PGIM

ESG

2023 ESG INVESTING REPORT

Published July 2024

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INTRODUCTION

Investment management at PGIM has always been about the long term. Our clients are not investing based on daily market movements, but across the market cycle as they seek to fulfill long-term financial obligations for their beneficiaries. To do that effectively, it's imperative that we bring the full power of PGIM's capabilities, expertise, and tools to assess all opportunities and mitigate any risks that could materially impact the investment performance we deliver to our clients — and do so with transparency and integrity. ESG is one such tool that can help our investors more fully understand the long-term risk/return profile of the capital they have entrusted to us. The ESG toolkit is also invaluable in helping investors understand and, where desired, influence the impacts of their investments on the environment and society.

David A. Hunt
President and CEO, PGIM

At PGIM, our client-centric, fiduciary mindset is deeply embedded in each of our affiliates' approaches, whether that is analyzing how ESG factors may impact investment returns in their asset classes, or developing solutions for clients who wish to invest in line with their sustainability preferences and values. Across all our asset classes, from fixed income, equities, real estate to private alternatives, we encourage active collaboration through PGIM's ESG Council, where leaders from across PGIM share their expertise and perspectives on key ESG topics.

For clients who seek to go beyond risk-return optimization to pursue sustainability objectives, PGIM has put significant effort behind creating innovative ESG strategies and solutions. Examples include the PGIM Jennison Carbon Solutions strategy, PGIM Quantitative Solutions' ESG indexing solutions, and the roadmap to operational net zero carbon emissions in our PGIM Real Estate equity portfolio. We have also developed new tools to help navigate the low-carbon transition and account for the double materiality of ESG factors, such as PGIM Fixed Income's Temperature Alignment Tool and Sovereign ESG Framework.

Over the past year, we were pleased to see the conversation shifting from an overly simplistic categorization of energy-related assets as brown "villains" and green "heroes" to a much more nuanced understanding of the actions needed to enable and accelerate the energy transition. This has resulted in more realistic interpretations of the fundamental trade-offs between short-term costs and long-term growth opportunities as the world transitions to a low-carbon economy. At PGIM, we strongly believe in tailoring our investment approaches to our clients' specific needs around portfolio decarbonization or Paris-alignment objectives, including their bespoke risk/return profile and targeted timeframe.

Looking ahead, we aim to further enhance our investment processes and client offerings through collaborative efforts, leveraging the full breadth of PGIM's expertise to continue building out effective capabilities that account for risks and opportunities in our rapidly changing world.

Next year will mark 150 years for our parent company, Prudential Financial, Inc. The longevity and sustainability of our business is a testament to the power of our deeply embedded values — chief among them, our commitment to doing business the right way for our clients, employees, and the communities in which we operate. Not just for today, but for the long term.

This ESG Investment Report focuses exclusively on how PGIM and its constituent investment management businesses approach ESG in its investment processes and capabilities. PGIM investment management businesses consider a multitude of other investment factors, and it should be noted that PGIM is not focused on ESG above any other investment consideration.

ABOUT PGIM

PGIM is the global asset management business of Prudential Financial, Inc. ("PFI")[1]. In 45 offices across 18 countries, our more than 1,450+ investment professionals serve both retail and institutional clients around the world. As a leading global asset manager, with $1.29 trillion in assets under management as of December 2023, PGIM is built on a foundation of strength, stability, and disciplined risk management.

Our multi-affiliate model allows us to deliver specialized expertise across key asset classes with a focused investment approach. This gives our clients a diversified suite of investment strategies and solutions with global depth and scale across public and private asset classes, including fixed income, equities, real estate, private credit, and other alternatives.

PGIM

$1.29 Trillion (US$)

PGIM FIXED INCOME **$794bn[2]** Fixed Income	JENNISON ASSOCIATES **$194bn[3]** Fundamental Equity and Fixed Income	PGIM QUANTITATIVE SOLUTIONS **$95bn[4]** Quantitative Equity, Systematic Macro & Global Multi-Asset Solutions
PGIM PRIVATE ALTERNATIVES **$320.5bn[5]** Formed in late 2023 and brings together PGIM's private alternatives capabilities:	PGIM INVESTMENTS **$171bn[6]** Retail – Mutual Funds, ETFs, UCITS, SMAs, Direct Indexing	PGIM PORTFOLIO ADVISORY **$11bn** Insurance & Pension Solutions
PGIM REAL ESTATE **$210bn[7]** Real Estate Equity & Debt, Agriculture, Sustainable Investing	PGIM PRIVATE CAPITAL **$101bn** Private Placements and Alternative Private Credit	montana capital partners **$3.5bn[8]** Private Equity Secondaries

Assets under management (AUM) are based on company estimates and are subject to change. PGIM sourced data as of December 31, 2023 (unless otherwise noted). Assets under management totals may not sum due to rounding and double counting. Data as of 12/31/2023 unless otherwise noted. Source: https://www.pgim.com/overview#our-businesses.

1 Prudential Financial, Inc. of the United States is not affiliated in any manner with Prudential plc, incorporated in the United Kingdom or with Prudential Assurance Company, a subsidiary of M&G plc, incorporated in the United Kingdom.
2 AUM total includes $17 billion in assets managed by PGIM Fixed Income for affiliated businesses, $77 billion in PGIM Japan assets, and $136 million of which is sub-advised by PGIM Private Capital.
3 AUM total includes equity $145 billion, fixed income $49 billion, and private credit and other alternatives $342 million.
4 AUM total includes: assets managed by PGIM Quantitative Solutions and PGIM Wadhwani LLP (PGIMW), $58 billion in directly managed mandates, $31 billion of institutional and retail assets managed by various affiliated and third-party managers.
5 PGIM Private Alternatives AUM/AUA also includes $6 billion from Deerpath Capital, in which PGIM acquired a majority stake in late 2023.
6 PGIM Investments AUM includes U.S. mutual funds: $130.5 billion (excluding money markets and funds of funds), closed-end funds: $1.4 billion, ETFs: $6.6 billion, UCITS funds: $7.7 billion, PGIM Custom Harvest: $3.4 billion, and Asia Local: $21.7 billion. Asia Local AUM includes Everbright PGIM (a joint venture in China in which PGIM has a 45% ownership stake), PGIM SITE, and PGIM India.
7 AUM total is reflected as gross and includes assets under administration. Net AUM is $134 billion, Gross is $161 billion and AUA is $49 billion.
8 MCP AUM includes NAV plus unfunded commitments.

PGIM's autonomous businesses comprise:[9]

PGIM Fixed Income

Provides global active asset management services primarily across public and alternative fixed income markets with $794 billion in AUM.

Jennison Associates

Provides active fundamental public equity and fixed income asset management services across an array of growth, value, global and specialty equity strategies, as well as fixed income strategies with $194 billion AUM.

PGIM Quantitative Solutions ("PGIM Quant")

Provides a range of systematic, customized solutions across equity, multi-asset, and liquid alternative platforms with $95 billion AUM.

PGIM Private Alternatives ("PPA")

Formed in late 2023 and brings together PGIM's private alternatives capabilities. Collectively PPA manage $320.5 billion of AUM/AUA.

PGIM Real Estate

Provides a broad range of real estate, agriculture, impact and private equity solutions with $210 billion in gross AUM and AUA.

PGIM Private Capital, ("PPC")

Provides private credit solutions across the risk spectrum including investment grade, high yield, direct lending, and mezzanine financing with $101 billion AUM.

Montana Capital Partners (mcp)

Montana Capital Partners provides private equity investments with a focus on secondary transactions in the small and mid-cap market.

In addition, the following autonomous businesses offer retail distribution and portfolio solutions:

PGIM Investments

With $171 billion AUM, PGIM Investments offers actively managed investment solutions including mutual funds, listed and unlisted closed-end funds, exchange-traded funds ("ETF's") and separately managed accounts to individual investors, defined contribution plans and financial intermediaries in the United States, as well as Undertakings for the Collective Investment in Transferable Securities ("UCITS") and other investment solutions to financial intermediaries in select countries across Europe, Asia and Latin America. Additionally, PGIM Investments operates local asset management businesses in Taiwan and India and has interests in an operating joint venture in China.

PGIM Portfolio Advisory

PGIM's portfolio solutions business with US$11 billion of AUM which leverages PGIM's expertise to develop and implement asset-liability management and asset allocation strategies for institutional clients.

Each business is managed by an independent leadership team, responsible for delivering investment and business performance, while supported by and adhering to PGIM's global standards for financial controls, risk management, human resources management and compliance. PGIM's leadership team is headed by our President and CEO and includes the heads of each business, as well as the COO and the functional heads (Strategy, External Affairs, Legal & Compliance, Operations, Finance, DEI, Marketing, Communications, HR, and Risk).

9 Data as of 12/31/2023 unless otherwise noted. Assets under management (AUM) assets under administration (AUA) are based on company estimates and are subject to change. Assets under management totals may not sum due to rounding and double counting. Source: https://www.pgim.com/overview#our-businesses.

PGIM's multi-affiliate model allows us to deliver specialized expertise across key asset classes with a focused investment approach. This gives our clients a diversified suite of investment strategies and solutions with global depth and scale across public and private asset classes, including fixed income, equities, real estate, private credit, and other alternatives.

OUR CULTURE

At PGIM, we believe that a culture of responsible leadership and ethical business conduct is essential to our ability to deliver value for our investors, borrowers and other stakeholders, and our success in attracting and developing the best talent. We have a low ego investment culture centred around a team-based, long-term oriented investment approach and are committed to creating a safe and inclusive environment grounded in mutual respect, trust, collegiality, teamwork, meritocracy, intellectual honesty, transparency, and an unwavering commitment to our clients. Our parent company, PFI, was designated as a 2024 World's Most Ethical Companies honouree by Ethisphere.[10] We are proud that PFI has earned this recognition for the 10th consecutive year, demonstrating to our employees, customers, and other stakeholders their continuous commitment to the highest standards of integrity and trust.

In addition, in 2023, for a fourth year in a row, Pensions & Investments has named PGIM a "Best Place to Work in Money Management" noting our client-first commitment to doing business, the success and appreciation of our flexible work environment and our inclusive and collaborative culture, which enables everyone to be respected, valued, and heard.[11]

Pensions&Investments ★★ 2023 ★★
BEST PLACES TO WORK
IN MONEY MANAGEMENT
MULTIYEAR WINNER
2020 ★ 2021 ★ 2022 ★ 2023

> "We are proud that PFI has earned this recognition for the 10th consecutive year, demonstrating to our employees, customers, and other stakeholders their continuous commitment to the highest standards of integrity and trust."

10 The 2024 World's Most Ethical Companies® Honoree List is available here: worldsmostethicalcompanies.com/honorees/.

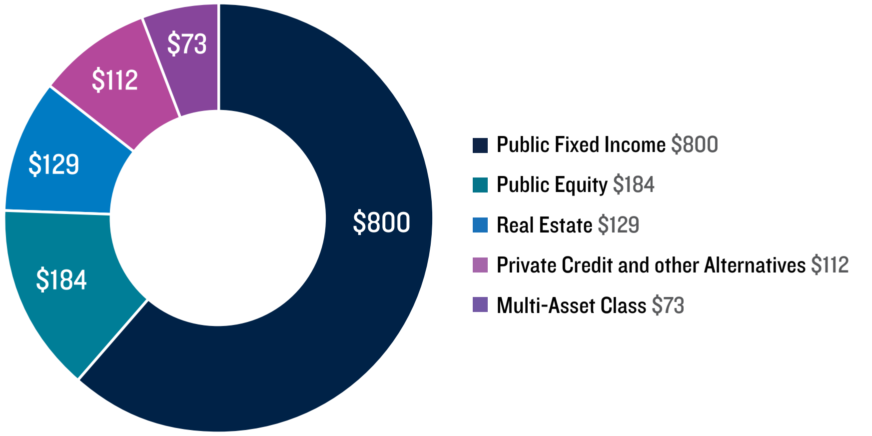
11 PGIM is the 3rd best place to work in money management based on Pensions & Investments' Best Places to Work in Money Management list published December 2023. For methodology, please view bestcompaniesgroup.com/best-places-to-work-in-money-management/eligibility/.

BREADTH OF EXPERTISE ACROSS ASSET CLASSES

PGIM seeks to offer a broad range of investment capabilities across public, private, and alternative asset classes. This includes a variety of ESG/sustainability and climate-focused solutions which are tailored to our clients preferences, objectives and needs.

AUM BY ASSET CLASS[12]

(US$ Billions)
as of 12/31/2023



PUBLIC FIXED INCOME	PUBLIC EQUITY	REAL ESTATE	ALTERNATIVES
• U.S. Multi-Sector • Global Multi-Sector • Investment Grade Corporate • High Yield Bonds and Loans • Emerging Markets Debt: Hard Currency, Local, Blend, Corporate, Total Return • Municipal Bonds • Short, Intermediate, and Long Duration • Liability-Driven Investing • CLOs	• Large Cap Growth Equity • Large Cap Value Equity • Large Cap Core Equity • Global, Developed, and Emerging Markets • Small and Mid Cap Equity • Sector Strategies • Regional/Country Strategies • Equity Indexing • Fundamental and Quantitative • Strategic Alpha (ETFs) • Direct Indexing	• Real Estate Equity and Debt • Multi-Sector Regional Strategies • Core, Core Plus, Value-Add • Investment-Grade to High-Yield Debt • Global Real Estate Securities	PRIVATE CREDIT • Infrastructure Debt • Direct Lending • Mezzanine (Corporate and Energy) • Investment Grade and Below Investment Grade Private Placements LIQUID ALTERNATIVES • Securitized Products • Relative Value Fixed Income • Emerging Markets Long/Short • Global Macro • Systematic Absolute Return • Multi-Factor Risk Premia • Healthcare Long/Short • Credit Opportunities • Private Equity Secondaries • Special Situations
MULTI ASSET CLASS STRATEGIES and SOLUTIONS			
ESG & CLIMATE FOCUSED STRATEGIES and SOLUTIONS			

12 Source: Prudential Financial, Inc. Form 10-K for the fiscal year ended December 31, 2023 (page 73). Available here: www.investor.prudential.com/financials/sec-filings/default.aspx.

BREADTH OF EXPERTISE ACROSS GEOGRAPHIES

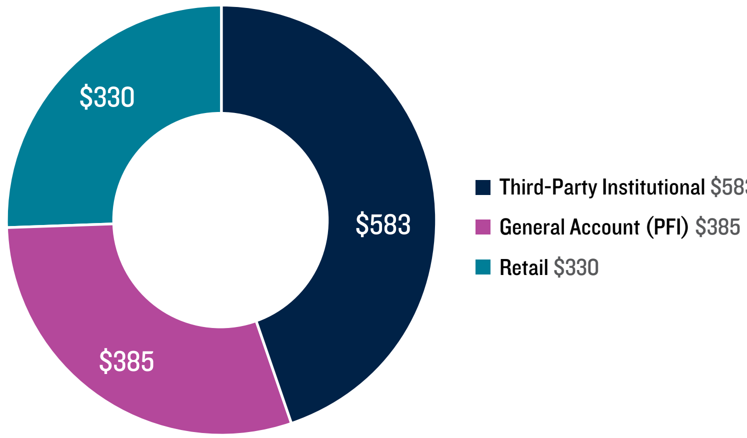
PGIM is present in key financial markets around the globe, with 1,450+ investment professionals working across 4 continents. Our experienced teams combine their specialized expertise across fixed income, equities, real estate, private credit, and other alternative strategies with their deep knowledge of the local markets they invest and operate in.[13]

BREADTH OF EXPERTISE ACROSS CLIENT GROUPS

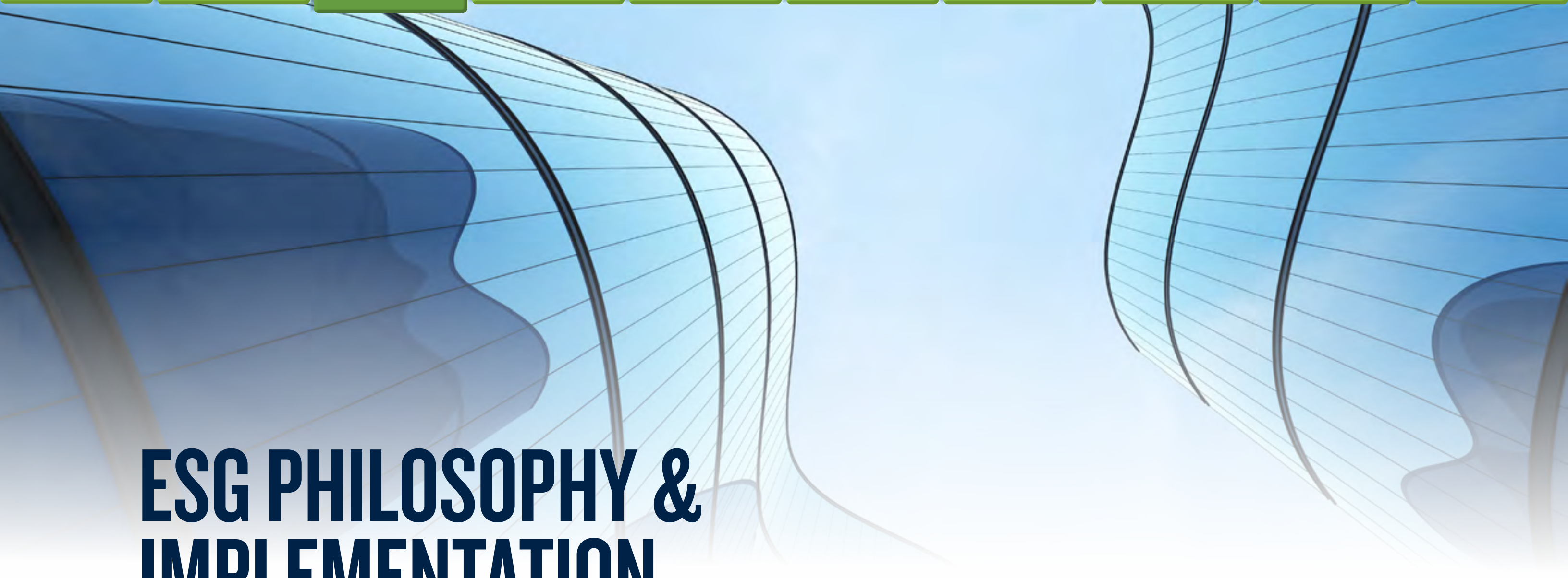
PGIM offers a broad range of strategies and solutions to three primary client groups:

- Institutional investors, including 159 of the largest 300 pension funds worldwide, many of whom we have had relationships with for longer than 20 years.[14]
- Retail investors: including third party intermediaries and product manufacturers and distributors globally who include our investment strategies in their products and platforms.
- PFI's General Account, which maintains diversified investment portfolios that support PFI's liabilities to customers.

AUM by Client Type[12]
(US$ Billions)
as of 12/31/2023



13 PGIM, www.pgim.com/overview.
14 Based on PGIM client list as of December 31, 2023 compared to P&I/Thinking Ahead Institute's Top 300 Global Pension Funds ranking, data as of December 31, 2022, published September 2023.



ESG PHILOSOPHY & IMPLEMENTATION

PGIM'S ESG PHILOSOPHY

At PGIM, our ESG philosophy and approach is active and client-centric.[15] It is aligned with our overall investment beliefs, our active investing approach, the fiduciary responsibilities we owe to our clients and our strategy to broaden our investment capabilities while seeking to deliver attractive risk-adjusted returns for our clients' evolving needs.

PGIM's ESG philosophy is based on our view that:

- Analysing investment risks and opportunities arising from financially material ESG factors leads to better long-term investment outcomes. As such, ESG integration is a fundamental component of generating attractive risk adjusted returns.
- The transition to environmental and social sustainability can provide significant investment opportunities as well as opportunities for positive impact.
- Active stewardship is integral to influencing investment outcomes and promoting a well-functioning financial system.
- Strong ESG capabilities and expertise are essential to meet the needs of clients whose investment objectives go beyond risk/return optimization to include environmental and/or social goals.

At PGIM, we therefore view ESG as an investment tool, which can be used to serve different purposes including:

Managing investment risk.	Identifying and/or creating attractive investment opportunities.	Helping clients invest in line with their values, views and/or preferences.	Helping impact-seeking clients achieve positive real-world impact.

15 PGIM's ESG philosophy is outlined later in this report under PGIM ESG Investment Policy.

As a fiduciary, PGIM invests client assets in accordance with the agreed mandate, or as disclosed within product offering documents. Therefore, for clients whose investment objectives focus solely on risk/return optimization, PGIM only considers financially material ESG factors consistent with our fiduciary responsibilities. However, where our clients have investment objectives that go beyond risk/return optimization and include certain values, sustainability preferences and environmental and/or social goals, PGIM strives to support them in their financial and sustainability objectives by developing and employing ESG tools and expanding our product offering.

In line with our view that active stewardship is integral to influencing investment outcomes, PGIM investment management businesses view company engagement and proxy voting activities as a fundamental part of their investment process. We also see value in constructive dialogue with policymakers and regulators on matters that materially impact our business, our clients, or our investments.

PGIM's multi-affiliate model allows each investment management businesses to apply PGIM's common ESG philosophy and leverage its asset class expertise to develop a tailored approach to ESG including analytical frameworks, assessment tools and implementation approaches, as well as customized ESG solutions optimized for their respective asset classes.

We strongly believe in providing clients and investors with choices for how they would like their assets to be invested and we are committed to doing our very best to help them express their policies, views, and beliefs through the investments in their portfolios.

ESG IMPLEMENTATION AT PGIM

ESG in the investment process

At PGIM, while our common ESG philosophy informs our investment management businesses' broad approach to ESG, we believe that leveraging our asset class expertise to develop asset class specific ESG frameworks and integration represents the most credible approach to ESG from both a fiduciary and a client perspective.

As such, financially material ESG considerations are embedded throughout our investment processes as wherever appropriate to deliver investment performance to our clients. While each investment management business implements PGIM's ESG philosophy in different nuanced ways, generally we translate our ESG philosophy into practice by:

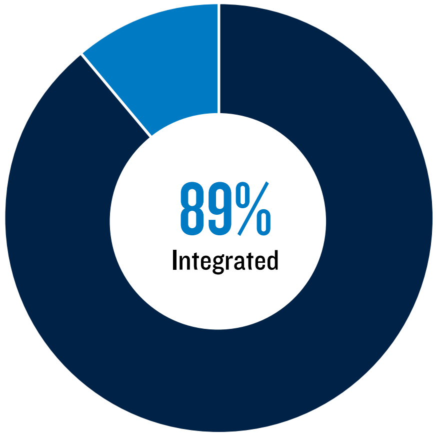
- Developing deep ESG expertise underpinned by extensive proprietary research and analytics.
- Integrating financially material 'E' 'S' and 'G' factors across investment processes and asset classes.
- Actively investing in alpha-generating assets which may also have environmentally and socially positive characteristics.
- Actively engaging with investee companies and other relevant stakeholders and voting proxies to safeguard and enhance the value of our investments.
- Delivering ESG investment outcomes in alignment with clients' ESG investment objectives and risk/return expectations.
- Leveraging the strength of our multi-manager model and our global scale to offer clients in-depth, asset class specific approaches to ESG implementation and customized ESG solutions across public and private markets.

Purpose	Implementation
Integration of financially material ESG Factors into Investment Process • Using ESG analysis to manage investment risk and identify attractive investment opportunities	• Embedded in the core investment process, with financially material ESG factors incorporated into data collection, investment analysis and due diligence. • Bespoke approaches are applied at investment management business and/or asset class level. These can include fundamental and quantitative research undertaken by equity, debt and alternatives teams, with further support from dedicated ESG teams. • Reflects unique features of respective asset classes, investment platforms and investment processes.
ESG/ Sustainability Solutions for our Clients • ESG lens to invest in line with clients' values, environmental and/ or social preferences, or real-world impact objectives	• Applied at the investment strategy, mandate, or product level to help those clients who wish to achieve pre-defined ESG/sustainability goals or impact objectives. • Client driven and implemented by investment and ESG teams using a range of capabilities and tools (e.g., screening, analytical frameworks, research and assessment methodologies, investment products). • Reflects unique features of respective asset classes, investment platforms and investment processes.

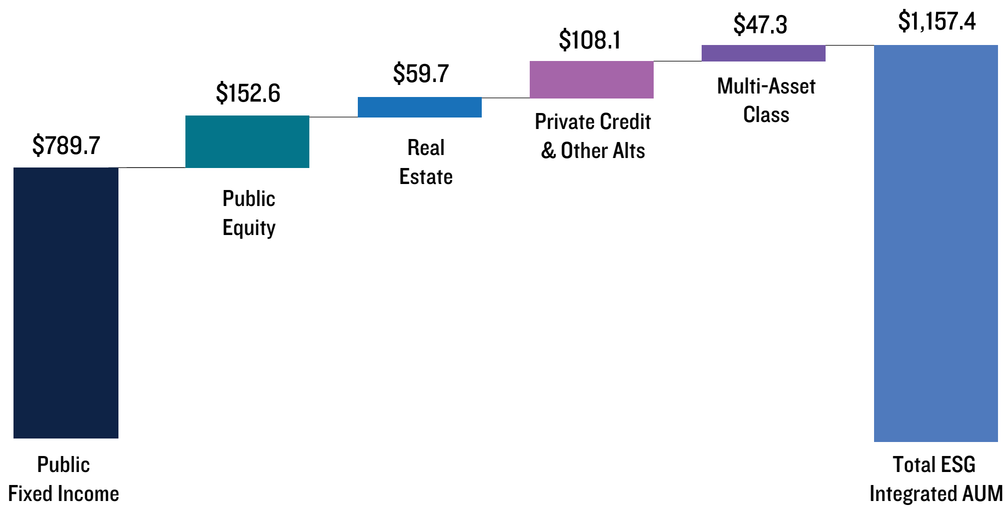
ESG AUM AT PGIM[16]

As of year-end 2023, considerations of financially material ESG risks and opportunities have been integrated into the investment processes for c.89% of PGIM's total AUM.[17] For the remaining assets, integration of ESG factors either does not add meaningful benefit to the investment decision-making and generation of attractive investment returns for our clients, or the absence of ESG information and data makes integration unfeasible at this stage.[18]

ESG Integrated as % of Total AUM



ESG Integration AUM $bn across asset classes



16 PGIM ESG AUM internal data as of December 31, 2023. AUM totals may not sum due to rounding and double counting.

17 This includes investment products or mandates that include incorporation of environmental, social and governance factors into financial analysis and investment decisions for all investments within a portfolio, where ESG assessment can be reasonably undertaken. The focus is on analysing ESG risks and opportunities that can materially impact asset prices and the economic value of the investment. ESG factors are an input into investment decision-making and may not have a determinative role in the final investment decisions.

18 No explicit integration of Environmental, Social, and/or Governance criteria are contemplated or incorporated into financial analysis and investment decisions, and/or no ESG/Sustainability strategy is applied to defining the investable universe, portfolio construction or investment selection process.

Strategies with ESG/Sustainability Characteristics[19]

Strategies with ESG/Sustainability characteristics vary across asset classes and portfolios. In such strategies, ESG/Sustainability features are typically binding in nature and play a determinative role in defining the investable universe or influencing the portfolio construction or investment selection processes, as appropriate. These include:

ESG/Sustainability characteristics	Definition
ESG/Sustainability Exclusions	Exclusion from the investable universe or portfolio of certain companies, industries, countries, or asset types due to undesirable environmental, social or governance characteristics, activities or practices. Exclusion criteria can refer to specific types/features of assets or company products, operational practices, violations of global norms or standards of conduct, controversies, or being scored below a certain minimum ESG ratings threshold, etc. The focus of exclusions is to avoid such undesirable characteristics or activities or worst ESG practices.
Positive ESG/ Sustainability Alignment	An approach whereby the investable universe is determined or portfolios are constructed or tilted based on positive ESG characteristics or performance of assets or investments. Positive characteristics/performance could be determined by reference to a defined threshold value or rating, relative to industry peers or benchmark or using another methodology.
Thematic ESG/ Sustainability Investing	Investing in assets/investments that offer exposure to sustainability themes and thereby support sustainable solutions to environmental and social challenges.
Impact Investing	Investments made with the specific intent of generating positive, measurable social and/or environmental impact alongside a financial return. This approach is used to contribute to the attainment of specific, positive, measurable environmental or social outcomes.
Paris Aligned Investing	Implementing a decarbonization strategy for a portfolio to achieve a temperature scenario of well below 2°C. Different approaches can be used in different mandates/products.

19 The categories listed are not mutually exclusive and AUM may therefore be included in more than one category.

PGIM provides investment advice based on specified client objectives and the clients' best financial interests. A growing number of our clients see ESG strategies as an opportunity to achieve positive environmental and social outcomes while generating financial returns. As a result, a smaller proportion of our assets (c.37%) are in portfolios that have binding ESG/sustainability features as specified in the investment management agreements with our clients or investment fund documentation.[20]

PGIM'S ESG TAXONOMY[21]

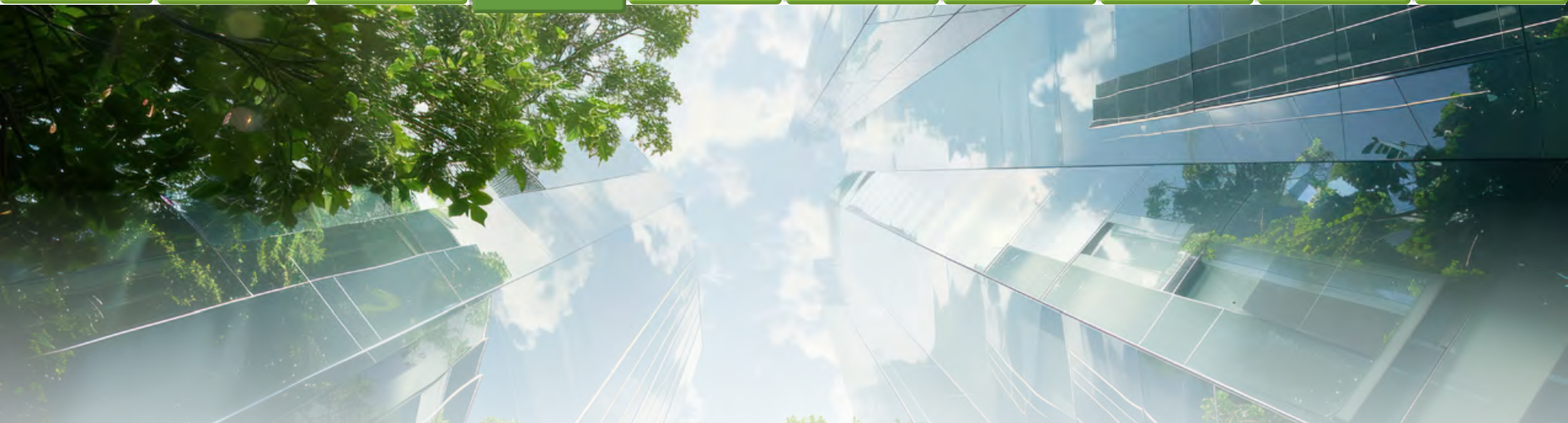
STRATEGIES WITH ESG/SUSTAINABILITY CHARACTERISTICS

ESG Integrated	Exclusions	Positive Alignment	Thematic	Impact Investing	Paris Aligned
$1,157bn	$476bn	$26.6bn	$1.6bn	$1.4bn	$15.4bn

"A growing number of our clients see ESG strategies as an opportunity to achieve positive environmental and social outcomes while generating financial returns."

20 This includes investment products or mandates that have additional ESG/Sustainability features specified in the IMA or fund documentation. These features are binding and play a determinative role in defining the investable universe, portfolio construction or investment selection process.

21 PGIM ESG AUM internal data as of December 31, 2023. AUM totals may not sum due to rounding and double counting.



ESG & SUSTAINABILITY PRACTICES WITHIN PGIM

As a business we recognize that a robust approach toward managing the ESG risks and impacts of our own business is important for the effective delivery of our products and services.

RESPONSIBLE BUSINESS CONDUCT

At PGIM, we are committed to doing business the right way to maintain and enhance our reputation in the marketplace and to continue to earn the trust placed in us by our clients and other stakeholders, and all employees adhere to our parent company PFI's Code of Conduct: "Making the Right Choices,"[22] which includes our principles, core values and articulates the high ethical business standards expected of everyone associated with PFI. We encourage employees to report concerns about potential violations of our standards or policies. PGIM's Business Ethics Officers play an important role in ensuring that our businesses nurture an ethical culture and that a consistent standard is maintained across the enterprise. Business Ethics Officers provide resources and act as a point of contact for any questions employees may have on PFI's policies, such as our code of conduct, conflicts of interests and outside business activities.

CLIMATE GOVERNANCE

PGIM benefits from PFI's policies and implementation initiatives relating to our operational climate practices.[23] Environmental Sustainability, which includes PFI's climate practices, is overseen by the Corporate Governance and Business Ethics Committee. PFI's Board receives reports from its committees on ESG-related risks and opportunities, which enable Directors to contemplate these considerations when reviewing business decisions and strategic plans. PFI's Vice Chairman leads PFI's Climate Change Steering Council, which oversees its climate change approach. Steering Council membership includes but is not limited to senior leaders representing: Financial Reporting, PFI's U.S. businesses, the Corporate Secretary's Office, Inclusive Solutions, Communications, Enterprise Risk Management, the Chief Investment Office, and LCBE (Legal, Compliance, Business Ethics, and External Affairs).

In 2021, PFI set a partial Scope 1 & 2 emissions reduction target limited to a set of core corporate properties, data centers and garages in the United States, Japan and Brazil to be net zero by 2050, with interim targets to reduce GHG emissions 55% by 2030 and 97% by 2040 from a 2017 baseline year, and to achieve carbon neutrality for these facilities by 2040.[24]

22 Please see for more details on PFI's Code of Conduct: prudential.scene7.com/is/content/prudential/MTRCBrochure.
23 For more detail relating to PFI's Climate Oversight, please see PFI's Sustainability Report: www.prudentialesg.com/sustainability/default.aspx.
24 For more information, please see PFI's Sustainability Report: www.prudentialesg.com/sustainability/default.aspx.

At PGIM our exposure to climate-related risks primarily arises from our investments. PGIM's strategy for managing climate-related risks and opportunities relating to our investments is detailed below, in ESG Research & Investment Approach.

Where PGIM investment management businesses have set their own climate-related targets, such as at PGIM Real Estate, dedicated governance and oversight structures to monitor implementation and progress are put in place within the business.[25]

HUMAN RIGHTS STATEMENT[26]

PGIM is committed to supporting and respecting the protection of internationally proclaimed human rights, and to avoiding the company's involvement in any abuse of human rights around the globe. Under the aegis of its parent company, PFI, PGIM believes it operates in accordance with the United Nations Universal Declaration of Human Rights and the International Labor Organization's core conventions and recognizes and supports the United Nations Guiding Principles on Business and Human Rights ("UNGPs").

Respect for human rights is reflected in PFI's policies against discrimination, harassment, and retaliation. It is honoured in PFI's commitment to diversity, inclusion, and accessibility, which is reflected in PFI's **Equal Employment Opportunity Policy**[27]; and it is demonstrated in the service in which PFI employees engage in the communities where we live and work. PFI expects all customers, employees, agents, and business and supply chain partners to be treated with respect and dignity, and that PFI interactions with others will be free from abuse, discrimination, and corruption. Also as set out in PFI's **Human Trafficking and Slavery Policy**[28], PFI does not tolerate forced labor, child labor, prison labor, and human trafficking or slavery in any form.

DIVERSITY, EQUITY AND INCLUSION[29]

We have a long-held commitment to advancing diversity, equity and inclusion (DEI), rooted in the belief that this is not just the right thing to do, but is a prerequisite for PGIM's success and sustainability. Our diversity, equity, and inclusion efforts are aimed at attracting, developing and retaining a diverse workforce supported by an inclusive culture but also geared towards investing in the next generation of asset managers coming from backgrounds which are historically underrepresented in our industry.

MANAGING CONFLICTS OF INTEREST

Like other investment advisers, we are subject to various conflicts of interest in the ordinary course of our business. We strive to identify potential risks, including conflicts of interest, that are inherent in our business, and we conduct annual conflict of interest reviews. However, it is not possible to identify every potential conflict that can arise. When actual or potential conflicts of interest are identified, we seek to address such conflicts through elimination/disclosure of the conflict, or management of the conflict through the adoption of appropriate policies, procedures or other mitigants.

REVIEW AND ASSURANCE

Internal Audit's overall coverage strategy incorporates ESG related risks and its impact to various processes across sales, portfolio management, regulatory, operational and technology categories. PFI's Internal Audit group uses a risk-based audit methodology that allows for a dynamic approach in coverage and is used in developing the audit plan to address key and evolving risks impacting PGIM, which includes performing a risk assessment that considers a range of quantitative and qualitative factors for each assessable unit and is informed through continuous monitoring.

IMPACT INVESTING

PGIM Real Estate oversees a $1 billion Impact and Responsible Investing (IRI) portfolio on behalf of our parent PFI. Established in 1976, the portfolio is one of the largest impact investment portfolios in the world and since its creation, the group has invested over $3.0 billion (on a cumulative basis) on behalf of PFI's General Account and The Prudential Foundation to support innovative

25 Please see for more details on PGIM Real Estate's Net Zero targets: www.pgim.com/real-estate/press-release/pgim-real-estate-commits-global-net-zero-carbon-operations. We also have additional climate governance arrangements in place at certain regulated entities, where appropriate.

26 For more detail on Business Integrity at PFI, please see our parent company website: www.prudential.com/links/business-integrity.

27 Please see for more details on PFI's Equal Employment Opportunity policy: prudential.scene7.com/is/content/prudential/EqualEmployment.

28 Please see for more details on PFI's Anti-Human Trafficking and Anti-Slavery Policy: prudential.scene7.com/is/content/prudential/HumanTrafficking.

29 For more information on how we approach DEI and our DEI Statement please see: www.pgim.com/diversity-equity-and-inclusion.

solutions that help drive economic and social mobility for untapped populations globally while maintaining attractive financial performance. The portfolio leverages the strengths of PGIM as an asset manager to invest in high-return and impact-oriented investment opportunities. By seeking out scalable investments in the areas of financial inclusion, education and workforce development and sustainability – areas that serve the PFI's General Account and third-party client priorities – the team is able to generate both equitable and profitable outcomes within this portfolio.

As of December 2023, the IRI portfolio encompassed $1.09 billion in active investments in partners and projects that tackle pressing societal issues, such as financial inclusion, affordable housing, education, and preparing workers for jobs of the future.

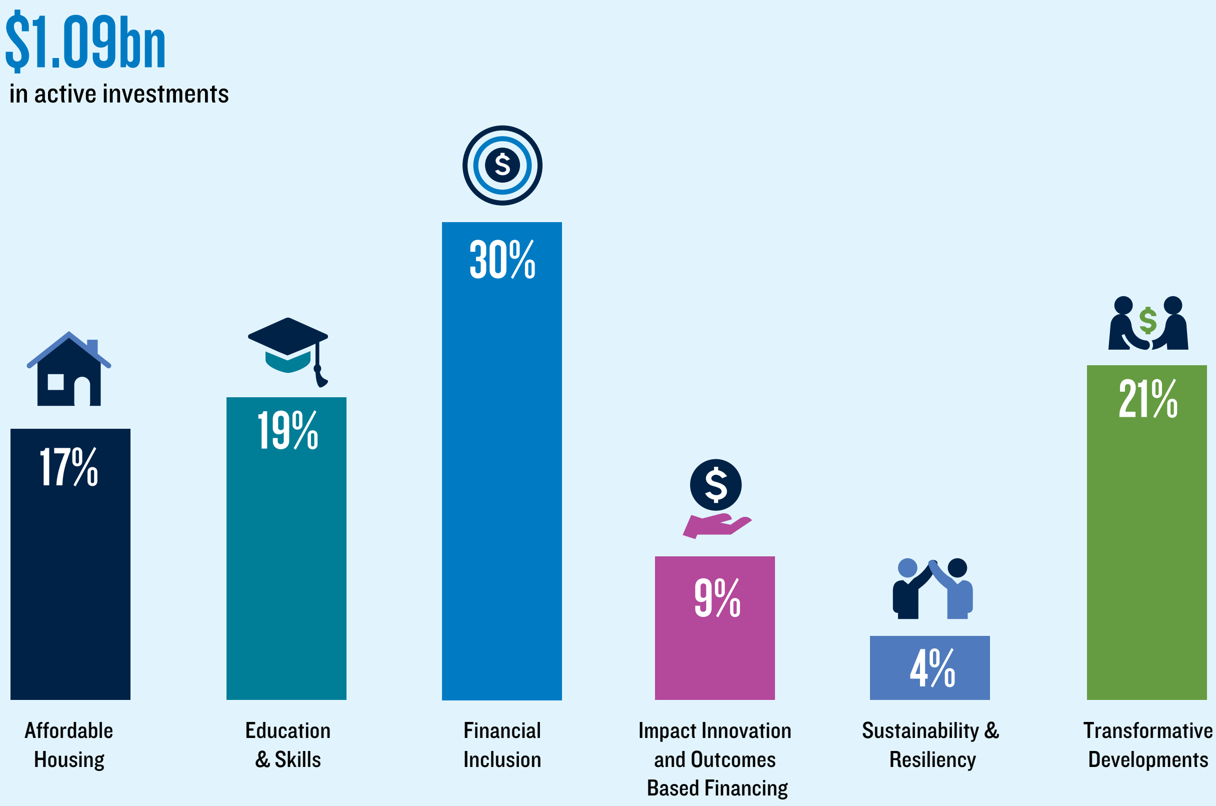
A breakdown of the portfolio is detailed below.

Established in

1976

The Impact and Responsible Investing portfolio is one of the largest impact investment portfolios in the world.

Impact and Responsible Investing Portfolio Breakdown



CASE STUDIES
IMPACT INVESTING IN PRACTICE

REMITLY

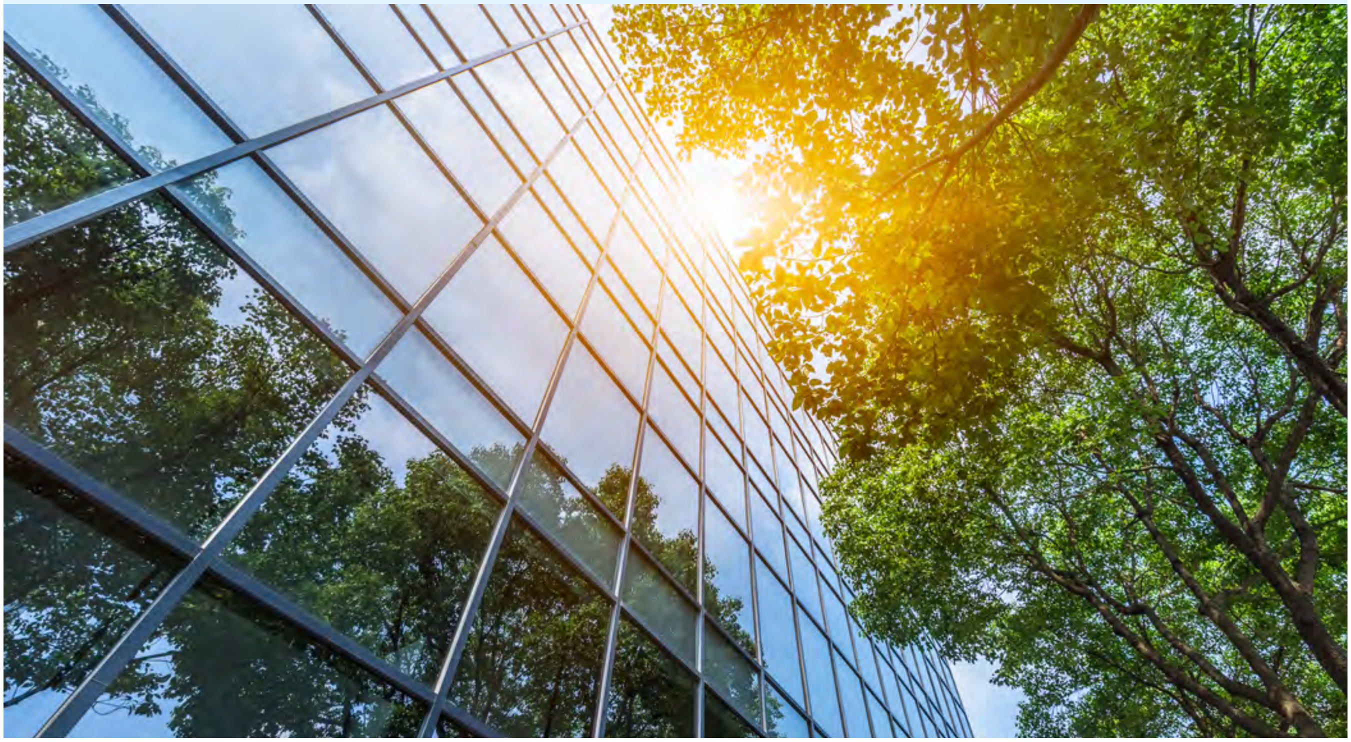
In 2019, the IRI portfolio invested $15 million in Remitly, a leading digital financial services provider for immigrants and their families serving over 170 countries and territories around the world. The company leverages its technology and data advantage to offer an easy-to-use mobile app that makes the process of sending money faster, easier, more transparent and less costly. After selling 30% of IRI's position when the company held its IPO in 2021, IRI exited its remaining position in 2023, returning 4.63X the original investment and resulting in net proceeds of $54.5 million to the portfolio.

ICONIQ 777

IRI invested $18 million, via a redevelopment area bond, in Iconiq 777, one of Newark's newest multifamily developments. Iconiq 777 includes 296 market-rate residential units, 74 affordable housing rental units, 13,026 square feet of commercial retail space, and 300 structured parking spaces. In addition to helping transform Newark's reputation for liveability through this highly visible site, 777 Iconiq will also provide 74 units of affordable housing set at 50% of the area median income, yielding a more inclusive mixed-income neighbourhood. 777 Iconiq is a unique residential facility with amenities and quality on par with new development in Hoboken and Jersey City. The project was developed by Boraie Development, a minority-owned development group, focused on high-rise construction projects in New Jersey's urban markets with a dedicated focus on urban revitalization.

BALTIMORE MEDICAL SYSTEM (BMS)

IRI celebrated the ribbon cutting at the BMS at Yard 56 – a Federally Qualified Health Center (FQHC) which will serve 20,000 patients in East Baltimore with high-quality medical care, including dental care, obstetrics and gynaecology services, and behavioural health. The construction of the clinic was a primary impact goal of our $10.5 million equity investment in Yard 56, which converted a former brownfield site into a mixed-use development.



ESG POLICY, GOVERNANCE & RESOURCES

PGIM ESG INVESTMENT POLICY

PGIM has a dedicated ESG Investment policy that underpins our ESG-related activities and is available on our website at www.pgim.com/esg. The policy details PGIM's ESG philosophy, as described earlier, and sets out how we implement it into our investment processes to serve our clients' needs and objectives.

PGIM's ESG Investment Policy also sets out PGIM's approach to ESG-related exclusions and restricted lists, which is highlighted below.

Approach to Exclusions and Restricted Lists

PGIM does not employ firm-wide exclusions or restricted lists for ESG purposes. We believe that any restrictions of the investable universe should reflect investment and sustainability preferences of individual clients, as well as investment and sustainability objectives of our ESG-focused investment products.

In an effort to give clients options in their approach to ESG investing, PGIM investment management businesses are able to implement negative screens and exclusions in specific mandates which are built according to specific, client-determined criteria. Such exclusionary screens can be built using specialist third-party screening providers or by excluding investments detailed in "restricted lists" provided by the client.

In addition to exclusions and constraints in our separate account mandates, PGIM investment management businesses employ certain ESG-related constraints across ESG-focused commingled products that we manage. For certain commingled public equity and debt products, this typically includes limits on UNGC violators, tobacco production, manufacturing of controversial weapons, and thermal coal extraction and generation, among other product-specific limitations.

PGIM investment management businesses regularly review exclusions and thresholds that we have set for our ESG-focused comingled strategies to ensure that these remain appropriate and reflective of our investors' expectations, as reflected in the applicable disclosure documentation.

In addition, all PGIM investment management businesses seek to adhere to the laws and regulations of the markets in which they operate and seek to execute any necessary exclusions as required by applicable laws and regulations.

PGIM ESG GOVERNANCE

PGIM's ESG Governance structures comprise PGIM's central governance and decision-making bodies, cross-PGIM forums and governance and decision-making structures at the investment management business level and for PGIM's retail funds and regulated entities.

PGIM's President and CEO is the most senior governance and decision-making authority for ESG and climate-related matters at PGIM and is advised by the PGIM Operating Committee, which comprises the heads of each PGIM business, PGIM COO, PGIM Head of HR and the PGIM CFO. The Operating Committee informs, advises and gathers feedback from across businesses and business functions. PGIM's Global Head of ESG provides regular updates on ESG and climate-related matters to PGIM's President and CEO and the PGIM Operating Committee and chairs the PGIM ESG Council, which includes senior leaders from across PGIM's businesses and functions.

PGIM ESG Council

Each of PGIM's investment management business is responsible for the governance and execution of its own ESG approach and product capabilities; however, the businesses collaborate through the PGIM ESG Council.

The Council's mission is to steward the overarching vision for and collaboration on ESG across PGIM. The Council actively guides and supports PGIM's efforts to navigate the evolving ESG landscape to further the development of industry leading ESG capabilities, products, and solutions across PGIM to the benefit of our clients.

The PGIM ESG Council comprises the ESG leads from each of the investment management businesses, together with representatives from our retail distribution business, PGIM Investments, our institutional client-facing teams and PGIM's central functions, including Legal, Compliance, Risk, Strategy, Marketing, Communications and External Affairs. The ESG Council is chaired by PGIM's Global Head of ESG and meets regularly throughout the year and convenes annually for an in-person ESG 'offsite' forum.

The ESG Council's role includes:

- Guide our ESG strategy, philosophy and approach, and facilitate alignment across PGIM and with PFI.
- Advise on cross-PGIM ESG priorities, opportunities for collaboration and knowledge sharing, and responses to evolving regulatory, policy and market developments.
- Oversee ESG Working Groups tasked with implementing cross-PGIM projects based on the priorities set by the ESG Council.

ESG Council Working Groups

PGIM's ESG governance and oversight structures continued evolving in 2023. In particular, we have reviewed the composition of the ESG Council to formally add Risk, Compliance and External Affairs teams to the Council and have invited Financial

PGIM ESG Council

Advises PGIM's President and CEO on ESG Strategy and Policy. Brings up issues for decisions and provides regular updates.

PGIM Global Head of ESG (Chair)	Heads of ESG/Sustainability from PGIM Fixed Income, Jennison Associates, PGIM Real Estate, PGIM Private Capital, PGIM Quantitative Solutions	Representative(s) from PGIM Investments, Marketing, Business Development, Legal, Compliance, Risk, Strategy, Communications, External Affairs	Observers from PGIM ESG Team, DEI, Data/Technology, Financial Reporting

ESG Council Working Groups

Support PGIM ESG Council through targeted work on ESG-related matters affecting respective stakeholder groups within PGIM.

ESG Investing	Client Experience	Legal, Compliance and Risk	Data and Technology

Reporting and DEI functions to join the Council in the observer capacity. Furthermore, the Council decided to establish four permanent Working Groups under the Council's purview.

The Working Groups comprise members of PGIM ESG Council and other colleagues from PGIM affiliates and central functions. The purpose of the working groups is to implement cross-PGIM projects based on focus areas and priorities set by the Council. The creation of the working groups reflects the scale of and the pace of growth in collaboration among PGIM affiliates on ESG-related matters, and the value we place on sharing knowledge, tools and capabilities and developing solutions to serve the needs of our clients.

PGIM's ESG Strategy Team

PGIM's central ESG Strategy team was established in 2022 and is headed by PGIM's Global Head of ESG. The 4-member team plays a key role in shaping and coordinating ESG strategy and approach across PGIM. The team focuses on:

Cross-Collaboration Facilitating cross-PGIM collaboration on ESG and climate-related matters.	**Best Practices** Identifying, assessing and promoting good ESG practices, expertise and research to help businesses enhance their ESG capabilities and expertise and foster innovation.	**Thought Leadership** Generating and contributing to thought leadership on ESG and climate-related topics.
Client and Industry Engagement Engaging with clients, consultants, regulators and industry associations to inform and shape industry-wide effectiveness on ESG.	**Communication** Communicating PGIM's ESG philosophy and asset-class specific approaches and capabilities to external and internal stakeholders.	**Tracking Progress** Developing goals, metrics, reporting and tracking framework to assess PGIM's collective progress on ESG and climate-related activities.
Benchmarking Benchmarking PGIM's approach and capabilities on ESG and climate relative to clients' needs.	**PFI Engagement** Engaging with PFI to ensure that PGIM's needs are embedded into the enterprise approach to climate/sustainability policies and commitments, and to leverage any PFI efforts as appropriate for PGIM.	**ESG Council** Leading and supporting PGIM's ESG Council and Council's working groups.

ESG governance of PGIM's investment management businesses

Each investment management business has its own dedicated ESG governance structure, comprising senior leaders, to guide ESG strategy and oversee its implementation.

- PGIM Fixed Income has an ESG policy committee (the "ESG Policy Committee") that is supported by an ESG ratings sub-committee (the "ESG Ratings Sub-Committee"), together referred to as the "ESG Committee", both supported by ESG working groups as required. These ESG working groups are formed and meet as needed and consider ESG issues from their respective perspectives. The ESG Policy Committee acts as the top governance and decision-making body for PGIM Fixed Income's ESG practices and focuses on PGIM Fixed Income's overall ESG policies and approach. It is chaired by PGIM Fixed Income's President and CEO. The ESG Ratings Sub-Committee, which makes decisions on matters related to ESG integration in credit analysis, ESG Impact Ratings and other frameworks and tools related to ESG assessments used in its investment process is chaired by PGIM Fixed Income's Head of Global Credit Research. The two Co-heads of ESG Research, who are responsible for managing the strategic integration of ESG into the business, are both members of the PGIM Fixed Income ESG Policy Committee and the ESG Ratings Sub-Committee.

- PGIM Real Estate's ESG protocol is implemented worldwide through a combination of global leadership and regional support teams. The Global ESG Council is the highest-level committee within the ESG governance structure and consults on vision, strategy and policies across the business with oversight of its global ESG policy, which covers its equity, debt and securities businesses. It reports into the Global Management Council (GMC) which is responsible for executive oversight and risk governance of PGIM Real Estate. The Global ESG Council comprises a global working group and regional working groups that collectively identify opportunities, promote tools to implement initiatives, drive regional-level implementation, and track and report progress. These include the Debt ESG Council, Global Real Estate Securities ESG Council, Asia Pacific ESG Council, Europe ESG Council, Latin America ESG Council, U.S. ESG Council, and the Innovation ESG Council.[30]
- Jennison Associates' ESG approach is governed by the Jennison Management Team. This executive team, which comprises Jennison's Chief Executive Officer and Chief Operating Officer, and the heads of investment strategy, product and strategy, and global distribution is responsible for the oversight and accountability of the business's overall ESG strategy.[31]
- PGIM Quant's ESG Executive Council comprises senior executives who oversee PGIM Quant's ESG investing and stewardship efforts. The Council meets on a quarterly basis to advise on and oversee the ESG investment policies, set ESG strategic priorities and initiatives, and shape the ESG research agenda.[32]
- PGIM Private Capital's ESG approach is governed by the ESG Committee which includes the Senior Managing Director and Head of PPC as well as senior leaders from Credit, Real Assets, Alternatives, Institutional Asset Management and Global Corporate Finance. The Committee's primary responsibility is the establishment and oversight of PPC's ESG investment framework as it pertains to their investment and business activities.[33]

PGIM ESG RESOURCES

PGIM's investment management businesses have each dedicated significant human, technology and data/analytics resources towards integration of ESG factors in the investment process and delivering desired ESG and sustainability outcomes for our clients.

As described under the ESG governance structures, human resources dedicated to ESG comprise central as well as investment management business-level teams.. Overall, PGIM has over 30 colleagues whose responsibilities are fully or largely focused on ESG and sustainability topics. They occupy different levels of seniority from analyst to managing director levels and have between 2 and 20 years of ESG-focused investment experience. These dedicated ESG specialists drive the implementation of each business's ESG strategy and work closely with investment, client servicing, product development, legal, compliance and other teams within each business.

The composition and responsibilities of dedicated ESG teams differ among PGIM businesses and PGIM's central ESG team. The typical expectation of an ESG team within our investment management businesses is to support investment research and analysis by providing relevant insights and helping investment teams to assess the materiality of ESG risks (and, where appropriate,

> **Overall, PGIM has over 30 colleagues whose responsibilities are fully or largely focused on ESG and sustainability topics. They occupy different levels of seniority from analyst to managing director levels and have between 2 and 20 years of ESG-focused investment experience."**

30 For more information regarding PGIM Real Estate ESG Committees see their ESG Report: PGIM Real Estate Annual Report 2021-22.pdf .
31 For more information regarding Jennison Associates ESG Committees see: www.jennison.com/sustainability.
32 For more information regarding PGIM Quantitative Solutions see: www.pgimquantitativesolutions.com/esg-policy.
33 For more information regarding PGIM Private Capital ESG Committees see: www.pgim.com/private-capital/esg-approach.

impacts) and suitably integrate these into investment decision-making. Depending on the case, this involves undertaking sector, thematic and issuer/asset level ESG analysis. Furthermore, ESG teams are often involved in stewardship activities, including engagement with issuers and other stakeholders (e.g., borrowers, industry groups, policymakers, tenants, suppliers, communities, etc.) on ESG topics and providing recommendations on selected proxy-voting issues where ESG expertise is required to assess relevance and materiality of the issues on the shareholder meeting agenda. ESG teams are also actively involved in monitoring ESG-related thematic, regulatory and market developments; analyzing third-party ESG data and research and identifying new ways of sourcing, accessing and applying such data; producing ESG-related thought leadership; engaging with clients that have ESG objectives; participating in the design and launch of new ESG strategies and products; and contributing to ESG reporting.

At PGIM, knowledge and expertise in ESG extend beyond dedicated ESG teams and are found within other teams across the firm. While dedicated ESG specialists as subject matter experts are seen as valuable resources, we recognize the need for broader application and true integration of ESG considerations across different aspects of our business and investment process. Therefore ESG-related responsibilities are found throughout the investment management businesses, rather than solely with ESG teams. To support this objective, PGIM investment management businesses and PGIM center seek to train teams and individuals across the organization on ESG themes with a view to broadening and evolving our capabilities.

Broader ESG resources at PGIM include but are not limited to the following:

Fundamental and quantitative analysts and economists	Portfolio managers, originators, underwriters and asset management teams	Client advisory, client services	Product development and marketing teams
Technology and data professionals	Legal, compliance and risk teams	Communications and marketing teams	Government and regulatory affairs team

As described under the ESG Governance section, each PGIM investment management business operates different committees and working groups focused on specific ESG-related topics (e.g., ESG research and ratings, proxy voting, etc.). The PGIM ESG Council brings the affiliates and central functions together at the central PGIM level and serves to steward the overarching vision for and collaboration on ESG across PGIM as well as inform and advise PGIM's President and CEO on ESG matters.

PGIM teams have access to a variety of ESG data, research, analytics, voting, and recording and reporting platforms and services, which we use as inputs into our investment and client servicing processes. These are being assessed on an annual basis and evolved/enhanced as appropriate. Some of the enhancements achieved over the reporting year include:

- Selection of a common ESG data provider with access to its services across PGIM investment management businesses and central functions to ensure consistency of data sources used in cross-PGIM assessments and external reporting.
- Development of a common PGIM-wide methodology in defining ESG integration and ESG/sustainability strategies, review of all client accounts and embedding of regular review and update processes to enable consistent reporting of how ESG is applied across all PGIM's assets under management.

Finally, PGIM investment management businesses and central functions offer various training and professional development opportunities for dedicated ESG teams as well as non-ESG specialist employees. In particular, PGIM offers employees an opportunity to take the CFA Institute's Certificate in ESG Investing with costs covered by the company. We regularly provide colleagues with an opportunity to attend conferences, seminars and other types of educational events. We also run internal educational sessions on ESG-related topics (e.g., several PGIM-wide sessions with external legal counsel in relation to aspects of ESG regulation) and invite guest-speakers to address topics of interests to our teams. Where PGIM needs specific advice, we have access to specialist advisory and consulting service providers, which we engage from time to time to supplement our internal expertise. We are currently in the process of developing an internal PGIM-wide ESG training, which will be available to all PGIM employees.

ESG RESEARCH & INVESTMENT APPROACH

As active investors, in-depth research and analysis underpin our investment decisions. PGIM investment management businesses research and analyse financial materiality of ESG factors for their investments with a primary objective of generating strong risk-adjusted returns for clients. Across the investment management businesses, fundamental, quantitative, underwriting, and investment teams are responsible for incorporating ESG factors that are relevant and material to their investments into investment analysis and due diligence processes, supported by their respective ESG teams.

Financially material ESG risks and opportunities may impact our investment processes in different ways. For example, they may affect investment theses, internal ratings/scores, relative value assessments, asset-level risk assessments, and portfolio weightings, as appropriate for each PGIM investment management business and its respective investment processes.[34] They will also influence how the investment management businesses use active stewardship, including engagement and proxy voting, to help safeguard and enhance the value of their investments. Our focus is on ensuring that ESG input into our investment research, analysis and decision-making is supported by high quality data and analytics. We are evolving our methodologies and approaches as ESG data and materiality of ESG factors for our investments change over time.

The ESG research and integration processes necessarily differ among the investment management businesses as they reflect the unique features of their respective asset classes, investment platforms and investment processes. As financial materiality of ESG factors has many variables, we refrain from blanket assessments, instead focusing on rigorous ESG analysis grounded in robust research.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Our investment management businesses prefer to be on the front foot, understanding and responding to material investment considerations arising from environmental, social and governance factors – and this includes climate-related factors. We know that climate change will impact the economies and markets we operate in and will create both immense uncertainty and opportunity.[35] We believe that as climate risks get reflected in market prices over time, we must understand and manage climate-related risks in our portfolios, as well as actively identify opportunities for alpha generation along the path to a greener economy.

At PGIM, we are committed to supporting our clients by addressing these climate-related risks, capturing climate-related opportunities and/or meeting clients' specific decarbonization goals. We believe longer-term perspective and robust investment analysis is required to develop the nimbleness and foresight to seize the opportunities and navigate the risks of changing climate.

34 Not all examples are applicable to all PGIM investment management businesses.

35 PGIM's investment management businesses have published widely on varying aspects of climate-related risks and opportunities. See PGIM's Megatrends paper Weathering Climate Change Megatrends (2021) and in examples detailed below in ESG Thought Leadership.

In line with our multi-affiliate model, our investment management businesses' approach to understanding and managing climate-related investment factors will differ in implementation and may include the following:[36]

- Identifying material physical and transition climate risks in relation to our investments.
- Conducting investment-level analysis and, where needed, engaging with relevant stakeholders to assess the extent of vulnerability to climate risks and measures taken to mitigate them.
- Identifying investment opportunities related to the reduction of carbon emissions and facilitating the transition to a low-carbon economy, as well as building climate change resilience across different sectors and geographies.
- Integrating available climate data into the investment risk monitoring and client reporting processes.

Being active investment managers, PGIM investment management businesses consider both short-term and longer-term risks and evaluate the most likely risk channels for assets in their portfolios. This can vary depending on an asset's industry, geography of operations, and/or specific circumstances, as well as the time horizons involved. For real assets, consideration of physical risks of climate change are embedded into investment analysis and are also analysed in relation to investee companies.

PGIM investment management businesses strive to improve their access to resources including staff, data, and analytical tools to undertake climate-related analysis in a way that is most appropriate for their respective asset classes and their investment processes. This includes a range of climate metrics from different data providers, such as emissions data (scopes 1, 2 and 3), carbon intensity and carbon footprint, and a range of analytical frameworks and methodologies. Our investment management businesses are careful about using some of the more subjective metrics, particularly those commonly used for climate scenario analysis, as they find these may be oversimplistic and require additional validation. Some of our investment teams are exploring the use of more forward-looking indicators, such as implied temperature rise.

Across PGIM, we seek to expand our use of climate-related data and analytics and to deepen our understanding of physical and transition risks and how these are most likely to manifest in relation to our particular asset classes.

USING ESG TO IDENTIFY AND ASSESS INVESTMENT RISKS AND OPPORTUNITIES

FIXED INCOME

PGIM Fixed Income

Our public and alternative fixed income manager, PGIM Fixed Income, considers integration of credit material ESG factors into its investment analysis and decision-making processes as part of its fiduciary duty, which is why it does so across all credit assessments, covering both traditional (non-ESG) and ESG strategies.

The business defines "ESG risk" and "ESG opportunity" as an environmental, social or governance event or condition that, if it occurs, could cause a material negative or positive impact on the financial/economic value of an investment. Together, ESG risks and opportunities are considered to be "credit-material ESG factors" and as they are considered to have the potential to materially affect the value of specific investments, they are incorporated into the credit analysis processes used across the business's client portfolios and are distinct from the consideration of ESG impacts.

A holistic, bottom-up fundamental credit analysis process

PGIM Fixed Income analysts review information related to ESG factors, which may be supplemented with information gathered through engagement with the issuer and to the extent an ESG factor is considered to have a material or a potentially material adverse impact on the financial value of the issuer, such risks will be incorporated into the analysts' fundamental credit ratings. Fundamental credit ratings are a key factor in the business's relative value assessments, and portfolio managers will consider material ESG risks and opportunities when assessing the overall relative attractiveness of potential investments. Equally, ESG factors that are considered to be materially positive will also be reflected in fundamental analysis and considered in relative value assessments.

36 Not applicable to all PGIM investment management businesses.

In line with PGIM Fixed Income's bottom up, fundamental credit approach, issuers' credit profiles are viewed from a holistic perspective, rather than as separate distinct components. Therefore, issuers' ESG risks and opportunities are not evaluated in isolation, but instead integrated directly into fundamental credit ratings, and in turn, relative value assessments. So, while the business's portfolio managers may be provided with information on ESG risks and opportunities and take ESG factors into account when making an investment decision, ESG risk would not by itself prevent PGIM Fixed Income from making any investment. Instead, ESG forms part of the overall assessment of an issuer's credit risk, and thus the business's assessment of its relative value.[37]

Climate risk integration

The consideration of climate risks and opportunities is an important part of the business's approach to integrating credit-material ESG factors into credit analysis, especially where it deems the issuer's exposure to climate risk to be high. In measuring climate risks, PGIM Fixed Income aims to take account of "physical" risks (for example, the impact of severe climate events leading to business disruption or losses for its investment positions) as well as "transition" risks, which pertain to the risk to investments as the world's economies decarbonise, in each case to the extent they believe it is likely to be material to the overall credit rating. In addition, PGIM Fixed Income views climate risk as both a "standalone" risk, and a "cross-cutting" risk, which manifests through many other established principal risk types (such as operational risks, credit risks, litigation risks, reputational risks, etc.). PGIM Fixed Income's approach to identifying, understanding and managing the likely impact of climate-related risks is achieved through a combination of approaches including:

- **Incorporating climate risk assessment in fundamental analysis.** Where they believe these risks to be material, PGIM Fixed Income analysts may evaluate an issuer's exposure to climate-related risks by considering their exposure to climate regulations, consumer demands, technological risks/opportunities, whether their key assets are located in areas exposed to increased physical climate risks as well as the issuer's management and plans to reduce climate risk exposures going forward.
- **Focusing on sectors with high direct exposures to the physical and transition risks of climate change,** including those particularly exposed to supplying or consuming fossil fuels (e.g., energy, mining, utilities, transportation), industrials (e.g., producing or using products like steel, cement and aluminium), as well as the agricultural sector.

CASE STUDIES
ESG INTEGRATION IN PGIM FIXED INCOME

INVESTMENT GRADE – EUROPEAN WATER UTILITY | REGULATORY RISKS

Description: Providing water and wastewater services to residential and industrial customers, this issuer's operations are heavily governed by stringent legal and regulatory frameworks overseen by national regulators. Although compliance with environmental permitting and regulated dumping practices is critical for the issuer to retain its licence to operate, it has been the subject of several investigations and numerous financial penalties for failing to adhere to national regulations. Most recently, the issuer was fined for illegally dumping billions of litres of sewage into bodies of water located within the immediate vicinity of heavily trafficked beaches over the course of several years. Regulators also accused Management of painting a misleading picture with respect to its sewage disposal practices, indicating material weaknesses in the company's reporting and internal controls.

Assessment: Because of its poor track record of environmental stewardship, we decided to pass on a recent new deal. We believed spreads did not adequately compensate us for the heightened risk of additional monetary fines the issuer may face related to its waste disposal practices in the near future.

37 For more detailed information on PGIM Fixed Income's ESG integration approach please see www.pgim.com/fixed-income/environmental-social-governance.

CASE STUDIES

ESG INTEGRATION IN PGIM FIXED INCOME

EMERGING MARKET CORPORATE – SOUTH AMERICAN FINANCIAL SERVICES COMPANY | CLIMATE RISK / SOCIAL UNREST

Description: The issuer is focused on consumer and commercial lending and plays an important role in the local economy. As banks are tethered to their local economy, this issuer has many of the same risks as its Sovereign. For example, politically charged social unrest and violent protests in 2022 and 2023 created macroeconomic challenges that negatively impacted the repayment capabilities of the issuer's counterparties and borrowers. The economic slowdown in 2023 directly affected the bank's asset quality and profitability. Additionally, physical climate risks resulting from extreme weather events such as El Nino have had a direct impact on the country's economy and we believe will do so going forward. These physical climate risks have impacted the bank's asset quality and profitability, as well as its willingness to lend to individual and corporate borrowers with elevated climate risks.

Assessment: While these environmental and social risks have impacted the economy and therefore nearly all the country's banks, this issuer's overall credit management standards and general operating practices allowed it to manage these risks better than some peers. Additionally, the protests and extreme weather events caused bond yield spreads which offered an opportunity to buy the bonds at attractive valuations and we increased our exposure over the past year.

PUBLIC EQUITIES

Jennison Associates

Jennison approaches ESG from a bottom-up, fundamental perspective in line with the business's long standing investment philosophy where deep analysis of issuer fundamentals drives Jennison's investment decisions. Accounting for the materiality of potential risks and opportunities to investments is integral to the business's primary objective to achieve long term returns for clients, and this includes accounting for the materiality of potential risks and opportunities stemming from ESG issues. In short, the business recognizes that material ESG issues may potentially affect the long-term financial condition as well as the valuation and performance of an issuer and, as such, ESG issues are considered as important inputs into fundamental analysis.

Anchored by three areas of primary focus: Research, Engage and Monitor, Jennison's approach to ESG is investment-led and complementary to its fundamentally-driven process. As such, ESG issues may influence the business's investment theses, portfolio weightings, proxy voting and company engagements.

“

Anchored by three areas of primary focus: Research, Engage and Monitor, Jennison's approach to ESG is investment-led and complementary to its fundamentally-driven process.”

RESEARCH	ENGAGE	MONITOR
• Investment professionals identify material ESG factors as part of their fundamental research • ESG integration helps mitigate risks or capture potential • Investment professionals receive for their consideration qualitative and quantitative information from third-party research and data providers and/or proprietary ESG Assessments	• Seek to build long-term relationships, while actively engaging management teams • Direct dialogue with managements to address potential ESG issues and assert a positive influence • Engagement integral to fundamental research, and outcomes considered when evaluating investment decisions	• Continuously evaluate management's willingness and ability to manage material ESG risk factors • Assess management's progress toward achieving ESG commitments • Express our views through stock ownership and proxy voting

Research: Proprietary research is the cornerstone of Jennison's investment approach and the source of ideas. Investment teams across the business take a long-term, holistic view of investing, analyzing fundamentals of companies, sectors, and industries to assess their prospects and identify the most attractive investments. Information is gathered from a variety of sources which may include company executives, industry experts, third-party research, and market data providers. The business's investment professionals are responsible for evaluating material ESG considerations and incorporating them into their fundamental research and investment decision-making. The degree to which these inputs factor into investment decisions can vary across teams and may also vary based on the investment objective of the strategy, client specific investment guidelines, and regulatory considerations. The investment professionals have access to both proprietary ESG assessments and flash notes produced by Jennison's Sustainability Team and third-party data to consider as part of their investment process. While the initial analysis is the responsibility of the investment professional recommending the security, Jennison's portfolio managers are ultimately responsible for making investment decisions based on company-specific fundamentals, including ESG integration, when evaluating a potential investment. The business believes that a bottom-up approach to research and portfolio construction is well suited to evaluate the wide range of ESG issues, which are often fluid and nuanced. For example, sector-specific issues such as access to medicines and drug pricing for pharmaceutical companies and responsible lending practices for banks require a different approach to analysis compared to corporate governance or labor management issues. Fundamental analysis allows for these issues to be evaluated in full context.

Engage: Long-term trusted relationships are critical to Jennison's investment philosophy and their investment professionals will engage in direct dialogue with management teams over a range of issues including material ESG issues. Analysts' understanding of climate risks facing portfolio companies is further deepened through company engagements, where they seek to better understand emissions profiles and climate-related controls and adaptation strategies. Such engagement is integral to fundamental research and the outcomes will be an important consideration in their investment decisions.

Monitor: A continuous assessment of an investee company's ability and willingness to manage material ESG risks is the third pillar of Jennison's ESG approach and informs both research and engagement decisions as well as proxy voting decisions.

Climate-risk integration

Jennison's investment professionals will consider climate-related risks and opportunities that they believe could have a significant impact on shareholder value. This includes both the short-term and long-term effects of climate change. Where Jennison's Sustainability Team provides coverage, as part of their proprietary ESG Assessments, the team generally focuses on a company's trajectory and climate adaptation strategies for companies where environmental management is considered financially material to its current and/or future business. As part of Jennison's bottom-up approach, factors including the carbon footprint, carbon intensity, and climate resilience of investments are analysed in sectors vulnerable to climate change. Additionally, a company's trajectory and climate adaptation strategies are evaluated, particularly for those where environmental management is financially material to their current and future operations. In addition, Jennison's understanding of climate change risks and opportunities is deepened through company engagements, where they seek to better understand emissions profiles and climate-related controls and adaptation strategies.

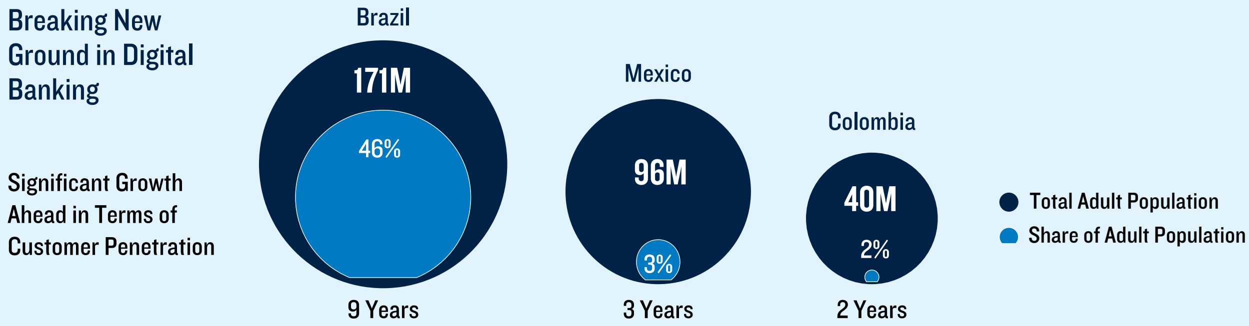
CASE STUDY

ESG INTEGRATION AT JENNISON ASSOCIATES

COMPANY IN FINTECH SECTOR

Investment thesis: The investment thesis is underpinned by expectations of significant growth in customer penetration. While still in early stages of development, the company is one of the biggest digital banks in the world. The Jennison team sees its growth profile as more like an internet company than a traditional bank. The company has a strong and recognizable brand that goes beyond just having low complaints and high customer satisfaction levels.There is a major growth opportunity as its target countries account for nearly 2/3 of the Latin American population.

ESG considerations: The company's ESG performance is satisfactory across key exposures of systemic risk management, business ethics, and data security. While disclosures are opaque regarding incorporation of ESG factors in credit analysis and financed emissions, given that the business model focuses on financial inclusion, with the vast majority of loans going to individuals, exposure to environmentally sensitive sectors is very low. The company's strength is in financial inclusion. It offers an educational component to its products and applies a "low and grow" approach, which provides a safe evolution of credit limits while also maintaining the security of its products. We assess the company positively regarding alignment to UN SDG #1 ("End poverty in all its forms everywhere"). 70% of the Latin American population is underbanked, and the company has provided over 5.7 million people with their first credit card or bank account.



ENERGY MANAGEMENT COMPANY

Investment Thesis: Jennison believes that this electrical components & equipment manufacturer's products and software solutions serve structurally attractive end-markets servicing key customer demands for electrification, energy efficiency, automation, and digitization. There are several multi-year drivers to support solid revenue growth. Data centre growth should continue in the double digits, while its buildings, industry and infrastructure segment is also attractive with a push towards electrification, automation, and grid development. Moreover, the company has done a good job developing and acquiring software and service capabilities to create a pricing moat on the portfolio that can deliver accretive margins.

ESG Considerations: This company demonstrates robust management of its key ESG exposures of energy management, hazardous waste management, product safety and product lifecycle management. Energy consumption intensity has continually improved as the company expands its use of renewable energy, which represented 85% of total consumption in 2022. All hazardous waste produced by the company has been channelled according to expectations with zero spills or accidental discharges and zero monetary losses as a result of legal proceedings associated with product safety from 2020-2022. The company is an industry leader in the provision of decarbonization and resource efficient products and services. 72% of 2022 revenue came from products that bring energy, climate or resource efficiency to customers. Its products and services avoided 93 million tons of CO_2 emissions in 2022, with a cumulative target of 800 million tons avoided from 2021 to the end of 2025 (currently at ~177 million tons). Additionally, the company has committed to expanding access to energy while facilitating the low carbon transition, with a goal to enable access to green electricity to 50 million people in underserved areas by 2025 and 100 million people in underserved areas by 2030 (currently at 30 million people as of the end of 2022).

PGIM Quantitative Solutions

PGIM's quantitative equities business, PGIM Quantitative Solutions ("PGIM Quant") delivers a range of quantitatively developed and managed investment solutions to help its clients achieve a variety of investment objectives.

As quantitative investors, PGIM Quant utilizes a variety of information and data in its investment process. This holistic approach can identify risks across many dimensions, including company-specific risks that can surface in the economic, business, and regulatory environments. Since ESG factors comprise just one dimension of the overall risk environment, PGIM Quant's approach to ESG is therefore an extension of this overall risk analysis. Specifically, it further identifies material risk arising from interactions with customers, suppliers, employees, etc., that could exert potential influence on companies' financial outcomes.

When assessing investments, PGIM Quant evaluates multiple dimensions of return drivers and sources of potential risk. The business draws on a multitude of data and information sources to comprehensively assess the return and risk prospects of a company. One dimension of focus is around unexpected shocks to the financial performance of a company. PGIM Quant believes a holistic, 360-degree analysis of a company that captures its interactions with customers, suppliers, employees, and its physical environment can provide more direct insights into the material risks facing a company. This is a proprietary factor that is developed by PGIM Quant's quantitative equity research team and is integrated into the majority of active strategies on the Quantitative Equity platform. The exceptions being strategies where there is insufficient data (e.g., microcaps). The research team's high level of technical skills and domain knowledge makes it well suited to apply quantitative techniques to the construction of the material event risk factor. PGIM Quant's Head of Quantitative Equity Research and Sustainable Investing leads all quantitative equity research, including that related to ESG.

To conduct its research, PGIM Quant leverages a materiality framework from the International Sustainability Standards Board (ISSB) that reflects input from investors, companies, and industry experts. The framework comprises a comprehensive set of material risks that are specific to each industry. PGIM Quant uses this framework as a starting point for its analysis. PGIM Quant then utilizes its research insights to further calibrate this framework. The business finds that ESG data are one of many valuable sources for gaining insights into the material issues necessary for its investment research. Due to the broad scope of insights, and their granular nature, PGIM Quant finds it best to utilize multiple data and information sources to help limit blind spots in its research. Through its research process, PGIM Quant has evaluated several thousand metrics that span all aspects of a company's operations. These metrics stem from data items reported by companies to those derived from unstructured data. From this PGIM Quant has curated the most meaningful metrics to help it quantify the material risks relevant to a company in a given industry.

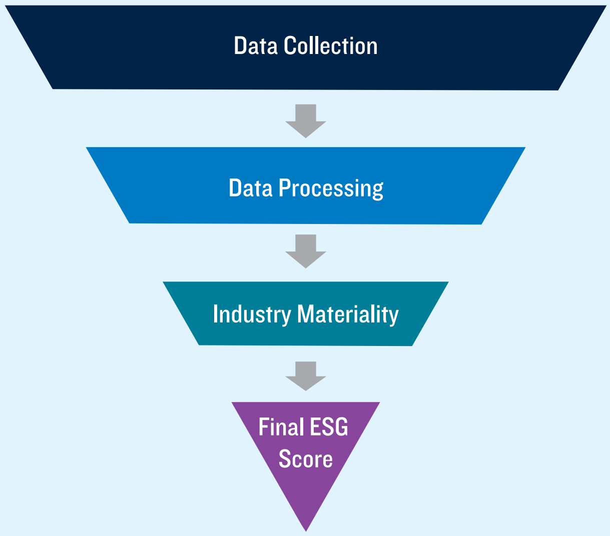
While PGIM Quant's materiality risk scores encapsulate a large amount of data, the scores are highly transparent. PGIM Quant can easily illustrate the material issues for each company and showcase the underlying data that drives the assessment of risks for that company. PGIM Quant has built internal tools that allow portfolio managers to monitor portfolio exposures towards the proprietary material event risk factors. More so, it affords portfolio managers the capability to drill down and gain visibility around exposure to each of the 29 possible material risk issues. This allows even further dissection to isolate which firms in the portfolio are contributing most to a material risk exposure. Through this transparency the portfolio managers are able to run attribution that details how ESG attributes contribute to the performance of PGIM Quant's portfolios. The proprietary internal tools also serve as a mechanism to report on material event risk features to clients.

PGIM Quant explicitly manages the active exposure of its portfolios against these material risks where applicable. The way in which material risks are integrated in the investment process ensures that PGIM Quant maintains portfolio-level material risk exposures that are not lower than the index. This can be viewed as a safety guardrail to limit exposure towards stocks with recent risk events and/or expected future risk events. Material risk insights are just one input into PGIM Quant's investment process. These insights are carefully balanced with the valuation, growth, and quality attributes of a company along with risk exposures (e.g., sector, country, size) to construct a portfolio that seeks to reliably deliver the performance expected by clients.

Given the data-intensive nature of the process, the investment team also works closely with the Quantitative Investment Technology Group, which is responsible for creating and maintaining ESG reports and analytics for the investment team. The technology group has developed web-based tools by leveraging modern visualization techniques to provide the investment team actionable insights for informed decision making related to the material event risk framework and sustainable investment, helping ensures seamless integration of ESG considerations into the overall investment process.

At PGIM Quant, there is close collaboration between both the portfolio managers and the research team to ensure the portfolio managers understand the ESG inputs; and the research team gets feedback from portfolio managers on how their ESG research is working in real time. This close collaboration helps drive a continual improvement process that seeks to deliver the best outcomes for PGIM Quant's clients.

Evaluating Material Event Risks and ESG



PGIM Quant's internal research has helped the firm overcome challenges associated with different types of data and metrics. Its quantitative approaches allow the business to synthesize this data into a proprietary score for each company being considered for investment.

In the development of its proprietary score, PGIM Quant has been careful to remove outside biases that could inflate or deflate the apparent risks facing a stock.

Doing so improves the value of these insights within the stock selection and risk management processes. An outcome of PGIM Quant's research has been that it can assign a materiality risk score even in the absence of direct data disclosed by a company, allowing the business to develop insights across all securities within its global investment universe.

Climate risk integration

Climate risk is one risk considered within the material risk framework. It is emphasized where it is deemed potentially most impactful on company performance. Effectively companies within the same industries are assessed relative to one another. This means no bias exists between different sectors or industries in relation to the assessment of climate risks (e.g., brown vs. green industries).

Actual carbon emissions are an important metric used to help assess dimensions of climate risk (i.e., transition risk). PGIM Quant is cautious about using the targets that are set by companies as they are not widespread; and there is no binding requirement for companies to meet these targets. Similarly, the business is cautious of introducing more noise into its risk measures by using other 'forward-looking' approaches. PGIM Quant's research highlights the challenges sell-side analysts face in forecasting near-term company earnings (where companies provide more disclosures), let alone longer-term carbon emissions (where disclosures are more limited). PGIM Quant believes focusing on actual emissions (and/or changes in recent emissions) is the best predictor of future carbon emissions and are a more accurate proxy of climate risk.

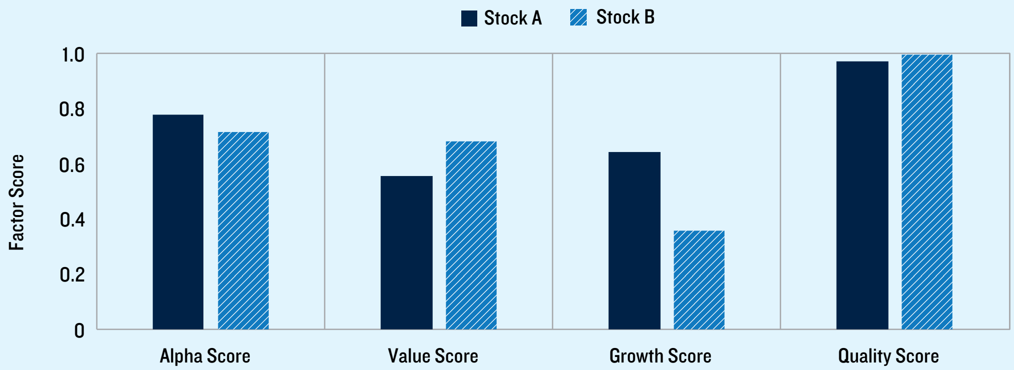
Climate risk is considered in conjunction with other material risks facing a company. This helps limit the problem of rewarding a company that looks attractive on one material risk dimension but faces meaningful potential challenges stemming from other material risk categories. The comprehensive nature of the material risk framework allows for a more cohesive approach to managing these risks.

When decarbonization is an explicit and dominant objective for an investor, PGIM Quant's investment approach promotes this feature in the portfolio construction process (see PGIM Quantitative Solutions case study in the 'Using ESG to help clients meet their sustainability or impact objectives' section).

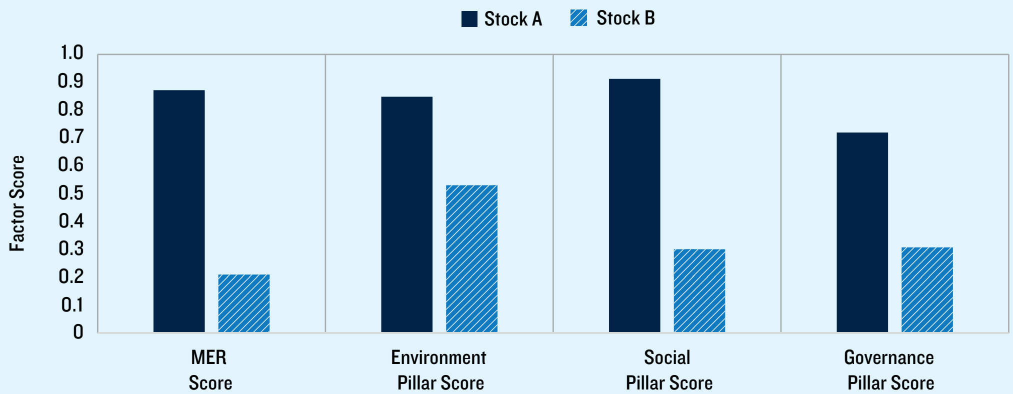
CASE STUDIES

ESG INTEGRATION AT PGIM QUANT

At PGIM Quant the portfolio construction process focuses on maximizing exposure to stocks with attractive performance prospects, which is measured using an alpha score. The alpha score compromises quantitative assessments across value, quality and growth attributes. In a large-cap emerging markets strategy we observe two bank stocks in China with similar alpha scores and alpha attributes.



When integrating material event risk ("MER") insights, the focus is on ensuring that the portfolio-level material risk exposures are not lower than the index (note: a low MER score equates to higher material risks). The MER score maps various material risk issues into underlying environmental, social and governance risk categories. We find stock A has a higher MER score and higher scores across the underlying components relative to stock B.



The result of the portfolio construction process balancing alpha objectives with MER is that stock A is held in the portfolio and stock B is not. This is one example to illustrate how the portfolio can maximize exposure to higher alpha stocks and simultaneously limit exposure toward material risks.

All research that is conducted by PGIM Quant's research team on ESG-related issues that are integrated into portfolios are presented to portfolio managers. This serves to help educate and train the portfolio managers and broader investment teams on new portfolio inputs and issues across the ESG landscape. The team also regularly attends conferences and industry events to understand emerging ESG considerations, along with the latest data and technology that could improve how ESG-related insights are integrated into portfolios. PGIM Quant considers the ongoing advancements in the volume of data disclosed by companies, and new approaches to gaining visibility and insights into companies' interactions via various alternative data sources (which can be much timelier than company-disclosed insights), as promising areas going forward.

Global Real Estate Securities (“GRES”)

PGIM Real Estate’s Global Real Estate Securities (GRES) division, which invests in listed real estate companies or real estate investment trusts (REITs), has been an investor member of GRESB since 2020 to align with the leading ESG benchmark for real assets and to gain access to a global database and a uniform reporting process. In addition, ESG has been incorporated into the security’s multifactor valuation model, which adjusts traditional real estate valuation metrics to achieve a warranted price target for every name in their benchmark. GRES proprietary ESG scores are incorporated in the determination of price target output, with the factors detailed below driving scores for each company in their universe.

GRES work continually with the REITs’ executive management teams to refine their process and increase transparency. This scoring activity yields powerful new insights through peer performance comparisons.

The ESG rankings are organized into the five main areas:

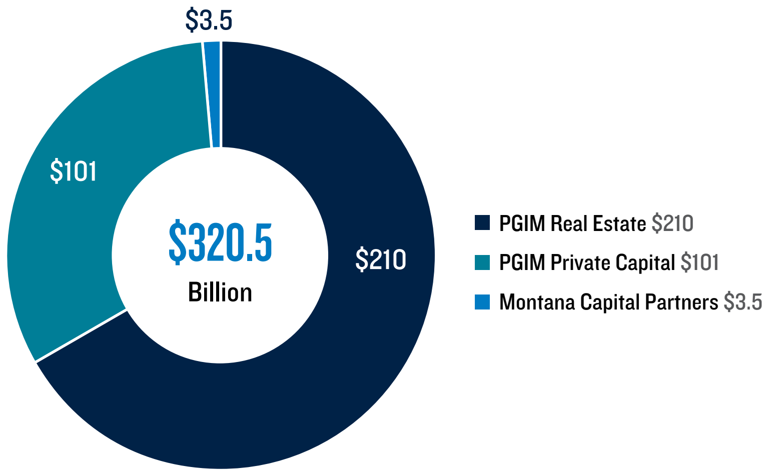
GRES PROPRIETARY ESG SCORING	
1 Governance score	A proprietary governance-ranking system accounts for multiple factors to create an overall governance quality score, including independent versus non-independent board composition, lengths of tenure of board members, proxy access, insider ownership of stock, non-staggered board, anti-takeover provisions and business conflicts of interest with executive management teams. ESG governance scores are also factored in because such rankings spotlight a REIT’s commitment to continued ESG oversight.
2 ESG implementation score	ESG initiatives, case studies, building certifications and energy ratings are used to derive ESG implementation scores.
3 Annual emission reduction score	Disclosures from GRESB are used to compare real estate investment trust environmental standings based on PGIM Real Estate’s environmental priorities. ESG case studies, building certifications, GHG emissions, waste management and water consumption rankings are used and finally, an overall resilience score is given for each REIT’s portfolio.
4 Social commitment score	The current methodology ranks companies based on disclosures with regard to diversity, stakeholder satisfaction and community engagement. REITs that currently provide that information in their annual ESG reports are rated on those factors. REITs’ portfolio social standings are also assessed, looking at affordable-housing benefits and walkability measures.
5 PGIM ESG Platform assessment	A scoring assessment is based on analyst and property manager interactions with REIT management team regarding ESG matters.

> **“ESG has been incorporated into the security’s multifactor valuation model, which adjusts traditional real estate valuation metrics to achieve a warranted price target for every name in their benchmark.”**

PGIM PRIVATE ALTERNATIVES (PPA)

PGIM Private Alternatives, was formed in late 2023 and brings together PGIM's private alternatives capabilities comprising PGIM's distinct asset class managers: PGIM Real Estate (real estate and agriculture), PGIM Private Capital (private credit, infrastructure debt) and Montana Capital Partners (private equity secondaries). Collectively PGIM manages $320.5 billion in private alternatives strategies across real estate, agriculture, private credit, and private equity.[38]

AUM PGIM PRIVATE ALTERNATIVES STRATEGIES
(US$ Billions)



PGIM Real Estate

PGIM Real Estate contends that the consideration of ESG factors can positively affect long-term economic performance based on the understanding that ESG factors, including the physical and transition risks associated with climate change as well as social risks such as affordability and tenant/occupier health and well-being, can pose material risks and opportunities to its investments.

As such the business has embedded an active ESG approach throughout each relevant investment process and constantly strives to improve the ESG performance of their equity, debt and securities investment portfolio. With the help of an ESG consultant Verdani Partners, the business develops ESG policies and business plans that include initiatives that are considered key priorities in alignment with the business's corporate-level ESG goals.

The business believes that by applying rigorous sustainability due diligence, responsible resource reduction strategies and consideration of climate-related risks (physical and transition risks) in making their investment decisions, they enhance both investment performance and environmental performance. PGIM Real Estate therefore advocates for operating practices, materials and construction methods that protect human health, preserve biodiversity, increase the use of sustainable materials and renewable energy, and reduce GHG emissions.

Consequently, PGIM Real Estate equity and debt investment teams aim to integrate ESG factors into decision-making before and during the holding period of their direct investments (typically seven to 15 years for equity core funds and upwards of five years for senior loans). While private real estate debt strategies do not typically have the equity-style rights to influence the decision of their investments post-closing, Real Estate Debt investment teams aim to integrate ESG into debt investments by evaluating borrowers through pre-investment due diligence and active monitoring during the holding period.

As a business, PGIM Real Estate generally considers it more constructive to invest in assets and/or engage and support borrowers in their transition toward sustainability, rather than divest or refuse a loan. The business believes improving the ESG performance of an asset and engaging to improve sustainability practices and focus on a low-carbon transition pathway can ultimately create long-term value, and this approach underpins how the business assesses and mitigates ESG risks and opportunities.

38 PGIM Private Alternatives manages $320.5 billion gross in private alternatives strategies across private credit, real estate, agriculture, sustainable investing, infrastructure and private equity. These strategies are managed by PGIM Real Estate, PGIM Private Capital and Montana Capital Partners; underlying investment strategies and portfolio and originations teams remain distinct, with each business maintaining its own governance. Note: AUM/AUA includes $6.0B from Deerpath Capital, in which PGIM acquired a majority stake in late 2023. PGIM internal data as of December 31, 2023.

Real Estate Equity

On the equity side of the business, PGIM Real Estate, on behalf of its clients, directly owns over 1,400 properties globally. The business invests across a range of segments such as Life Sciences (including laboratories, research buildings, clinics), Residential (including multi-family, senior housing, student housing) as well as the Office segment. For some of these segments it not only owns the property but also operates it, for example, in senior or student housing. Across PGIM Real Estate's equity investments, ESG is considered throughout the entire investment life cycle – from the acquisition phase through active stewardship, development/refurbishment and divestiture.

ESG ACROSS THE PROPERTY LIFE CYCLE	
Acquisition	For all new investments, assets are screened by reviewing vendor due diligence reports, publicly available environmental information. After an offer is made, PGIM Real Estate portfolio managers commission a comprehensive due diligence process, with support from surveyors, engineers and sustainability consultants and investment-critical ESG risks undergo further reviews according to CRREM methodology.[39]
Active Stewardship	ESG is also considered across the active stewardship phase to assess potential enhancements to ESG performance and mitigate risks identified during acquisition. Further detail is provided in the Active Stewardship section of this report.
Development/ Refurbishment	The development/refurbishment stage of the property life cycle represents the most critical opportunity to improve an asset's sustainability performance – particularly regarding energy efficiency. PGIM Real Estate seeks to follow industry best practices for new construction and major renovation projects, including pursuing green building certifications and sustainable construction practices.
Divestiture	When assets are sold in the divestiture phase, ESG-performance data collected across the active stewardship period are disclosed to the buyer.

ESG Due Diligence

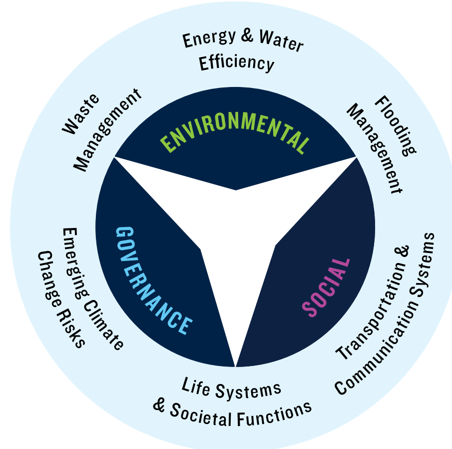
PGIM Real Estate's risk assessment framework includes comprehensive criteria that enables the business to better understand the optimal performance and associated risks of its assets. By using the framework to form more accurate evaluations of potential capital investments, asset performance and marketability can be improved.

	New Acquisitions	Standing Assets	New Developments
Strategy	Prioritize ESG considerations in the acquisitions process	Prioritize building improvements and upgrades where needed to meet our ESG goals and targets	Prioritize green building and sustainable construction practices
Approach	Supplement existing property condition assessments with ESG assessments for new acquisitions	Perform periodic environmental and social due diligence	Conduct ESG assessments for new developments
Outcome	Minimize risk and maximize value for investors and tenants Positively affect our capital investment decisions		

39 The Carbon Risk Real Estate Monitor (CRREM) is the global standard and initiative for operational decarbonization of real estate assets. See www.crrem.org/.

Key issues covered by this framework include:

- **Increasing operational efficiencies and improving valuation:** Throughout PGIM Real Estate's equity portfolio, conducting retrofit projects can reduce operating and maintenance costs and improve risk-adjusted returns and efficiency. PGIM Real Estate's global and regional building certifications, which are proxies for building performance, continue to increase in number year after year.
- **Green building certifications in 2023:** Green and healthy building certifications of PGIM Real Estate's global equity investments are important indicators of high building performance. Around the world in 2022, PGIM Real Estate continued to earn certifications of its equity investments, increasing their performance in number, area and value.



CASE STUDY

ESG INTEGRATION IN PGIM REAL ESTATE

Verde Esterra Commons, a 634-unit multi-family building built in 2022, is seeking to be the first net zero carbon multifamily building in Puget Sound.

Location: Redmond, WA	
Year Built: 2022	Developer: Capstone Partners
Units (Market): 634 (570)	Type: Wood Frame Over Podium

Some of the key strategies it is employing to achieve this goal are:

Energy Efficiency: Verde has programmed several energy efficient measures into the property including the use of LED lighting, Energy Star appliances, and smart thermostats and sensors. The building, which is pursuing LEED Net Zero Carbon and LEED Gold, is designed to operate 11% more efficiently than the LEED baseline for the average, industry-representative building.

Running on Electric: Verde has eliminated nearly all carbon emissions from onsite fuel burning by using all-electric systems for heating, cooling, and ventilation. Two natural gas systems were eliminated by replacing them with an electric domestic hot water heater and a water vapor fireplace. In addition, the project includes 5x more electric charging stations than required by code with capacity to add more in the future.

Clean Grid: Further emissions reductions at Verde have been possible due to the State of Washington having one of the cleanest energy grids in the country, with renewables making up 36% of the 2020 fuel mix for Puget Sound Energy. The state has set a goal of 100% carbon-neutral electricity by 2030, at which point almost all of Verde's carbon emissions from building operations will reach net zero carbon. Verde will run on 100% green power.

Carbon Offsets: Until 2030, emissions from building operations and employee transit will be offset as part of Verde's pursuit of LEED Net Zero Carbon certification through the purchase of Carbon Offsets and Renewable Energy Certificates.

CASE STUDY

ESG INTEGRATION IN PGIM REAL ESTATE

INCREASING ENERGY EFFICIENCY WHILE GENERATING ADDITIONAL RENTAL INCOME

The I-78 Logistics Center Solar Panel System

PGIM Real Estate's long-term lease of an investment property rooftop to a solar developer for a solar panel system will allow the building's tenants to utilize solar energy over other energy alternatives through a power purchase agreement (PPA).

Any excess power generated will be exported to the grid. The lease will generate an additional rental income of $250K with 1% annual escalations.

Real Estate Debt

On the debt side of the business, PGIM Real Estate offers global debt capabilities ranging from debt investments to commercial real estate financing to agricultural financing.

The process of screening, assessment, and comprehensive due diligence for ESG risks is similar to that undertaken with real estate equity investments. In addition to commissioning a suite of appropriate environmental, engineering, zoning, insurance review, and appraisal reports from approved suppliers and sourcing data from third parties such as Moody's ESG Solutions, PGIM Real Estate's lending team also applies a proprietary ESG Loan Assessment for all new Core and non-Core loans.

ESG Loan Assessment

The ESG Loan Assessment is in the form of a questionnaire that evaluates property resilience and environmental risks and consists of a series of sponsor questions to establish borrower engagement. The answers to these important borrower questions provide insight into the borrower's ESG initiatives, and they can reveal best practices that help the team better understand the risks associated with the debt investments.

PGIM Real Estate's Proprietary ESG Loan Assessment:	Information for the ESG Loan Assessment is sourced from a wide variety of sources including:
• Contains over 30 attributes which are scored • Results in a standardized 0 to 100 score • Is integrated into the Investment Committee Approval process	• Borrower Questionnaire • Building, mechanical and electrical and environmental/sustainability reports • Moody's ESG Solutions

Additionally, the ESG Loan Assessment examines risk based on climate and environmental physical parameters, which facilitates portfolio climate risk exposure analyses.

The ESG Loan Assessment generates an overall "ESG Loan Score" (0 to 100) with Environmental, Social, Governance and Resilience sub-scores. The findings from the due diligence assessments and ESG loan score are presented to the Investment Committee, and any material risks identified are discussed at the Investment Committee and underwritten through a deferred maintenance reserve (if applicable) or a post-closing obligation.

ESG in Loan Documentation

PGIM Real Estate has adopted the following key ESG priorities in the lending process:

- It will not invest in or lend against assets where it does not believe environmental risks can be appropriately mitigated.
- It requires full third-party engineering and environmental impact assessment reports (including a review of sustainability) for every property it finances and completes a needs assessment on every property.
- All assets undergo a structural review during the due diligence process.
- It recognizes that best-in-class borrowers are those that fulfil their social obligations across the assets in which they operate, and in the communities where they are based.
- It actively evaluates borrowers' engagement at the tenant, resident and community level and PGIM Real Estate's underwriting approach quantitively and qualitatively addresses the primary risks and attributes that impact the living and social experience at a property.
- Comprehensive asset-level diligence, appropriate loan documentation, structuring and covenants form important components to delivering on its portfolio-level strategic objectives.

The standardized loan documentation also explicitly addresses environmental risk factors. Examples include:

- Requirements to comply with environmental laws, regulations, and orders.
- Requirements to disclose to PGIM Real Estate, as the lender, any contamination or violation of environmental laws, regulations and orders, and to conduct necessary remediation at the borrower's sole expense.

The loan asset management team and loan servicer, (PGIM Real Estate Loan Services (RELS)), monitors compliance with the environmental and financial covenants throughout the life of the loan to ensure there is continued knowledge and understanding of the assets. It also provides monitoring and outreach in times of extreme climate or natural catastrophe events. For example, during Hurricane Ian in 2022 and California storms in 2023, RELS' proprietary extreme event tracking module was able to quickly identify properties in impacted areas and to offer outreach assistance if needed.

CASE STUDY

COLLABORATING WITH THE BORROWER TO STRENGTHEN CLIMATE RESILIENCE MEASURES

Project: PGIM Real Estate originated a 2022 Core loan on a recently constructed hotel in Tampa, Florida. The loan was to provide permanent financing on the full-service, high-rise hotel situated on a waterfront promontory in Tampa that had historically been exposed to flooding and storm surge. In addition, climate modeling commissioned by PGIM Real Estate indicated that the waterfront was subject to high risk of hurricanes.

Actions: PGIM Real Estate worked with the Borrower to identify probable flood exposure scenarios based on a comparison of climate model data, with construction floor plans and elevations augmented by temporary flood proofing measures at select locations within and around the building. In addition, PGIM Real Estate were able to confirm hurricane-resistant exterior glazing and façade details based on projected wind speed analysis of the entire building exterior. Finally, PGIM Real Estate worked with the borrower to implement an acceptable Business Continuity Plan that included hurricane emergency planning and flood preparedness measures.

Outcomes: PGIM Real Estate's customized climate risk assessment and close collaboration with the borrower allowed this transaction to close with the hotel benefitting from strengthened climate resilience measures.

CASE STUDY

PERFORMANCE IMPROVEMENT DELIVERED THROUGH THE LOAN AGREEMENT

Project: £230M loan to a speculative logistics development (1.3Msqft) in the West Country, UK.

ESG Considerations: The property was proposed to be constructed to a minimum BREEAM rating of "Very Good" (condition of planning) and an EPC rating of "A".

Action: Through discussions with the borrower during the negotiation of the financing, borrower agreed to use all reasonable and commercially prudent endeavours to achieve a higher BREEAM rating of "Excellent". This understanding was made a condition within the terms of the loan agreement. Further, under the Development Management Agreement this requirement was extended to include mandatory credits within the BREEAM assessment for both thermal comfort modelling i.e., climate adaptation, and a Stage 4 Life Cycle Assessment i.e., to allow informed decisions on embodied carbon.

Outcome: Through a series of carbon reduction measures, using circular economy principles and low carbon materials, a nearly 50% reduction has been achieved in upfront embodied carbon (515kgCO2e/m2 compared to c.1,000kgCO2e/m2).

The borrower has also now targeted a net zero carbon embodied development and proposes to purchase high quality* off-sets to compensate for the residual embodied carbon emissions. The negotiated changes elevated this development into the top 10% of new non-domestic buildings in the UK and supports PGIM Real Estate's ESG strategy ambitions specific to climate adaptation and embodied carbon.

* As determined by the UK Green Building Council Gold Standard.

Climate Risk, Resilience & Net-Zero Integration in Real Assets Across Equity and Debt

PGIM Real Estate proactively considers the potential near-term and long-term impacts of climate change as part of an ongoing risk-informed investment decision-making process. In addition to considering climate risk, the business focuses on building resilience and environmental stewardship to both protect the environment and strengthen their global businesses. That focus enables the business to improve the potential for higher investment returns, and it benefits their clients, employees and shareholders as well as future generations.

Real estate, due to its fixed location, is typically more exposed to the physical risks of climate change than any other asset class. Physical risks essentially relate to the damage to buildings arising from extreme weather events caused by the changing climate. PGIM Real Estate has implemented a "screen" of the physical risks associated with climate change into the investment and due diligence process for equity and into the ESG Loan Assessment for debt and ensures that existing standing assets are reviewed quarterly as part of Portfolio Reviews; the ESG Team makes budget recommendations for assets flagged as High Risk and/or Red Flag for flooding and sea level rise risk factors.

Real estate is also exposed to transition risks of climate change. Transition risks can arise from efforts to address climate change and the transition to a net zero carbon economy. PGIM Real Estate undertakes net zero carbon audits for selected assets to confirm the energy and carbon intensity of these assets and to estimate the potential costs of meeting carbon-reduction targets. Such analysis is also used to inform a net zero carbon pathway for selected funds. Furthermore, a "screen" of the transitional risks associated with climate change, using the Carbon Risk Real Estate Monitor (CRREM) has been incorporated into the investment and due diligence process for equity standing investments, with the results again presented at the Investment Committee.

PGIM Real Estate's asset risk assessment framework is based on a scenario analysis that considers the impact of a comprehensive set of stressors on a range of various sustainability metrics. To anticipate and manage future risks and opportunities, the business seeks to identify, measure, evaluate and manage investment, market, insurance, liquidity and operational risks individually and in aggregate. The business's robust stress-testing process examines the sensitivity of long-term obligations and resources to possible financial, operational, behavioural and biometric risks.

RESILIENCE RISK ASSESSMENT TOOLS	
1	PGIM Real Estate resilience risk assessment tools align with the Financial Stability Board's TCFD recommendations
2	ESG due diligence questionnaires and risk scorecards for new acquisitions and developments apply TCFD assessment criteria
3	ESG due diligence enhancement reports are prepared as part of investment committee summaries for equity investments and include: • Considerations of socioeconomic trends • Influence of new technologies • Impact of ESG factors
4	Climate change and building resilience guidelines, along with a property manager survey, are used to take inventory of equity portfolio's environmental and social risks
5	All the above serve to inform the strategic initiatives for PGIM Real Estate's resilience program

Within PGIM Real Estate's debt investments, the connection between climate risk and an asset's long-term vitality has long been recognized, with an attempt to mitigate environmental risk. PGIM Real Estate's servicing team monitors compliance with environmental and financial covenants throughout the life of a loan to ensure that the team gains continued knowledge and understanding of the assets. The debt investments require full third-party engineering and environmental and impact assessment reports – including a review of sustainability – for every property financed. A needs assessment is also completed for every property, which includes HVAC and other energy-related property functions.

PGIM Private Capital

In line with PGIM Private Capital (PPC)'s thoughtful, long-term and relationship-based investment approach, the business believes that the integration of environmental, social and governance factors into their investment approach and analysis is a fundamental part of generating attractive risk-adjusted returns for their investors. The business's approach strives to explicitly identify and analyse risks and opportunities presented by material ESG factors throughout all stages of their investment process, including research, decision making, and portfolio management.

PRE-INVESTMENT		POST-INVESTMENT
Initial Investment Triage	**Due Diligence**	**Portfolio Monitoring**
Local and global investment teams source deal flow across industries, examining risks and opportunities, including consideration for key ESG concerns.	Investment teams engage in rigorous due diligence for every investment, often meeting directly with company management teams. A formal ESG risk analysis is completed via our proprietary ESG Checklist, which documents risk materiality for each of our 12 ESG factors on a 0-4 scale.	PGIM Private Capital investment teams continue to monitor investments throughout portfolio life, including completing an ESG Checklist risk assessment at least annually as both industry and company specific ESG risks may evolve over the holding period.

ESG ENGAGEMENT

Engagement with prospects and portfolio companies may occur at any point in the investment process, from initial triage through maturity.

The business has developed a proprietary ESG risk analysis tool known as the ESG Checklist. It is integrated into their investment process and includes guiding questions to help investment teams contemplate the underlying risks in the context of the investment. The 12 specific factors are:

ESG Checklist Factors

Environmental	Social	Governance
• Climate Regulation • Climate Change • Habitat • Sustainability	• Product Safety • Workplace Safety • Health & Wellness • Stakeholder Engagement	• Board Composition • Succession Planning • Data Security • Labor Relations

ESG Checklist Scoring Scale

For every investment, investment teams perform a proprietary ESG risk analysis via PPC's ESG Checklist, which consists of a 0-4 scale scorecard that designates a ranking of 0-No Risk, 1-Low Risk, 2-Moderate Risk, 3-High Risk or 4-Severe Risk to rate materiality of risk across the 12 explicit ESG factors. The ESG Checklist helps guide teams to better understand ESG risks that may be financially material to the company's business and sector, then prompts further written commentary for any significant risks that are identified. The ESG Checklist scores are included in internal investment documentation for new transactions as a component of the overall analysis, and as such are reviewed by the relevant internal investment authorities. As a private credit investor, the business recognizes the challenges presented by the lack of standardized ESG data available from many of the companies in which they invest. While the investment teams access a variety of data sources as part of their comprehensive investment processes, the teams predominantly rely on internal research and assessment for ESG analysis. As disclosure standards and ESG reporting evolve, the teams strive to continue to incorporate the most relevant ESG data available that is material to their investments.

PPC's ESG Checklist Scoring Scale

0 — NO RISK.
Not a relevant consideration.
This may also include extremely remote, inconsequential or implausible risk.

1 — LOW RISK.
Either low probability or low impact. Not a significant credit consideration.
The risk is likely not included in investment consideration.

2 — MODERATE RISK.
An issue analyzed, but likely not a key investment risk.
Could be a key risk but is considered unlikely or manageable.

3 — HIGH RISK.
Likely a key investment risk.
Key risk is more likely or difficult to manage. Often correlates with lower credit quality.

4 — SEVERE RISK.
Critical credit issue. Impacts credit quality or valuation of the asset.
Unlikely that a new transaction would have a severe risk. Most likely to manifest over time and most often appear in conjunction with credit downgrades or other credit issues.

PPC CASE STUDY

ESG RISK ANALYSIS

GROCERY STORE / SUPERMARKET

ESG Factor Guiding Questions

?

Is there significant risk that the issuer faces negative financial or reputational consequences as a result of a product safety issue?

Have other companies in the industry experienced significant financial or reputation damage as a result of product safety issues?

?

Is there significant risk that the issuer faces negative financial or reputation consequences as a result of data security or privacy issue?

Have other issuers in the industry experienced significant financial or reputational damage as a result of data security or privacy issues?

ESG Risk Rating (0-4)

ESG Factor	ESG Risk Rating
Climate Regulation	0
Climate Change	0
Habitat	0
Sustainability	0
Product Safety	2
Workplace Safety	0
Health & Wellness	0
Stakeholder Engagement	0
Board Composition	0
Succession Planning	0
Data Security	2
Labor Relations	1

ESG Risk Commentary*

!

The Company is at risk of negative financial and reputational repercussions if the quality of the food and beverage products sold in stores do not meet health standards or increase health risks for customers.

In light of the pandemic, health safety standards have become a priority for grocers, requiring many companies to increase the spend on sanitization products. Additionally, health concerns have driven many shoppers to online shopping, requiring many of the major grocers to increase spending on both the technology and logistics to meet the ecommerce demand.

!

The Company's software holds confidential customer information. Due to a previous data security incident, the Company was required to pay a fine, improve its data security technology, and regularly monitor compliance to industry regulations.

Moving forward, the Company will need to continue monitoring its security standards to minimize the risk of another breach and avoid additional financial and reputational damage.

*ESG risk commentary details are edited to maintain the Company's confidentiality.

This material contains examples of the business's internal ESG risk analysis and is not intended to represent any particular products or strategy's performance or how any particular product or strategy will be invested or allocated at any particular time. PGIM Private Capital's ESG analysis may yield different results than other investment managers and PGIM Private Capital's ESG rankings and factors may change over time. ESG assessment is qualitative and subjective by nature; there is no guarantee that the criteria used, or judgment exercised by PGIM Private Capital will reflect the beliefs or values of any investor. Information regarding ESG practices may not be accurate or complete, and PGIM Private Capital depends on this information to evaluate a company's ESG risks. ESG norms differ by region. There is no assurance that PGIM Private Capital's ESG assessment techniques will be successful.

Montana Capital Partners (mcp)

mcp incorporates sustainability risks in its investment analysis and decision-making process as well as through ownership and reporting. As a secondary investor mcp is typically one step removed from its underlying portfolio companies. Hence, the business's sustainability risk framework focuses on assessing the sustainability risk of the General Partners (GP) it works with as well as of the underlying companies.

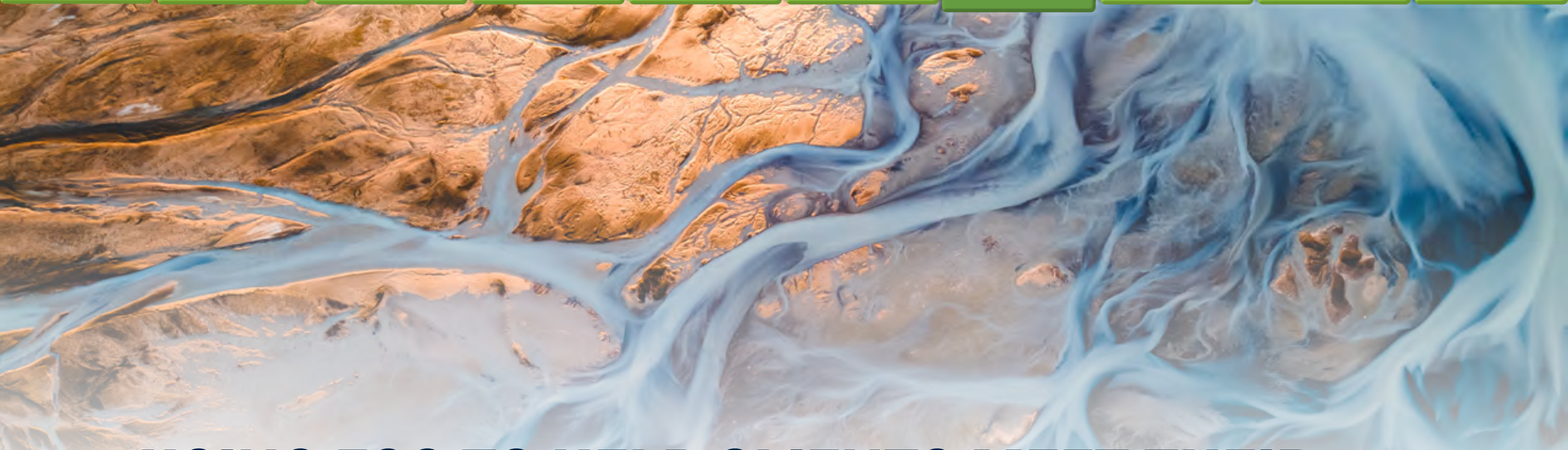
For GP risk assessment, mcp uses a sustainability risk assessment questionnaire that builds on the ILPA (Institutional Limited Partners Association) ESG Assessment Framework and assesses GP policies, commitments to industry standards, governance, communication and investment process. For portfolio company risk assessment, mcp currently uses an external ESG risk rating provider, which considers issues and topic tags based on UNGC principles, SASB issues and past public ESG incidents by sector and company. In addition, mcp will screen out transactions with exposure to high-risk industries as outlined in mcp's sustainability policy, which represent mcp's baseline commitment to its clients and does not prevent mcp from entering into additional or more restrictive commitments in respect to specific funds and clients, for example in Limited Partnership Agreements and side letters.

mcp's sustainability risk assessment activities[40]

	GP-led transactions	LP-led transactions	FOF transactions
Screening of underlying companies against high-risk industry list (>1% of a transaction's FMV for Tier 1 Industries; >5% for Tier 2 Industries)	✓	✓	Subject to portfolio company information availability.
Sustainability risk assessment of underlying portfolio companies through rating system for all companies with relevant exposure (>3% of a transaction's fair market value)	✓	✓	Subject to portfolio company information availability.
GP sustainability risk assessment through proprietary questionnaire	✓	Subject to GP access / info availability. Qualitative assessment in alternative.	Subject to GP access / info availability. Qualitative assessment in alternative.

"For portfolio company risk assessment, mcp currently uses an external ESG risk rating provider, which considers issues and topic tags based on UNGC principles, SASB issues and past public ESG incidents by sector and company."

40 Source: mcp Sustainability Policy.



USING ESG TO HELP CLIENTS MEET THEIR SUSTAINABILITY OR IMPACT OBJECTIVES

A growing proportion of our clients are expanding their investment objectives to go beyond risk/return optimization and include environmental and/or social goals. These may be specific environmental goals (such as portfolio alignment with the Paris Agreement) or social goals (such as supply of affordable housing), or clients may wish to align their investments with their values or preferences (e.g., respect for human rights or non-investment in tobacco).

PGIM's investment management businesses employ a variety of tools, analytical frameworks, research and assessment methodologies and investment products to help clients achieve their ESG/sustainability objectives.[41]

While respective approaches to facilitating client-specific ESG goals differ among PGIM investment management businesses and asset classes, they generally include the following:

- Screening capabilities to identify issues that matter to our clients.
- Analytical frameworks, research and assessment methodologies and investment products focused on environmental/social impacts of investments.

As highlighted earlier, in PGIM's Approach to Exclusions and Restricted Lists, PGIM investment management businesses implement exclusionary screens under certain client mandates and in relation to certain retail investment products. We strongly believe in providing our clients and investors with a choice on how they would like their assets to be invested and we are committed to doing our very best in helping them to express their policies, views and beliefs through their investments.

Some, but not all, of our investment management businesses have developed dedicated products and solutions to allow clients to express specific ESG views and preferences. Examples of the frameworks, assessment methodologies and product capabilities from those investment management businesses are described below.

FIXED INCOME

PGIM Fixed Income

A double materiality approach for clients with sustainability objectives

PGIM Fixed Income's ESG Impact Rating framework seeks to understand the impacts their investments have on the environment and society by assessing issuers against negative and positive ESG impacts relevant to the industry and/or issuer. This ESG impact assessment is distinct from the business's assessment of the risk that ESG events could impact the financial/economic value of their clients' investments. Whereas the consideration of financially material ESG risks and opportunities is part of the business's credit analysis for all credit strategies, the distinct consideration of ESG impacts is applicable only to products disclosing the use of, or portfolios where clients express a desire to apply this additional lens.

41 Not all PGIM investment management businesses currently offer dedicated ESG strategies and products.

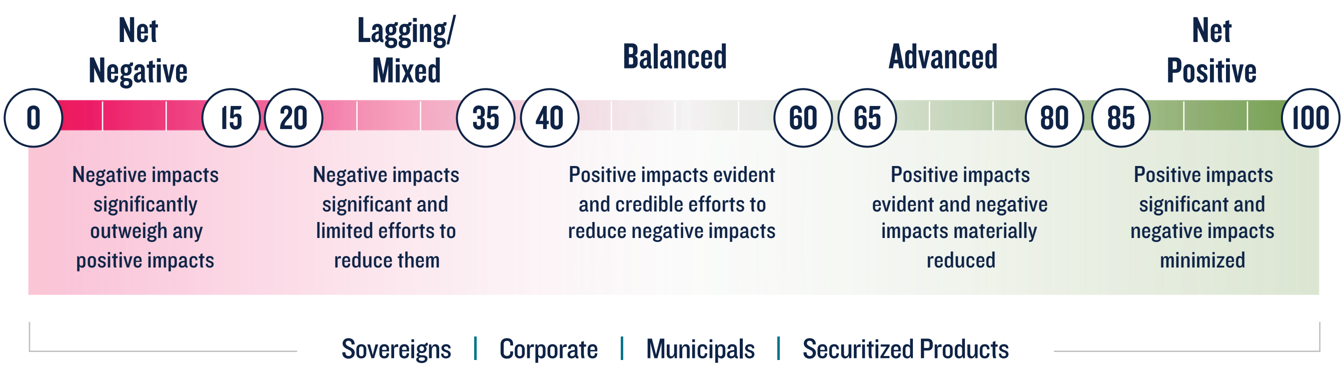
ESG Impact Ratings Framework[42]

PGIM Fixed Income's ESG Impact Ratings are an assessment of issuers' positive and negative impacts on the environment and society. The framework is designed to provide detailed, granular guidance on the key negative and positive ESG impacts at a sub-industry level. The business's ESG Committee considered a wide range of sustainability issues on an industry, activity and asset class basis, including principal adverse impacts. The sustainability issues deemed relevant to the particular type of asset class and/or industry and/or individual activity are then identified and built into the ESG Impact Rating framework such that analysts are guided to consider these across asset classes and sectors. The framework is considered as a guide and analysts may choose to use a different indicator or piece of information where appropriate, to assess performance and assign their ESG Impact Rating.

The ESG Committee then provided detailed guidance to the analysts on the most likely environmental and social impacts of issuers and/or issues for 150+ GICS[43] sub-industries, as well as sovereigns, and structured products and frequently provides further supplemental guidance for specific activities within those GICS sub-industries. The ESG Committee also provided detailed governance guidance covering major governance factors, including relevance for credit risk analysis as well as ESG Impact Ratings. Using the guidance provided by the ESG Committee, the investment analysts assign an ESG Impact Rating to an issuer on a 100-point scale in 5-point increments, with 0 as the lowest and 100 as the highest ESG Impact Rating.

These ESG Impact Ratings are crucial elements to determine the eligibility of issuers in PGIM Fixed Income ESG strategies and are explicitly used in portfolio construction for those strategies, as well as others as requested by clients.

ESG Impact Categories and Definitions



The ESG impact assessment generally applies to all asset classes. ESG Impact Ratings for corporate issuers and structured products are not relative to an industry, but rather have specific definitions that apply equally to issuers across all industries.

Sovereign ESG Impact Ratings include quantitative data to assess performance across specific environmental, social and governance topics and metrics as approved by the ESG Committee, and then include a qualitative assessment by economists to determine a final ESG Impact Rating.

For structured products, guidance how assigning an ESG Impact Rating will vary by the type of product (e.g., ABS, CMBS, RMBS). Depending on the type of structured product:

- Some receive their own specific guidance on environmental and/or social impacts that are likely.
- Some first assign a rating to the issuer, following the framework provided for corporate bonds, and then adjusted upwards or downwards after assessing any incremental environmental and/or social impacts from the underlying asset pool.

42 For a more comprehensive insight into PGIM Fixed Income's ESG Impact Ratings please see: www.pgim.com/fixed-income/esg-impact-ratings.
43 Global Industry Classification Standard

The table below illustrates some of the most common impacts identified in the guidance given to analysts under the framework, although for any given industry or issuer, the specific impacts in the guidance will vary (and be only a subset of those shown below), and it is ultimately the analyst's responsibility to determine which are material enough for consideration for each issuer.

ESG Topic	ESG Characteristics	Indicators Potentially Considered[44]
GHG Emissions/ Energy Use	Credible plan to reduce emissions	Greenhouse gas emissions (Scope 1, 2 and/or 3); Carbon Intensity; Consumption of energy from non-renewable sources; Use of or revenues from renewable energy; Practices that improve energy efficiency; 1.5C or 2C alignment and/or credible targets in place; Modern technologies reducing emissions impact; Contribution to climate solutions; Emissions of F-gases / ozone-depleting substances.
Ecosystem/ Biodiversity Damage	Responsible management of ecosystems and biodiversity	Actions negatively impacting bio sensitive areas; Deforestation policies; Fertilizer and pesticide usage practices; Fishery management policies; Antibiotic use and practices; Overall land use policies; Land restoration plans; Remediation activities; Forestry management programs; Emissions of air pollutants (metric tons); Emissions to water.
Waste Management (incl. hazardous waste)	Responsible management of waste	Generation of and management of non-hazardous waste; % of waste to landfill; Plastic pollution; Business models to transport and incinerate waste; Waste reduction initiatives.
	Responsible management of hazardous waste	Generation of and management of hazardous waste (including radioactive waste, where applicable); % of hazardous waste relative to overall waste; Hazardous waste disposal programs; Spills/contamination and related remediation activities; Spill recovery rate.
	Circular economy initiatives	Waste recycling practices; Waste management processes; Product lifecycle management; E-waste management programs; Recyclability of products and recycled content used in products.
Water Consumption/ Contamination	Responsible management of water use	Freshwater withdrawals and consumption; Water recycling rate; % of assets in water stressed areas; Exposure to areas of high-water stress; Water management policies.
	Water contamination management	Emissions to water; Water contamination reduction program.
Human Rights	Responsible treatment of vulnerable workers and populations	Relations with indigenous communities; Assets located in contested/tribal lands; UNGC violations; Policies to eliminate child/slave labour, including (where material) with respect to supply chains; Modern slavery or forced labour; Exposure to controversial weapons.
Labor Management	Strong worker health and safety management	Occupational health & safety performance, including accident and fatality rates; Policies and controls to prevent accidents; Presence of worker training programs.
	Fair wages and working conditions	Total compensation of median compensated employee; Executive compensation; Percent of employees not earning a living wage; Violations of minimum wage laws; Non-compensation benefits offered; UNGC violations; Modern slavery or forced labour; discriminatory practices.
Unethical/Illegal Business Practices	Governance to avoid illegal business activities	FCPA violations; Bribery/corruption scandals and policies to avoid this; UNGC violations; Illicit international trade; AML and terrorist financing violations; Litigation and fines.
	Governance to avoid unethical business practices	Anticompetitive practices; Unfair trade practices within supply chain; SFDR Good Governance compliance; Effective tax rate.
Quality of Products and Services	Safe products and services	Product recalls; Effective content moderation; Product safety record; Data breaches and data privacy & security practices.
	Non-discriminatory pricing and sales practices	Unfair pricing practices; Misleading marketing and sales practices; Financial inclusion/ exclusion; Responsible lending practices.
Projects and Initiatives	Financing of green projects	Credibility of project or initiative; Additionality of project or initiative.
	Financing of social projects	Credibility of project or initiative; Additionality of project or initiative.

44 Not every topic, characteristic and/or indicator listed is always assessed as the assessment only considers material impacts, which can vary by asset class, industry and the issuer's specific activities. The list is not exhaustive and actual analysis may include other indicators and/or topics not listed here. Consideration of indicators is usually a qualitative assessment informed by those indicators, rather than via a quantitative framework. In some cases, the indicators may be considered indirectly (e.g., via consideration of policies likely to affect performance on the indicator). For the avoidance of doubt, analysts are not required to directly score each indicator listed. Note: Indicators may also be relevant within supply chains.

CASE STUDY

HOW ESG IMPACT RATINGS IMPACT INVESTMENT DECISIONS IN FIXED INCOME HIGH YIELD

U.S. WASTE MANAGEMENT COMPANY

Primary Products & Services Impact: Landfill diversion / Renewable energy generation

Primary Operational Impact: Air pollutant emissions

Assessment: By burning waste diverted from landfills to generate energy, this issuer's business model can help lower emissions. It is one of the largest owners and operators in North America of waste-to-energy (WtE) infrastructure. As of 2022, the company has diverted over 20 million tons of waste from landfills. Although this ultimately still produces emissions, these emissions would have otherwise still occurred in landfills.

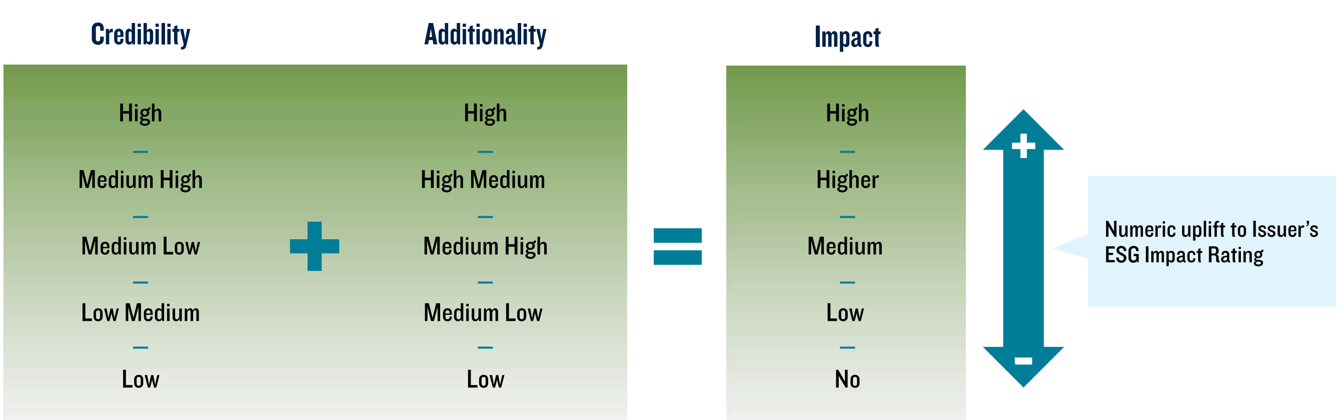
Operationally, the company has undertaken extensive efforts to mitigate the air pollutants, namely particulate matter (PM 2.5) and nitrogen oxides (NOx), that are emitted during the WtE process by upgrading monitoring its equipment and adhering to federally regulated caps on the amount of waste it can process. The issuer's relatively more sustainable products and its credible efforts to minimize its operational impacts are the key positive drivers of PGIM Fixed Income's ESG Impact Rating.

Outcome: Eligible for ESG strategies

ESG-labelled bonds

Despite the lower issuance of Green, Social and Sustainability Bonds (GSS Bonds), as well as sustainability-linked bonds (SLBs), last year, PGIM Fixed Income continues to believe that such "ESG-labelled bonds" have a growing role in transitioning towards a sustainable economy, provided the projects and activities they are linked to have legitimate and additional positive impacts on the environment and society. In order to assess the impact of individual issuances, PGIM Fixed Income has developed proprietary frameworks for assessing ESG-labelled bonds, which are linked to their ESG Impact Ratings.

Under PGIM Fixed Income's GSS Bond framework, analysts assess both the issuer's credibility with respect to the bond, and the bond's additionality. The credibility assessment starts by evaluating the quality of the issuer's overall sustainability strategy, and then how the GSS bond fits into that strategy. If the point of a GSS Bond is to reinforce an issuer's transition strategy, then the credibility of the GSS Bond depends on the issuer having a credible and ambitious transition plan worth reinforcing. The key consideration for additionality is the degree to which the activities reinforced by the bond transform the issuer, e.g., by meaningfully replacing "brown" assets or activities with "green" activities (versus funding "green" activities that are essentially business as usual, or that represent relatively minor add-ons to a business that remains primarily "brown"). This assessment results in an uplift (or a lack thereof) of a GSS Bond's ESG Impact Rating versus the ESG Impact Rating of its issuer. The framework distinguishes between High, Higher, Medium, Low and No Impact GSS Bonds.



Sustainability-Linked Instruments Framework

PGIM Fixed Income takes a more sceptical view of SLBs, which they assess via another, similar framework. The market for SLBs is new and evolving, but, to date the business has found the materiality and/or ambition of targets are often lacking. Further, targets are typically set at the issuer level (and sometimes already existed), and the bonds usually do not commit issuers to any specific projects. At the same time, the penalties for missing SLB targets are frequently small (especially relative to an issuer's overall cost of capital) and short-lived. Therefore, it is unclear what material benefit investors receive by investing in an issuer's SLB instead of its other bonds. That said, SLBs may increase scrutiny on an issuer's targets and, if well structured, could offer some downside protection if financially material ESG targets are missed.

Therefore, for higher quality SLBs (e.g. those with targets that are highly material and ambitious, and have strong structural features), PGIM Fixed Income may still apply a modest uplift to the ESG Impact Rating, based on their SLB framework; however, this is currently limited.[45]

From a purely financial viewpoint, ESG-labelled bonds essentially always have the same collateral and seniority as an issuer's "vanilla" (i.e., non-labelled bonds) bonds, and they are both repaid from the same cashflows. So, from a credit and relative value perspective, the business analyses ESG-labelled bonds as it would analyse any other corporate investment, and if it believes it is being paid for the credit risk, it would be happy to invest. However, if a company is issuing at too tight a spread level just because the bond is "ESG-labelled", PGIM Fixed Income does not see that as an attractive relative value opportunity to invest. Given the credit risk is effectively identical between an issuer's GSS Bonds and non-GSS Bonds, PGIM Fixed Income generally would not pay a premium (i.e., tighter spread) to purchase a GSS Bond versus non-GSS Bonds of the same credit, unless superior in some form to the existing issuance, or unless this helps meet clients' specific ESG objectives.

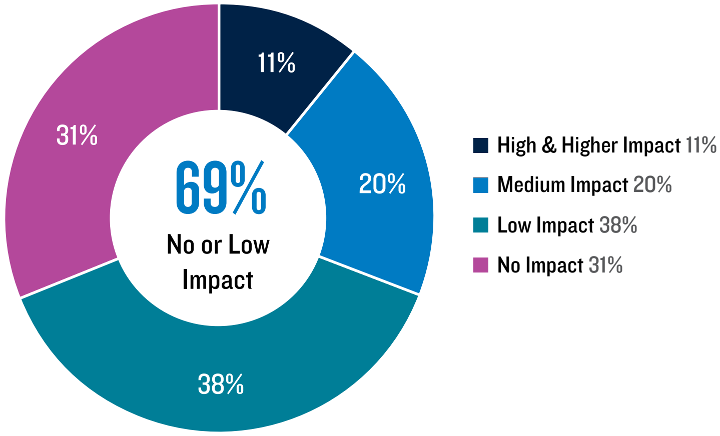
Impact of ESG-labelled bonds and loans assessed by PGIM Fixed Income in 2023

As of 31 December 2023, approximately 69% of the Green, Social and Sustainability Bonds as well as sustainability-linked bonds PGIM Fixed Income assessed were deemed to be of No or Low incremental impact versus an issuer's conventional bonds. Some of the reasons for this appears to be due to:

- Low credibility of the issuer's ESG strategy.
- Eligible projects appear to be geared towards business-as-usual activities and don't represent true additionality.
- Eligible projects do not focus on meaningful change or business model shifts but are more focused on "greening" tangential activities.
- Lack of transparency or adequate description that can give investors comfort as to where proceeds will be allocated.

Generally, the PGIM Fixed Income found that while there are not many that they deemed to have meaningfully higher impact versus their conventional counterparts, Green Bonds have had the most impact within the ESG-labelled bond market. However, PGIM Fixed Income is still seeing significant weakness in terms of incremental impact coming out of Social and SLB issuances.

Impact of ESG-Labelled Bonds/Loans



45 For more information on ESG-labelled bond frameworks, please see: www.pgim.com/fixed-income/esg-impact-ratings.

Green Bond assessment examples from PGIM Fixed Income

Higher Impact Green Bond

A Green Bond from a U.S. utility assessed as having Higher Impact.

Following the release of its new Green Capital Markets framework, we recently reviewed a Green Bond from a U.S. utility that has significant coal and gas power generation. We assessed the issue as having a higher impact and medium credibility, with an above average uplift relative to typical utility green financings. We view this bond as higher impact due to the issuer committing under the bond to the development and acquisition of over one gigawatt of solar capacity, replacing coal and gas generation the company owns and aiding the company's net-zero CO2 emissions goal. We view this commitment as credible as well due to its alignment with the company's ESG goals and detailed performance reporting on the solar projects involved.

Medium Impact Green Bond

A Green Bond from a European automaker assessed as having Medium Impact.

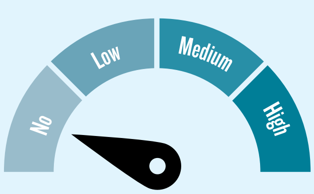
The bond is fully aligned with the issuer's strategy to achieve CO2 neutrality in its production process and improve its EV penetration and we assessed the Green Bond as being generally credible and additional. However, we did not give it the highest credibility marks due to language that permits the issuer to count the development of products that can be used on combustion engine vehicles towards its commitments so long as they were originally developed for battery EVs, which could be seen as a loophole.

Low Impact Green Bond

A Green Bond from a European bank assessed as having Low Impact.

We assessed the bond's credibility as relatively good. The issuer has a thoughtful ESG strategy tied to measurable targets. For example, it is aiming to increase its provision of sustainability-related financing, and to increase its lending to firms that are engaging in a credible transition towards lower-carbon processes. The use of proceeds commitment was well-aligned with these targets and therefore would help the bank to address its most material negative impacts on the environment. However, from an additionality perspective, the bond was weak. The size of the bond in relation to the rest of the issuer's lending is incredibly small. The bond is therefore not a significant step change in relation to the issuer's regular lending activities. To be considered truly additional, we would expect to see the issuer commit to substantially growing the portion of its lending that can be considered sustainable. Overall, we found the bond to have low additionality despite its moderate credibility. This led us to assess the green bond as Low Impact.

No Impact Green Bond



A Green Bond from a European Real Estate Investment Trust (REIT) assessed as having No Impact.

We assessed the bond's credibility as low. Although the REIT's portfolio started from a strong position, with bi-annual CO2 emissions criteria, and high sustainability performance against peers on key ESG real estate themes, the issuer retroactively took the decision to reclassify all of its outstanding bonds to Green Bonds. This implied that the issuer viewed Green Bonds as purely opportunistic instruments, with no incremental addition to its ESG profile. We also assessed the bond's additionality as low. The retroactive addition of green credential to previously 'brown' bonds gives no additional benefits to the issuer's existing portfolio: it is 100% refinancing with a very long lookback period and no incremental improvement to energy efficiency or other ESG metrics.

> "PGIM Fixed Income actively engages with its clients to understand their views and preferences regarding climate change."

Climate-related investment objectives

Climate change and GHG emissions are a significant factor in the business's ESG impact assessment and ESG Impact Ratings. Although these ratings do not focus solely on climate, climate considerations play a large role in analysts' assessments in GHG emissions intensive sectors where negative climate impacts are material. Where an issuer has significant, negative climate impacts arising from Scope 1, 2 or 3 emissions and is not taking credible measures to materially reduce that impact, this would weigh heavily on its ESG Impact Rating. That in turn may lead to the issuer being excluded from certain portfolios that include criteria based on the ESG Impact Ratings.

In addition to their ESG Impact Rating criteria, certain PGIM Fixed Income ESG funds and client accounts have exclusions on some of the most carbon intensive activities such as thermal coal extraction, thermal coal power generation and oil production in the Arctic and from tar sands, as well as limitations on an issuer's overall carbon intensity.

Where significant, PGIM Fixed Income also endeavours to raise their concerns over an issuer's climate impacts via engagement, noting how those concerns impact their credit assessment and ESG Impact Ratings, as well as how this could limit their demand for its bonds. The business's large size and global coverage of fixed income markets also allows them to provide issuers with constructive insights into how such concerns could affect demand for their debt more generally, as well as how they compare to their peers with regards to climate performance, strategy and disclosure.

PGIM Fixed Income actively engages with its clients to understand their views and preferences regarding climate change. They are committed to helping any clients with decarbonization targets and work in partnership with them to develop decarbonization solutions for their portfolios, which reflect their bespoke return expectations, risk appetite and timeframes. This may include measuring and reporting on the carbon intensity or footprint of portfolios, as well as setting absolute or relative targets. In addition, they continue to develop tools to measure issuers' temperature alignment more holistically, which consider current and historical emissions and intensity, as well as targets and forward-looking expectations, and an evaluation of the credibility of issuers' decarbonization efforts. These tools consider multiple data points and are drawn from multiple data sources, combined with further qualitative assessment where necessary.

Temperature Alignment tool: an innovation in evaluating climate alignment

PGIM Fixed Income's ESG Research Team has developed a proprietary Temperature Alignment Tool to help clients seeking to understand the extent to which their portfolios are aligned with the long-term goal of the Paris Agreement of limiting global warming to well below 2 degrees Celsius. The tool offers this measurement using "temperature alignment" metrics as part of a suite of reporting capabilities. Temperature alignment metrics represent a significant step forward in the way clients can estimate the climate impact of their portfolios by incorporating forward-looking data into their assessments.

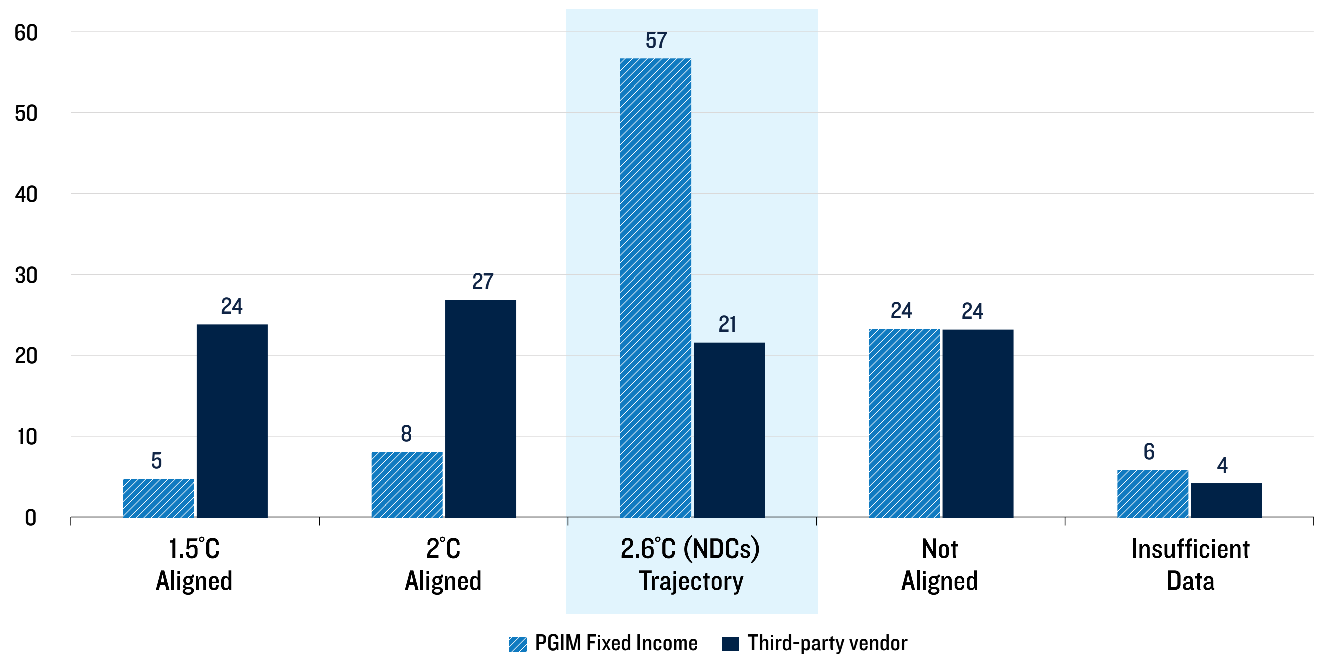
The tool groups issuers into four primary categories:

1.5°C	2°C	2.6°C	–
Aligned	Aligned	(NDCs) Trajectory	Not Aligned

Temperature alignment is an estimate of a company's climate impact measured in degrees Celsius and is derived by comparing projections of the company's future cumulative emissions to its emissions "budget" under different temperature scenarios according to various sector-specific decarbonization pathways. By measuring companies' commitments against relevant pathways, temperature alignment offers a more nuanced view into the targets set by companies. Rather than looking only at the year in which issuers target net zero, PGIM Fixed Income's temperature alignment tool also considers the speed at which issuers progress towards those targets, which is equally crucial, and which must be evaluated relative to industry-specific trajectories needed for given temperature rise levels. The tool brings together multiple data points – both forward-looking and backward-looking – pulled from multiple data sources to assess issuers' targets and performance on emissions reductions and seeks to enhance existing temperature alignment models and methodologies by applying a series of credibility and assurance checks to validate the issuers' commitments and progress. By leveraging multiple data sources where available, it addresses cases where an issuer's categorisation may be highly sensitive to the assumptions used by any one source. For issuers where emissions are most material, this is supplemented with additional manual reviews to capture crucial nuances not evident in data alone. The output of PGIM Fixed Income's Temperature Alignment Tool is geared towards understanding whether issuers will credibly be contributing to limiting global warming to 1.5 or 2 degrees Celsius of warming (versus pre-industrial levels) or whether their net-zero targets are more symbolic in nature.

The first two categories are based on the primary goals of the Paris Agreement. The third category, 2.6°C (NDCs) Trajectory represents alignment with the temperature rise levels implied by countries' pledges under the Paris Agreement – at present, these pledges would not limit warming to 2°C, but would most likely result in warming of around 2.6°C. This is still an improvement over the trajectory implied by current policies, which is closer to 3°C. Given current policies and pledges are much closer to 3ºC than to 2°C, it is not surprising that only a handful of issuers meet all the tool's criteria to be assessed as 2°C or better. The bulk of issuers are in the NDCs category, which is still a higher level of ambition than business-as-usual, and is generally more realistic for issuers to achieve given the lack of policy support for greater ambition. Issuers failing to align with even countries' pledged ambition, however, are assessed as Not Aligned, and a significant share of the investible universe continues to fall into this category as well.

MV% of Bloomberg Global Aggregate Corporate Index (%) [46]



By applying their own credibility checks, PGIM Fixed Income believe the results may produce a more sobering picture of what the investment universe actually looks like versus off-the-shelf tools. PGIM Fixed Income believes this is a much more realistic assessment, and less likely to result in significant future "downgrades" or to encourage greenwashing through setting targets with low credibility.

46 Source: PCIM Fixed Income, As of May 2024. Benchmark Description: The Bloomberg Global Aggregate Corporate Index is a component of the Global Aggregate Index that includes the global investment-grade, fixed rate or step up, taxable securities sold by industrial, utility and financial issuers. The three major components of this index are the U.S. Aggregate Corporate, the Pan-European Aggregate Corporate, and the Asian-Pacific Aggregare Corporate indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian corporate securities, and USD investment-grade I44A socuritiex. Securities included in the index must have at least one year until final maturity and be rated investment grade (Band/ 3BB-/3B3-) or better using the middle rating of Moodys, SteP, and Fitch.

ESG-focused strategies

Investors who seek positive environmental and social outcomes alongside financial returns from their investments may wish to apply the ESG Impact Ratings framework in portfolio construction to avoid issuers with negative environmental and social impacts and/or tilt toward issuers with more positive impacts. PGIM Fixed Income has developed a range of ESG-focused strategies across the risk spectrum of the asset class as highlighted below:

Geography	Credit Risk Spectrum			
US	**Core Plus ESG** Designed to emphasize issuers with higher ESG Impact ratings across the full maturity spectrum.	**U.S. High Yield ESG** Designed to emphasize HY issuers with higher ESG Impact Ratings.	**Short Duration Core Plus ESG** Designed to emphasize issuers with higher ESG Impact ratings across shorter end of maturity spectrum.	**Strategic Income ESG** Designed to emphasize issuers with higher ESG Impact ratings through broad risk positioning and opportunistic issuer concentration.
Global	**Global Corporate ESG** Designed to emphasize issuers with higher ESG Impact Ratings.	**Global High Yield Developed Markets ESG** Designed to emphasize issuers with higher ESG Impact Ratings.	**Global Total Return ESG** Designed to emphasize issuers with higher ESG Impact Ratings.	
European	**European Corporate ESG** Designed to emphasize issuers with higher ESG Impact Ratings.	**European High Yield ESG** Designed to emphasize issuers with higher ESG Impact Ratings.		
Emerging Markets		**EMD Hard Currency ESG** Designed to emphasize issuers with higher ESG Impact Ratings.		

As PGIM Fixed Income evolves its ESG capabilities to meet the needs of clients, its investment teams are refining their research processes and tools that inform portfolio construction and investment decisions. Research is prioritized according to a combination of factors including a consideration of client demand. As new ESG data, methodologies and approaches develop, the business formulates updates to existing frameworks.

PUBLIC EQUITIES

Jennison Associates

In addition to using a proprietary ESG framework to identify material risks and opportunities for holdings in equity and fixed income portfolios, Jennison Associates has been developing thematic strategies and bespoke solutions for clients with targeted ESG preferences. Jennison's deep fundamental research allows us to identify attractive investment opportunities that align with certain mega-trends or themes. Current areas of focus for thematic investment strategies include companies that enable decarbonization or those that align with certain UN Sustainable Development Goals. These themes span health and wellness, technological advancements, climate action, and the circular economy.

Jennison also partners with clients to apply ESG-related investment guidelines to existing investment strategies. This enables alignment between clients' ESG-related guidelines and objectives and the investment portfolios Jennison manages for them. As a fiduciary, Jennison has no exclusion policy itself, but can develop and implement customized exclusions at a clients' request, provided that they are consistent with Jennison's underlying investment philosophy and strategy.

CASE STUDY

JENNISON'S CARBON SOLUTIONS STRATEGY

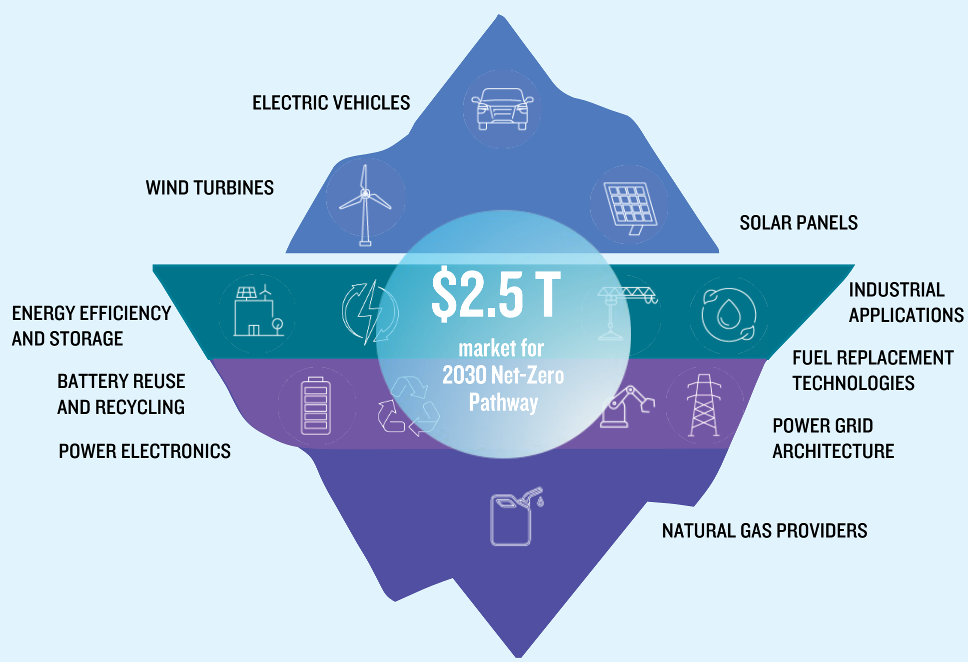
CARBON SOLUTIONS PROVIDED BY A BUILDING SUPPLY AND HVAC SYSTEMS COMPANY

Jennison's Carbon Solutions strategy seeks to identify leaders in global decarbonization who are currently underappreciated by the market.

ESG investors often focus on a company's own scope 1, 2, & 3 emissions to determine portfolio alignment to a particular future warming scenario or an international agreement such as the Paris Climate Accords of 2015. In this conventional analysis of the GHG emissions of a company, a building products and HVAC systems supplier would not be seen as part of the solution due to what is often a high accompanying level of scope 3 emissions, despite a substantial contribution of its products to lowering global emissions from major sources such as building heating & cooling and food waste. In effect, as the company installs new HVAC and refrigeration systems, its own absolute scope 3 emissions increase – making it unattractive to investors compiling net zero or "Paris aligned" portfolios. However, that analysis misses the fact that the nature of the business helps clients meet their own energy efficiency and food waste reduction goals (whether clients are seeking to reduce the impact of their operations on the climate, or simply hoping to save money by improving efficiencies). Additionally, as the company replaces older, less efficient systems with new, highly efficient systems with low GHG refrigerants, its fleet emissions mix improves, lowering its scope 3 emissions as avoided emissions increase, compounding the company's positive climate impact. The emissions avoided by clients using the company's products are not captured in the traditional analytical framework but represent tremendous positive climate impact, and therefore may be undervalued by the market.

Jennison's Carbon Solutions strategy's approach of incorporating scope 4 (emissions avoided) shows that this company's activities are helping to avoid tens of millions of tons of customer carbon emissions annually. The more it grows, the bigger its contribution to decarbonization.

The Carbon Market Is Much Larger Than Many May Believe



Source: Jennison. There is no guarantee these objectives will be met. The views expressed herein are those of Jennison investment professionals at the time the comments were made. They may not be reflective of their current opinions, are subject to change without prior notice, and should not be considered investment advice. Addressable market size based on Princeton Net Zero America Report, October 2021 (The Report | Net-Zero America Project (princeton.edu)).

PGIM Quantitative Solutions

For ESG focused strategies, PGIM Quant's investment approach has the flexibility and depth to allow investment teams to broaden its analysis of material risk issues to encompass a wider set of sustainability concerns and more strongly reflect sector/country impacts on companies' sustainability behaviours. The analysis can be extended to focus on the impact companies have on the environment and society by evaluating whether insights about a company's products/services are in alignment with the Sustainable Development Goals (SDGs).

The combined outcome is that PGIM Quant can assess the consequences of a company's internal activities and the external impacts of its products and services. Importantly, PGIM Quant's quantitative investment style enables the business to develop these insights across all companies within their investment universe allowing them to adopt a truly global approach to sustainable investing.

PGIM Quant's quantitative expertise also supports customized investment solutions around sustainability features, universe, risk level, and expected return. Giving clients options and a voice in articulating their investment values, guidelines, and beliefs is at the core of the business's investment process.

Evaluating sustainability behaviours and impact on environment and society

The approach builds on PGIM Quant's material event risk factors to include additional sustainability attributes of a company that may not strictly be deemed of immediate material importance. The goal is to identify companies managed in a sustainable manner by gaining a broader understanding of their internal operations and behaviours. While these insights could prove additive to performance and/or reduce risk in the longer run, they can also help ensure that portfolios:

- Meet growing ESG demand of clients and key stakeholders
- Mitigate headline and reputational risks by avoiding controversial holdings
- Align with mission, values, principles, and beliefs
- Anticipate and meet regulatory requirements for strategies making sustainability claims

The approach is to score a company across all curated sustainability attributes within the available data library. PGIM Quant is careful in the measurement and combination of each attribute and expands beyond a strict materiality-based approach to ensure effective evaluation of key sustainability attributes across all stocks. This means that sustainability attributes such as climate and water usage, along with other issues that can be viewed as systemic, such as human rights, are evaluated across all companies. That said, the research team weighs attributes differently in each industry. The approach is grounded in the belief that sustainability attributes can vary across sectors/industries and countries. Accordingly, these sector/industry and country effects are allowed to influence the team's sustainability assessments of a company.

Through this internal proprietary approach, PGIM Quant can develop a sustainability score across all stocks in its large and small-cap global equity investment universe. Similar to PGIM Quant's material event risk factor, its sustainability score is also highly transparent, with the ability to deconstruct portfolios to understand more granular sustainability exposures and understand what sustainability features are driving attractiveness (or unattractiveness) of individual stocks. This sustainability score is developed and tested internally by PGIM Quants quantitative equity research team.

“A primary objective of PGIM Quant’s ESG portfolio construction process is building a portfolio that promotes exposure to companies with more effective sustainability management attributes.”

A primary objective of PGIM Quant’s ESG portfolio construction process is building a portfolio that promotes exposure to companies with more effective sustainability management attributes. The emphasis is on companies that score highly on sustainability attributes and are also of higher quality and have attractive valuations and growth prospects. In doing so, the approach ensures that companies with sustainability attributes that are targeted are also relatively more attractive investments based on the aforementioned quantitative factors.

This approach is implemented in Global and Emerging Market ESG Equity strategies.

All portfolios, including those incorporating ESG insights, are managed by PGIM Quantitative Equity portfolio managers who have deep experience managing portfolios with various objectives. Portfolio managers review ESG portfolio inputs daily and monitor various ESG attributes of each portfolio where applicable. They also run attribution to detail how ESG attributes contribute to the performance of PGIM Quant portfolios. To do this the portfolio management team leverages internal tools and can validate portfolio ESG exposures/performance using third-party tools.

Using their internally developed sustainability scores as a starting point, PGIM Quant works with investors to further promote specific sustainability attributes (e.g., carbon emissions, water usage) within portfolios. PGIM Quant utilizes their proprietary optimization and portfolio construction approaches to run various scenarios detailing the relationship between different levels of improvements in a sustainability feature (e.g., 20%, 50% and 70% reduction in portfolio carbon emissions relative to the benchmark) and the portfolio’s active risk and return. This helps best align separate account portfolios with the investment objectives of clients.

The team can also quantify the impact that a company’s product or service has on the environment or society as a complement to PGIM Quant’s sustainability modelling. The ability to identify companies with products and services that have a beneficial impact on the environment and society could also help investors to take part in longer-term secular growth opportunities.

Similar to the process of building a sustainability-focused strategy, the portfolio construction objective for impact portfolios primarily promotes exposure to higher ‘impact’ companies. Sustainability scores are integrated to help identify companies that have a positive impact on the world and are also managed in a sustainable manner (e.g., avoid electric vehicle companies that have poor governance, workplace safety etc.). Investment teams seek to ensure those targeted companies are relatively more attractive investments as a result of their higher quality and attractive valuations and growth prospects.

Impact scores[47] are particularly appealing because they permit more granular insights at the individual SDG level. Certain investors seek exposure to specific SDGs for thematic purposes. Thematic portfolios can be built that can serve as overlays to existing equity investments or as a standalone allocation.

47 PGIM Quant uses impact scores to provide insights into measurable positive impact.

Incorporating exclusions and client directed constraints

PGIM Quant is dedicated to helping clients and investors find solutions that align their investment strategies with their values, guidelines, and beliefs. Through PGIM Quant's proprietary scores, customized client guidelines and constraints, or a combination of both, as directed by fund documents or client agreements PGIM Quant's approach to structuring and managing portfolios can be tailored to the specific and unique needs of clients.

Certain clients and investors prefer not to invest in companies involved in certain economic activities (such as production of weapons, alcohol, tobacco, or carbon-related energy) or that violate specific international conduct standards (such as UNGC). To meet these requirements and preferences, PGIM Quant considers a range of screens and exclusions based on specific criteria requested by clients. Screens may be created internally and/or the business many utilize third-party screens. In addition, clients may provide a list of stocks to exclude. Such exclusions further help the business target and avoid companies that contribute the most harm toward systemic sustainability issues such as climate, water usage, and human rights. PGIM Quant has also developed its own exclusion policy, which draws on internal and external sources, and is applied to its UCITS funds. PGIM Quant's independent compliance unit oversees the implementation of negative exclusionary screens in their investment process.

CASE STUDY FROM PGIM QUANT

A CUSTOMIZED PARIS ALIGNED BENCHMARK "PAB"

Challenge: A European investor wanted a low-cost solution to capture Emerging Market equity returns that also met their decarbonization objectives, incorporated custom country preferences, and delivered limited risk relative to the Emerging Markets index.

Approach: Taking into consideration the goals of the investor, PGIM Quant proposed an index replacement solution that would fulfil the investors requirement to target an initial carbon footprint level, with further year-on-year reductions, while also meeting tracking error and cost targets.

Solution: PGIM Quant leveraged its 20+ years of emerging markets investing experience along with the ESG expertise to build a custom portfolio for the investor. Using proprietary optimization and portfolio construction techniques, PGIM Quant set portfolio targets of achieving initial carbon emission reductions of ~50% relative to the benchmark along with 7% annual decreases in this carbon profile. The internal alpha model incorporated into the solution ensured that the targeted stocks with desirable carbon emission attributes also had attractive performance prospects. To satisfy the investment guidelines of the client, PGIM Quant's portfolio construction process further targeted a reallocation of capital between two large emerging market countries. Sophisticated portfolio risk management techniques helped ensure portfolio active risk remained within desired levels.

PGIM PRIVATE ALTERNATIVES (PPA)

PGIM Real Estate

PGIM Real Estate recognizes that given its global scale and footprint, it has an opportunity to contribute to positive environmental and social impact in the world and works closely with its clients to help them transition their portfolios in line with their selected environmental or social objectives, investment strategy, time horizon, risk appetite, budget and financial return expectations. The case studies below highlight just a small selection of activities where PGIM Real Estate has sought to contribute to positive environmental and social outcomes in order to create value for its clients.

CASE STUDY

PGIM REAL ESTATE: MANUFACTURED HOUSING

The Manufactured Housing (MH) sector is highly fragmented, and many parks are owned by 'mom & pop' owners. Over time, many of these communities have been underserved from a capital standpoint resulting in significant levels of deferred maintenance and deteriorating park conditions.

Since its initial MH investment in July 2017, PGIM has purchased 36 parks and invested more than $30m in value-add capital to improve curb appeal. Typical projects include repaving roadways, renovating clubhouses and common areas, providing new tenant amenities such as exercise gyms, pickleball, bocce, firepits, shuffleboard and swimming pools as well as installing new perimeter fencing and park signage.

Tenants take pride in where they live and PGIM Real Estate has found that by investing capital dollars into the community, they have significantly improved the overall community experience and level of social engagement.

CASE STUDY

PGIM REAL ESTATE

PGIM Real Estate invested in the development of Princeton Oaks Industrial Park alongside a joint venture partner. The Park is located in a "last mile" infill location in Orlando, Florida, U.S. One of the tenants is Valencia College Heart of Florida United Way Center for Accelerated Training which provides intensive hands-on training in growing industries from construction, manufacturing and health care, to IT and transportation logistics. The College offers YouthBuild classes and works with many Sustainability Partner Organizations (SEED Initiative, Energy Star, Stars – AASHE, US Green Building Council, Tree Campus USA).

Year Built	2018-2019
Buildings / SF	5 / 513,560 SF
Property Type	Industrial
Classification	Social

GRESB fund assessment

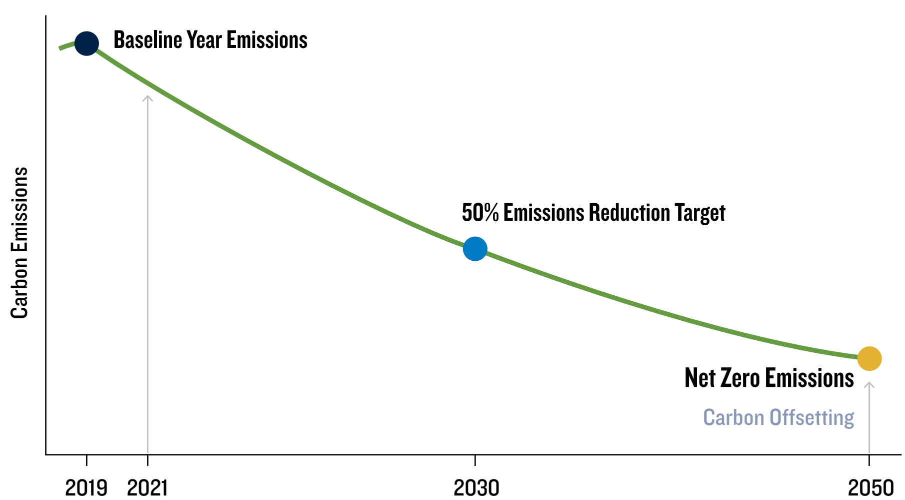
The GRESB assessment is a global real estate ESG benchmark that assesses the performance of select portfolios and benchmarks the results as compared to funds in their peer groups. PGIM Real Estate submitted 26 total funds/properties for GRESB evaluation in 2023, of which 24 were submitted for Management & Performance; 12 of the 24 were also submitted for Management & Development, one fund was submitted for Management & Development only, and one fund was submitted for Management only.

Transitioning towards Net Zero

PGIM Real Estate is committed to the Urban Land Institute's (ULI's) Greenprint Net Zero Carbon Operations goal to reduce the operational carbon emissions of their global portfolio of managed properties to net zero by 2050. The business has made the commitment to 100% net zero operational carbon emissions by 2050 across 100% of assets under management (AUM) under operational control with an interim target of 50% emissions reduction for 50% of PGIM Real Estate AUM by 2030.

Emission scopes covered include:

- Scope 1 and 2 emissions.
- Scope 3 emissions, although not covered currently, will be tracked, quantified, mitigated and reported to the extent feasible and material.



The business published its net zero carbon strategy for its real estate equity portfolio in 2022 and has since joined the U.K. Better Buildings Partnership (BPP) and begun aligning with the Net Zero Asset Managers Initiative framework.

Net Zero pathway strategies

To achieve their 2030 and 2050 targets, PGIM Real Estate intends to implement a variety of asset- and portfolio-level decarbonization strategies. The strategies will vary by region (i.e., United States., Europe, Asia Pacific, Latin America) and will be prioritized based on an avoid, reduce, replace and offset hierarchy as detailed below:

- **Avoid:** Avoid carbon-intensive activities and create low-to-no-carbon business strategies.
- **Reduce:** Improve energy efficiency to the extent technologically and economically feasible.
- **Replace:** Replace high-carbon energy sources (e.g., natural gas) with low-carbon energy sources (e.g., solar, wind).
- **Offset:** Offset residual emissions that cannot be eliminated by the aforementioned actions.

CASE STUDY
ESTABLISHING A FUND LEVEL NET ZERO PATHWAY

ESG Considerations: The works included the completion of on-site net zero audits for seven assets and desk-based extrapolation reports for the remainder. The purpose of each audit was to baseline energy and carbon performance, identify necessary interventions to align with net zero carbon using building-specific 1.5°C decarbonization pathways developed by the Carbon Risk Real Estate Monitor (CRREM) and estimate capital expenditure required to align with net zero carbon.

Actions: The interventions identified across the portfolio followed the energy hierarchy i.e., initially looking at enhancements to improve energy efficiency and conservation within the assets, the feasibility of the electrification of the assets and the potential for the generation of on-site renewable energy. The reduction in carbon emissions resulting from the identified interventions has been shown to push out the stranding risk of the portfolio to 2042.

Outcome: Going forward suitable recommended interventions will be incorporated within Asset Level Work Plans for the fund and will be programmed into ongoing maintenance, future refurbishments and tenant fit outs etc. Detailed net zero audits will also be completed on a rolling annual basis for new assets acquired into the fund to continue to evolve the net zero pathway.

CASE STUDY
INSTALLATION OF SOLAR PANELS

GREAT AMERICA COMMONS

Actions: PGIM Real Estate installed a retrofit amenity building and parking garage with solar power system making. The 1.4 MW solar power system covers the upper decks of both parking structures, providing shade and approximately 2.4 MWh/year of clean, renewable energy.

In total, 4,209 panels were installed.

Outcome: the structure is now certified as a Zero Energy Building (ZEB), meaning the canopy solar system generates clean, renewable electricity well in excess of all the energy used to operate the amenities building and the parking garages. Other advanced energy technologies as part of the project included LED lighting and advanced lighting controls, electric vehicle charging stations, and replacement of all 16 HVAC units with high-efficiency units, all of which contribute to the facility's Emerging Zero Energy status.

Agricultural equity

PGIM Real Estate's Agricultural equity business has served institutional investors seeking portfolio diversification into the farmland asset class since 1989 and manages $10.3billion in assets under management and administration for its clients in 2023. Starting in 2021, PGIM Real Estate Agricultural Investments (PAI) enrolled all managed California agricultural properties in the Leading Harvest program. Since then, Agriculture Equity announced a successful Leading Harvest audit, expanding the total acreage that is in conformance with the Leading Harvest Farmland Management Standard.

Leading Harvest is a nonprofit organization advancing sustainable agriculture, utilizing assurance programs comprised of standards, audit procedures, training, education and reporting across the U.S. and internationally. PAI chose Leading Harvest as the sustainability platform to demonstrate our commitment to ESG best practices because Leading Harvest contains the rigor of third-party conformance to the Universal Standard for Agriculture Sustainability. The standard's objectives, which align with PAI's principles of sustainable farming, intend to promote sustainability and ESG considerations within the field of agricultural management and include such topics as soil health, protection of water resources, energy use, conservation of biodiversity, waste management, local communities and labor.

Leading Harvest Sustainability Standards

1. Sustainable Agriculture
2. Soil Health and Conservation
3. Protection of Water Resources
4. Protection of Crops
5. Energy Use, Air Quality and Climate Change
6. Waste and Material Management
7. Conservation of Biodiversity
8. Protection of Special Sites
9. Local Communities
10. Employees and Farm Labor
11. Legal and Regulatory Compliance
12. Management Review and Continual Improvement
13. Tenant-Operated Operations

PGIM Real Estate Agricultural Investments Sustainable Farming Mission Statement

We believe that doing the right things for our people, the environment and our communities leads to better results for all of our stakeholders. We strive to embed sustainable agricultural best practices throughout our investment, asset management, risk management and talent management processes with an eye toward continual improvement.

SUSTAINABLE AGRICULTURE

All agricultural equity investments undergo a sustainability factor checklist review, which assess each investment based on a variety of ESG and agricultural sustainability criteria. As a part of the ESG Checklist process, similar to our real estate equity and debt businesses, we gage climate risks, utilizing a third-party climate scoring analysis. Properties are further detailed based on their water profile, including regulatory considerations, water conservation potential and irrigation efficiency; soil health and regenerative practices; safety practices; sustainability certification profile; use of renewable energy and efficient equipment; the potential presence of endangered, threatened and at risk species; the presence of special sites; interaction with local communities; employment practices; opportunity for tenant engagement; and transactional governance. The ESG Checklist assessment is incorporated into Investment Committee packages and discussions and serves as an ongoing tracking tool for future ESG and sustainability improvements at the property level.

ACTIVE STEWARDSHIP

PGIM defines active stewardship as engagement and proxy voting (as appropriate) activities aimed at preserving and enhancing the value of investments we make on behalf of our clients. Active stewardship is a fundamental part of the investment processes of all our investment management businesses. We believe that, when done well, the interactions, discussion and debate we have with companies we invest in, our borrowers, and our tenants allow us to learn from each other. Stewardship builds relationships that deepen our understanding of long-term business fundamentals, including how ESG risks, opportunities and impacts relate to broader strategic objectives. It also lets us share perspectives on key issues of relevance to our investments and encourage change as appropriate.

ENGAGEMENT ACROSS THE PGIM INVESTMENT MANAGEMENT BUSINESSES

Engagement is an important aspect of active stewardship. PGIM defines engagement as a purposeful interaction aimed at safeguarding and enhancing the value of our investments. The engagement approaches and preferred channels of engagement employed by PGIM investment management businesses differ depending on asset class and context, but will include, to varying degrees:

- Identifying topics for pro-active dialogue on matters including strategy, financial and sustainability performance, risk, capital structure, social and environmental impact and corporate governance.
- Constructive dialogue with boards and management of investee companies/corporate borrowers on a range of relevant issues including ESG-related matters as appropriate.
- Interactions with stakeholders, for example with tenants, partners and borrowers for real estate investments.
- Engagement with capital markets teams at investment banks, industry groups or trade associations.
- Communication with clients and investors.
- Co-operation and dialogue with policymakers and regulators.
- Engagement with vendors, particularly around data and quality of service issues.
- Collaborative engagements via industry groups, where appropriate.

Proxy voting is a key tool for active equity investors and a key aspect of stewardship. PGIM's equity managers[48] use voting powers delegated to us by our clients and investors to support our investment thesis. Separate account clients can exercise their voting rights directly; however, such rights are typically delegated to us pursuant to the investment management agreement. Where clients delegate proxy voting rights to us, we exercise voting rights in the best interests of our clients and to protect and aim to increase the value of their investment portfolio. This includes a focus on emerging risks to ensure issuers are well-positioned for changing policies and regulatory environments, societal trends and consumer preferences. Proxies are voted in accordance with each PGIM equity manager's respective proxy voting policies and the merits of individual proposals. We use third-party providers for consolidated views of the resolutions, synthesis of companies' proxy voting statements and analysis of the proposals, as well as for the recording and delivery of votes. We do not outsource our judgement to third-party providers. Examples of engagement and proxy voting (as applicable) activities across PGIM's main asset classes are described below.

PUBLIC EQUITIES

Jennison Associates

Company engagement

Jennison believes that engagement with their portfolio companies is core to their responsibility to safeguard their clients' assets. As active investors in some of the world's leading companies, Jennison has direct access to company management teams, and maintains engagement with the issuers of securities held within their portfolios as well as others in the investment universe. Engagement with companies on issues central to Jennison's investment thesis is a critical part of their investment process and maintaining regular dialogue on material sustainability issues during these engagements forms a core part of their ESG integration process.

Jennison's ESG Engagement Framework

Jennison's investment and sustainability professionals actively seek out companies for engagement within their focused research universe where ESG issues could materially impact their fundamental analysis. The ESG issues and the degree of their potential impacts may differ by sector, industry, or issuer. Therefore, engagements on ESG risks and opportunities are evaluated at the company level.

Engagement in practice

Engagement occurs through various channels, including written communications to company management, in-person meetings at Jennison's or the company's offices, conference calls, industry conferences, and through proxy voting. Typically, the parties involved in these engagements include the company's executive leadership, general counsel, investor relations officer, and/or other subject matter experts. Jennison's investment professionals and/or the Sustainability and/or Proxy teams engage with portfolio companies to understand and address various issues such as environmental risks, human capital, corporate structure, board composition, and executive compensation programs.

When a company participates in a business practice related to ESG issues that Jennison believes could affect the investment thesis, Jennison seeks to share their view with the company's leadership through the most effective and efficient means available. As a result of this engagement activity, Jennison investment professionals may make the investment decision to reduce or eliminate a position in a company. Jennison believes this company-specific approach to engagement has a high impact because it is aligned with their core investment approach: active management rooted in fundamental investment analysis.

> "Proxy voting is a key tool for active equity investors and a key aspect of stewardship."

48 PGIM's equity managers are Jennison Associates, PGIM Quantitative Solutions and PGIM Real Estate's listed equity business.

CASE STUDY

ENGAGEMENT IN PUBLIC EQUITIES

MIDSTREAM OIL & GAS COMPANY

In 2023, Jennison conducted two engagements with a midstream oil and gas company. The Jennison's Sustainability research analyst met with the company's ESG lead. The initial engagement was to discuss the topics of Climate Change Action, Environmental Management, Renewable Energy and Employee Health and Safety. The call focused primarily on the company's methane emissions and the risk of methane pricing from newly passed U.S. regulation, which the Sustainability research analyst identified as a potential risk to the company. The engagement increased Jennison's understanding of management's approach to these risks and resulted in commitments from the company to improve reporting transparency and to expand fugitive methane emissions monitoring and leak management.

Later in the year, Jennison conducted a follow up engagement with members of their investment, sustainability, and proxy teams, along with the company's CFO, ESG and IR executives. The company's management team published a new, more comprehensive sustainability report which pointed to significantly improved health and safety and methane emissions performance. Jennison was pleased to see that the company incorporated some of their feedback from the May engagement into this new report and that the company's actions to significantly reduce methane emissions mitigated the risk of monetary penalties.

This series of engagements helped establish a rapport between Jennison's Sustainability Team and the company's management team, increased understanding of and conviction in the company's management of ESG issues and resulted in an upgrade in Jennison's sustainability assessment of the company.

GLOBAL DIGITAL MEDIA COMPANY

Jennison met with investor relations and ESG executives from a global digital media company to discuss several topics including Board Oversight of ESG Issues, Labor Practices, Product Safety, and Data Privacy and Security. Jennison's recommendation for engagement with this company was partly driven by their interest in discussing Product Safety changes. During the call the team discussed the newly launched tech features geared specifically at minors to improve users' mental wellbeing, improvements to the mechanisms for reviewing and improving monthly safety data (e.g., content removed due to violation of platform guidelines), and inquired into how the Board reviews company progress on this topic.

This engagement furthered Jennison's understanding of where the company is on its journey to measure and address progress on ESG areas for improvement, and also confirmed positive practices for Customer Privacy and Data Security. Jennison continues to monitor the frequency of customer privacy issues going forward and would like to see a decline in the frequency, to confirm the company's updated practices are working. One key area for further engagement and improvement is Product Safety, as the conversation did not confirm whether the new features for minors have driven or will drive meaningful improvements in user experience outcomes going forward.

Proxy voting

Jennison believes that proxy voting is an important means of engagement and has a well-developed in-house proxy voting policy that guides the business's proxy voting decisions. In voting proxies, Jennison is guided by general fiduciary principles and aims to act prudently and in the best interest of their clients over the long term. The business engages in a careful evaluation of issues and makes informed decisions based on robust due diligence. Votes are based on the business's guideline recommendations, which are created and maintained by Jennison's Proxy Team in partnership with the Investment and Sustainability teams. All proposals are carefully reviewed, including shareholder proposals, taking into account the factors that could affect the value of the investment (financial materiality), high standards of corporate governance and transparency, company-specific circumstances as well as the long-term interests of their clients.

Proxy Voting Guidelines

Jennison has adopted proxy voting guidelines with respect to certain recurring issues. When Jennison is responsible for voting proxies, Jennison's investment professionals consider these guidelines except, where appropriate, if client-directed custom guidelines are adopted. Jennison's guidelines are reviewed annually and as necessary by Jennison's Proxy team with input from their Investment and Sustainability teams. The guidelines seek to convey Jennison's general approach to voting decisions on certain issues. Investment professionals are responsible for reviewing all proposals related to fundamental strategies individually and make final decisions based on the merits of each voting opportunity. If an investment professional believes that Jennison should vote in a way that is different from the guidelines, the Proxy team is informed and the reasons for deviating from the guidelines noted. In certain circumstances, an investment professional may conclude that different clients should vote in different ways, or that it is in the best interests of some or all clients to abstain from voting.

The Sustainability team partners with Jennison's investment teams to enhance the depth and scope of research and analysis on material ESG factors; as part of this activity, the Sustainability team assesses and provides proxy voting recommendations and analysis for relevant proposals.

Based on the business's engagement philosophy, Jennison determines when to engage with a company and it may engage when meetings are offered by issuers or proactively, if it is determined through their ongoing monitoring and due diligence process that an issue could materially impact a security's performance. These meetings are often a collective effort between Jennison's investment professionals, who are subject matter experts best positioned to comment on issuer specific information, Jennison's Proxy voting team members, who offer a more universal view of governance practices and relevant trends, and where relevant, the Sustainability team.

Reasons for not supporting a shareholder proposal include cases where Jennison sees management taking steps to address the specific issue or it is determined by the Proxy Committee that a proposal is overreaching, lacks merit, or seeks to address matters not relevant to the business. In some cases, it may be determined that the best course of action on an issue is to continue to engage, and this is especially true when it is known that management is already considering an issue raised in a shareholder proposal. In addition to using ongoing and direct engagement to address issues, including ESG issues, Jennison will continually monitor company fundamentals and leverage their deep company knowledge to decide if it is in the best interest of their clients not to support a shareholder proposal.

> **"The Sustainability Team partners with Jennison's investment teams to enhance the depth and scope of research and analysis on material ESG factors."**

Jennison Proxy Committee

Jennison's proxy voting committee is comprised of members of Legal, Compliance, Operational Risk, and Operations. It meets at least quarterly, and is responsible for, inter alia, the review of:

- Potential material conflicts including deciding whether a material conflict is present, and needs to be addressed according to policies and procedures.
- Any proposed amendments to the guidelines in consultation with the investment professionals.
- Proxy voting policies and procedures annually for accuracy and effectiveness, including the recommendation and adoption of any necessary changes.
- Guideline overrides.
- Quarterly voting metrics and analysis published by the proxy team.
- The accuracy of the application of custom guidelines.
- ESG-related voting matters including Sustainability Team recommendations and analyst voting decisions.
- The performance of the proxy voting vendor and the determination of whether Jennison should continue to retain their services.

Jennison Associates Proxy Voting Record

Total Proposals
9,997

Management	Shareholder
9,591	406
95.9%	4.1%

	Management: Supported	Management: Opposed	Management: ABST/Other	Shareholder: Supported	Shareholder: Opposed	Shareholder: ABST/Other
Number	8,535	431	625	158	236	12
Percent	89.0%	4.5%	6.5%	38.9%	58.1%	3.0%

From January 1, 2023 through December 31,2023. Source: Jennison Associates, Glass Lewis.

For additional information on Jennison's proxy voting record please see: www.jennison.com/about-us/proxy-voting

Jennison maintains the services of a third-party proxy voting vendor to provide research and analytical services, operational implementation and recordkeeping and reporting services. Jennison also subscribes to additional proxy voting research from another third party on proxy proposals relating to environmental, and social and governance topics.

For the 12 months ended December 31, 2023, Jennison voted on 9,997 proposals of which 9,591 were initiated by management and 406 by shareholders. Jennison supported 89% of the management proposals.

89%

of management proposals supported by Jennison

CASE STUDIES

PROXY VOTING IN PUBLIC EQUITIES

EXAMPLE VOTING FOR: SHAREHOLDER PROPOSAL ON PLASTIC PACKAGING FOR A GLOBAL E-COMMERCE COMPANY

Sustainability Team Recommendation: **FOR**
Voting Result: **FOR**

Members of Jennison's Sustainability, Investment and Proxy teams engaged with the company on this topic prior to voting on the proxy proposals. Following this engagement meeting, the Sustainability coverage analyst for this strategy confirmed their recommendation to vote FOR and the rationale, which also considers relevant content from the Jennison Proxy Voting Guidelines.

Following the engagement, Jennison's Sustainability team noted: "The company stated that the academic source cited vastly overestimates the amount of plastic that it uses. While the company confirmed that it has not announced goals re single use plastic, it announced last year that they eliminated it in Europe. When we asked the company why they hesitate to announce targets around single use plastic, they explained that most of the peers that are mentioned use much more plastic compared to the company. They continue to think that focusing more on the reduction itself will prove itself over time."

Sustainability Team Rationale: "We acknowledge that the company has taken actions and provided disclosure around its plastic footprint and improvements that it has made to its packaging. However, the company does not provide details regarding the overall amount of plastic used throughout its supply chain. Furthermore, several peers have announced goals specifically around single-use plastic reduction. Additional disclosure would help shareholders understand how the company is managing risks related to the creation of plastic waste."

EXAMPLE VOTING AGAINST: SHAREHOLDER PROPOSAL REQUESTING A THIRD-PARTY AUDIT OF EMPLOYEE AND USER HEALTH AND SAFETY FOR A TRANSPORTATION TECH COMPANY

Sustainability Team Recommendation: **AGAINST**
Voting Result: **AGAINST**

Sustainability Team Rationale: "The company met with members of Jennison's Sustainability, Investment and Proxy Teams in May 2023, and the company reported that they separately engaged with this proposal's proponent to collect feedback on its current safety reporting. The company expressed that it plans to expand its safety disclosures to cover international drivers and riders in the future. Given the company's current pledge to expand safety reporting and collect shareholder feedback on an ongoing basis, as well as its ongoing racial equity audit which we see as comprehensive, we recommend voting AGAINST this proposal.

The Sustainability Team believes the company has invested in managing and disclosing metrics for its key issue of Product Quality and Safety. The company publishes comprehensive statistics on safety for a variety of employees and users. On the Governance side, the company has tied improvement on key metrics to long-term executive compensation. On the Social side, the company has launched tech updates to improve safety outcomes. The company had also already commissioned a third-party civil rights assessment, which will address areas cited in the proposal like mechanisms for driver and rider complaints and subsequent remediation when published later this year."

PGIM Quantitative Solutions

Leveraging quantitative data in company engagement

Beyond portfolio investment activities, PGIM Quant firmly believe in the importance of effective stewardship and engagement as a mechanism to proactively address companies' material risks or egregious sustainability behaviours.

PGIM Quant believes it is possible to proactively encourage companies to address material risks that they face and/or that do not align with best practices that have been shown to increase shareholder value. For ESG-specific mandates which include sustainability-focused or impact-focused strategies, the business may extend its engagement practices to identify egregious violations of international norms.

To achieve this, engagements are conducted by PGIM Quant investment professionals directly or by a third-party engagement service provider and are overseen and coordinated by PGIM Quant's Director of Stewardship. PGIM Quant investment professionals will also participate in collaborative engagements to maximize the breadth of companies that can be targeted. This is important given the highly diversified client portfolios managed. To assess the engagements that the business aims to support, the complete opportunity set of engagements led by a third party is identified. These active engagements are overlaid on current portfolio holdings to identify which engagements are relevant to the outcomes sought by clients. Engagements that are initially identified by the third-party provider are done so based on material risks that could impact the company's financial outcome. For those engagements that overlap with current portfolio holdings, PGIM Quant investment professionals participate in calls with company management that are organized by the third party. Through these interactions with companies, the firm seeks to learn about and support the provision of 1) information to help understand any action that has been taken to address the material risk; 2) information about possible future actions to address the material risk; 3) encouraging and enhancing disclosure of additional data to improve the business's investment decision-making process.

Successful engagements can identify new information or more data that can improve the assessment of material risks for a company. This may lead to increased company exposure in the portfolios that we manage. Unsuccessful engagements will lead to the determination that material risks remain elevated and can result in lower or no company exposure in client portfolios.

FIRST MEETING	DEBRIEFING	IN BETWEEN	FOLLOW-UP MEETING(S)
• Develop understanding of risks. • Create awareness of material ESG issues.	• Define change objective and share suggested actions.	• Check in on progress, potentially revise suggested actions.	• Evaluate progress and discuss emerging issues.
TRACKING RESULTS	RESPONSE	PROGRESS	POSITIVE/NEGATIVE

For ESG-strategies managed by PGIM Quant, the business will seek to further engage with companies whose conduct violates international norms. PGIM Quant uses internal processes and third-party screens to identify such violations of standards. In instances when violations are identified, PGIM Quant will seek engagement with the company to uncover additional information about the violations and determine steps that must be taken to mitigate the occurrence of such conduct in the future. Unsatisfactory outcomes from these engagements can lead to exclusion from client-specific portfolios. For more information on PGIM Quant's engagement activity please see the most recent reports on their website: www.pgimquantitativesolutions.com/Stewardship.

Proxy voting

To further escalate material risk matters, PGIM Quant can use its proxy rights to vote against management in certain circumstances, including those where management continues to demonstrate an inability to correct those issue(s) PGIM Quant views as deficient.

As a responsible investor and fiduciary, PGIM Quant's policy is to vote proxies in the best long-term economic interests of its clients (the appreciation in value of the investment over time). In the case of pooled accounts, the policy is to vote proxies in the best long-term economic interest of the pooled account. To that end, PGIM Quant has adopted voting guidelines that reflect its general philosophy on corporate governance matters and its approach to governance and other issues that may commonly arise when voting ballots on the various securities held in client accounts.

CASE STUDY
ENGAGEMENT AT PGIM QUANT

As an illustrative example, PGIM Quant engaged with a US oil and natural gas company that had been identified to have material risk. The focus of the material risks involved emissions, effluents and waste and community relations. In initial meetings PGIM Quant discussed the need for enhanced disclosure to provide investors a better view of the material ESG risks, specifically requesting main mitigation strategies, dedicated capex regarding emission reduction targets and additional disclosures related to community relations. In 2023, the company had several positive developments which included enhanced transparency of its sustainable development governance structure, establishment of a 2030 GHG emissions reduction (inclusive of Scope 2 emissions), investments in clean fuel technology that the company anticipates will mitigate natural gas flaring and scope 1 emissions, and disclosure of estimated emissions for its most material scope 3 category. While this is still an active engagement PGIM Quant is seeing positive results and will continue to engage until a sufficient nexus of change objectives have been achieved.

PGIM Quant's voting guidelines are not intended to limit the analysis of individual issues at specific companies, nor do they indicate how the business will vote in every instance. Rather, they express the business's views about corporate governance and other issues generally and provide insight into how the business typically approaches issues that often appear on corporate ballots. They are applied with discretion, taking into consideration the range of issues and facts specific to the company and the individual ballot items. Because the guidelines are not absolute, context matters and may drive different outcomes for different companies. While governance is the focus of many ballot items, PGIM Quant's detailed, customized voting guidelines address a wide variety of matters, including:

- Boards and directors
- Audit-related issues
- Executive compensation
- Capital-related issues
- Mergers, acquisitions and other financial transactions
- Environmental issues, such as climate change
- Social issues
- Corporate governance issues

From time to time, ballot issues arise that are not addressed by the business's policy, or circumstances may suggest a vote not in accordance with established guidelines. In these cases, voting decisions are made on a case-by-case basis taking into consideration the potential economic impact of the proposal, as well as any circumstances that may result in restrictions on trading the security. Case-by-case, or manual, evaluation of a ballot item entails consideration of various, specific factors as they relate to a particular issuer and/or proposed action. For example, when performing manual evaluation of a ballot item relating to executive compensation different factors will be considered such as stock performance, financial position and compensation practices of the issuer relative to its peers, change in control, tax gross-up and clawback policies of the issuer, pay inequality and other corporate practices. However, not all factors may be relevant or of equal significance to a specific matter. With respect to contested meetings, which will always be voted on a case-by-case basis, research provided by PGIM Quant's proxy advisor will be considered along with other sources of information available in the marketplace, to understand the issues on both sides of the contest and determine the business's view. With respect to mergers and acquisitions, consideration will be given to whether a fairness opinion regarding valuation has been obtained.

With respect to non-US holdings, additional restrictions in some countries will be taken to account that might impair the business's ability to trade those securities or have other potentially adverse economic consequences. Further, the business may be unable to vote proxies in countries where clients or their custodians do not have the ability to cast votes due to lack of documentation, operational capacity, or otherwise. The business generally votes non-US securities on a best-effort basis when it is determined that voting is in the best economic interest of the business's clients. In addition, when voting on ballots for companies in global markets, various market-specific nuances will be considered, along with applicable regional rules and practices, including codes of conduct and other guides.

Proxy Voting Committee

PGIM Quantitative Solutions has a Proxy Voting Committee that includes representatives from the business's Investment, Operations, Compliance, Risk and Legal teams. This committee is responsible for updating and interpreting the proxy voting policy, identifying conflicts of interest and periodically assessing the effectiveness of the policy and procedures. The services of a third-party proxy voting advisor are also used, and the Committee oversees the services provided by the proxy advisor by reviewing management reports and performing periodic reviews of the proxy advisor. The proxy advisor is directed upon receipt of proxies, to vote in a manner consistent with the established proxy voting guidelines (assuming timely receipt of proxy materials from issuers and custodians). The proxy advisor also makes available analyses of ballot issues and voting recommendations to its clients. PGIM Quant voting guidelines include instructions to vote certain ballot issues consistent with recommendations made by the proxy advisor. In these cases, PGIM Quant periodically assesses the consistency of its view along with that of the proxy advisor and retain ultimate responsibility for the voting decision. Regular due diligence is conducted on the business's proxy advisor.

Disclosure of PGIM Quant's proxy voting policy, guidelines and procedures is provided to clients who authorize PGIM Quant to vote proxies, generally at the time that the investment management agreement is negotiated. Clients who retain responsibility for voting their own proxies can ask PGIM Quant for advice regarding a particular ballot issue for a specific holding, and PGIM Quant share its analysis of the issue based on rankings of SASB materiality, carbon emissions, and other sources of data.

The business's Proxy Voting Overview and proxy voting results are also made publicly available in the Stewardship section of the business's website: www.pgimquantitativesolutions.com/Stewardship.

Proxy Voting on Environmental and Social issues

PGIM Quant believes that strong stewardship leads to improved management of social and environmental issues, and considers shareholder proposals in this area carefully, with a focus on adding economic value.

When voting proxies, the business's analysis of various Shareholder Proposals that deal with ESG issues also provides an opportunity to vote for those Shareholder Proposals where it believes it will help reduce material risk factors, as well as lead to better disclosures of industry-specific and systematic risks. The business seeks to actively monitor developments in the proxy voting arena based on a historical analysis of proxy issues and a continuing review of new proposals and legislative changes. The policy and guidelines are reviewed annually and updated as needed to address new developments.

PGIM Quant Proxy Voting Record

Total Proposals
74,682

Management
73,546
98.50%

Supported	Opposed	ABST/Other
62,769	5,839	4,938
85.30%	7.90%	6.70%

Shareholder
1,136
1.50%

Supported	Opposed	ABST/Other
389	720	27
34.20%	63.40%	2.40%

From January 1, 2023 through December 31, 2023. Source: PGIM Quant.

CASE STUDIES

PROXY VOTING IN QUANTITATIVE EQUITIES[49]

EXAMPLE VOTING FOR: SHAREHOLDER PROPOSAL REGARDING HUMAN CAPITAL MANAGEMENT

The shareholder proposal involved a request that the Company publish a report assessing its diversity, equity, and inclusion efforts. The report was meant to provide transparency into the effectiveness of the Company's diversity, equity and inclusion efforts, using quantitative metrics for hiring, retention and promotion of employees, including data by gender, race and ethnicity. PGIM Quant reviewed the available proxy research, which included detailed information on the Proponent's and Board's perspectives, SASB materiality, and peer review. In reviewing the research, it was evident that the Company annually publishes its ESG report on its website, and, among other things, its ESG report discusses its approach toward fostering DEI and contains the prior year's data on the gender, racial, and age group composition of its workforce. However, the Company has not released its consolidated EEO-1 form, nor has it shared sufficient quantitative hiring, retention, and promotion data to allow shareholders to determine the effectiveness of its human capital management programs. PGIM Quant ultimately recommended voting FOR in light of the fact that approximately 89% of the S&P 100 and 35% of the Russell 1000 have released, or have committed to releasing, their EEO-1 forms, the latter currently considered to be a best practice in diversity data reporting.

EXAMPLE VOTING AGAINST: SHAREHOLDER PROPOSAL REGARDING HUMAN CAPITAL MANAGEMENT

The shareholder proposal involved a request that the Company report on the financial costs and risks of using temp agencies to meet its warehouse and distribution centre needs. The report was meant to include a breakdown of the types and amounts of fees paid, and an analysis of why the costs outweighs the risks, including the potential for increased injuries of temp agency workers. PGIM Quant reviewed the available proxy research, which included detailed information on the Proponent's and Board's perspectives, SASB materiality, and peer review. In reviewing the research, it was evident that temp workers comprised between 5% to 7% of the Company's total workforce requirements, depending on volume and seasonality. The city where the Company is located recently made amendments to the Labor Standards Act which now requires that agencies possess the requisite permits from the regulator.

The local labor laws require the Company to apply the same health and safety standards for every individual working in its facilities, regardless of their status as employee of the Company or agency, and the Company maintains wage rate parity between employees and agency workers accomplishing the same work. Agency workers have numerous avenues to report issues or voice concerns, including confidentially if they choose, and they are also represented on and participate in meetings of the Company's distribution centre health and safety committee, which meets regularly and is comprised of representatives of the human resources department and distribution centre management. PGIM Quant ultimately recommended voting AGAINST, because through various public disclosures the Company sufficiently outlines its considerations for its workforce and addresses the use of third-party employment agencies, while also maintaining board-level oversight of human capital management. Further, there was no evidence to suggest that the Company was in violation of any laws or regulations regarding its workforce or that its current management of this issue is deficient.

49 Illustrative examples were selected from proxy votes that were cast in 2023 and were identified as either an environmental or social shareholder proposal. PGIM Quant strives to vote environmental and social shareholder proposals manually and the selection of these examples are not representative of all votes cast. There is no guarantee PGIM Quant will arrive at the same outcome in a similar vote in the future.

Global Real Estate Securities

As shareholders, Global Real Estate Securities (GRES) wields influence over ESG-related decisions for its REITs. As illustrated in the graphic, ESG considerations and ESG engagement are integrated components in the investment process and have a direct impact on the justified premium/discount to NAV assigned to every REIT under coverage, based on a number of factors including a proprietary ESG score and a management score.

As part of the ESG engagement process, GRES meets with senior management of a REIT each year to discuss ESG scores, priorities and progress. REITs that elect to improve their ESG focus will see a corresponding increase in projected returns and raise the potential for increased ownership in their shares by GRES strategies.

Total Proposals
1,751

Management
1,746
99.7%

Supported	Opposed	ABST/Other
1,584	52	110
90.7%	3.0%	6.3%

Shareholder
5
0.3%

Supported	Opposed	ABST/Other
1	3	1
20%	60%	20%

CASE STUDY

PROXY VOTING IN GLOBAL REAL ESTATE SECURITIES

ISSUER: LARGE-CAP STORAGE REIT

Objective: The issuer was the subject of a shareholder proposal that requested the board issue short and long-term Scope 1-3 greenhouse gas reduction targets aligned with the Paris Agreement's 1.5 °C goal requiring net zero emissions by 2050.

Outcome: The Global Real Estate Securities team reviewed the shareholder proposal alongside their ESG and Proxy voting policies and determined that supporting this proposal was in-line with their stated policies and in the best interest of shareholders. The GRES Team voted for the proposal and subsequently engaged with management to share their views regarding the proposal and how they incorporate emission reduction levels into their proprietary ESG scores as part of their investment process. The GRES Team discussed the company's current targets, how those targets compare to peers, and the company's intentions for setting more specific reduction targets in the future. The GRES Team will continue to monitor the company's annual Sustainability Report for progress on setting emissions targets which are currently cited as "in progress".

FIXED INCOME

PGIM Fixed Income engagement approach and activities

As an active, bottom-up, fixed income asset manager, PGIM Fixed Income views ESG engagement as an important tool in their investment process, which through constructive and ongoing dialogue with issuers, can enable them to achieve better investment and, where applicable, ESG outcomes for their clients. The emphasis the business places on stewardship is formally recognized by the UK Financial Reporting Council (FRC) via status as a signatory to the UK Stewardship Code.

Investment driven engagement outcomes

The business's engagement efforts are rooted in their fiduciary duty towards clients. A core tenet of their engagement approach is that they should not pursue engagements that are likely to harm the value of their clients' positions in the issuer. The objective of the engagements will be specific to each issuer and focused on issues that are material to the issuer from an ESG credit risk/ opportunities and/or ESG impact perspective. The business therefore prioritizes engagements and objectives that the relevant analyst believes (based on their knowledge of the issuer and its industry) will preserve or improve the value of their positions in the issuer and avoid those that they believe will conflict with this intention. Engagements are prioritised on the basis of factors such as the materiality of the ESG topic(s) on the issuer, their relative value view of the issuer, and how receptive they view the issuer to be to engagement. Additionally, they may consider other factors such as specific themes, controversies, specific events including change to regulation, M&A, or other issues that may arise. Other factors such as specific themes, controversies, specific events including change to regulation, M&A, or other issues may also be considered.

EMERGING MARKETS DEBT

MULTINATIONAL CONGLOMERATE

TOPICS:

- Disclosure & Reporting
- Audit & Accounting
- Business Conduct & Culture

Objective

The issuer was the subject of a publicly available report alleging failings in governance, accounting and regulatory oversight. Given the seriousness of these allegations, PGIM Fixed Income downgraded the issuer's ESG Impact Rating and failed it on their SFDR Good Governance assessment. Afterwards, they engaged with the issuer to discuss the allegations and confirm whether their downgraded ESG Impact Rating and SFDR Good Governance assessment were warranted.

Outcome

During the meeting, PGIM Fixed Income questioned the CFO regarding a loan to a coal business that was collateralised by shares in a green business and asked what had been done to prevent such situations arising in future. The issuer claimed the loans had been mischaracterised in the media and dismissed concerns around regulatory oversight and allegations of stock manipulation, claiming they were patently false. While PGIM Fixed Income took onboard the issuer's pushback regarding the circumstances of the green shares-backed loan, there was no clear governance framework in place to prevent this happening again. This engagement increased their confidence that their downgraded ESG Impact Ratings and SFDR Good Governance assessment correctly reflect the issuer's situation. As the revised ESG Impact Ratings are below the threshold required for PGIM Fixed Income's ESG-labelled products, they sold these positions in line with policy. Similarly, as PGIM Fixed Income view governance standards as being unsuitable for inclusion within their PGIM-branded SFDR Article 8 products, they sold from these products.[50]

50 Source: PGIM Fixed Income as of February 2023.

Given that PGIM Fixed Income's engagement activities are directly linked to their investment research its strong preference is for one-on-one direct engagements as this allows it to represent the business's own view point and enables it to speak candidly when highlighting its ESG concerns to company management.They do not employ third parties to conduct engagements. To enable constructive ESG dialogue, the business encourages close collaboration between fundamental research analysts, economists and ESG specialists throughout the engagement process. Such collaboration allows for knowledge sharing between teams and enables them to think holistically regarding the objectives and risk-return implications of an engagement. Assessments of the engagements are recorded internally and facilitate monitoring of ESG-related interactions with issuers and provide helpful insights to PGIM Fixed Income's investment process. Issuers' progress on the ESG issues raised is reflected in ESG Impact Ratings and fundamental credit ratings (where ESG risks are integrated), both of which must be updated at least annually, or more frequently as events warrant.

Where an issuer continues to not address ESG concerns raised by PGIM Fixed Income that are material to its assessment of credit risk and/or its eligibility for ESG portfolios, PGIM Fixed Income believes the most effective escalation is to reduce their holdings of the issuers debt with the expectation that this will, over time, impact the issuer's cost of capital. Given that fixed income investments generally do not have equity ownership rights, the business is not able to use proxy voting, but they do employ a number of escalation mechanisms such as declining to buy new debt issuance, divesting in the secondary market, which may contribute to a widening of an issuers market spreads, and can in turn also impact the future cost of capital, when the issuer comes back to market with a new issue. Further, even if they do not currently hold an issuer's, PGIM Fixed Income's views can be impactful as one of the largest global fixed income managers, if the issuer intends to issue future debt. Thus, PGIM Fixed Income considers that their decision to buy, divest or not invest in an asset as their most effective instrument of escalation, especially if it is done in combination with direct feedback to the issuer regarding their investment decision.

LEVERAGED FINANCE

EUROPEAN RESIDENTIAL HEALTH SERVICES PROVIDER

TOPICS:

- Human Capital & Labor Management
- Health & Safety

Objective

This issuer operates in a difficult care segment which makes good practices around labor management and patient safety particularly important. A few years ago, an undercover documentary alleging poor conditions and lack of staff training at one of the issuer's facilities aired and, since then, it has been subject to negative press headlines. PGIM Fixed Income have engaged several times since the reports surfaced and engaged again to voice their concerns and dig into the actions being taken to address the safety issues.

Outcome

The issuer has historically relied heavily on agency staff and suffered high staff turnover rates. PGIM Fixed Income have raised this as a prime concern, given that lack of skilled labor is likely to have a negative impact on patient care and safety. During the engagement, management told them that it has implemented initiatives aimed at improving labor conditions and staff turnover, including a real living wage for staff and career development opportunities. Over the course of two meetings, they learned about the systems that have been implemented to address patient safety and heard how the issuer treads the line between maintaining patient safety while also ensuring that patients are not overly restricted. They continue to see the issuer as lagging its peers on labor practices and patient safety, but it was able show how its efforts have begun to pay off in terms of a declining proportion of agency staff, increased staff retention, and improved site quality ratings. On the back of the engagement, PGIM Fixed Income increased the issuer's ESG Impact Rating, albeit from a low base. PGIM Fixed Income will watch for further improvements in patient safety and labor management before they consider upgrading the issuer further.[51]

51 Source: PGIM Fixed Income as of June / July 2023.

SOVEREIGNS

ISSUER: SOUTH AMERICAN EMERGING MARKET

TOPICS:

- Biodiversity & Land Use
- Green & SL Bonds
- GHG Emissions & Climate Change

Objective

During a presentation on the country's Sustainable Bond Framework, PGIM Fixed Income took the opportunity to engage with officials to learn more about the country's broader sustainability initiatives, including its climate and deforestation targets.

Outcome

Officials told them about the mechanisms the country is using to improve its deforestation rates, including satellite monitoring technologies and seizure of illegally raised cattle in embargoed areas. They voiced concerns over the low number of enforcement agents currently employed and asked for more detail on the administration's plans to restore the environmental agencies' workforce. PGIM Fixed Income also discussed the country's climate targets and questioned the reduction in its ambition – the officials responded that the country is actively looking at a lower baseline, which would increase the targets' ambition. Finally, they communicated their expectations for a high quality ESG-labelled bond, highlighting that the country's proposed framework does not give many details on the specific projects that would be funded as a result of this particular issuance, and appears not to consider how the allocation would be split between eligible categories. PGIM Fixed Income encouraged officials to consider their comments before they issue, so they come to the market with a clearer idea of what this Sustainable Bond will be used for.[52]

Transaction Structures and Documentation Packages

The terms and conditions of indentures, contracts, prospectus supplements and related transaction documents are an important part of PGIM Fixed Income's asset management responsibilities relating to securitisations. In the new issue context, depending upon the sector and specific investment opportunity, credit analysts may negotiate transaction terms with issuers and sponsors to improve credit protections and governance on behalf of their clients. PGIM Fixed Income may also request enhanced reporting packages and actively negotiate transparency provisions if it considered the proposed or existing reporting as deficient for our surveillance requirements.

CASE STUDY

A TRANSACTION STRUCTURE INFLUENCED BY ESG CONSIDERATIONS

In 2023, during negotiations with a collateral manager, PGIM Fixed Income asked it to explicitly prohibit the investment from investing in certain sectors, including thermal coal mining or the generation of electricity using coal, the production of palm oil, the production or distribution of opioids, etc, and received acceptance from the issuer.

52 Source: PGIM Fixed Income as of September 2023.

PGIM PRIVATE ALTERNATIVES (PPA)

Real Estate

PGIM Real Estate's places a high emphasis on stewardship and is formally recognized by the UK Financial Reporting Council (FRC) as a signatory to the UK Stewardship Code.[53] PGIM Real Estate's approach to stewardship is integral to its goal to deliver enhanced risk-adjusted returns for its investors, to become a landlord and lender of choice, to maintain its position as a practitioner of good global citizenship to all stakeholders–investors, partners, borrowers, employees and the communities in which they reside and invest.

The business believes engaging to improve sustainability practices and ESG performance of an asset and/or engaging and supporting borrowers in their transition toward sustainability creates long-term value for all stakeholders.

Given the importance placed on stewardship, PGIM Real Estate's Global ESG Council guides the implementation of its stewardship and engagement programs. While the stewardship approach is global, the focus on real estate as a "local business" means investment selection decisions are made locally with accountability and strong risk management oversight. It also means local or regional nuances (such as enhanced data privacy regulation in Europe) are considered with regards to engagement issues.

Stewardship in PGIM Real Estate equity

On the equity side, where the business invests directly in the real estate assets, the engagement objectives are primarily set at the time of initial investment, or in the annual asset level work plan process (as described below) and are executed and monitored on an ongoing basis. Escalation of stewardship activities in PGIM Real Estate equity can take several forms, including:

- Escalating issues with service providers: Property managers play a key role in the management of ESG issues at the asset level and the Property Management Agreements, which include SLAs and KPIs that allow the business to benchmark property manager performance against the business's ESG and stewardship objectives and escalate ESG issues should they be identified. Other forms of escalation with property managers and other service providers include collaboration, senior management engagement, and terminating service provider.
- Modification of asset-level work plans: As described below, asset managers develop a strategic plan for each asset that includes specific ESG objectives based on the original underwriting assumptions and the goals of the portfolio. These annual reviews provide an opportunity for progress measurement, as well as escalation of engagement when progress in meeting objectives is behind target.

Stewardship in PGIM Real Estate debt

On the debt side, PGIM Real Estate's ability to escalate ESG issues and seek change is primarily determined during the initial investment, underwriting, due diligence and documentation stages and as ESG-related requirements may be imposed through loan covenants, or structure mechanisms. The engagement interactions the business has with borrowers may include:

- Seeking to educate borrowers in the reduction of their portfolio's environmental impact and, where relevant, promote sustainable design and construction methods.
- Encouraging borrowers to develop sustainability expertise on topics such as energy ratings and, green building certification as well as to develop their own ESG strategy and industry affiliations.
- Monitoring and enforcing ESG covenants established in the lending documents.
- Reviewing and approving borrower consents.
- Reviewing and approving borrower business plans and plans for efficiency enhancements.

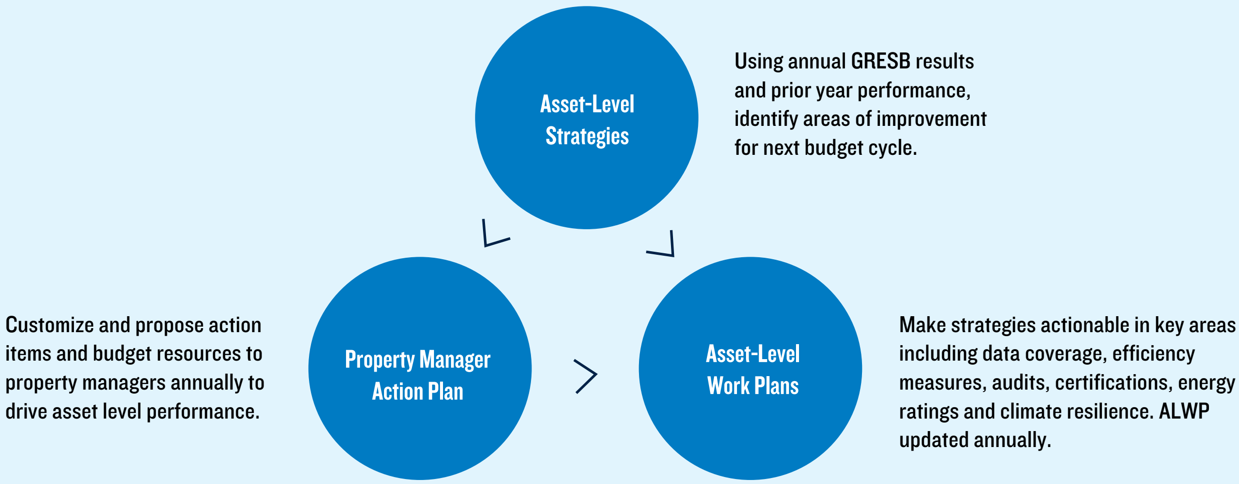
53 See www.pgim.com/real-estate/esg.

CASE STUDY

STAKEHOLDER ENGAGEMENT IN REAL ESTATE

ASSET-LEVEL WORK PLANS (ALWP)

PGIM Real Estate constantly strives to improve the performance of its equity investment portfolio and develops initiatives that are considered key priorities in alignment with the applicable level ESG goals. Based on specific property characteristics and data, properties are matched with appropriate initiatives.



The Asset-level work plan serves several key purposes:

- Offers budget guidance to property managers on efficiency measures, sustainability audits, certifications, and energy ratings and climate resilience
- Centralises asset-level information to improve data coverage and integrity for reporting season
- Creates a baseline of current implementation status across the portfolio
- Allows for more targeted implementation measures for future budget cycles

ALWPS include programs and initiatives such as:

- Energy, water and waste Audits: ASHRAE Level 1 and 2 audits, sustainability audits, water use analyses, LED lighting surveys, net zero audits and climate resilience assessments
- Energy and Water Efficiency Projects: LED lighting retrofits, high-efficiency water devices, smart irrigation
- Waste Management Projects: recycling, waste sorting and composting
- Energy Use Ratings and Certifications: ENERGY STAR, EU EPC
- Sustainability and Wellness Certifications: LEED, Fitwel, BREEAM, IREM CSP
- Utility Data Automation: utility data platforms, ENERGY STAR Portfolio Manager, Measurabl, Arc

ENGAGING WITH TENANTS AND THE COMMUNITY

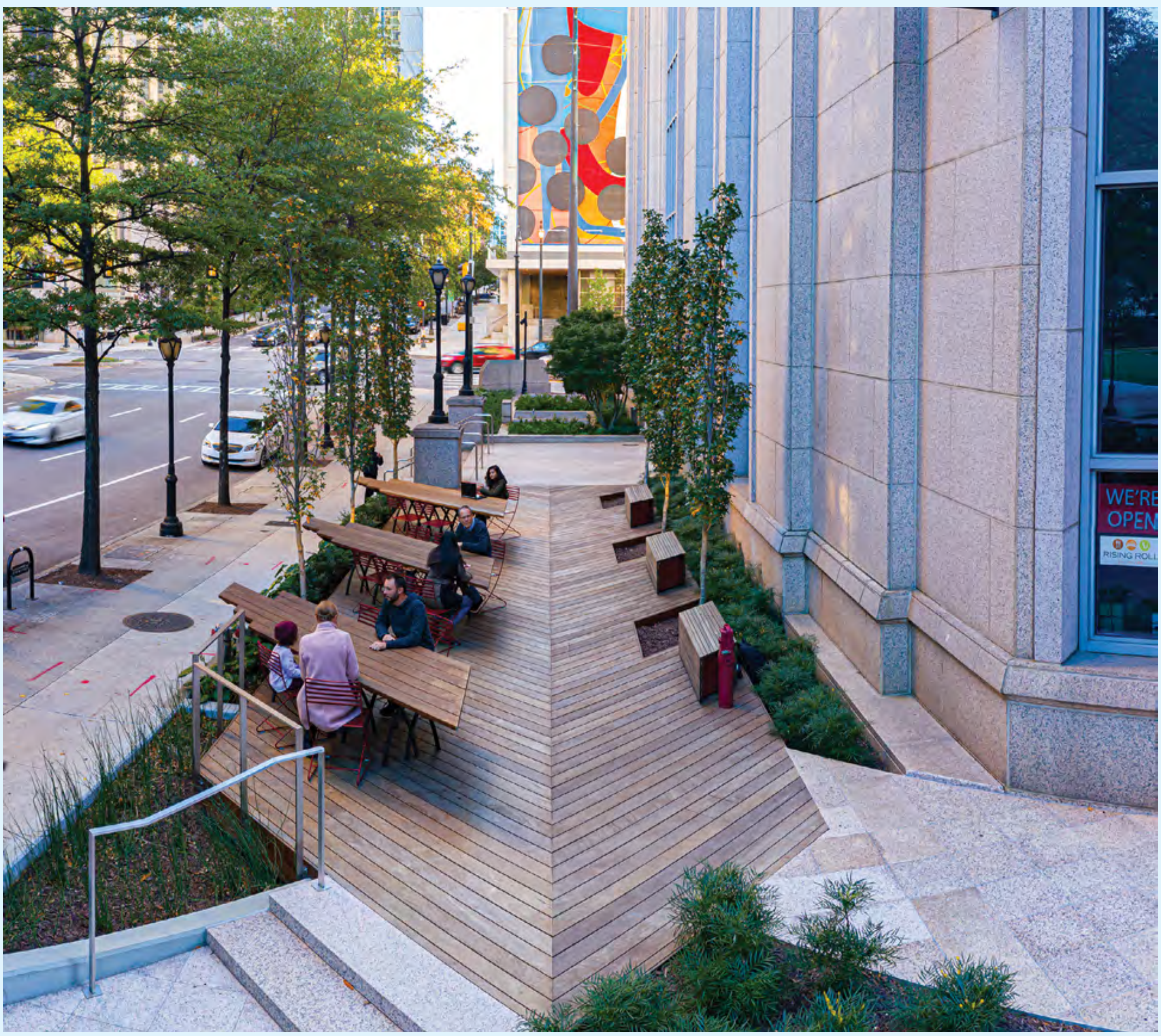
REGIONS PLAZA FITWEL 3-STAR RATING

Built in 2001, this Class A, 24-story office building recently achieved a Fitwel 3-Star rating using the Fitwel v2.1 Multi-Tenant Base Building Scorecard and Institute of Real Estate Management Certified Sustainable Property Certification.

This certification reflects PGIM Real Estate's commitment to prioritizing the health and wellness of its employees and tenants. Despite the COVID-19 pandemic and resulting reduced occupancy and temporary closures to local amenities, the project team successfully executed a variety of health and wellness measures to enhance work and shared spaces and to improve healthy food and beverage access, building-level policies, and outdoor spaces.

The Fitwel strategies implemented at Regions Plaza feature the following health impacts:

- 94% of strategies positively affect community health
- 88% of strategies reduce morbidity and absenteeism
- 88% of strategies support social equity
- 87% of strategies provide healthy food options
- 83% of strategies instil feelings of well-being
- 83% of strategies promote occupant safety
- 82% of strategies increase physical activity



CASE STUDY

INFLUENCING THE BORROWER TO IMPROVE SUSTAINABILITY AND REDUCE GREENHOUSE GAS EMISSIONS ACROSS A PORTFOLIO OF PROPERTIES

Project: PGIM Real Estate partnered with Fannie Mae on a 10-year Green Rewards senior loan to finance sustainability upgrades at 25 multifamily residential properties located in the south-eastern United States.

Actions: The PGIM Real Estate-approved property upgrades included comprehensive replacement of older apartment heating systems with new, high efficiency heat pump units, the replacement of gas-fired water boilers with all-electric models, the removal of ozone-depleting refrigerants from the air conditioning systems, the provision of smart thermostats and energy management upgrades, and the installation of water-efficient plumbing fixtures and water-saving lawn irrigation equipment.

Outcomes: In support of the ESG commitments shared by both PGIM Real Estate and Fannie Mae, the 25 properties are being renovated to achieve a projected 15% reduction in energy usage and 20% reduction in water usage, as well as elimination of all Scope 1 GHG emissions from a majority of the properties. PGIM Real Estate's loan servicing team is monitoring the renovations and will confirm compliance through annual post-renovation energy audits throughout the loan term.

Private Credit

PGIM Private Capital engagement activities

Regular engagement with companies in PGIM Private Capital's (PPC) investment portfolios has always been a critical part of their investment process. PPC has had the good fortune of maintaining continuous investment relationships with many businesses extending over several decades and the partnerships with the companies in which they invest provide deep insights.

PPC's approach to ESG engagement is aligned with their relationship-forward mentality. PPC investment teams manage their relationships from initial investment review through the end of the holding period, and as a result, ESG engagements may occur at any point of the investment process. Investment teams may engage with issuers and prospects to identify and discuss risks, practices, or opportunities related to ESG. ESG engagements most often involve diligence around ESG risks, as PPC strives to deepen understanding of business fundamentals and ESG issues that may pose downside risk. To the extent ESG factors have a material adverse impact on the creditworthiness of the issuer, PPC may decline to participate in an investment. Other possible ESG engagement actions may include sustainability-related transaction structuring, requests for ESG reporting, identifying opportunities for ESG improvement, or sharing of best practices.

For portfolio companies where PPC has identified significant ESG risks, they strive to prioritize discussions directly with company management to better understand these risks, and any existing mitigants, if they exist. A core element of PPC's ESG approach is focus on relevant credit risks, thus ESG engagements are prioritized where a material ESG risk is identified. As primarily a debt investor, the intended outcome of engagement is often to gather more information about the identified risk and discuss mitigants if they exist, with the goal to better inform investment teams in their analysis. The time scale of the engagement period will vary according to the ESG issue and the specific issuer.

SPOTLIGHT

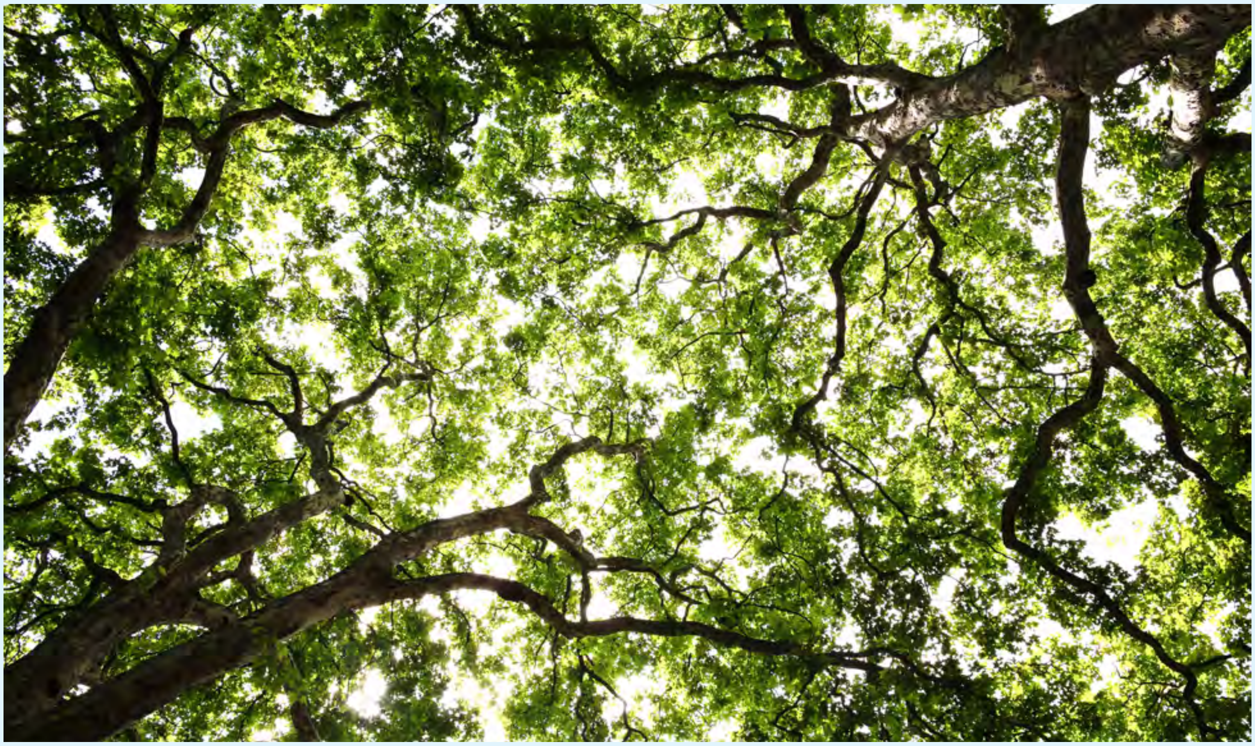
DIRECT LENDING ENGAGEMENT

In 2023, PPC's Direct Lending platform introduced a new ESG diligence process to help teams better engage directly with borrowers and sponsors. Before closing on an investment, potential portfolio companies are now required to fill out a proprietary ESG Borrower Questionnaire, which covers 21 questions on various environmental, social, and governance topics.

In creating the questionnaire, the Direct Lending program sourced input from a working group of U.S. and European-based senior investment professionals on the PPC Direct Lending team in coordination with a PPC ESG-dedicated investment professional. To best serve the specific ESG diligence needs of the strategy, the questions were inspired by other ESG templates used in the market along with ESG assessment and reporting needs in mind. The Questionnaire covers topics such as ESG Policy, supplier/vendor policy, board/management diversity, labor relations violations, carbon footprint tracking, data security disclosures, and succession plan maintenance.

As an ESG diligence and engagement tool, the responses collected can:

- help teams gain an initial understanding of the of the issuer's ESG practices early in the investment process;
- prompt further opportunities for ESG discussions, especially if a key issue or opportunity is identified;
- serve as an additional resource to help complete PPC's ESG Checklist risk rating assessment;
- contribute to the collection of portfolio level ESG data metrics.



COLLABORATING THROUGH INDUSTRY ORGANIZATIONS AND INITIATIVES

Collaboration across the industry is another important aspect of good stewardship. The pooling of resources by investors through collaborative engagement enables the sharing of a breadth of insights and expertise on a particular ESG topic as well as the sharing of best practices around the world. It enables investors to focus on areas of consistency and can add weight and emphasis to the issues of concern and enhance the likelihood of catalysing a positive change in the market. Many ESG industry initiatives exist worldwide, many with broad remits. PGIM has carefully chosen to join those organizations from which it believes its investment investment management businesses will best benefit, and to which it will be able to make a positive and active contribution.

Thus, under the aegis of PGIM, various PGIM investment management businesses are members of:

Council of Institutional Investors® The voice of corporate governance

The Council of Institutional Investors (CII)

IIGCC The Institutional Investors Group on Climate Change

Institutional Investors Group on Climate Change (IIGCC)

Ceres

Ceres Investor Network

IFRS Sustainability Alliance

IFRS (International Financial Reporting Standards)

Sustainability Alliance and SASB (Sustainability Accounting Standards Board) Standards

Additionally, the investment management businesses collaborate with world-leading organizations under their own name, including:

PRI Principles for Responsible Investment

PRI

PGIM Fixed Income, PGIM Real Estate, PGIM Quantitative Solutions, and Jennison Associates are all signatories to the Principles of Responsible Investment (PRI). The Principles were developed by the investment community and reflect the view that ESG issues can affect the performance of investment portfolios and should be considered by investors to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which investors may incorporate ESG issues into their decision-making and ownership practices to better align their objectives with those of society at large.

UK STEWARDSHIP CODE

The UK Stewardship Code

PGIM Fixed Income and PGIM Real Estate are signatories to the UK Stewardship Code. The Code sets out 12 stewardship principles for those investing money on behalf of UK savers and pensioners and sets responsible investment and reporting standards for signatories, across engagement, client reporting and stewardship. The Financial Reporting Council is responsible for developing and reviewing the text of the Code and assessing if an applying organization can be considered a signatory to the Code.

CDP DISCLOSURE INSIGHT ACTION

CDP

Jennison Associates and PGIM Quant are signatories to CDP which is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to disclose and manage their environmental impacts. This includes disclosure of carbon emissions as well as impacts on water and biodiversity.

ISSB and TCFD

PGIM's investment management businesses were historically formal supporters of the Taskforce for Climate-Related Disclosures (TCFD) framework, which established the standard for climate-related disclosures. In October 2023, the Financial Stability Board announced the work of the TCFD has been completed, with the incorporation of the TCFD recommendations into the ISSB's Standards and asked the IRFS to take on the monitoring of the progress of companies' climate-related disclosures. PGIM's investment management businesses benefit from PGIM's group membership of the IFRS Sustainability Alliance and continue to work to support the collective effort to increase transparency on climate-related risks and opportunities across their respective asset classes.

Business-level collaboration

The investment management businesses contribute proactively to further the expertise and best practices within their specialist asset classes. For example, PGIM Quant is a member of the IFRS Investor Advisory Group. PGIM Real Estate is a signatory/ member of several industry bodies such as AREF, CREFC, INREV, ULI, BPF and RICS, where senior Real Estate personnel are actively involved in many of their respective working groups with an aim to not only share knowledge, establish industry standards and promote best practices in corporate governance and transparency, but also ultimately to look to influence positive change.

Collaborative initiatives related to ESG topics are detailed in the PGIM Fixed Income ESG Annual Report and include working with the Structured Finance Association (SFA) ESG Task Force Steering Committee to help develop the SFA ESG best practices disclosure templates for RMBS and auto ABS. These templates are meant to provide the basis for enhanced ESG disclosure in the securitised products market, a key priority given that a lack of data disclosure is a major barrier to more effective ESG integration within the securitised product markets.

Jennison occasionally participates in industry groups with initiatives aimed at improving disclosure or business practices on a market-wide level, in addition to the ESG-related initiatives that PGIM investment management businesses contribute to including Council for Institutional Investors and IFRS Value Reporting Foundation.

ENGAGING WITH POLICY MAKERS AND REGULATORS

As a global institutional asset manager, PGIM is reliant upon stable, fully functioning markets to fulfil its role as a responsible allocator of risk and enable our clients to pursue a broad range of investment objectives over short-, medium- and long-term time horizons. As part of our role as a steward of our clients' assets, we see it as our responsibility to contribute to preserving and enhancing the integrity and stability of the market system. We therefore believe it is important that PGIM engages with governments, policy makers and regulators to support effective government policy and regulatory standards that uphold the stability of the financial markets.

We also consider that collaboration with industry organizations to promote improved disclosure of information that could enhance outcomes for our clients is critical to the firm's ability to offer credible ESG products and solutions. Given the focus of the policymakers and regulators on ESG and climate disclosures, we have contributed to several regulatory consultations regarding ESG regulation and ESG voluntary frameworks including:

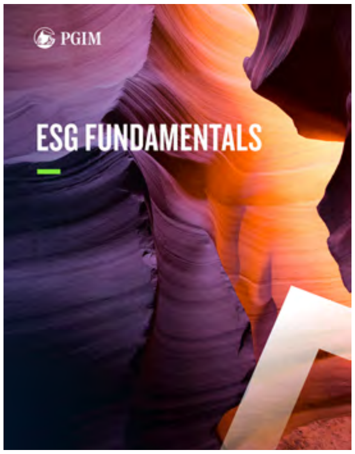
- European Commission's consultation on the implementation of the Sustainable Finance Disclosures Regulation (SFDR).
- ESMA's consultation on Guidelines on funds' names using ESG or sustainability-related terms.
- The ESA's Review of SFDR Delegated Regulation regarding PAI and final product disclosures.[54]
- FCA consultation on Sustainability Disclosure Requirements (SDR) and investment labels.
- Discussions with ISSB on sustainability disclosure standards and priorities.

In addition, PGIM has also actively contributed to the submissions of the various trade associations of which we are members including The Investment Company Institute (ICI), Securities Industry and Financial Markets Association Asset Management Group (SIFMA AMG) and other global trade associations.

54 See www.esma.europa.eu/press-news/consultations/joint-consultation-review-sfdr-delegated-regulation#responses.

ESG THOUGHT LEADERSHIP

As active, research-led, client-focused investors, ESG research and analysis is core to the development of ESG products, methodologies and frameworks in each of our investment management businesses. Our businesses are keen to share their expertise and research for peer review and regularly publish their research and thought leadership on a breadth of ESG insights and topics. The following highlights a snapshot of some recent publications.



PGIM'S ESG FUNDAMENTALS

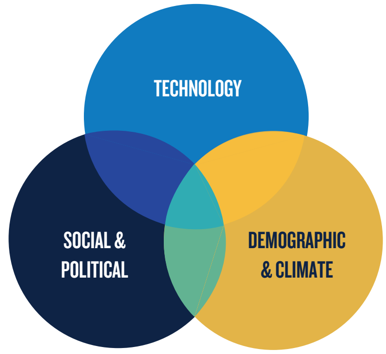
PGIM's "ESG Fundamentals" explains the world of ESG to its clients and other stakeholders – not as a philosophy, product, or trend, but as a powerful and useful investment tool that can be applied to serve different purposes.

Noting that making sense out of ESG can be hard – even for professional investors, this paper sought to bring clarity to the many ESG issues investors and companies are navigating today, from greenwashing to regulatory uncertainty. Within this rapidly evolving environment, a clear understanding of what ESG means in an investment context is essential for all investors.

Access the full white paper

PGIM'S MEGATRENDS RESEARCH SERIES

Megatrends are reshaping global economies, industries, and markets. These trends have been focused on social and political change, technology disruption, and demographic and climate change. Understanding how these megatrends interact and impact different regions and populations allow investors to invest smarter. At PGIM, we draw insights from investment professionals, leading academics, and policymakers worldwide to examine the most notable megatrends and identify the long-term investment implications across asset classes and sectors.



Food for Thought

PGIM's "Food for Thought" white paper, published in the summer of 2023, analysed our global food system and underscored the many inter-related and inter-dependent ESG challenges and feedback loops impacting institutional investors in the agricultural sector. The increasing world demand for food, the need for greater productivity and a rapidly converging global diet all need to be balanced against a rapidly changing world and an understanding that the impact of climate change and agriculture is interconnected. The research finds that 30% of global greenhouse gas emissions come from agriculture, while climate change has reduced yields by 12%. The paper sheds new light on the agricultural sector from an ESG perspective. While not every innovation is an investment opportunity, AI-powered autonomous tractors for big industrial farms, alternative agricultural methods, and non-animal meats or proteins are highlighted as tremendous opportunities for investors to make a real impact in this sector.

Learn more at pgim.com/food

The Transformation of Labor Markets

PGIM's "The Transformation of Labor Markets: Winners and losers in a new era," published in the fall of 2023 examined the drivers transforming global labor markets and the impact for investors determining future leaders and laggards across industries, regions and countries. The report identifies four forces underpinning structural change in labor markets:

1. **Demographic trends reshaping global workforce:** Notably the "dual aging" of companies and older, settled workers is dampening entrepreneurship and innovation, with the U.S., for example, seeing a decline in startups.
2. **Structural mismatch in labor demand and supply:** Labor mismatches are amplified by technology, reshoring and industrial policy. For example, by 2030 the U.S. semiconductor industry expects more than half of the roles they need will be unfilled due to a lack of workers with the technical skills to manufacture chips.
3. **AI brings automation from the factory floor to the office:** Labor and tech have a complex relationship – AI both enhances productivity and replaces jobs. While it may eventually displace workers – especially in service industries such as law, finance, pharma research, and education – this won't happen imminently and to the scale current headlines are suggesting.
4. **Fraying globalization impact on labor patterns:** With the "golden era" of globalization over, there are paradigm shifts underway which are being overlooked by investors. Migration, onshoring of global supply chains and the resurgence of labor bargaining power are all factors investors must consider given their potential to reshape growth, inflation, and monetary policy in this new era of labor markets.

Learn more at pgim.com/labor

JENNISON ASSOCIATES

Decarbonization is Not a Zero-Sum Game

Jennison's "Decarbonization is Not a Zero-Sum Game" white paper offers a blueprint for quantifying emissions avoided.

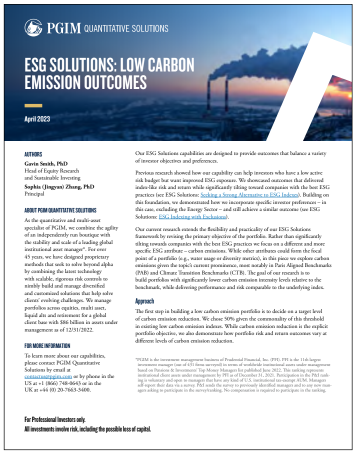
As the global economy embarks on the complex journey towards decarbonization, the landscape of investment opportunities is evolving in tandem. Traditionally, the focus of investments in decarbonization has been on companies in the renewable energy sector. However, the decarbonization economy is far more intricate and expansive, presenting a diverse array of investment opportunities across a multitude of sectors.

Once avoided emissions are truly taken into account, the range of carbon solutions that can help the world on the path to a low carbon economy expands enormously. It is not just about renewables, electric vehicles, and battery technology, nor about better insulation and sensors, or replacing dirty coal with cleaner gas – it is about "all of the above" and much more. Adopting a wider view of the decarbonization economy can present investors with a rich and diverse array of opportunities. By including companies beyond the renewable energy sector, the white paper suggests investors can better align their portfolios with the multifaceted nature of the global decarbonization effort while also potentially enhancing portfolio resilience and returns.

Access the full white paper

PGIM QUANTITATIVE SOLUTIONS

ESG Solutions: Low Carbon Emission Outcomes



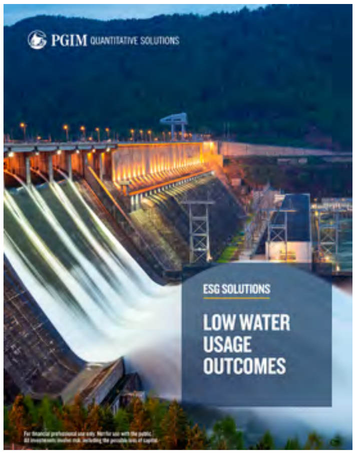
As an extension of the flexibility and practicality of PGIM Quant's ESG Solutions framework, the team established a primary portfolio with the following objectives:

- A carbon emission reduction of 50% compared to the benchmark is set as an explicit portfolio objective.
- Stocks with low carbon emissions along with other attractive alpha attributes are targeted while controlling key risk exposures.

The resultant portfolio has a lower carbon emission intensity level relative to the benchmark and delivers modest outperformance while maintaining comparable risk relative to the underlying index.

Access the full white paper

*Portfolio objectives are not guaranteed. Past performance is not a guarantee or reliable indicator of future results.



ESG Solutions: Low Water Usage Outcomes

As an extension of PGIM Quant's ESG research focusing on lower carbon emission intensity levels, PGIM Quant demonstrates the flexibility and practicality of its ESG Solutions framework by establishing low water usage as the primary portfolio objective:

- A water usage reduction of 90% compared to the benchmark is set as an explicit portfolio objective, focusing on stocks with low water usage along with other attractive alpha attributes while controlling key risk exposures.
- Targeting additional ESG attributes helps avoid unintended exposures in other areas that harm the environment or society; the portfolio shows improvement in overall ESG exposure, along with improvement in the E, S, and G attributes.

The resultant portfolio has a lower water usage level relative to the benchmark and delivers modest outperformance while maintaining comparable risk relative to the underlying index.

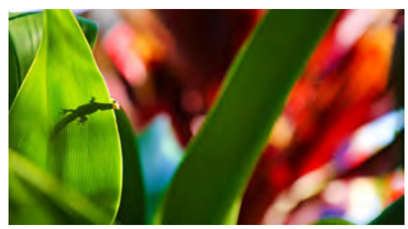
Access the full white paper

PGIM FIXED INCOME

Fixed on ESG podcasts

Biodiversity 101: Dissecting COP15 with Planet Tracker

With hopes that COP15 would produce a Paris Agreement equivalent to biodiversity, stakes were high. Birgit Lundem Jakobsen, Senior ESG Analyst at PGIM Fixed Income, hosts two highly anticipated guests who attended COP15, Planet Tracker's Director of Research, John Willis, and Policy Officer, Arianna Manili and discuss biodiversity and its importance to the world and to investors; provide thoughts on the successes and misses of COP15; dissect some of the key targets of the Kunming-Montreal Global Biodiversity Framework (GBF); highlight tools investors can access to better understand how their portfolios are impacting biodiversity and describe how investors can prepare for increased focus on biodiversity disclosure.

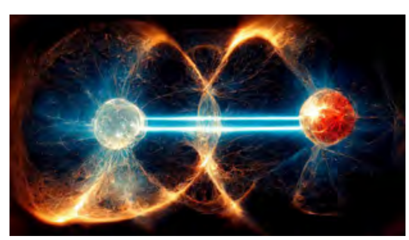


Climate Finance: Support for Developing Countries Amidst Climate Change

In this episode of Fixed on ESG, ESG Specialists, Nuvneet Dhillon, CFA, and Alistair Shepheard-Walwyn, examine the current state of international climate finance. The duo discuss how much climate finance is necessary, how we've integrated climate finance considerations into our sovereign ESG framework, how developed countries have kept up with providing the financing they've pledged, and more.

We Have Ignition: Investment in Nuclear Fusion Solve the Climate Crisis?

In this episode of PGIM Fixed Income's Fixed on ESG podcast, John Ploeg, CFA, Co-Head of ESG Research, and Peter Cody, CFA, U.S. Investment Grade Credit Research Analyst, provide the full picture. John and Peter compare fusion and fission; explain fusion ignition, its complexities, and its possibilities for commercial viability and climate impact; and try to answer, "is nuclear fusion where we should be focusing right now?" Perhaps not so fast. If fusion isn't the perfect solution at present, where should we focus?



OUR PEOPLE

PGIM strives to have a fully inclusive and equitable workplace, with a workforce that reflects the communities where we work and invest. We believe a diverse team, working in an inclusive environment, drives the best outcomes for our clients. As a leading asset manager with a global footprint, we also leverage our reach to advance social justice and equity. We believe in the power of transparency and accountability, and we apply a rigorous framework to measure and track our progress.

- In 2018, we committed to a "5-over-5" goal to increase diverse representation at the senior-most levels of PGIM by 5% over five years. We have transparently measured and met this goal by year-end 2023 and reported on it publicly.
- In 2021, PGIM launched the PFI DEI Investment Portfolio with a $200 million commitment. The program's aim is to maximize long-term risk adjusted returns while supporting early-stage, high- performing fund managers in order to increase the flow of underrepresented managers in the investment sector.
- In 2022, we launched Inclusion Counts, a global program to teach and implement inclusive behaviour with a goal of at least 70% of PGIM leadership consistently putting newly learned inclusive behaviors into practice annually.
- In 2023, we deepened our commitment to inclusion across the globe by becoming a founding signatory to the CFA Institute DEI Code in the UK and a signatory to Ireland's Women in Finance Charter.

Through the advocacy of senior leaders, the expansion of our global culture initiatives, and a growing network of external partners, we are tracking to meet these goals.

DIVERSITY, EQUITY AND INCLUSION (DEI) KEY AREAS OF IMPACT

TALENT

Attract, Develop, Promote, and Retain Talent at All Levels

- It is critical to the long-term sustainability of our industry to attract the best talent. We are committed to supporting the next generation of investment leaders and building a pipeline of future diverse talent that will bring new perspectives to the investment industry.
- We actively strive to create an equitable and inclusive workplace where all talent thrives. We ensure employees have a fulfilling and purpose-driven career, complete with ongoing training, mentoring, and access to senior leadership.

CULTURE

Evolve PGIM's Culture to be Fully Inclusive – Where Everyone Has a Voice, and Feels Understood, Respected and Valued

- We are committed to fostering a culture where diverse perspectives are valued and celebrated. We endeavor to support a culture of transparency where our leaders have accountability for progressing our DEI strategy.
- Inclusion Counts is PGIM's multi-year culture change strategy, in partnership with the Neuro Leadership Institute, aimed at developing inclusive behaviours among colleagues – particularly leaders – infusing a greater sense of belonging across the organization. In 2023 we launched phase one: DECIDE with a robust communications campaign of videos, job aids and discussion sessions. We implemented over 100 webinars across the globe, attended by 81% of eligible leaders, providing knowledge of concepts such as psychological safety and growth mindset, and equipping leaders with specific "habits" aimed at recognizing and mitigating cognitive biases.

INDUSTRY

Be a Recognized Agent of Change in the Drive Towards a More Equitable Asset Management Industry

- Through partnerships with our industry peers, we endeavor to empower and develop the next generation of industry leaders. We also recognize PGIM's responsibility to actively engage with peers across the asset management industry to dismantle industry barriers to entry and empower and develop these future industry leaders.
- PGIM was a founding signatory to the CFA Institute's DEI Code in the US and Canada in 2022. In 2023, PGIM contributed to drafting the Implementation Guidance for the equivalent DEI Code in the UK, launched in October 2023. As a contributor and founding signatory to the Code, PGIM demonstrates its deliberate commitment to transparent and measurable action on DEI.
- In 2023, we partnered with UNCF (United Negro College Fund) to research and publish a study that explores the systemic challenges facing HBCUs (Historically Black Colleges & Universities) in the US in accumulating substantial endowments. With this research we aim to galvanize asset managers to engage in critical conversations about how our industry can help level the playing field for HBCU endowments.

  Visit www.pgim.com/hbcu

INVESTING

Deploy Capital to Investments that Advance Equity and Social Justice, While Remaining True to Our Fiduciary Responsibilities

- The investment industry possesses enormous potential to direct much-needed capital and market intelligence to the most pressing socioeconomic challenges faced in our society, including access to education, affordable housing, and investment capital. Given PGIM's global footprint and expertise, we have the capabilities to work with clients who desire to allocate capital in a way that drives positive socio-economic impact.

COMMUNITY

Engage Our Wider Community to Promote Social Justice and Equality

- We implement meaningful firm-wide projects that aim to leave a lasting impact in the global communities in which we operate. We drive outcomes through financial contributions and by melding the skills and expertise of PGIM employees to execute service projects globally.
- Alongside our parent company PFI, at PGIM, we are committed to supporting both faculty and students within the business schools at select HBCUs. Through the creation of PGIM Finance Labs, student-led investment funds and access to current market intelligence, PGIM will be a conduit to uplift students and support the faculty and endowment professionals who drive the operational and educational sustainability of these critical institutions. Brilliance exists in every area of our society, but access to the tools and resources needed to thrive is often a barrier. PGIM's ongoing partnership with the HBCU community is an extension of our responsibility to support the next generation of investment leaders, so they can be competitive and thrive in our industry long-term.

[Download DEI Statement]

APPENDICES

APPENDIX I: TCFD DISCLOSURE INDEX

The following table outlines where recommended disclosures by the Task Force on Climate-Related Financial Disclosures (TCFD) can be found throughout this report.

DISCLOSURE	PAGE
GOVERNANCE	
Describe the Board's oversight of climate-related risks and opportunities.	-
Describe management's role in assessing and managing climate-related risks and opportunities.	18-21
STRATEGY	
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and longer terms.	22-23
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	13-14
Describe the resilience of the organization's strategy, taking into consideration different \climate-related scenarios, including a 2°C or lower scenario.	-
RISK MANAGEMENT	
Describe the organization's processes for identifying and assessing climate-related risks.	24, 26, 29, 36-39
Describe the organization's processes for managing climate-related risks.	23-41
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	13-14
METRICS AND TARGETS	
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk-management process.	13, 57
Disclose Scope 1, Scope 2 and if appropriate, Scope 3 GHG emissions and related risks.	-
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	13, 57

APPENDIX II: ESG /SUSTAINABILITY INITIATIVES

	PGIM FIXED INCOME	PGIM REAL ESTATE	JENNISON ASSOCIATES	PGIM PRIVATE CAPITAL	PGIM QUANTITATIVE SOLUTIONS
Principles for Responsible Investment (UN PRI) Signatory	Y	Y	Y		Y
Formal Supporter of Taskforce for Climate-Related Disclosures (TCFD)	Y	Y	Y	Y	Y
UK Stewardship Code Signatory	Y	Y			
Council for Institutional Investors*	Y	Y	Y	Y	Y
Institutional Investors Group on Climate Change (IIGCC)*	Y	Y	Y	Y	Y
Ceres Investor Network*	Y	Y	Y	Y	Y
International Financial Reporting Standards Foundation (IFRS) Sustainability Alliance*	Y	Y	Y	Y	Y
Global Real Estate Sustainability Benchmark (GRESB) participant		Y			
Net Zero commitment – Urban Land Institute's (ULI) Greenprint Net Zero Carbon Operations goal		Y			
Better Buildings Partnership		Y			
Climate Action 100+			Y		
Access to Medicine			Y		
CDP			Y		Y
Investor Advisory Group					Y
Climate Bond Initiative	Y				
European Leveraged Finance Association (ELFA) ESG Committee	Y				

* Initiative joined at PGIM level.

APPENDIX III: LINKS TO KEY DOCUMENTS AND THOUGHT LEADERSHIP

	PGIM FIXED INCOME	PGIM REAL ESTATE	JENNISON ASSOCIATES	PGIM PRIVATE CAPITAL	PGIM QUANTITATIVE SOLUTIONS
ESG Policy	PGIM Fixed Income - ESG Policy Statement	PGIM Real Estate ESG Policy	Jennison Responsible Investment Policy	PPC ESG Approach	PGIM Quant ESG Policy Statement
SFDR Disclosure	SFDR Information	SFDR Downloads	–	PPC SFDR disclosures	
UN PRI Assessment & Transparency Reports	Fixed Income PRI Assessment and Transparency Reports	PRI Transparency Reports	Jennison Associates PRI Transparency Report	–	PGIM Quant PRI Transparency Report
UK Stewardship Code Report	Fixed Income Stewardship Report	Investment Stewardship Report 2021	–	–	–
Voting Policy	–	–	Jennison Proxy Voting Policy	–	PGIM Quant Proxy Voting Overview
Voting Record	–	–	Jennison Proxy Summary Vote Report 2022	–	–
Engagement Policy	PGIM Fixed Income's ESG Engagement Policy (pficdn.com)	–	Jennison Engagement Policy	–	PGIM Quant Stewardship

	PGIM FIXED INCOME	PGIM REAL ESTATE	JENNISON ASSOCIATES	PGIM PRIVATE CAPITAL	PGIM QUANTITATIVE SOLUTIONS
ESG Overview	What We Do: ESG Annual Report 2023 Who We Are: ESG at PGIM Fixed Income 2023	PGIM Real Estate Sustainability Report 2022/3	Jennison ESG Insights	PPC ESG Approach	PGIM Quant ESG Overview
White Papers/ Thought leadership	Green Bank Bonds: Abuse of Proceeds?	–	Decarbonization is not a Zero-Sum Game	–	ESG Solutions: Low Carbon Emissions Outcomes
	The Surprising lack of ESG in ESG-Labelled Real Estate Bonds	–	Explore the Decarbonization Economy	–	ESG Solutions: Low Water Usage Outcomes
	Sustainability-Linked Bonds: An Appealing Concept that Disappoints	–	–	–	PGIM Quant: Do More with Your ESG Exposure
	Fusion Ignition and Its Impact Implications	–	–	–	–
	Cybersecurity: How it Affects ESG Impact and Credit Quality	–	–	–	–
	The Ubiquity of Plastic Packaging and its Investment Implications	–	–	–	–
Podcasts: Fixed on ESG	www.pgim.com/fixed-income/fixed-esg		-	-	–

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IMPORTANT INFORMATION AND DISCLOSURES REGARDING THIRD PARTY REFERENCES/RANKINGS MENTIONED THROUGHOUT THIS REPORT

GRESB
GRESB is an independent rating agency. Participation is voluntary and administration fees were paid by PGIM Real Estate's various funds for this submission, which is a volume-based fee for all submitters and is required to participate in the ranking. For more information, please visit www.gresb. com/nl-en/. PGIM Real Estate submitted 23 total funds/properties for GRESB evaluation in 2022, of which 2 were submitted for Management only and 21 for Management & Performance; 11 of the 21 were also submitted for Management & Development. The GRESB ratings published in October 2022 represent AUM as of December 31, 2021 which was submitted for assessment in July 2022. Participation is voluntary and administration fees were paid by PGIM Real Estate's various funds for this submission, which is a volume-based fee for all submitters and is required to participate in the ranking. GRESB ranks 1,100 property companies and funds on behalf of its investor members across the globe. GRESB scores allow for comparison within a specific year against global GRESB universe as well as defined peer groups by rating the fund out of 5 stars.

PRI
Principles for Responsible Investment (PRI) is an independent rating agency. These latest ratings were published in September based on data as of December 31, 2021. Participation is voluntary and administration fees were paid by PGIM Real Estate for this submission.

MEASURABL
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FITWEL
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