



Don Kanak explains Prudential's approach to sustainability.

Climate change requires urgent action to ensure a better future for all of us. Prudential's response to this challenge, through an approach we call Just and Inclusive Transition, reflects its commitment to fairness, and to protecting the interests of all in its markets in Asia and Africa.

Don Kanak, Chairman of Prudential Insurance Growth Markets and Chairman of Prudence Foundation, elaborates on the principles that guide its inclusive approach, the challenges on the path to sustainability, and how individuals can contribute towards a greener tomorrow.

Q. Prudential uses the phrase 'Just and Inclusive Transition' when referring to its response to the climate change challenge. What does it mean?

Don: Just and Inclusive Transition means a transition that's fair. It's about making sure that no one is left behind as we take the necessary steps to reduce emissions, to change energy systems and push new business models. That would take two forms.

The first relates to employment. A lot of people are currently employed in industries such as coal mining, or oil extraction, or internal combustion engine cars. So, countries, companies, the education sector, all need to work together so that while this transition is happening, jobs of the

future are being created, and that people still have the opportunity to work.

The other critical thing is that as we move to renewable energy, to products which are more energy efficient, or have low emissions, that in some cases, those products might be more expensive.

So, we need to promote policies and strategies to cushion the blow for lower-income people – for example, subsidies and tax breaks – so that they're not priced out of affordable energy, or access to transportation.

So, it's really a question around fairness, and making sure that the balancing of the carbon budget isn't done on the backs of poor or lower-income people.

Q. What are the biggest challenges in making this transition happen?

Don: The biggest impact we can have as a company is in what we call Scope 3 emissions, and that would be related to the impact of our investments.

The biggest challenge we have as a developing country-focused investor is that many economies in which we operate are still relatively in the early stages of making their transitions. They tend to be very highly reliant today on fossil fuels, and have capital markets that are still developing. They also don't have complete disclosures, or are lacking in certain data that would be available for sustainable investing in the developed markets.

As active investors, we need to be engaging with companies to encourage them to disclose information around their ESG practices, and then support them in making a transition. For companies that meet our risk requirements, when they have an opportunity to issue green bonds, for example, we should be developing policies that match their requirements, so that we can invest in their transition

So we have to be working at the system level to get more disclosures that are necessary, and then work at the company level, engaging them so that they're doing the right thing.

Q. You have been working on developing the Energy Transition Mechanism (ETM), a plan to help reduce emissions by buying out coal-fired power plants and then shutting them down in a few years. How would it work?

Don: The single largest source of carbon emissions is electricity generation, and within that, the largest source is coal. Across our markets, quite a number of them still get a very high percentage of their electricity by burning coal.

In the current situation of coal-fired electricity across Asia, the plants that exist on average are quite new, and in many cases, would have 30 or 40 more years to run in their normal lifetimes. It's not practical to just ask them to stop the plants tomorrow, as the countries in our markets are growing, and need more energy. So there needs to be a transition time.

The idea of the ETM, which we developed after doing quite a bit of study, was to come up with a

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commercially viable way to shorten the lifetimes of those coal-fired power plants. And replace them sooner than 30 or 40 years, maybe in 10 or 15 years, with renewable energy.

By doing that, we would be able to bring down the emissions in countries much quicker, and put them on a sustainable path without sacrificing the availability of electricity.

We're very pleased that the Asian Development Bank has picked up on that idea and is now launching into some detailed design work. And as far as we are aware, there are plans to begin by the end of this year or early next year, in Indonesia and possibly one or two other countries in the region.

Q. Can actions taken by individuals have a meaningful impact?

Don: Yes. I think there are three ways we can have an impact on reducing emissions and protecting the environment. One is by being responsible in the management of our own energy use, and in the way we treat waste, by being more responsible consumers. I think it is important.

Secondly, I think we can have an even bigger impact beyond that, by working as a company – by designing better products and thinking about ways to make those products successful, and accessible to everyone; through opportunities to work in communities on aspects of greening; and for those working in the investment field, by doing whatever we can do to encourage investment in environmentally friendly businesses, or by supporting high-emitting companies in their transition to low emissions.

And finally, as members of society. Policy is really critical in anything to do with climate change or sustainable development. So, in our role as citizens, by trying to be proactive in promoting good policies wherever we work, so we have a more sustainable and accessible economy for people

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