reduction strategy, review the company's CDP response questions C3.1b, C3.1d, and C3.1e. |

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| **RISK MANAGEMENT** | |
| Describe the organization’s processes for identifying and assessing climate-related risks | The company categorizes its risks into tactical and strategic risks. Tactical risks may cause damage to the company, and are actively managed and mitigated through models, metrics and the overall risk framework. Tactical risks may be further categorized into financial and nonfinancial risks. The company's financial tactical risks include investment, market, insurance, and liquidity risk. Non-financial tactical risks include operational and model risk. Strategic risks can cause the company's fundamental business model to change, either through a shift in business (what we do) or a change in execution (how we do it). A tactical risk may become a strategic risk. For Prudential, impacts of climate change manifest primarily through the tactical risks we manage.<br><br>Prudential’s risk management framework provides a common approach to identifying and evaluating the risks embedded in and across its businesses, developing risk appetite, managing risks and identifying current and future risk challenges and opportunities. The framework gives Prudential visibility into how risks behave and evolve individually and in aggregate over time, under varying degrees of stress, and allows the company to evaluate those risks against available loss absorbing resources.<br><br>A critical element of Prudential’s risk management framework is the ability to quantify the risks and understand how risks behave individually and in aggregate. Prudential’s Risk Appetite Framework (RAF) is designed to reasonably ensure that all risks taken across the company align with the capacity and willingness to take those risks. Using the RAF, the company measures, evaluates, and manages its financial risks. The comprehensive models, metrics, and stress scenarios used enable the company to understand its current risk profile as well as how the risk profile may change, given certain events or potential exposures.<br><br>The foundation of Prudential’s data-centric risk analysis is stress scenarios. Risk impacts are measured and assessed through a comprehensive and cohesive set of stress scenarios (both hypothetical and historical) using a range of different metrics and varying degrees of severity. This robust stress testing examines the sensitivity of assets and liabilities and how they interact with each other through time to identify places where the company’s capacity may be challenged by the risks taken. These analytics enable Prudential to develop strategies to address extreme and unlikely stress scenarios and implement actions to mitigate any identified risks.<br><br>Additionally, the Qualitative Risk Appetite Framework helps the company understand and manage risks that are not easily quantifiable. By continuously scanning the internal environment and reporting findings to leadership and the Board on a regular basis, the company can monitor and mitigate operational risks in qualitative areas such as culture; reputation; compliance with laws, regulations, and policies; and decision-making incentives.<br><br>Finally, Prudential’s investment businesses (PGIM Fixed Income, PGIM Real Estate, and QMA) utilize appropriate tools and procedures to evaluate exposure to climate-related risks in their investment portfolios. As an asset owner, Prudential also integrates consideration of climate-related risks when determining investments for its General Account.<br><br>For additional information review the company’s CDP response questions C2.1b, C2.2, C2.2a, C-FS2.2b, C-FS2.2c, and C-FS2.2d. |

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| Describe the organization's processes for managing climate-related risks | The Risk Appetite Framework (RAF) evaluates Prudential's exposure under five metrics that the company's Board and senior management believe are most impactful in relation to Prudential's financial soundness and ability to compete effectively in the markets in which it operates; long-term "economic" value, statutory solvency, GAAP equity and leverage, liquidity, and longevity. Relevant metrics are evaluated under three stress severities: Deterministic "Extreme Stress" scenarios, "RAC" Equivalent" (1-in 100) shock-based stress and Cyclical (1-in 10) shock-based stress. By analyzing risks, including those that are climate change related, through the RAF, we can ensure that all risks taken across the company align with the capacity and willingness to take those risks. Imbalance between risks and resources provides an indication of the level of substantive financial or strategic impact.<br><br>An assessment of risk capacity demonstrates that Prudential has adequate capital under all stresses and as viewed under all lenses, with GAAP under a cyclical stress currently the most constraining metric. These analyses serve to demonstrate that the resources available to the company are adequate to support the risk profile, giving the company excess risk capacity on an economic basis, as well as under statutory GAAP measures.<br><br>For additional information review the company's CDP response questions C2.1b, C2.2, C2.2a, C-FS2.2b, C-FS2.2c, C-FS2.2d, C3.1d, and C3.1e. |
| Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management | Core to the sustainability of Prudential is understanding the risks the company takes and how they impact the promises made. The risk management framework gives visibility into how risks interact through time and under varying degrees of stress. In addition, the company's culture of transparency and informed decision-making has enabled or strengthened the ability to plan for and mitigate potential risks. The integration of climate-related risks into Prudential's overall risk management approach is facilitated via application of the previously mentioned Risk Appetite Framework (RAF).<br><br>For additional information review the company's CDP response questions C2.1b, C2.2, and C2.2a. |
| **METRICS AND TARGETS** | |
| Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process | For additional information review the company's CDP response questions C4.1, C4.1a, C4.2, and C4.2a. |
| Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks | The risks of Prudential's current Scope 1, Scope 2, and majority of our Scope 3 emissions are minimal from a financial perspective. Prudential awaits further guidance to evaluate risks related to our Scope 3 investments.<br><br>For additional information review the company's environment webpage the company's CDP response questions C6.1, C6.3, and C6.5. |
| Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets | Prudential's Global Environmental Commitment describes the company's targets to manage climate-related risks and opportunities from both an operational and an investment lens. Progress against these targets will be published in subsequent Sustainability Reports and online via the Global Environmental Commitment webpage.<br><br>For additional information review the company's Global Environmental Commitment and the company's CDP response questions C4.1, C4.1a, C4.2, and C4.2a. |