

*Committed to Financial Wellness*



**2017 SUSTAINABILITY REPORT PRUDENTIAL FINANCIAL, INC.**



**Prudential**



Prudential is more than a world-class financial services company. We are a citizen, a neighbor and a leader with a responsibility to make an ongoing, long-term positive impact on the world around us.

Our financial strength, talent, innovation, focus on the well-being of our stakeholders, and preservation of resources make us ideally suited to do so.

These attributes are foundational to our business and essential to our purpose of creating sustainable outcomes for people, communities and organizations.

At Prudential, sustainability is not an initiative. It is a powerful and authentic part of who we are and what we do.

Providing a

# SUSTAINABLE FOUNDATION

the building blocks that create enduring solutions to power the ambitions of people, organizations and communities.

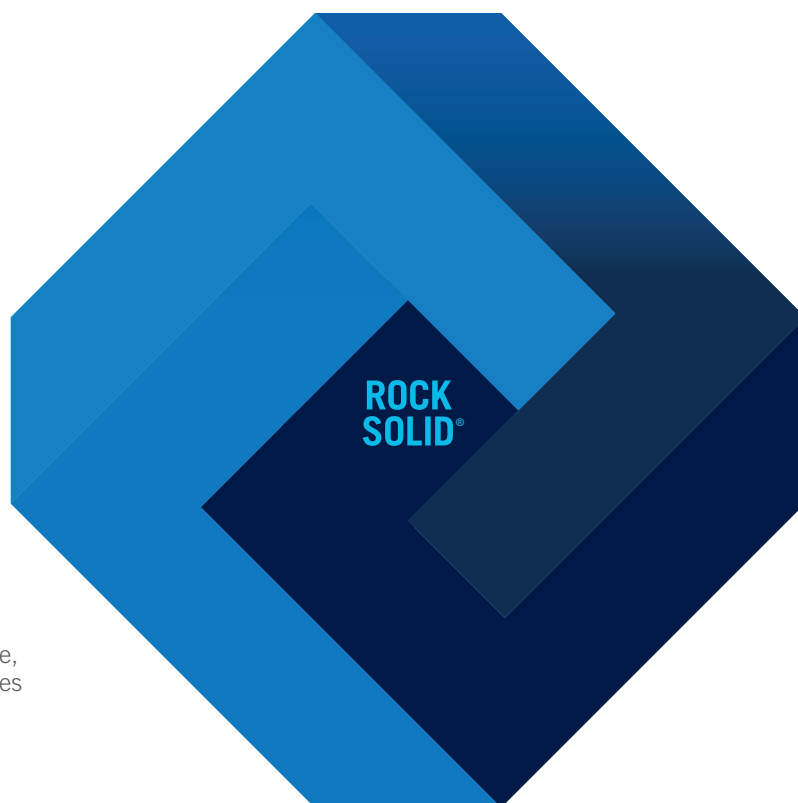
## CUSTOMER FOCUS

Innovating to drive success for customers and advance society



## FINANCIAL STRENGTH

Managing risk with integrity and effective, time-tested disciplines



## RESPONSIBLE IMPACT





Engaging with stakeholders to create shared success



## TALENT FOCUS

Recruiting, engaging and retaining diverse talent to succeed today and tomorrow

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*Underscored text links to related content within this document, [prudential.com](http://prudential.com), or an external website.*

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# Message from the Chairman



**John Strangfeld**

Chairman and  
Chief Executive Officer

In 1875, John Dryden established Prudential to fulfill a pressing need—to make life insurance affordable for working families, thus providing them with a degree of financial security that had never before been available. Today, that same purpose—to provide everyone with the opportunity to achieve financial security—continues to drive us.

We understand that when more people achieve financial wellness, the impact is felt everywhere—across individual families, communities and our entire society. That is what we describe as the “wellness effect.” With our breadth of business capabilities, we are uniquely positioned to create pathways to prosperity for people around the world.

Our complementary mix of high-quality businesses mitigates risk and enables us to provide a wide variety of financial solutions to address customers’ protection, investment and retirement needs. During 2017, our businesses again demonstrated their power, as we exceeded key performance measures. We also more closely integrated our corporate social responsibility initiatives with our business strategy, and achieved progress in our four building blocks of sustainability:

**Financial:** In 2017, we achieved distinctive performance, with strong fundamentals and solid core growth across our businesses. In addition, we continued to invest in the growth of our businesses, including efforts in technology that will enable us to connect with customers with greater agility.

**Customers:** To support our aspiration to become the leading provider of financial wellness solutions, we realigned our U.S. businesses to enable us to better meet customers’ evolving needs throughout their lifetimes.

**Talent and Culture:** Our talent and our culture remain our greatest competitive advantages and differentiate us in the marketplace. In 2017, we focused on integrating initiatives in leadership, diversity and inclusion, and succession planning, to further strengthen our culture and our ability to attract and retain top diverse industry talent.

**Social:** To support our commitment to financial wellness, we launched a variety of initiatives, including: a multiyear partnership with the Aspen Institute, a nonpartisan forum for values-based public policy leadership, to advance solutions that increase financial security for all American workers; and new platforms to help employers understand and improve the financial health of their workforce.

Prudential’s success depends on our ability to deliver on our promises over the long term, often decades, even lifetimes. Our commitment to sustainability reflects what we do to ensure we can keep those promises, today and long into the future.

We rely on our stakeholders to provide feedback to us as we continue our sustainability journey. Thank you for your interest in our company.

A handwritten signature in black ink, appearing to read "John Strangfeld". The signature is fluid and stylized, with a large, sweeping flourish at the end.

# Message from the Board of Directors



**Gilbert F. Casellas**

Director and Chair,  
Corporate Governance  
and Business Ethics  
Committee

As directors and stewards, we guide and oversee efforts to create long-term value through the execution of a sound business strategy, prudent risk management, talent development, succession planning, a commitment to corporate ethics and advancing social progress. Through active engagement with management and robust outreach with stakeholders, we provide critical insight to support the pursuit of our mission.

Our commitment to environmental, social and governance initiatives are core to our business and corporate philosophy. These efforts provide a sustainable foundation for Prudential's long-term growth. We focus on four areas: financial strength, customer focus, talent and responsible impact.

With a company that is both international and multicultural, diversity is a foundational value for the Board. Two-thirds of our Board are diverse and 80 percent of our non-employee directors are diverse. In 2017, this commitment to diversity was recognized by the California Department of Insurance which honored us with the Governing Board Diversity Champion Award. Another reflection of this commitment to diversity is our decision to tie long-term diversity improvement to performance shares awarded to executives at senior vice president level and above.

We recognize that a commitment to doing business the right way is integral to our success. We are accountable for ensuring an overall ethical culture which recognizes strong risk awareness for issues including stranded assets, climate change, human rights abuses and cybersecurity.

Prudential's [2018 Prudential's Proxy Statement](#) and [2017 Annual Report](#) contain additional information about Prudential's efforts to create long-term value through the execution of a sound business strategy. For the 2018 Proxy Statement, Lata Reddy, Prudential's Senior Vice President, Diversity, Inclusion and Impact, spoke to Board Member [Christine Poon](#), Chairman of the Finance Committee, about her views on Prudential's Board and the Corporate Social Responsibility Oversight Committee. In addition, Peggy Foran, Senior Vice President and Chief Governance Officer, interviewed [Thomas Baltimore](#), the Lead Independent Director, about his views on the role of the Lead Independent Director and Prudential's corporate governance practices.

This report chronicles our sustainability journey during 2017. We hope you find it engaging and always welcome your [feedback](#).

A handwritten signature in black ink, appearing to read 'Gilbert Casellas', written in a cursive style.

# About Prudential

## Organizational Profile

NYSE: PRU  
Headquarters: Newark, NJ

[www.prudential.com](http://www.prudential.com)

## Purpose

Power the ambitions of people, organizations and communities

## Core Values

How we conduct our business is just as important as what we do. Our core values are the principles that guide us daily:

- Worthy of Trust
- Customer Focused
- Respect for Each Other
- Winning with Integrity

Prudential's diverse and talented employees are committed to helping individual and institutional customers grow and protect their wealth through a variety of products and services.

## Prudential conducts its principal business through five divisions:

1. The U.S. Individual Solutions Division
  - a. Individual Annuities manufactures and distributes individual variable and fixed annuity products.
  - b. Individual Life manufactures and distributes individual variable life, term life, and universal life insurance products.
2. The U.S. Workplace Solutions Division
  - a. Retirement provides retirement investment and income products and services to public, private and not-for-profit organizations.
  - b. Group Insurance manufactures and distributes a full range of group life, long-term and short-term disability, and group corporate-bank- and trust-owned life insurance primarily to institutional clients for use in connection with employee and membership benefits plans.
3. The Investment Management Division offers a broad array of domestic and international investment management and advisory services by means of institutional portfolio management, mutual funds, and structured products.

4. The International Insurance Division manufactures and distributes individual life insurance, retirement and related products.
5. The Closed Block Division continues to consist of the Closed Block segment.

Prudential also conducts other activities in Corporate and Other operations.



## PRUDENTIAL BY THE NUMBERS

### Company Ownership (As of December 31, 2017)

- 422,552,221 shares outstanding
- 1,299,208 registered shareholders
- 30% owned by retail operations and non-institutional holders
- 70% owned by institutions
- \$1.394 trillion in assets under management
- Approximately \$3.7 trillion of gross life insurance in force worldwide

### Employees

Approximately 50,000 employees and sales associates worldwide

### Women in Leadership (excluding the salesforce)

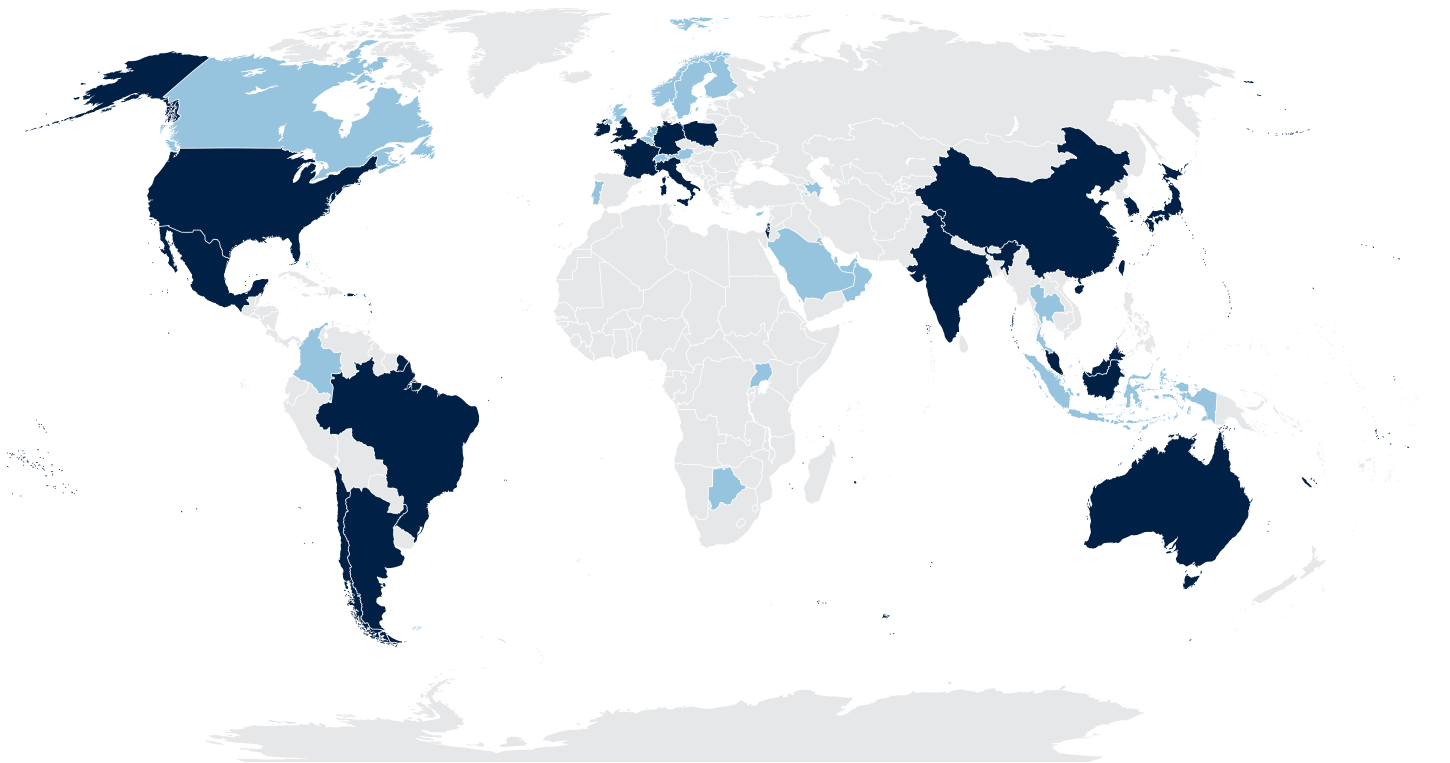
| Women's Roles in 2017                                   | Percentage |
|---|------------|
| Women on Board of Directors                             | 25%        |
| Women in Executive Management (3rd level VPs and above) | 26%        |
| Women in Senior Management (1st and 2nd level VPs)      | 35%        |
| Women direct reports to the CEO                         | 14%        |

Prudential's Sustainability Report provides an overview of long-term company goals and efforts in support of those goals. Some material is derived from other company documents, and links are provided to those documents where appropriate.

Portions of the report contain aspirational or otherwise forward-looking statements. Actual results may differ, possibly materially, from the company's expectations or predictions expressed in the document. See Appendix A for additional important information about these forward-looking statements.

**Global Map including Countries of Operation  
and Locations of Assets Under Management (AUM) and/or Revenue**

| 23 COUNTRIES OF OPERATION (LOCATION OF EMPLOYEES OR JOINT VENTURES) |   |
|---|---|
| North America   | U.S. (including Guam), Mexico   |
| Asia & Australia  | Australia, China, Hong Kong, India (JV only), Indonesia (JV only), Japan, Malaysia (JV only), Singapore, South Korea, Taiwan  |
| South America   | Argentina, Brazil, Chile (JV only)  |
| Europe & Middle East  | France, Germany, Ireland, Israel, Italy, Luxembourg, Poland, United Kingdom   |
| LOCATIONS OF AUM AND/OR REVENUE BUT NO EMPLOYEES                    |   |
| North America   | Bahamas, Bermuda, Canada, Cayman Islands  |
| Asia & Australia  | Thailand  |
| South/Central America   | Colombia  |
| Europe, Middle East & Africa  | Austria, Azerbaijan, Belgium, Botswana, Cyprus, Denmark, European Union, Finland, Guernsey, Kuwait, Netherlands, Norway, Oman, Portugal, Qatar, Saudi Arabia, Scotland, Sweden, Switzerland, Uganda, United Arab Emirates |



# Sustainability at Prudential

Prudential defines sustainability as how the company anticipates and manages future risks and opportunities to meet its long-term promises. The four building blocks for continued vitality are illustrated in [Prudential's Sustainable Foundation](#).

As a Ceres Company Network, Prudential participates in regular engagements on developments related to sustainability. Ceres is a nonprofit organization advocating for sustainability leadership. The group mobilizes a network of investors, companies and public interest groups to transform the economy to build a sustainable future for people and the planet.

In its review of Prudential's 2017 Sustainability Report, Ceres supplied recommendations on the following topics: materiality analysis, sustainability performance, stakeholder feedback, integrating environment, social, and governance factors (ESG) and employee engagement. The following chart summarizes feedback Prudential has received from Ceres in several reviews of its report and strategy, along with Prudential's response to recommendations.

| Recommendation   | Status     | Response   |
|--|------------|--|
| <b>Long-termism:</b> Prudential's Model demonstrates that sustainability is inherently compatible with Prudential's business. The company could consider opportunities to include ambitious and strategic sustainability targets.  | Continuing | Prudential's <a href="#">2017 Annual Report</a> and <a href="#">2018 Proxy Statement</a> and this report include more explicit statements about sustainability, shareholder and community engagement strategies and their relationship to the company's operations.  |
| <b>Risk management:</b> The Model should define a risk management process that explicitly considers how environmental, social and governance (ESG) factors are considered in investing and due diligence.  | Continuing | Enterprise Risk Management executives are active participants in Prudential's Sustainability Council and its Environmental Task Force. As noted later in this report, Prudential's Risk Management organization continues to evolve.   |
| <b>Responsible investment:</b> The Model should include development of sustainability-oriented products and services with disclosures on investments—for instance, through the articulation of a sustainable investing policy. Additionally, the company should consider opportunities to scale its “green” investments. | Under way  | As seen later in this report, investments in infrastructure, renewable energy, “green” real estate and green bonds continue to grow. The company's global investment management group, PGIM, has three Principles for Responsible Investment (PRI) signatories—PGIM Real Estate, PGIM Fixed Income, and QMA. In addition, Prudential's Impact Investments portfolio continues to make progress toward meeting its goal of a \$1 billion portfolio by 2020.   |
| <b>Product innovation:</b> The Model could establish goals to grow revenues through Prudential's Environment, Social and Governance product suite. The objective is for Prudential to incorporate sustainability considerations across the entirety of its product and service suite in the medium- to long-term.        | Under way  | A vital part of the company's investment philosophy is active allocation of resources to diverse organizations to generate impact on partners, communities, and individuals. PGIM Real Estate Finance participates in FHA's green loans program. PGIM Real Estate has also participated in Fannie Mae's Multifamily Green financing program. DHFL Pramerica Life Insurance Co., Prudential's joint venture in India, has agencies, called Prahri, that are staffed by veterans and members of military families to provide customized life insurance offerings to members of the military community. |

| Recommendation  | Status         | Response   |
|---|----------------|--|
| <b>Employees:</b> The framework should establish sustainability training and engagement for employees.  | Under way      | We continue to build a network of “sustainability ambassadors” between the Sustainability team and Prudential’s Global Communications group. We are also engaging more employees in programs that integrate sustainability within corporate programs, such as Green Teams and Lunch & Learn. |
| <b>Operations:</b> The model should consider incremental goals for 2030 to reduce greenhouse gas emissions and a target that is absolute and aligned with science.  | In development | As of the writing of this report, the Environmental Task Force has third-party verified emissions data and is moving forward with a Global Environmental commitment.   |
| <b>Implementation:</b> Prudential should put in place a strong implementation mechanism to ensure that the mission and themes laid out in the Model are translated into daily practice. This will help the company achieve its performance expectation that “every employee will seek to create long-term sustainable value.” | Under way      | As supported by the metrics included in this report, implementing the strategies and tactics tied to long-term value creation are well underway in the firm. A <a href="#">chart</a> outlines the formal accountability structure for overall sustainability.                                |

## Stakeholders

Proactive engagement with stakeholders supports Prudential’s achievement of its purpose and the company’s long-term vitality by encouraging learning

and increasing transparency. In general terms, Prudential’s stakeholders include:

| Stakeholder Group                             | How We Engage  |
|---|--|
| Shareholders and Institutional Investors      | <ul style="list-style-type: none"> <li>• Annual Report, Proxy Statement and Sustainability Report</li> <li>• Press releases</li> <li>• Webcasts and conference calls</li> <li>• Financial services conferences</li> <li>• Proxy voting</li> <li>• One-on-one visits to discuss financial performance and ESG issues</li> <li>• Communications through Investor Relations and Corporate Governance Teams as well as company’s Board of Directors</li> <li>• Annual Meeting and Investor Days</li> <li>• Responses to ESG surveys from ratings firms and CDP (formerly the Carbon Disclosure Project)</li> </ul> |
| Customers (both individual and institutional) | <ul style="list-style-type: none"> <li>• In-person conversations</li> <li>• Social media</li> <li>• Annual Report, Proxy Statement and Sustainability Report</li> <li>• Customer satisfaction surveys, customer focus groups and net promoter scores</li> <li>• Assessment of financial data</li> </ul>  |

| Stakeholder Group  | How We Engage   |
|--|---|
| Employees and retirees   | <ul style="list-style-type: none"> <li>• Performance management and development programs</li> <li>• Volunteer events</li> <li>• Annual Report, Proxy Statement and Sustainability Report</li> <li>• Matching gifts program (open to eligible employees and retirees)</li> <li>• Business Resource Groups, Green Teams and Volunteer Councils</li> <li>• Company intranet, email, direct mail, social media and in-person meetings</li> <li>• Prudential Ethics Help Line</li> <li>• Employee surveys</li> </ul> |
| Independent financial advisors and intermediaries                          | <ul style="list-style-type: none"> <li>• In-person meetings, calls, conference calls, conferences and convenings</li> <li>• Proxy voting</li> <li>• Annual Report, Proxy Statement and Sustainability Report</li> </ul>   |
| Community leaders, neighbors, and nongovernmental organizations (NGOs)     | <ul style="list-style-type: none"> <li>• In-person meetings, calls, conference calls, social media, and events with local leaders, neighbors, NGOs, and advocacy groups</li> <li>• Board memberships</li> <li>• Financial support (grants, corporate contributions, impact investments)</li> <li>• Employee volunteering</li> </ul>   |
| National and local government officials located in the U.S. and abroad     | <ul style="list-style-type: none"> <li>• In-person meetings, conferences and convenings, conference calls, lobbying activities, industry associations, public policy forums and press conferences</li> <li>• Membership on government councils and committees</li> </ul>  |
| U.S. states, federal and international regulators                          | <ul style="list-style-type: none"> <li>• In-person meetings, conferences and convenings, conference calls, lobbying activities, industry associations, public policy forums and press conferences</li> </ul>  |
| Suppliers, vendors and business partners                                   | <ul style="list-style-type: none"> <li>• Prudential Ethics Help Line</li> <li>• In-person meetings, calls, conferences, and workshops</li> <li>• Vendor Registration Portal and related websites</li> </ul>   |
| Thought leaders and advocates in issue areas related to financial services | <ul style="list-style-type: none"> <li>• Board memberships</li> <li>• In-person meetings, conference calls</li> <li>• Group calls and meetings</li> <li>• Industry groups, roundtables, workshops and events</li> <li>• Working groups</li> <li>• Joint projects</li> <li>• Responses to ESG surveys from ratings firms and CDP (formerly, the Carbon Disclosure Project)</li> </ul>  |

## LONG-TERM RISKS AND OPPORTUNITIES

At its core, Prudential is in the business of risk management. The company addresses the breadth of risks material to stakeholders and its own long-term vitality. The following chart summarizes high-level

long-term issues the company monitors, and when relevant, engages with leaders to influence. Along with risks come opportunities the firm strives to capture.

| Building Block       | Financial Strength  | Customer Focus   | Talent Focus   | Responsible Impact  |
|----------------------|---|--|--|---|
| <b>Risks</b>         | <ul style="list-style-type: none"> <li>• Global economic and social volatility</li> <li>• The level and volatility of interest rates and equity markets</li> <li>• Complex insurance and financial products</li> <li>• Effects of climate change and resource scarcity</li> </ul>   | <ul style="list-style-type: none"> <li>• Impaired trust in the industry</li> <li>• Meeting needs of customers living longer, younger and faster</li> </ul>   | <ul style="list-style-type: none"> <li>• Failing to attract and retain crucial talent</li> </ul>                                       | <ul style="list-style-type: none"> <li>• Underserved communities</li> <li>• Financial and regulatory environment</li> </ul>   |
| <b>Opportunities</b> | <ul style="list-style-type: none"> <li>• Strong investment, actuarial and risk management skills may attract customers and enhance financial results</li> <li>• Financial strength and capacity enhances flexibility and competitiveness</li> <li>• Mitigating climate risk and resource scarcity creates business opportunities and supports more adaptable communities</li> </ul> | <ul style="list-style-type: none"> <li>• Improving understanding of business may strengthen trust</li> <li>• Strategically aligned innovation allows for growth and customer satisfaction</li> </ul> | <ul style="list-style-type: none"> <li>• Reputation as an employer of choice supports recruitment, retention and engagement</li> </ul> | <ul style="list-style-type: none"> <li>• Functioning and resilient local economies can strengthen pipelines for talent and customers</li> <li>• Good public policy supports value creation</li> </ul> |

## ACCOUNTABILITY FOR SUSTAINABILITY

Sustainability is overseen by Prudential's Board of Directors. This work is led by Prudential's senior leaders and carried out by senior staff. This chart illustrates

the relationships between the individuals involved and the titles of those directly responsible.



## ABOUT THIS REPORT

This is Prudential's annual integrated Sustainability Report, covering the period of January 1 – December 31, 2017. As appropriate, significant developments occurring in early 2018 may be referenced and will be more fully developed in subsequent reports.

The report addresses the parent company, wholly owned subsidiaries and some joint ventures comprising U.S. and international subsidiaries' operations. The report reflects no material changes from the previous period in boundaries.

## REPORTING GUIDELINES

The Global Reporting Initiative (GRI) is the most widely accepted framework for sustainability reporting. This document has been prepared in accordance with the GRI Standards: Core option. It also includes aspects of the Financial Services Sector Disclosure documents and refers to the Sustainability Accounting Standards Board's provisional guidelines for insurance companies.

The preparation of this report considered all GRI Principles for sustainability reporting, including guidelines for Principles for Defining Report Content and Report Quality. The process for defining content and boundaries reflects the company's previous reporting practices, feedback from stakeholders and discussions with internal subject matter experts.

Based on Prudential's Sustainable Foundation and a materiality analysis performed by staff, the following aspects were identified as material for the full organization, as defined above:

- Economic Performance
- Environmental Performance
- Labor Practices
- Society
- Product Responsibility

The building blocks of Prudential's Sustainable Foundation align with the material capitals of the International Integrated Reporting Committee's Reporting Framework. Specifically:

- Discussions about Financial Strength reflect investments, activities and outputs related to "Financial Capital."
- Discussions about Customer Focus reflect investments, activities and outputs related to "Intellectual Capital."
- Discussions about Talent Focus reflect investments, activities and outputs related to "Human Capital."
- Discussions about Responsible Impact reflect investments, activities and outputs related to "Social and Relationship Capital."

## LIMITATIONS IN SCOPE

Certain data points are framed to be consistent with Prudential's external reporting practices or previously reported sustainability data. These include:

- Talent and Culture Path, and Health, Wellness and Work/Life refer to U.S. operations only.
- Breakdowns of employee populations are arrayed to be consistent with previous reports.

Prior to release, the Sustainability Report is reviewed by Prudential executives representing all the company's businesses and corporate center functions, including law, governance, ethics and compliance, regulatory reporting, risk and financial management.

# Financial Strength

*Prudential is in the business of making and keeping promises that help customers achieve financial security. To do so, the company must maintain its financial vibrancy. One way Prudential does this is by closely monitoring macro trends across the globe, and understanding how these trends impact our products and financial outcomes. “Public health trends can have a significant impact on the life insurance industry, and there are a lot of processes and tools that we utilize to manage those risks,” said Candace Woods, Senior Vice President and Chief Actuary. “It is important that we understand the risks that we are undertaking, that we anticipate trends in the industry, and that we weather the changes and any economic cycles.”*



## PRUDENTIAL BY THE NUMBERS

### Financial<sup>1</sup>

Assets under management as of December 31, 2017:  
\$1.394 trillion

Assets under management as of December 31, 2016:  
\$1.264 trillion

Net income 2017: \$7.86 billion

Net income 2016: \$4.37 billion

After-tax adjusted operating income 2017:  
\$4.65 billion

After-tax adjusted operating income 2016:  
\$4.11 billion

Earnings per share on an adjusted operating income  
basis 2017: \$10.58

Earnings per share on an adjusted operating income  
basis 2016: \$9.13

Operating return on average equity 2017: 13.0%

Operating return on average equity 2016: 12.0%

<sup>1</sup> Amounts attributable to Prudential Financial, Inc. (PFI). Consolidated adjusted operating income (“AOI”), earnings per share based on AOI and operating return on average equity are non-GAAP measures of financial performance. For a discussion of these measures and for reconciliations to the nearest comparable GAAP measures, see Appendix A of this document.

### Ratings

Prudential Financial, Inc.’s long-term senior debt ratings, as determined by major independent rating agencies, are as follows:

| Rating Agency        | Rating | Outlook  |
|----------------------|--------|----------|
| A.M. Best Company*   | a-     | Stable   |
| Standard and Poor’s* | A      | Stable   |
| Moody’s*             | Baa1   | Positive |
| Fitch Ratings*       | A-     | Stable   |

The financial strength ratings for Prudential’s domestic insurance company subsidiaries, as determined by the major independent rating agencies, are as follows:

| Rating Agency         | Rating | Outlook  |
|-----------------------|--------|----------|
| A.M. Best Company*    | A+     | Stable   |
| Standard and Poor’s*  | AA-    | Stable   |
| Moody’s* <sup>1</sup> | A1     | Positive |
| Fitch Ratings*        | AA-    | Stable   |

\*As of May 02, 2018. Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Credit ratings represent the opinions of rating agencies regarding an entity’s ability to repay its indebtedness. The ratings set forth above reflect current opinions of each rating agency. Each rating should be evaluated independently of any other rating. These ratings are reviewed periodically and may be changed at any time by the rating agencies. As a result, there can be no assurance that we will maintain our current ratings in the future.

<sup>1</sup> Pruco Life Insurance Company of New Jersey and Prudential Annuities Life Assurance Corporation are not rated.

## Insurance Regulatory Capital Ratios

| Risk-Based Capital Ratio <sup>1</sup>                    | December 31, 2017 |
|--|-------------------|
| Prudential Insurance                                     | 410%              |
| Prudential Annuities Life Assurance Corporation (PALAC)  | 1,034%            |
| Composite Major U.S. Insurance Subsidiaries <sup>2</sup> | 529%              |

| Solvency Margin Ratio            | December 31, 2017 |
|----------------------------------|-------------------|
| Prudential of Japan <sup>3</sup> | 919%              |
| Gibraltar Life <sup>3</sup>      | 965%              |

<sup>1</sup> The inclusion of RBC measures is intended solely for information and is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities.

<sup>2</sup> Includes Prudential Insurance and its subsidiaries (Pruco Life of Arizona, Pruco Life of New Jersey, Prudential Legacy Insurance Co., Prudential Retirement Insurance and Annuity Co.) and PALAC. Composite RBC is not reported to regulators and is based on summation of total adjusted capital and risk charges for the included companies as determined under statutory accounting and RBC guidance to calculate a composite numerator and denominator, respectively for purposes of calculating the composite ratio.

<sup>3</sup> Based on Japanese statutory accounting and risk measurement standards applicable to regulatory filings; on a consolidated basis.

“More than 140 years ago, we were the first to provide life insurance to American working families and we remain committed to helping them not only protect their loved ones, but to achieve financial stability throughout their lives. When real, lasting financial security is within reach for everyone, its impact is felt everywhere—from families to workplaces to communities. That is the wellness effect we want to unlock for American workers.”

*Stephen Pelletier, Executive Vice President and Chief Operating Officer, U.S. Businesses*

Committed to Financial Wellness. More than the title of the 2017 report, for Prudential Financial wellness means adopting behaviors to help manage day-to-day finances, achieving long-term financial goals and protecting from key risks. The company's annual financial results are achieved due to a complement of the quality of the business mix, managing risk appropriately and deploying capital efficiently.

The company realizes these objectives through:

- Strong governance
- Managing risk
- Investing responsibly and sustainably

## CORPORATE GOVERNANCE HIGHLIGHTS

In 2017, management and Board members engaged with shareholders who hold a majority of the company's shares. During these discussions, shareholders were encouraged to identify potential Board candidates and share feedback on the company, the Board structure, the governance practices and policies, and the company's compensation framework and programs.

2017 corporate governance highlights include:

- Executive Compensation Program: Received 93% shareholder support in 2017.
- Board Refreshment: Elected four new directors since 2015, including three in 2016, enhancing the Board's breadth and depth of experience and diversity. The average Board tenure is seven years.
- Board Recognition: The company received the Governing Board Diversity Champion Award from the California Department of Insurance for leadership and innovative approach to diversifying the Board.

## Investor Stewardship Group's Corporate Governance Framework

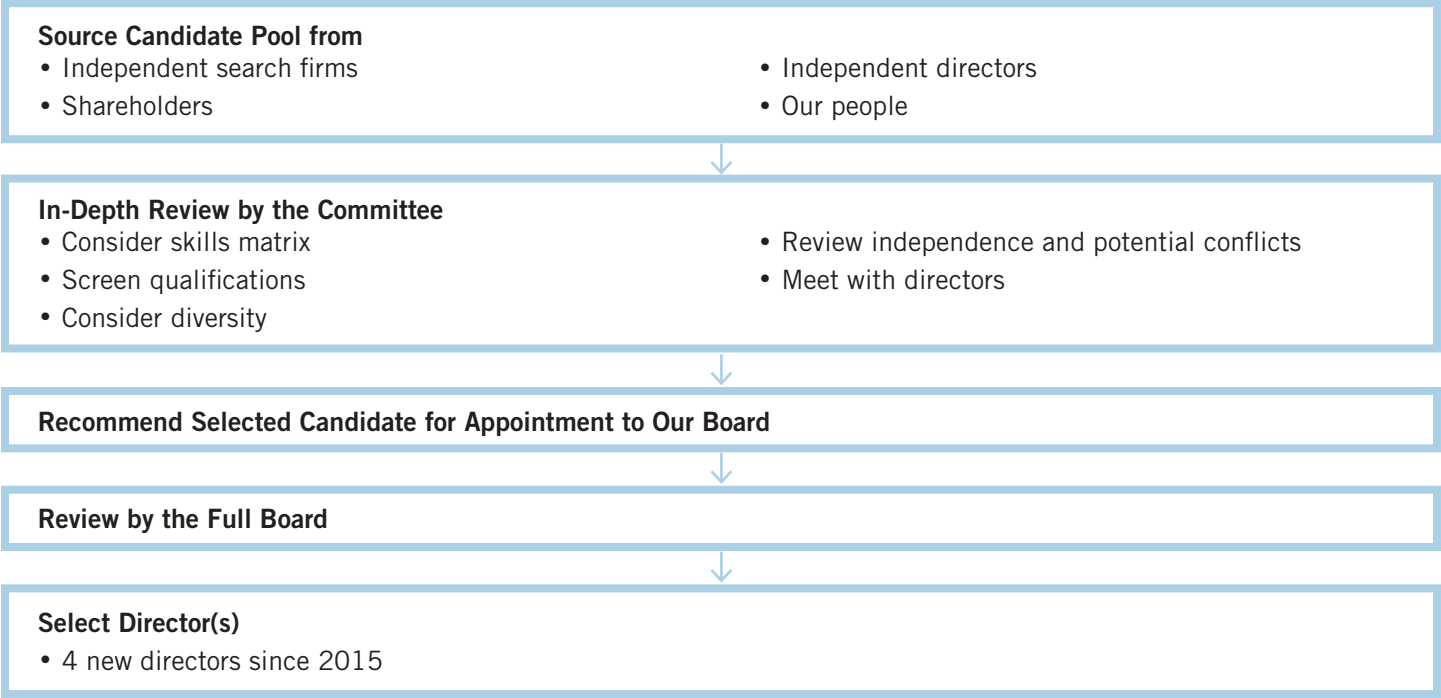
Prudential follows the Investor Stewardship Group's (ISG) Corporate Governance framework for the U.S. listed companies

| ISG Principle   | Prudential Practice  |
|---|--|
| <b>Principle 1:</b><br>Boards are accountable to shareholders.  | <ul style="list-style-type: none"> <li>• All directors stand for election annually.</li> <li>• Proxy access with market terms.</li> <li>• Board and Lead Independent Director letters and videos provide large and small investors insight into Board strategy and oversight objectives, and corporate governance practices.</li> </ul>  |
| <b>Principle 2:</b><br>Shareholders should be entitled to voting rights in proportion to their economic interest.                         | <ul style="list-style-type: none"> <li>• Majority voting in uncontested director elections, and directors not receiving majority support must tender their resignation for consideration by the Board.</li> </ul>  |
| <b>Principle 3:</b><br>Boards should be responsive to shareholders and be proactive in order to understand their perspectives.            | <ul style="list-style-type: none"> <li>• Management and Board members met with investors owning a majority of shares outstanding in 2017.</li> <li>• Engagement topics included environmental, sustainability and social strategy, Board composition and refreshment, succession planning, and executive compensation program.</li> </ul>  |
| <b>Principle 4:</b><br>Boards should have a strong, independent leadership structure.   | <ul style="list-style-type: none"> <li>• Strong, Lead Independent Director with clearly defined duties that are disclosed to shareholders.</li> <li>• Board considers appropriateness of its leadership structure at least annually.</li> <li>• Strong Independent Committee Chairs.</li> <li>• Proxy discloses why Board believes current leadership structure is appropriate.</li> </ul>   |
| <b>Principle 5:</b><br>Boards should adopt structures and practices that enhance their effectiveness.                                     | <ul style="list-style-type: none"> <li>• 83% of Board members are independent.</li> <li>• Two-thirds of Board members are diverse.</li> <li>• Annual Board evaluation by independent third party; results and next steps disclosed in proxy.</li> <li>• Active Board refreshment plan; 42% refreshment in the last five years.</li> <li>• Directors attended 99% of combined total Board and applicable committee meetings in 2017, and all directors attended the 2017 Annual Meeting.</li> </ul> |
| <b>Principle 6:</b><br>Boards should develop management incentive structures that are aligned with the long-term strategy of the company. | <ul style="list-style-type: none"> <li>• Executive Compensation program received over 93% support in 2017.</li> <li>• Compensation Committee annually reviews and approves incentive program design, goals and objectives for alignment with compensation and business strategies.</li> <li>• Annual and long-term incentive programs are designed to reward financial and operational performance that furthers short- and long-term strategic objectives.</li> </ul>                             |

DIRECTOR CRITERIA, QUALIFICATIONS, EXPERIENCE AND TENURE

It is of critical importance to the company that the Board's Corporate Governance and Business Ethics Committee, the committee responsible for elections and nominations, recruit Directors who help achieve the goal of a well-rounded, diverse Board that functions collegially as a unit. The Committee expects each of the company's Directors have proven leadership skills, sound judgment, integrity and a commitment to the success of the company. In evaluating

Director candidates and considering incumbent Directors for nomination to the Board, the Committee considers each nominee's independence, financial literacy, personal and professional accomplishments and experience against the needs of the company. For incumbent Directors, the factors also include attendance, past performance on the Board and contributions to the Board and their respective committees.



Board Tenure for 2018 Nominees

The Directors combined expertise provides a broad mix of skills, qualifications and proven leadership abilities. The Corporate Governance and Business Ethics Committee practices a long-term approach to board refreshment that regularly identifies individuals who have expertise that would complement and enhance the current Board's skills and experience. In addition, as part of the shareholder engagement dialogue, the company routinely asks investors for input regarding director recommendations.

| Director Tenure (Average 7 years)                   |
|---|
| 3 Directors: 10+ Years                              |
| 4 Directors: 6-10 Years                             |
| 5 Directors: 0-5 Years (4 new Directors since 2015) |

For more information about Prudential's Board Members visit [Prudential's Governance website](#).  
Communicating with the [Board](#).

MANAGING RISK AND CLIMATE CHANGE

Sustainability is how the company anticipates and manages future risk and opportunities to meet its long-term promises. Risk Management is central to Prudential's purpose, enabling transparency and informed decision-making through the risk appetite framework which reinforces the company's ability to keep its promises under normal and stressed conditions across scenarios of differing lengths and severities.

Through the risk appetite framework, the company identifies, measures, evaluates and manages investment, market, insurance, liquidity and operational risks

individually and in aggregate. Prudential's quantification of risk is based on stress scenario analysis, the basic risk measurement approach used across the financial services industry. In this analysis, the impact of a comprehensive set of stress scenarios (both hypothetical and historically based scenarios), upon a range of different metrics, is assessed. This robust stress testing, which is foundational to the risk appetite framework, examines the sensitivity of long-term obligations and resources to possible financial, operational, behavioral and biometric risk. These stress tests evaluate the impact of stresses of varying severity on the metrics which matter most for the company.

The company positions itself to successfully navigate short-term implications such as liquidity risk and the longer-term risks which can be impacted by changes in the economic, physical, technological, scientific and legislative environments. These risks are part of the stress testing framework; as such the company identifies mitigating strategies, including strategies to address extreme, but highly unlikely stress scenarios. Through this framework the Risk Management organization works to understand the risk profile of the company and seeks a balance between risk and resources to meet its long-term promises. With this core risk infrastructure firmly in place, the company can look to the future and examine the risks that lie ahead. One of those emerging risks that may have implications for the company's risk profile is climate change.

As a corporate citizen of the world, Prudential considers the implications of climate change on the company, communities, customers, and employees. Prudential is both a global citizen and investor and views climate change through both lenses. Climate change impacts to Prudential differ from the direct impacts to a property and casualty firm. The indirect impact to Prudential would occur through the business models in which the company invests, the duration of those businesses and the placement of capital. Informed decision-making considers the speed to relevance for emerging businesses, such as renewable energy, and other investments declining in relevance, such as coal. These potential indirect impacts are evaluated over time as part of the ongoing risk informed decision-making process.

Climate change could increase the frequency and severity of weather-related disasters and pandemics, impact reinsurers and may affect the value of investments, including real estate. In addition, regulation could affect the prospects of securities held, or the willingness to continue to hold these securities. Environmental concerns spur scientific inquiry which may reposition the relative attractiveness of certain energy-generation sources over others. The transportation industry may shift to alternative modes of conveyance resulting in a change in relevance. Evaluating these and other possible environmentally focused transitions is part of keeping long-term promises to customers.

**“Climate change affects the sustainability of our company, including our investment strategies. We are long-term investors. We consider whether an investment makes sense over time. We think broadly, understand what can happen under stress situations over the long haul and whether or not the business models we invest in will continue to be relevant.”**

*Nick Silitch, Senior Vice President, Chief Risk Officer*

To learn more about the connection between risk, sustainability and climate change, watch a [video](#).

Prudential Financial, Inc. 2017 Sustainability Report

## Board Risk Oversight

Prudential's Board oversees the company's risk profile and management's processes for assessing and managing risk, both as an entire Board and through its committees. At least annually, the Board reviews strategic risks and opportunities facing the company and certain of its businesses. Other important categories of risk are assigned to designated Board committees that report back to the full Board. In general, the committees oversee the following risks:

- **Audit Committee:** insurance risk and operational risks, including model risk, as well as risks related to financial controls, legal, regulatory and compliance risks, and the overall risk management governance structure and risk management function;
- **Compensation Committee:** the design and operation of the company's compensation programs so that they do not encourage unnecessary or excessive risk-taking;
- **Corporate Governance and Business Ethics Committee:** the company's overall ethical culture, political contributions, lobbying expenses and overall political strategy, as well as the company's environmental (which includes climate risk), sustainability, human rights, health and safety and corporate social responsibility to minimize reputational risk and focus on future sustainability;
- **Finance Committee:** liquidity risk, risks involving our capital management, the incurrence and repayment of borrowings, the capital structure of the enterprise, funding of benefit plans and statutory insurance reserves;
- **Investment Committee:** investment risk, market risk and the strength of the investment function; and
- **Risk Committee:** the governance of significant risks throughout the company, the establishment and ongoing monitoring of our risk profile, risk capacity and risk appetite, and coordination of the risk oversight functions of the other Board committees.



## RESPONSIBLE AND SUSTAINABLE INVESTING

With operations in the United States, Asia, Europe and Latin America, Prudential strives to create long-term value and help customers achieve financial prosperity. PGIM is the company's global investment management organization. Its active, multimanager model takes a long-term view, teaming specialized investment with rigorous risk management.

PGIM believes that environmental, social, and governance factors (ESG) can be material when evaluating investment opportunities and risks. Considering these factors are consistent with PGIM's fiduciary duty—searching for the highest risk-adjusted returns for clients.

Three of PGIM businesses—PGIM Real Estate, PGIM Fixed Income, and QMA—are signatories to the Principles for Responsible Investment. More than two-thirds of Prudential's proprietary assets—known as the General Account—are managed by PRI signatories. Additionally, PGIM has been a member of the Investment Network on Climate Risk and Sustainability since 2009, engaging and collaborating on environmental, social, and governance issues to advance leading investment practices, corporate engagement strategies and policy solutions through working groups and shared learning opportunities.

In addition to its investment services and products, PGIM publishes thought leadership pieces focused on megatrends, current views and asset-class insights. In 2017, PGIM released investment research on emerging markets and implications of U.S. tax reform.



PGIM's white paper the *Emerging Markets at the Crossroads* states, "Emerging markets will be the primary driver of global growth over the next decade, but a radical shift in the forces shaping emerging markets will require investors to take a quite different investment approach from what may have worked in the past."

## Impact Investing

Prudential has long recognized that investments can—and should—generate a financial return and create positive, measurable social impact. The company has a dedicated Impact Investing team, which manages a stand-alone impact investment portfolio. This team also provides consultative services to the rest of the firm on responsible investments and perspectives on underserved customer segments and markets. Prudential formalized its Impact Investing unit more than 40 years ago and, in that time, the team has made more than \$2.4 billion in investments as of December 31, 2017. The portfolio has a market value of more than \$715 million as of December 31, 2017. The impact investing team is 58% diverse and 33% female.

# Customer Focus

*For more than 140 years, Prudential has placed the customer at the center of all it does. This includes delivering on promises that can span decades. Ralph Jacobs, who turned 94 in 2017, is an accomplished scientist, musician, navigator, pilot and D-Day veteran. He is also the owner of a life insurance policy his mother took out when he was only four months old. His parents continued to make the weekly 25-cent payments throughout the Great Depression, and the Prudential agent “was almost like a neighbor to us,” Ralph remembers. Ralph purchased several more Prudential products throughout his career and as his family grew, making him a lifelong customer.*

Prudential is focused on understanding the needs of its customers. The company is the leading provider of financial wellness solutions integrated across income, investments and protection and a global institutional investment manager across a range of public and private asset classes.

The company measures customer satisfaction with a variety of metrics. These include surveys, customer focus groups and net promoter scores that track referrals from existing customers.

Using financial data to assess customer satisfaction is consistent across all Prudential's businesses. Sales/net flows help potential customers, investors and other stakeholders measure the company's ability to meet customer needs.

**“Our success will come by putting financial security within reach of everyone, thereby making an impact everywhere—at work, at home and in communities.”**

*Naveen Agarwal, Senior Vice President and Chief Customer Officer*

## INNOVATION IN SERVICE

The company is focused on enhancing value for customers, as well as enhancing the value the company derives from its businesses. The U.S. business has developed a comprehensive strategy anchored in leveraging its capabilities to better serve customers. In the fourth quarter of 2017, the company implemented a realignment of U.S. business segments, positioning Prudential to become a leading provider of financial wellness solutions. The realignment created three divisions: Individual Solutions (comprising Individual Annuities, Individual Life Insurance and Prudential Advisors), Workplace Solutions (comprising Retirement and Group Insurance) and Investment Management (all PGIM businesses).

To enhance the workplace customer value proposition, the Customer Office partnered with Retirement, Group Insurance and Prudential Advisors to develop and launch a digital Financial Wellness platform. This program enhances the Prudential Pathways program—educational sessions delivered to employees in their workplaces by financial professionals covering a broad range of topics.



## PRUDENTIAL BY THE NUMBERS

(As of 12/31/17 unless otherwise noted)

| Segment                                   | 2017 Sales/Net Flows   |
|---|--|
| <b>U.S. Individual Solutions Division</b> |  |
| Individual Annuities                      | \$5.9 billion in gross sales                                   |
| Individual Life                           | \$624 million in sales <sup>1</sup>                            |
| <b>U.S. Workplace Solutions Division</b>  |  |
| Retirement                                | \$8.9 billion in net flows                                     |
| Group Insurance                           | \$440 million in sales <sup>1</sup>                            |
| <b>Investment Management Division</b>     |  |
| Investment Management                     | \$15.7 billion in net flows <sup>2</sup>                       |
| <b>International Insurance Division</b>   |  |
| International Insurance                   | \$3.0 billion (on constant dollar basis) in sales <sup>1</sup> |

<sup>1</sup> Based on annualized new business premiums.

<sup>2</sup> Unaffiliated institutional and retail third-party net flows, excluding money market activity.

“The performance of our businesses is a top priority. As we pursue new growth opportunities, it’s critical that we maintain focus on successful execution in our businesses. That’s how we earn the right to invest in our future growth.”

*Stephen Pelletier, Executive Vice President, Chief Operating Officer, U.S. Businesses*

### Expanding Cybersecurity Capabilities and Privacy Protections

Prudential is partnering with other companies, law enforcement and industry to share information about the latest cyber threats. In 2017 Prudential expanded its external partnerships and matured its capabilities to ingest new threat information. The company continued to test its technical defenses with internal and external trained professionals seeking to probe the cybersecurity capabilities. Cross-functional teams participated in new simulated scenarios within Prudential while company representatives participated in industry-wide external scenarios. These exercises and intelligence sharing are aimed at increasing awareness and training in the event of an incident. New technology is constantly being reviewed and implemented to help thwart attacks and prepare the company to respond to those that evade defenses.

Prudential informs its customers about its privacy practices through several channels. Privacy notices that are provided to customers pursuant to various country and state laws explain how the company generally collects, uses and safeguards customer information. Similarly, the company’s online privacy statements outline how Prudential collects, uses and safeguards information that may be gathered through online interactions. For more information read [Prudential’s form 10K](#), page 27.

### INNOVATION IN PRODUCTS

There is growing adoption among employers that investing in workplace benefits that help employees achieve financial wellness drives value for the organization as well as for employees, their families and their communities. Financial wellness programs are a new type of employer-sponsored benefit that focus on foundational financial issues. Financial wellness is realized when individuals adopt behaviors that help them achieve the foundational elements of financial security. Prudential’s work in this area includes:

- Prudential’s joint venture in India, DHFL Pramerica Life Insurance, has 76 agencies staffed in part by more than 800 veterans of the Indian Armed Forces and their family members. DHFL Pramerica Life Insurance has personnel on-site at 94 bases around the country which provide jobs for spouses, meetings with clients and assists with claim settlements.
- Responsibility for healthcare and retirement income is shifting to employees; in fact, research shows that 75 percent of Americans believe their top financial priority is ensuring they do not run out of money in retirement. To assist employers and employees with these concerns, Prudential introduced numerous research papers, tools and educational materials under the umbrella *The Wellness Effect*.

### Financial Security and Financial Works

The Prudential Foundation provided a two-year \$1 million grant to UnidosUS (formerly National Council of La Raza) to integrate financial coaching into affiliate programs, helping to address the organization’s clients’ financial challenges in a more holistic way. As part of this work, UnidosUS, the largest national Latino civil rights and advocacy organization in the United States, partnered with The Financial Clinic to provide training, technical assistance and support enabling nonprofit organizations to better support their communities with financial coaching.

### Actuarial Assumptions and Product Development

Prudential’s actuarial organization is responsible for pricing the products offered to its customers. This work entails understanding the risk of the products, the value to the customer, and anticipating financial impact to the company. Public health trends can have a significant impact on the life insurance industry. “Prudential’s actuarial group has built models that allow us to look at things like trends in obesity or trends in treatments for cancer or cardiovascular disease and how they might impact mortality improvement in the future. In addition to understanding those trends, we also look for ways to mitigate those risks.” Candace Woods, Senior Vice President and Chief Actuary.

To learn more about the connection between actuarial assumptions, sustainability and public health trends, watch a [video](#) from Candace Woods, Senior Vice President and Chief Actuary.

*Prudential achieves breakout performance through recruiting, retaining and engaging top talent. Today, veterans are returning to civilian life by the tens of thousands, eager to apply their highly refined talents in sustainable careers. Prudential responded by creating the Office of Veterans Initiatives, which partners with the Workforce Opportunity Services program based at Columbia University. The program provides mentorship and training for veterans and military spouses in a variety of career fields. One veteran and program graduate, Shelton Kelley, was a cook in the Army, feeding up to 2,000 soldiers in the field in Iraq each day. Now applying his skills as a Software Application Release Manager, Shelton said of the program and Prudential, “To put that trust and that faith in veterans, to send them to school and work with all of them, all the way through, there’s no way to repay that.”*



## PRUDENTIAL BY THE NUMBERS

(As of 12/31/17 unless otherwise noted)

### U.S. EMPLOYEES

| U.S. Employees Profile | Women | People of Color |
|------------------------|-------|-----------------|
| Total Management       | 47%   | 28%             |
| Total Non-Management   | 65%   | 33%             |
| Total Prudential       | 52%   | 29%             |

### INTERNATIONAL EMPLOYEES

| International Employees Profile | Men | Women |
|---------------------------------|-----|-------|
| Total Staff                     | 56% | 44%   |
| Home Office Staff               | 52% | 48%   |
| Management Staff                | 80% | 20%   |
| Non-Management Staff            | 51% | 49%   |
| Field Sales Staff               | 59% | 41%   |

Approximately 50% of employees at the new El Paso Business and Technology Center are veterans or military spouses.

11% Turnover Rate for U.S. employees (excluding salesforce).

Prudential’s enterprise turnover rate is under the national finance and insurance industry’s average rate of 22%.

Source: Department of Labor – Bureau of Labor Statistics.

## COMMITTED TO TALENT

“Our businesses are successful through talent and capabilities. Talent is an asset, and we develop and deploy it with the same rigor as we do capital.”

*Lucien Alziari, Senior Vice President  
and Chief Human Resources Officer*

The commitment to talent and professional development starts with the Chairman and CEO, who has made it a priority to identify new leaders and build new skills throughout the talent pipeline.

Prudential continues to work to strengthen the company’s talent environment through integrated initiatives concentrating on:

1. Developing employees’ leadership capabilities;
2. Strengthening diversity and inclusion in the workplace;
3. Enhancing succession planning, and deepening the company’s talent pipeline through early identification and development programs.

In 2017, Prudential brought new skills into its workforce and supported career enrichment and mobility to advance our goal of having the top diverse, global talent needed to win. The company continued to advance its use of technology and social media to connect with top external candidates and ensure its employee value proposition and total rewards appeal to a multigenerational workforce.

## New Chief Human Resources Officer

In June 2017, Lucien Alziari joined Prudential as its new Chief Human Resources Officer. Through his discussions with business and HR leaders, and other employees, Prudential has established the following common global set of strategic commitments for HR work for the coming years:

- Prudential has world-class talent in critical roles.
- Prudential's businesses have the organizational capabilities to win.
- Prudential is a standout company for diversity and inclusion.
- Prudential has a unique and compelling culture that drives competitive advantage.

## Gender Pay Policy

Based on the results of the most recent pay review, Prudential is confident that employees are paid comparably regardless of race or gender. Taking into

account factors such as level and job, the company is effectively at parity for employees doing similar work.

**Prudential is committed to pay equity. The company's policies and practices address pay discrimination throughout the employee's career.**

### Recruiting

Reduce likelihood that U.S. compensation decisions are perpetuating discriminatory pay practices of former employers.

Nationally, Prudential removed compensation inquiries from its employment applications; and

Stopped considering compensation history when establishing starting pay for new employees, except as required by law.

These practices go beyond simple compliance with the laws of a limited number of states and cities.

### Existing Employees

Guided by independent legal counsel, Prudential conducts a review of its U.S. compensation practices to protect against systemic race/ethnicity and gender-biased patterns, and takes action as warranted.

Employees can raise issues regarding pay equity with the Ethics Office, Human Resources or their manager.

Pay discrimination concerns are promptly and thoroughly investigated by trained professionals dedicated to reviewing unlawful discrimination claims.

This integrated approach ensures that we proactively review pay equity on an ongoing basis, and that we satisfy our heightened obligations as a federal contractor.

As part of our annual human resources strategy update, our Board reviews the status of our pay practices and the broad range of diversity and inclusion efforts.

## EMPLOYEE ENGAGEMENT

Research confirms that an engaged workforce leads to higher productivity, higher profitability, higher customer satisfaction, and lower employee turnover and absenteeism. Given the importance of employee engagement to business outcomes, Prudential introduced a new tool in 2017—The EQ: Prudential's Employee Engagement Survey—to provide more meaningful insights on this topic and help leaders better understand and influence engagement.

The survey, administered among U.S. employees, revealed about half of Prudential's employees are highly engaged. Eighty-five percent of employees would recommend Prudential as a great place to work. Prudential exceeds benchmarks on both of these external measures.

Prudential International Insurance currently administers separate surveys to accommodate the cultural norms and needs of each country. Plans are underway to create a global EQ to allow for more comparative and global perspectives on engagement and greater efficiencies in administration.

In 2017, the overall satisfaction of international employees was 67 percent, which is consistent with survey results from the previous three years and the external benchmark. Prudential's retention index for its international employees was 69 percent, which exceeds external benchmark companies.

## TRAINING AND DEVELOPMENT

Prudential provides numerous opportunities for employees to grow and develop. In 2017, in addition to a range of skills development and locally sponsored programs, 3,778 U.S. employees attended enterprise employee management and leadership training programs.

Emphasizing development fuels the pipeline of future leaders and increases employee engagement. Formal training, on-the-job activities, coaching, stretch assignments, networking and community involvement enable employees to strengthen current performance and develop skills that prepare them for broader roles within the company.

### Veterans at Prudential



Prudential has a strong, multifaceted Veterans Initiatives program that focuses on veteran and military spouse employment.

The strategy includes programming in employee engagement, thought leadership, corporate giving and bringing financial wellness to the military community via a partnership with the United Services Organization (USO).

## COMMITTED TO A DIVERSE AND INCLUSIVE WORKFORCE

Embracing diversity and a culture of inclusion are two of Prudential's immutable tenets, and the company's deep commitment to these concepts is a business imperative. The diversity of experiences, opinions and backgrounds across the company, in all aspects of its operations, enables Prudential to meet the needs of customers and provide opportunities for them to achieve financial security.

Prudential fosters a culture of inclusion, support and collaboration for people of all backgrounds, which allows every employee to bring their full and authentic self to work. This is reflected across the company's talent management practices, multicultural marketing, product development, and engagement with employees, clients and communities.

Examples of high-impact work:

- Second Global Women's Forum – This program brought together male and female executives from Prudential operations around the world (United States, Japan, Taiwan, Singapore, Ireland, United Kingdom, Mexico, Brazil, Argentina, Korea and India) to focus on gender diversity.
- Inclusive Markets Working Group – Created to develop and deliver solutions to financially vulnerable consumer markets to increase long-term financial security and inclusion.
- Business & Technology Solutions Center in El Paso, Texas – This operation is unique in that it accomplishes its objectives while creatively addressing the needs of our country's military veterans and their spouses. Approximately 50 percent of the employees at the Center are veterans or military spouses, and reflect the large Hispanic community in the El Paso area. Extensive focus on training and support facilitates their transition into the civilian workforce. Military spouses, an overlooked but valuable source of talent, have found employment through remote work arrangements—enabling them to keep their jobs despite frequent relocations that come with military service.

Prudential sponsors eight employee networks known as Business Resource Groups (BRGs). BRGs promote professional development for their members and support increased inclusion, awareness and cultural competence. BRGs also deepen the company's relationships with existing and emerging customer bases, and support the achievement of business objectives.

Prudential's BRG's include:

- Abled & Disabled Associates Partnering Together (ADAPT)
- Asian/Pacific Islander American Association (APAA)

- Black Leadership Forum (BLF)
- Pride
- Generations
- Hispanic Heritage Network (HHN)
- Military, Veterans and Veterans Supporter Group (VETNET)
- Women's Initiatives to Network, Grow and Share (WINGS)

Outside the United States, there are many diversity and inclusion (D&I) efforts and programs. Japan continues to be a leader:

Prudential's businesses in Japan place a priority on diversity of gender, generations, educational backgrounds, work-style differences, values and more. To continuously promote these objectives, more than 100 Prudential senior leaders attended the Executive Officers Conference in 2017, and the heads of nine group companies expressed their commitment with a "Declaration for Diversity."

Extensive events and programs focused on gender diversity over the course of 2017. These included the Executive Officers Conference and the Women's Leadership Program to help establish a pipeline of female managers among Prudential's companies in Japan. There were also numerous roundtable discussions with executive leaders to foster employee awareness of career development.

PGFL, one of Prudential's subsidiary businesses in Japan, received the "Eruboshi" 3-stars company certification. With the enactment of the Japanese government's Act on Promotion of Women's Participation and Advancement in the Workplace Law, this certification evaluates recruitment, continued employment, working hours, diversified career paths for women and proportional representation of women in managerial positions. PGFL received the highest grade, one of just two life insurers to receive this recognition.

### CEO Action for Diversity and Inclusion



Prudential's Chairman and CEO John Strangfeld has signed two global external pledges—The CEO Action for Diversity and Inclusion pledge, and The Catalyst CEO Champions for Change commitment—joining forces with other large companies to advance diversity & inclusion work globally.

### Diversity and Inclusion, Education and Culture Programs

Prudential has consistently invested in building an inclusive culture and climate across the enterprise. It continues to provide talent development opportunities with strong internal leadership programs and strategic external partnerships. Examples include:

- 10,000+ U.S. employees have participated in D&I education. Programs include Appreciating Differences, Unconscious Bias to Conscious Inclusion and Value of a Veteran.
- 3,000+ employees have engaged in conversations about race, gender, LGBT, post-2017 elections and other societal issues throughout the year.
- 1,000+ employees attended the first-ever Disability Summit and celebration.

### HEALTH, WELLNESS AND WORK/LIFE EFFECTIVENESS

**"Our health approach focuses on the individual, the manager and the team. That inclusive model helps ensure that employees feel supported and can flourish while the business thrives and succeeds."**

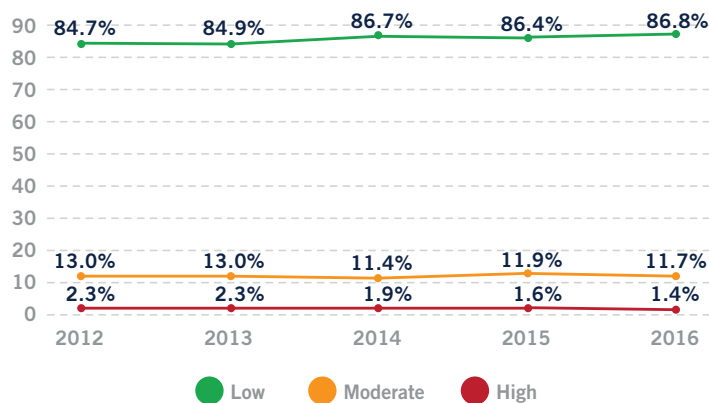
*K. Andrew Crighton, M.D., Chief Medical Officer*

Prudential's Health and Wellness strategy is driven by the growing body of research linking health-promoting workplaces with business results. Prudential aims to empower individuals, organizations and communities to reach their greatest potential across all dimensions of health: physical, emotional, social, spiritual, and financial.

Providing a safe and healthy work environment for all employees and contractors as well as clients, visitors and members of the public across its facilities and operations is very important to Prudential. The company's Occupational Health and Safety Statement further explains our commitment.

In the United States, the health and well-being of Prudential's employees is advanced with ten on-site clinics and through a range of fitness, nutrition and supportive work/life services. Employees' dependents also have access to many of these free programs. Prudential's wellness programs seek to reduce employee health risks and are paying off.

## Edgington Risk: Prudential



**LOW RISK** The percentage of Low Risk employees increased by 2.1% points from 2012 to 2016.

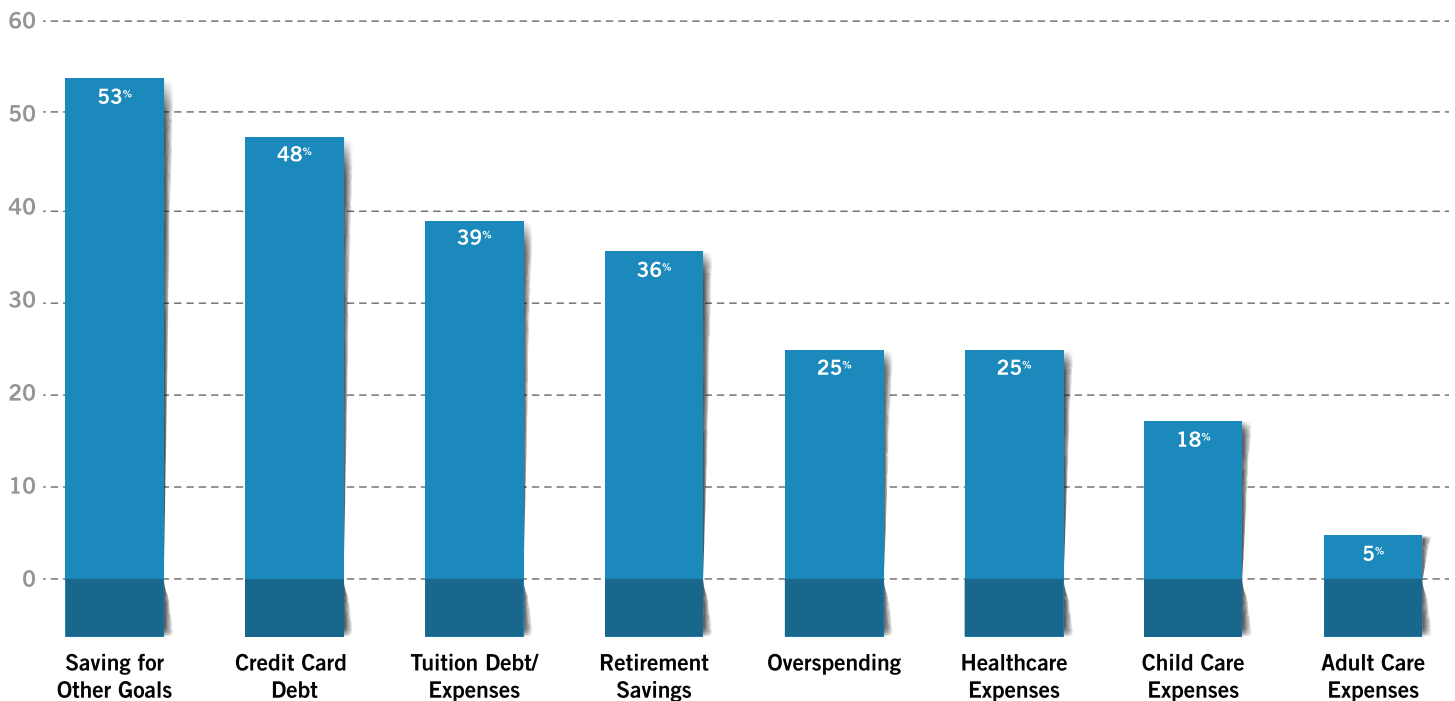
**HIGH RISK** The percentage of High Risk employees decreased by 0.9% points from 2012 to 2016.

*Edgington score measures overall risk by the number of health risk factors each person has including risks for alcohol/drug use, stress, blood pressure, body mass index, total cholesterol, low high-density lipoprotein, and chronic illness; missed work >5 days last year; dissatisfaction with life or job; poor perception of health; sedentary lifestyle; no use or seldom use of safety belt; and current tobacco use. Five or more of these risk factors indicates high risk.*

Prudential's health promotion and work/life strategies continue to track and flex with pressing social issues, supporting employees, organizations and communities where the need is greatest.

- In 2017 the American Psychological Association selected Prudential Financial as the recipient of its Organizational Excellence Award, a national recognition highlighting the effective application of psychology in the workplace. Prudential was recognized for its efforts to promote psychological well-being for its employees, and destigmatize mental health issues within its work culture and beyond. Prudential's comprehensive employee health strategy includes an emotional dimension, which helps raise awareness of mental health issues, remove stigma and encourage dialogue.
- Beginning in 2008, Prudential's Global Health team began tracking the impact of financial stress on the health of its employees—identifying concerning correlations with increased disability and lower productivity. In 2017, when asked, "Do you currently, or have you recently experienced stress or anxiety about your financial situation?" 23% of employees answered yes and indicated the following triggers:

## Financial Stress or Anxiety Triggers



A company Financial Wellness Working Team was formed to shepherd company efforts and a Financial Wellness Strategy was developed in 2017. Recognizing that Financial Wellness is a key driver of Prudential's U.S. business strategy, the company began offering employees the same **Financial Wellness Experience** web-assisted tool through its Prudential Employee Savings Plan (PESP) that is now available to our customers.

The Financial Wellness Experience provides resources for financial planning with a variety of personalized content, tools and resources to help employees manage day-to-day finances, plan for financial goals, and protect against financial risks. Employees access targeted education, a budgeting tool and a personalized assessment.

### Supporting Healthy Families

Prudential is passionate about supporting healthy families and the diverse ways they are built. The company understands that employees and their loved ones benefit from having ample bonding time with their children after a birth or adoption. In 2018, Prudential enhanced its paid Parental Leave policy by increasing fully paid Parental Leave from 4 weeks to 10 weeks for birth mothers, fathers and adoptive parents. This allows birth mothers a minimum of 16 paid weeks of leave (full and partial pay).

In 2017, the company began offering its employees, their spouses and partners access to an on-site Expectant Parent Coach (EPC). The EPC, an in-person and telephonic service, provides the personal support, coaching and tools needed to help employees successfully transition to and from a maternity and/or parental leave of absence as well as learn about all of Prudential's family-supportive work/life programs and resources.

Managers are encouraged to contact the EPC for answers to questions about their role in their employee's transition to and from leaves of absence.

## BUSINESS INTEGRITY

**"For over 140 years, Prudential has been committed to helping customers achieve financial security and peace of mind. Millions of people around the world trust us to fulfill this promise. Only by doing business the right way, every day, can we continue to be worthy of their trust."**

*John Strangfeld, Chairman and CEO*

In February 2018, the Ethisphere Institute awarded a fourth consecutive World's Most Ethical Companies recognition to Prudential. The distinction honors superior achievements to deliver on the company's promises and adhere to the company's values and principles.

For over 20 years, Prudential's enterprise ethics office—Global Business Ethics & Integrity (GBEI)—has guided and integrated Prudential's global business ethics program. The company's ethics program actively supports Prudential's commitment to high ethical standards by facilitating behavior consistent with the company's code of conduct, *Making the Right Choices*, and by fostering a culture that promotes prevention, detection and resolution of potential misconduct. The Board of Directors' Audit Committee has established GBEI as the central facility for the receipt, retention and treatment of any complaints received from internal or external sources regarding accounting, internal accounting controls or auditing matters.

*Making the Right Choices*, Prudential's Code of Conduct, outlines expectations for all employees' behavior. In addition to ongoing communications activities that support the Code, including Ethics Awareness month, GBEI executed a number of initiatives in 2017:

- Control environment assessed annually by internal and external auditors. No significant issues identified as a result of the 2017 review.
- Code of Conduct and Ethics Refresher training translated and more than 19,000 international employees and 18,000 domestic employees completed the refresher course.
- Internal Ethical Leadership Conference themed "Your Voice Matters. Share It" held with attendance from more than 700 leaders.

Prudential conducts annual assessments to gauge insight into employee's experiences. The 2017 results reflect a strong and stable ethical culture, with Prudential aligning or outperforming the Mayflower Group's benchmarks.

## ETHICS AND COMPLIANCE WORK IN TANDEM

A significant aspect of Prudential's culture is the knowledge that compliance with laws and regulations, as well as acting ethically, is the responsibility of all employees at all levels within the company.

Prudential has an ethics and compliance infrastructure designed to help employees meet this responsibility. The Global Compliance Department provides an independent system of monitoring, testing, oversight and inspections, designed to prevent and detect violations of laws, regulations, and/or policies. In 2017, this group was re-organized to better align business and corporate compliance functions.

The Ethics group operates to prevent, detect and respond to allegations of inappropriate business practices, misconduct and financial reporting concerns. Collaboratively, Compliance and Ethics areas influence and shape corporate culture by:

- Establishing policies and procedures, in consultation with management, and overseeing such policies and procedures;
- Independently monitoring business behavior and processes with meaningful regulatory risk and reporting results to business management;
- Reporting to the Board of Directors, the Audit Committee, the Corporate Governance and Business Ethics Committee, and senior management on overall compliance with regulatory requirements and internal policies and procedures, including significant breaches; and
- Assessing and advising on how effectively business policies and procedures meet regulatory requirements.

### **New Compliance Center Creates One-Stop System for Employees to Complete Compliance Requirements**

Prudential recently introduced a new digital portal to streamline and simplify the way compliance assignments are delivered, tracked and completed. The Compliance Center offers:

- A one-stop shop for annual compliance obligations and training classes for employees.
- A personalized employee experience where each employee has his or her own access to:
  - Information and links to the compliance obligations and policies that apply to them.
  - Outstanding compliance requirements from various systems.
  - Relevant compliance personal information and notifications.
- A more effective and efficient way to manage the regulatory risks throughout the organization.

### **Anti-Money Laundering and Anti-Bribery/ Anti-Corruption Oversight**

Prudential has well-established policies that expressly define and prohibit practices associated with money laundering, bribery and corruption. Prudential continuously reviews and updates these policies to align with industry best practices as well as regulations. All Prudential employees, including management and executives, are trained on these policies and their implementation during the onboarding process.

Annual refresher training is provided to all employees on these subjects. For Anti-Money Laundering (AML), additional training is provided to employees with AML-related responsibilities. For Anti-Bribery/Anti-Corruption, ongoing training of increasing complexity is provided to key employees every two years. In 2015, Prudential rolled out its first web-based training for key employees, and as of 2018, the company will have partnered with two globally recognized anti-bribery business organizations to produce content for its trainings.

Prudential has a rigorous customer due diligence program (*Know Your Customer*). The Anti-Money Laundering Unit facilitates the review of prospective and current clients and their transactions for potential money laundering and terrorist financing activities. Prudential and its global businesses implement anti-money laundering programs in accordance with applicable laws and regulations. Covered financial institutions pursuant to the USA Patriot Act have policies and procedures to comply with the record keeping, reporting and audit requirements of the Act. Additionally, Prudential's covered financial institutions have implemented Customer Due Diligence Requirements.

Anti-Bribery/Anti-Corruption (ABC) Compliance manages the development and coordination of Prudential's ABC Policy and Standards, which includes compliance with the Foreign Corrupt Practices Act. The ABC team is responsible for oversight of the ABC system, which maintains documentation of gifts, entertainment, and items of value given to non-U.S. government officials.

# Responsible Impact

*Prudential recognizes that its long-term success depends on the vitality of the communities in which it does business. As part of its investment in the community, Prudential led a public-private partnership to redevelop Newark's iconic Hahne & Co. building. The mixed-use property which opened in January 2017 includes 160 apartment units, of which 65 are affordable units, a Whole Foods and numerous other stores and spaces that Newark residents and visitors alike can enjoy. "Reopening Hahne's is symbolic of the city's reawakening as a vibrant urban center that provides access to quality jobs and education, while also attracting visitors back to the city," said Lata Reddy, Senior Vice President, Diversity, Inclusion & Impact, Prudential Financial, Inc.; Chair and President, The Prudential Foundation.*



## PRUDENTIAL BY THE NUMBERS

(As of 12/31/2017 unless otherwise noted)

- \$49.9 million in grants to nonprofit organizations through The Prudential Foundation.
- \$3.6 million in Foundation grants, corporate contributions and employee donations supporting relief efforts for seven global disasters.
- \$250 million in impact investments to nonprofits and businesses that seek to create both a financial and social return.
- \$23 million in corporate contributions to nonprofit organizations.
- \$8.6 million in matching gifts made by employees to nonprofit organizations.
- Nearly 80,000 volunteer hours contributed by U.S. employees impacting local communities across the country.
- \$7.6 million of assets on deposit with minority certified banks.
- \$1.1 billion assets placed with emerging managers.
- \$4.3 billion in renewable energy investments.
- 26.7 million square feet of LEED certified real estate managed totaling \$13.9 billion.
- \$157.4 million of "green" bond investments.
- 36 percent of PGIM Real Estate Finance's total FHA/agency multifamily originations have been through "green" programs, up from a handful of deals in 2016.

## RESPONSIBLE IMPACT: VALUE-ADD

At Prudential, creating both business and social impact has been core to strategy since the company's founding more than 140 years ago.

As a corporate citizen and a business partner, Prudential brings the company's core values to its relationships. To further support this strategy, PGIM Real Estate and Corporate Social Responsibility (CSR) have collaborated on a new value-add impact-oriented real estate initiative

that launched in 2018. Focusing on major U.S. real estate markets with anticipated population and economic growth, the program will target opportunities in affordable housing and in transformative development in emerging, undervalued locations. The initiative marks a first-of-its-kind collaboration between PGIM Real Estate and CSR, leveraging the full breadth of the company's impact investment expertise and industry relationships to identify and source compelling investment opportunities.

## PUBLIC ADVOCACY

The decisions made by the government have a tremendous impact on how Prudential operates as a public company and competes in the global marketplace. Accordingly, it is important that the company maintain a presence in the public policy arena to express its viewpoints to legislators and regulators on key matters that impact how the company operates as a business.

Prudential sponsors many initiatives to help support an active profile in legislative and regulatory processes. Such sponsored activities include direct engagements with state and federal lawmakers and regulators, partnerships with trade organizations, operation of political action committees, and, to a lesser extent, the use of corporate funds to support political organizations.

Prudential's Political Activities and Contributions (PAC) [Report](#) provides detailed information on Prudential's sponsored political contributions and annual association dues, assessments and contributions to trade associations exceeding \$10,000.

### Systemic Importance

Beginning in 2013, the U.S. Financial Stability Oversight Council designated Prudential as a "Systemically Important Financial Institution" (SIFI) and the Financial Stability Board designated the company a "Global Systemically Important Insurer."

Since these designations, company executives have been participating in productive discussions with regulators. In particular, they have been working with the staff of the Federal Reserve Board to help build a deeper understanding of Prudential's businesses and the important differences between insurance companies and banks.

The company is currently participating in the Council's review of Prudential's SIFI designation. Prudential is supportive of the Treasury Department's recommendation that the Council move to an activities-based approach for regulating systemic risk, rather than designating individual companies. Prudential also supports the Financial Stability Board's move in that direction.

## RESPONSIBLE PURCHASING

In 2017, Prudential's sourcing and procurement continued its commitment to corporate goals to ensure that contracts include terms that align with the company's commitment to responsible purchasing, the Vendor Code of Conduct and the Terms of Engagement.

Specifically, Prudential's Information Technology (IT) products, procurement life cycle, responsible reuse, recycling and appropriate disposal are key components of Prudential's program. The company ensures that products such as cell phones or tablets are disposed of by vendors experienced in cybersecurity and environmentally responsible practices. Prudential also strives to purchase or lease hardware with energy efficient certifications.

Prudential has implemented a paper program ensuring practices related to the life cycle of paper and printed materials are both responsible and sustainable. The program focuses on the life cycle of material and on reducing or minimizing usage/waste. In addition, the company chooses products that are produced from responsibly managed forests with a balanced approach to the distribution of material. More than 25 percent of paper purchased through the paper program contains at least 10 percent post-consumer waste.

Supplier diversity at Prudential leverages the operating model. Category-specific targets have been set to further identify opportunities and drive results. In addition to tracking spend with certified minority-owned, women-owned, veteran-owned, LGBT-owned and people with disability-owned businesses, the company tracks utilization of small businesses and firms located in the company's headquarters community of Newark, New Jersey.

Prudential's commitment to responsible, ethical and sustainable business practices extends to its supply chain requiring suppliers to adhere to the company's [Vendor Code of Conduct and Terms of Engagement](#), including but not limited to the following areas:

- Core Values
- [Environmental Responsibility](#)
- [Labor Practices](#)
- [Anti-Discrimination and Anti-Harassment](#)
- [Anti-Bribery/Anti-Corruption/Foreign Corrupt Practices Act](#)
- [Cooperation in Investigations, Examinations and Audits](#)

Suppliers are required to report problems such as unethical or illegal conduct, fraud, concerns about accounting or financial reporting practices, breaches of vendor agreements, violations of the Vendor Terms of Engagement, and other problems to Prudential's GBEI unit.

## Banking and Emerging Manager Programs

Equitable access to capital enhances prosperity and accelerates growth. Active allocation of Prudential's resources to diverse organizations allows these firms to create a positive, measurable impact on communities and clients.

In 2017, diverse-owned firms acted as agents to repurchase over \$800 million in shares of Prudential's common stock. Prudential continues to focus on active participation by diverse banks in the company's capital markets transactions, including debt issuances and share repurchase activities.

As of December 31, 2017, relationships across Prudential with women- and minority-owned firms totaled \$1.1 billion (AUM & AUA) with 12 firms and total assets for the General Account Emerging Manager Program which is overseen by the Strategic Investment Research Group (SIRG) was \$447 million with seven firms.



## RESPONSIBLE IMPACT: DRIVING FINANCIAL SECURITY

Prudential was founded on the belief that financial security should be within reach for all and this belief is evident throughout the company's initiatives. Ultimately the goal is to create pathways to achieve financial and social mobility. Some examples of this work are noted below:

- Committed to financial wellness, Prudential announced a three-year \$5 million partnership with the Aspen Institute to advance solutions that increase financial security for all American workers, and armed employers with new tools and resources to help them to understand and improve the financial health of their workforce. The partnership promotes broader reforms in both the labor and financial markets to help working people move from financial fragility toward resilience, stability, mobility and prosperity. The company also published [The Wellness Effect](#), an important roadmap for companies looking to give workers tools to manage day-to-day finances, achieve important financial goals and protect against financial risks.

- Prudential's 11-year relationship with UNICEF USA includes an up-front investment for disaster relief. This Bridge Fund benefits from Prudential's \$26 million impact investment that supports UNICEF's work and provides financial protection for the most vulnerable.
- Prudential, a founding partner of My Brother's Keeper Newark, partnered with the City of Newark, New Jersey, for the February 2018 My Brother's Keeper Alliance Pathways to Success Opportunity Summit for boys and young men of color. This daylong event provided career training and employment opportunities for more than 1,400 Newark youth, breaking previous summit participation records.

Prudential's Corporate Governance and Business Ethics Committee formally reviews the company's strategy and reputation regarding environmental stewardship, sustainability, human rights, and health and safety at least once per year. Additionally, the Corporate Social Responsibility Oversight Committee, which is comprised of three independent Directors and five members of Prudential's senior management, meets three times per year to discuss the company's corporate social responsibility efforts in strategic philanthropy, employee engagement, corporate community involvement and impact investing.

## RESPONSIBLE IMPACT: ENVIRONMENTAL RISK, OPPORTUNITY AND ENGAGEMENT

Prudential has long recognized the connection between climate risk and the company's long-term vitality. For example, the company's business continuation plans outline recovery strategies in the event of severe natural disasters or pandemics that may arise in association with climate change. The company also examines geographic concentrations of risk that may affect businesses in the event of either set of cataclysms.

Prudential's Domestic Environmental Commitment acknowledges the connection between climate risk and the possible impact to the company, clients and neighbors. The Commitment outlines the company's efforts to:

- Mitigate risks through resource stewardship
- Support strategies that help reduce the likelihood of climate change through investment
- Influence discussions relative to policy and industry developments in the field by engagement

## RESOURCE STEWARDSHIP

In 2017, Prudential advanced towards updating Prudential's global environmental commitment, which upon completion, will include a set of quantitative and qualitative targets for its business globally, aimed at reducing its overall environmental impact of its operations.

One of these targets will be a quantitative greenhouse gas (GHG) reduction goal (for U.S. domestic sites initially), that will be based on historical GHG data and modeled around a science-based approach to help embed rigor and align with best practice. The 2016 and 2017 GHG data underpinning this reduction target were quantified within a formal inventory process, using the Operational Control approach per the World Resource Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas (GHG) Protocol to define its organizational boundaries. Under this approach, Prudential will account for a significant portion of its Scope 1 and Scope 2 GHG emissions from operationally controlled, owned, and leased corporate home office domestic and international portfolio.

In addition to domestic U.S. sites, other countries in scope for this assessment are Brazil, Japan, South Korea and Taiwan. This entailed developing an Inventory Management Plan (IMP) to outline institutional, managerial, and technical procedures and processes used annually to collect and manage reliable quality GHG data.

Prudential conducts and reports on a baseline analysis of three greenhouse gases: CO<sub>2</sub> (Carbon Dioxide), CH<sub>4</sub> (Methane) and N<sub>2</sub>O (Nitrous Oxide). Prudential has not yet quantified emissions from refrigerant sources and therefore

HFCs (Hydrofluorocarbons) are not currently included in its inventory, but will be included in future inventories. Prudential has not yet quantified any GHG emissions related to gasoline or diesel from operationally controlled, owned, and leased vehicles, but will evaluate and include in future inventories.

Scope 1 emissions are identified as stationary combustion, mobile combustion and refrigeration/air conditioning equipment use. Prudential does not purchase any steam or chilled water. Scope 3 emissions in Prudential's GHG inventory are currently limited to business travel via commercial air transport.

In 2018, Prudential is conducting a screening of the fifteen Scope 3 categories as defined by the GHG Protocol to determine materiality of these emissions to its business, and in parallel path will formulate a plan to commence data collection and inclusion of relevant Scope 3 categories within future inventories. As part of this initial screening, Scope 3 GHG emissions from fuel and energy-related activities not included in Scope 1 and Scope 2 (FERA) were identified for inclusion and quantified for the first time as part of the 2017 and 2016 emissions.

Prudential also took an additional step to ensure the quality and accuracy of its GHG emissions data in 2018 by engaging a third-party verifier (Lloyd's Register Quality Assurance) to review and provide limited assurance of its 2017 Scope 1, Scope 2 and Scope 3 (business travel via commercial air transport).

| DESCRIPTION   | 2017        | 2016        | 2015 (this data only for domestic locations) |
|---|-------------|-------------|--|
| Portfolio Square Footage                                | 19,098,003  | 19,098,003  | 6,312,974                                    |
| <b>GHG Emissions</b><br>Scope 1 (MT CO <sub>2</sub> e)  | 13,572      | 12,920      | 6,491  |
| <b>GHG Emissions</b><br>Scope 2 (MT CO <sub>2</sub> e)  | 57,055      | 61,693      | 62,554                                       |
| <b>GHG Emissions</b><br>Scope 3 (MT CO <sub>2</sub> e)  | 11,352      | 11,910      | 14,454                                       |
| <b>Energy Consumed</b><br>Stationary Combustion (MMBTU) | 239,103     | 226,296     | 127,298                                      |
| <b>Energy Consumed</b><br>Purchased Electricity (kWh)   | 143,656,336 | 144,047,514 | 121,624,423                                  |

### Notes:

2016 was the first year that international sites were incorporated into Prudential's GHG Inventory; it is a new base year. As a result, comparisons made below are only for performance between 2016 and 2017:

- The company's Scope 1 and 2 GHG emissions (i.e., energy used in buildings) decreased by 5.3%.

- The company's total GHG emissions Scope 1, 2 and 3 (Scope 3 includes emissions from Business Air Travel and from fuel- and energy-related activities not included in Scopes 1 and 2) decreased by 4.5%.
- The company reduced its Scope 3 emissions from business air travel by 4.7%.

| NORMALIZATION BY FLOOR AREA                   | 2017      | 2016      |
|---|-----------|-----------|
| Scope 1-2                                     | 0.0036981 | 0.0039069 |
| Scope 1-3                                     | 0.0044128 | 0.0046553 |
| FERA – Scope 3 (MT CO <sub>2</sub> e)         | 16,490    | 16,607    |
| Business Travel + FERA (MT CO <sub>2</sub> e) | 27,842    | 28,517    |

Notes:

Significant changes in square footage took place in 2016, due to integrating select international locations (home offices and data centers) that are owned or operationally controlled.

| DESCRIPTION                        | 2017 (this data only for domestic locations) | 2016 (this data only for domestic locations) | 2015 (this data only for domestic locations) |
|------------------------------------|--|--|--|
| Recycling <sup>1</sup> (tons)      | 1,026  | 1,666  | 1,808  |
| Waste (tons)                       | 1,239  | 1,295  | 1,203  |
| Water Usage <sup>2</sup> (gallons) | 71,965,667                                   | 67,447,558                                   | 74,128,864                                   |

Notes:

<sup>1</sup> Recycling decreased due to employees utilizing more “e-filing” rather than paper filing.

<sup>2</sup> Changes to building population and weather conditions affected water usage.

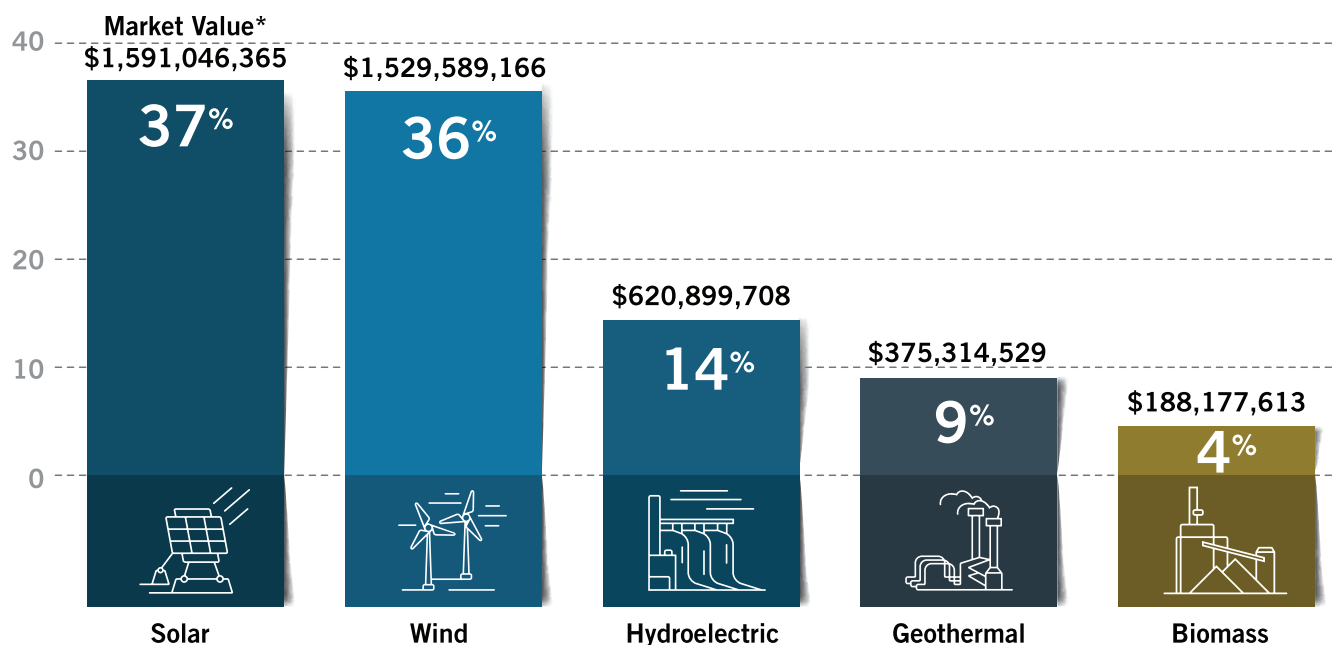
## INVESTING TO MITIGATE CLIMATE CHANGE

Prudential has found opportunities to help mitigate climate change in a variety of asset classes. Most prominently, the company has invested in renewable energy, “green” bonds and “green” real estate.

Prudential’s portfolio of renewable energy generation investments increased during 2017.

|                                   | 12/31/2017    | 12/31/2016      |
|-----------------------------------|---------------|-----------------|
| Renewables Portfolio Market Value | 4,305,027,381 | \$3,812,344,888 |
| % Increase                        | 12.9%         |                 |

## PRUDENTIAL'S RENEWABLE ENERGY INVESTMENTS



Total Renewable Power Project Portfolio: \$4,305,027,381 \*As of 12/31/17

PGIM Fixed Income began investing in “green” bonds in 2013. “Green bonds” are debt instruments used to finance environmental initiatives such as renewable energy efficiency projects. The market value of Prudential’s green bonds totaled more than \$157.3 million at the end of 2017.

### “Green” Real Estate

PGIM Real Estate is a global real estate investor with institutional assets in the Americas, Europe and Asia Pacific. The business’ objectives are to improve investment returns for clients, become a landlord of choice and practice good global citizenship starting with the communities served. As of December 31, 2017, PGIM Real Estate managed 26.7 million square feet of LEED certified U.S. real estate totaling \$13.9 billion. Global certifications totaled \$17.1 billion covering 33.4 million square feet.

In 2017, 36 percent of PGIM Real Estate Finance’s total FHA/agency multifamily originations have been through green programs, up from a handful of deals in 2016.

### Engagement

In 2017, Prudential continues to support the Ceres Annual Conference and participates in the International Integrated Reporting Council <IR> U.S. Working Group. Additionally, Prudential contributed to Ceres’ report “Lead from the Top: Building Sustainability Competence on Corporate Boards.”

The Sustainability Group continues to offer Lunch & Learn sessions to all employees on topics including renewable energy, impact investing and scenario analysis.

## Environmental Stakeholders

Engagements with external organizations to support best practices include:

- Ceres Company Network
- Ceres Investor Network on Climate Risk
- U.S. Green Building Council
- Urban Land Institute’s Greenpoint Center for Building Performance – Performance Committee
- Principles for Responsible Investment
- U.S. EPA’s Energy Star Program



# Recognition and Significant 2017 Awards

Prudential ranks No. 48 on the 2017 Fortune 500 List of America's Largest Corporations. The company also ranks No. 148 on the 2017 Fortune Global 500 List of the World's Largest Corporations and No. 1 on the 2017 World's Most Admired Companies in the Insurance: Life and Health category.

***Prudential is honored that organizations around the world have recognized our commitment to diversity, sustainability, and establishing a supportive workplace.***

## 2017 U.S. Recognitions

- 2017 *Barron's* 100 Most Sustainable Companies
- 2017 *Newsweek* Green Ranking: member of U.S. and Global 500
- *Forbes* and JUST Capital "America's Most JUST Companies" and #1 in the Insurance industry
- World at Work 2017 Seal of Distinction (2016)
- Civic 50, an initiative of Points of Light, in partnership with Bloomberg LP (2016, 2015)
- Ethisphere's "2017 World's Most Ethical Company" (2016, 2015)
- *DiversityInc* "Top 50 Companies for Diversity" (16 prior years)
- Human Rights Campaign "Corporate Equality Index" 100 percent Score (14 prior years)
- *National Association for Female Executives* magazine's "Top Companies for Executive Women" (17 prior years)
- *Working Mother* magazine's "Top 100 Companies for Working Mothers" (27 prior years, Hall of Fame member)
- Dave Thomas Foundation for Adoption's "100 Best Adoption-Friendly Workplaces" (11 prior years)
- *G.I. Jobs* magazine's "Top 100 Military-Friendly Employers" (7 prior years)
- *Military EDGE* magazine's "50 Best for Vets Employers" (7 prior years)
- *Latina Style* magazine's "50 Best Companies for Latinas" (20 prior years)
- *Computerworld*, "Best Places to Work in IT" (8 prior years)
- *Risk* magazine and Risk.net "Reinsurer of the Year" (3 prior years)
- California Department of Insurance "Governing Board Diversity Champion Award"

## 2017 International Recognitions

- Prudential of Japan ranked No. 1 in Japan in membership in the Million Dollar Round Table (19 prior years)
- PGFL Japan certified "Eruboshi" Three-star by the Minister of Health, Labour and Welfare
- Prudential of Japan earned No. 1 ranking from J.D. Power for customer satisfaction with life insurers' claim response and Life Insurance Conservation
- Prudential of Japan recognized by Ministry of Economy, Trade and Industry (METI) as one of "100 Most Diversified Companies"
- DHFL Pramerica Life Insurance Co. of India recognized as "2017 Marketer of the Year" for Dengue Shield Product
- Prudential of Korea ranked No. 1 from the Korean Finance Consumer of "Good Life Insurance Companies" (7 years prior)
- Prudential Life of Korea "Non-Participating Lifetime Income Variable Annuity Insurance" Award for Excellence from Maeil Business News Financial Products Award
- Prudential of Korea "Most Admired Companies in Korea" by Korea Management Association Consulting (6 years prior)
- Prudential Seguros S.A. in Argentina recognized by the Social Development Ministry for integrating sustainability management into the business
- Prudential Seguros S.A. in Argentina recognized by NGO Red Activos as a company that promotes inclusive purchases and employment opportunities for people with disabilities
- Prudential Life Insurance of Taiwan awarded "Protection Product Promotion Golden Award" from the 7th Taiwan Insurance Best Performance Awards

# Appendix A – Forward-Looking Statements and Non-GAAP Measures

Portions of the report contain aspirational or otherwise forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “includes,” “plans,” “assumes,” “estimates,” “projects,” “intends,” “should,” “will,” “shall,” or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future developments and their potential effects upon Prudential Financial, Inc. and its subsidiaries. Prudential Financial, Inc.’s actual results may differ, possibly materially, from expectations or estimates reflected in such forward-looking statements. Actual results may differ, possibly materially, from the company’s expectations or predictions expressed in the document. Certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements can be found in the “Risk Factors” and “Forward-Looking Statements” sections included in Prudential Financial, Inc.’s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Prudential Financial, Inc. does not undertake to update any particular forward-looking statement included in the report.

Adjusted operating income (“AOI”) and operating return on average equity are non-GAAP measures of financial performance. Adjusted book value is a non-GAAP measure of financial position. We use earnings per share based on AOI, operating return on average equity, and adjusted book value as performance measures in our incentive compensation programs. Also, we believe that our use of these non-GAAP measures helps investors understand and evaluate the company’s results of operations and financial position, by providing measures that are primarily attributable to our business operations separate from the portion attributable to external and potentially volatile capital and currency market conditions.

## Adjusted Operating Income

Adjusted operating income excludes “Realized investment gains (losses), net,” as adjusted, and related charges and adjustments. A significant element of realized investment gains and losses are impairments and credit-related and interest rate-related gains and losses. Impairments and

losses from sales of credit-impaired securities, the timing of which depends largely on market credit cycles, can vary considerably across periods. The timing of other sales that would result in gains or losses, such as interest rate-related gains or losses, is largely subject to our discretion and influenced by market opportunities as well as our tax and capital profile.

Realized investment gains (losses) within certain of our businesses for which such gains (losses) are a principal source of earnings, and those associated with terminating hedges of foreign currency earnings and current period yield adjustments are included in adjusted operating income. Adjusted operating income generally excludes realized investment gains and losses from products that contain embedded derivatives, and from associated derivative portfolios that are part of an asset-liability management program related to the risk of those products. However, the effectiveness of our hedging program will ultimately be reflected in adjusted operating income over time. Adjusted operating income also excludes gains and losses from changes in value of certain assets and liabilities relating to foreign currency exchange movements that have been economically hedged or considered part of our capital funding strategies for our international subsidiaries, as well as gains and losses on certain investments that are classified as other trading account assets.

Adjusted operating income also excludes investment gains and losses on trading account assets supporting insurance liabilities and changes in experience-rated contract holder liabilities due to asset value changes, because these recorded changes in asset and liability values are expected to ultimately accrue to contract holders. In addition, adjusted operating income excludes the results of divested businesses, which are not relevant to our ongoing operations. Earnings attributable to noncontrolling interests, which is presented as a separate component of net income under GAAP, are also excluded from adjusted operating income. The tax effect associated with pre-tax adjusted operating income is based on applicable Internal Revenue Service and foreign tax regulations inclusive of pertinent adjustments.

## RECONCILIATIONS OF GAAP NET INCOME TO AFTER-TAX ADJUSTED OPERATING INCOME

(in billions, year ended December 31)

|  | 2017     | 2016     |
|--|----------|----------|
| <b>Net income attributable to Prudential Financial, Inc.</b>   | \$ 7.86  | \$ 4.37  |
| Income attributable to noncontrolling interests  | \$ 0.11  | \$ 0.05  |
| <b>Net income</b>  | \$ 7.97  | \$ 4.42  |
| Less: Earnings attributable to noncontrolling interests  | \$ 0.11  | \$ 0.05  |
| <b>Income attributable to Prudential Financial, Inc.</b>   | \$ 7.86  | \$ 4.37  |
| Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests | \$(0.06) | \$(0.00) |
| <b>Income (after-tax) before equity in earnings of operating joint ventures</b>  | \$ 7.92  | \$ 4.37  |
| Less: Reconciling Items:   |          |          |
| Realized investment gains (losses), net, and related charges and adjustments   | \$(0.06) | \$ 0.52  |
| Investment gains (losses) on trading account assets supporting insurance liabilities, net                                | \$ 0.34  | \$(0.02) |
| Change in experience-rated contract holder liabilities due to asset value changes  | \$(0.15) | \$ 0.02  |
| Divested businesses:   |          |          |
| Closed Block division  | \$ 0.04  | \$(0.13) |
| Other divested businesses  | \$ 0.04  | \$(0.08) |
| Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests                     | \$ 0.03  | \$(0.01) |
| Total reconciling items, before income taxes   | \$ 0.24  | \$ 0.31  |
| Less: Income taxes, not applicable to adjusted operating income  | \$(3.03) | \$ 0.04  |
| Total reconciling items, after income taxes  | \$ 3.27  | \$ 0.26  |
| <b>After-tax adjusted operating income</b>   | \$ 4.65  | \$ 4.11  |

## RECONCILIATIONS OF GAAP EARNINGS PER SHARE TO AFTER-TAX ADJUSTED OPERATING INCOME EARNINGS PER SHARE

(shares in millions, year ended December 31)

|   | 2017     | 2016     |
|---|----------|----------|
| <b>Net income attributable to Prudential Financial, Inc.</b>                              | \$17.86  | \$ 9.71  |
| Less: Reconciling Items:  |          |          |
| Realized investment gains (losses), net, and related charges and adjustments              | \$(0.13) | \$ 1.17  |
| Investment gains (losses) on trading account assets supporting insurance liabilities, net | \$ 0.77  | \$(0.04) |
| Change in experience-rated contract holder liabilities due to asset value changes         | \$(0.35) | \$ 0.05  |
| Divested businesses:  |          |          |
| Closed Block division   | \$ 0.10  | \$(0.30) |
| Other divested businesses   | \$ 0.09  | \$(0.19) |
| Difference in earnings allocated to participating unvested share-based payment awards     | \$(0.09) | \$ 0.00  |
| Total reconciling items, before income taxes  | \$ 0.39  | \$ 0.69  |
| Less: Income taxes, not applicable to adjusted operating income                           | \$(6.89) | \$ 0.11  |
| Total reconciling items, after income taxes   | \$ 7.28  | \$ 0.58  |
| <b>After-tax adjusted operating income</b>  | \$10.58  | \$ 9.13  |
| Weighted average number of outstanding Common shares (diluted)                            | 436.0    | 446.6    |

## ADJUSTED BOOK VALUE

### RECONCILIATIONS OF GAAP BOOK VALUE TO ADJUSTED BOOK VALUE

(in millions, except for per share data, year ended December 31)

|   | 2017      | 2016       |
|---|-----------|------------|
| GAAP book value (total PFI equity) at end of period   | \$ 54,069 | \$ 45,863  |
| Less: Accumulated other comprehensive income (AOCI)   | \$ 17,074 | \$ 14,621  |
| GAAP book value excluding AOCI  | \$ 36,995 | \$ 31,242  |
| Less: Cumulative effect of foreign exchange remeasurement and currency translation adjustments corresponding to realized gains/losses | \$ (969)  | \$ (3,199) |
| Adjusted book value   | \$ 37,964 | \$ 34,441  |
| Number of diluted shares at end of period <sup>1</sup>  | 435.7     | 436.2      |
| GAAP book value per common share - diluted <sup>1</sup>   | \$ 125.24 | \$ 104.91  |
| Adjusted book value per common share - diluted <sup>1,2</sup>   | \$ 88.28  | \$ 78.95   |

<sup>1</sup> As of December 31, 2017, exchangeable surplus notes are dilutive when book value per share is greater than \$85.00 (equivalent to an additional 5.88 million in diluted shares and an increase of \$500 million in equity). As of December 31, 2016, exchangeable surplus notes are dilutive when book value per share is greater than \$86.92 (equivalent to an additional 5.75 million in diluted shares and an increase of \$500 million in equity).

<sup>2</sup> Includes the cumulative impact of net gains and losses resulting from foreign currency exchange rate remeasurement and associated realized investment gains and losses included in net income (loss) and currency translation adjustments corresponding to realized investment gains and losses. Includes \$1,678 million impact reported in net income for 2017 from the remeasurement of deferred tax assets and liabilities originally established through accumulated other comprehensive income, related to enactment of the Tax Cuts and Job Acts on December 22, 2017.

### Operating Return on Average Equity

Operating return on average equity (based on adjusted operating income) is a non-GAAP measure and represents adjusted operating income after-tax divided by average Prudential Financial, Inc. equity excluding accumulated other comprehensive income and adjusted to remove amounts included for foreign currency exchange rate remeasurement and certain deferred taxes. The comparable GAAP measure to operating return on average equity (based on adjusted operating income) is return on

average equity (based on net income). Return on average equity (based on net income) represents income after-tax, attributable to consolidated Prudential Financial, Inc., as determined in accordance with U.S. GAAP, divided by average total Prudential Financial, Inc. equity. Return on average equity (based on net income) was 16.0% and 8.8% for the years ended December 31, 2017 and December 31, 2016, respectively.

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